

**TRADE POLICY REVIEW OF TUNISIA
22-23 JUNE 1994**

GATT Council's Evaluation

In concluding this first Trade Policy Review of Tunisia, I should like to highlight, on my own responsibility, the salient features that have emerged from the discussion. As usual, these remarks are not intended to substitute for the Council's collective appreciation of Tunisia's trade policies and practices; the full report of the proceedings at this meeting, including the statements made by the delegation of Tunisia and the discussants, will be contained in the minutes. I note that the Tunisian authorities have received a number of written questions to which they have responded and may also provide additional responses in writing.

(1) Tunisia's economic reform programme

Council members unanimously praised Tunisia for its economic reform programme, engaged since 1986, which had converted a highly-regulated, inward-looking economy into a significantly more open, export-oriented one. Prudent macroeconomic management, combined with ambitious structural reforms including trade liberalization, deregulation and commitment to privatization, had enabled Tunisia to achieve sustained growth with reasonable price stability and to establish current-account convertibility of the dinar in 1993.

Council members welcomed the steps taken by Tunisia to cut tariffs, rationalize import restrictions and reduce State-trading practices. They encouraged Tunisia to continue the liberalization process. Participants sought clarification about the scope of, as well as the reasons for, remaining import restrictions and asked whether there was a timetable for further liberalization. The new Single Investment Code was welcomed as a significant contribution to transparency in this area.

Some members, however, queried whether the pace of economic reforms was slackening, given that Tunisia's trade deficit had recently widened and that there was a persistent savings-investment gap. Several members raised questions about the extent of privatization achieved and planned, in view of the changing rôle of the State in the economy. Questions were also asked concerning the rôle of macro-economic and exchange rate policies in ensuring the continued competitiveness of Tunisia's industry in the period of transition to full implementation of the Uruguay Round agreements.

The representative of Tunisia said in reply:

- His Government had succeeded in the first stage of stabilization of the economy; the second stage, of structural reform, would be implemented with patience, perseverance and prudence. Under its reform programme, Tunisia had reduced and rationalized tariffs, which had come down in some cases from over 200 per cent to a current average of 30 per cent with a maximum of 43 per cent; at the same time, the incidence of non-tariff measures had been reduced. The provisional complementary duty (DCP), which did not exceed 30 per cent, would be eliminated in three years at the latest. Tariff peaks should be seen in relation to the overall tariff situation. Supplementary charges had been eliminated. From July 1994, some 92 per cent of imports would be free from import licensing. Details were provided on the operation of import certificates and import licences.
- Law 94-41 defined the régime for the import and export of goods within the general context of trade liberalization. It was due to come into force in July 1994, when the necessary decrees and the list of liberalized products would be ready. Tunisia would notify this list, and the list of products subject to import licensing as soon as possible after the list had been completed. Tunisia still faced a balance-of-payments problem and maintained some restrictive measures for this reason. The relationship between the exchange rate and the balance of payments had become more integrated as economic reforms proceeded.
- The market orientation of reforms was irreversible; however, export incentives and export promotion were necessary to generate the revenues to pay for the rapidly growing imports and promote external and internal balance. The new investment code embodied freedom of investment for Tunisians and foreigners, with special advantages in the five priority areas of economic and social development, export development, regional development, agricultural development, protection of the environment and technological development.

(2) Tunisia's participation in GATT and the Uruguay Round

Council members recognized that Tunisia had played an active rôle in the Uruguay Round. They welcomed the commitments made by Tunisia in the Round, in particular the significant increase in tariff bindings since accession to GATT in 1990, as well as concessions in services. It was noted that implementation of the Uruguay Round agreements would entail the elimination of export subsidies and textile import quotas over a period of time.

It was noted that a new GATT waiver covering the effects of provisional complementary duties (DCP) had been granted in January 1994. In this connection, members asked about the schedule envisaged for the elimination of provisional complementary duties. Members welcomed the commitment by the Tunisian authorities, in the recent consultations, to identify by tariff line measures used for balance-of-payments purposes.

Questions were raised concerning the adaptation of Tunisia's legislation to implement commitments made under the Uruguay Round agreements. In addition, some members asked how the new anti-dumping and countervailing regulations would be applied.

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In reply, the representative of Tunisia said that rationalization of the tariff had been necessary in 1994 as part of the programme of dismantling import licensing; some time for adjustment to the new conditions of trade was necessary. The three tier DCP was set to disappear in three years, in successive 10 percentage point steps. Tunisia was now in the process of ratifying the Uruguay Round accords and would become a founder member of the WTO. It was in this context that Law 94-41 incorporated new provisions on anti-dumping and countervailing measures, and that customs valuation legislation was to be revised. Tunisia had also signed the Agreement on Bovine Meat, and other plurilateral agreements were being studied.

