

# INFORMATION

## COOPERATION AND DEVELOPMENT

EEC - TUNISIA

119/76

The agreement signed in Tunis on 25.4.76 marks a significant step forward in relations between Tunisia and the European Community. The numerous problems to be solved led to long and sometimes difficult negotiations. This did not however, undermine the willingness of the Tunisians and Europeans to strengthen the existing links in order to finally succeed in concluding a cooperation agreement.

As the EEC/Tunisia agreement contains financial provisions, it cannot enter into force until after ratification by the national parliaments.

In the meantime the trade provisions of the agreement will come into force on 1 July 1976 as both sides have concluded an interim agreement enabling the advanced implementation of these provisions.

So the hopes born at the time of the first EEC/Tunisia agreement in 1969 were finally realised. The latter agreement was the first to be concluded between the EEC