(3) Specific trade measures

Concerns were expressed regarding the high level of Tunisia's tariffs and remaining tariff escalation in a number of sectors. It was noted that import surcharges introduced during the Gulf War had been partly incorporated into the tariff.

Several participants noted that the structure of Tunisia's export incentives combined fiscal and financial incentives with high border protection. This increased the dualistic structure of industry, particularly in textiles and clothing, where export-oriented enterprises were largely insulated from domestic industries and incorporated into European outward processing operations.

Some members expressed the view that Tunisia's agricultural policy, which aimed to achieve self-sufficiency, had a high protective cost. Information was sought on the scope of, and rationale for, remaining variable levies and the application of the municipal slaughtering charge (*taxe d'abattage*).

Clarification was sought concerning Tunisia's counter-purchase requirements for the import of automobiles.

Other issues raised included the 20 per cent preference extended to Tunisian suppliers in Government procurement, and Tunisia's non-participation in the Government Procurement Code; the continued decisive rôle of State-trading companies; the persistence of price controls; timing of introduction, and scope of planned intellectual property legislation; and the exception clause in the Competition Law.

In reply, the representative of Tunisia said:

- Tunisia was meeting its obligations on State-trading and the withdrawal of the State was being pursued, with monopolies being dismantled gradually. The *Office Nationale de l'Huile*, which now operated in competition with the private sector, had been able to maintain its position as the major supplier to the EU because of its experience; private traders were allowed to compete in this market, which was subject to restrictions on preferential access, but so far they were unable to compete. Sectoral policy was essentially neutral in Tunisia, being aimed at fair competition among local goods as well as between local goods and imports.
- Privatization was continuing; almost all sectors of the economy were covered, including industry, trade, tourism and land.
- Price controls were now only applied on basic goods of mass consumption; even these were now under re-examination.

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- On sectoral questions, in respect of textiles, Tunisia had liberalized particularly raw and semi-processed materials; its Uruguay Round tariff offer covered practically all branches of the sector. Restructuring would be necessary to ensure that the sector, which was of prime importance in production and employment, could continue to play an important economic and social rôle. Licences on automobile imports and the use of counter-purchase were applied to help promote Tunisian exports and thus help pay for imports. This question was, however, being studied by the competent authorities. Food security remained a priority in the agricultural sector, implying a level of production necessary to meet the essential needs of the population. Certain details were provided on the operation of sanitary and phytosanitary standards. The *taxe d'abattage*, whose level was minimal, applied without discrimination between domestic and imported products and was paid to the municipalities to cover their costs in operating abattoirs. Variable levies had been tariffied in the Uruguay Round offer; Tunisia had accepted comprehensive tariffication and binding in agriculture, and had also cut some existing duties. It was recalled that fishing, which was important for low income families, was not included in the agricultural sector as defined in the Uruguay Round.

(4) External relations

Some members noted Tunisia's high dependency upon trade with the European Union (EU), despite its efforts to diversify the direction of trade flows. A question was raised about the extent of EU preferences for Tunisia, and some participants asked about the effects of the erosion of existing preferences in the Uruguay Round. Council members noted that discussions were taking place regarding the establishment of a free-trade area with the European Union.

Some members called attention to Tunisia's widening links with other African countries as well as with the Arab world, in particular the Maghreb countries; one member asked how Tunisia would strike the balance between such regional connections and m.f.n. based commitments under the Uruguay Round.

Some members emphasized that an outward-looking Tunisia would be better positioned to integrate itself further into the wider multilateral world.

The representative of Tunisia stated that erosion of preferences was a major element that could not be ignored, especially given the importance of the EU as a trading partner. However, Tunisia would continue to open its market in keeping with the principle of comparative advantage, bearing in mind all global and regional considerations, in the overall framework of its commitments in GATT and the globalization of its economy.

(5) General observations

In concluding this review, my appreciation is that Tunisia should be commended for its ambitious aspirations, the significant steps it has taken, and the encouraging results it has achieved towards a more open, market-oriented economy. Tunisia is encouraged to press on with liberalizing, and increasing the transparency of its trade and investment régimes, with a view to consolidating its recent reforms. Tunisia's adherence to the GATT as well as its firm commitment to the future WTO will, I am sure, constitute a strong foundation for its further trade liberalization, which will contribute both to Tunisia's own economic development and to the reinforcement of the multilateral trading system.

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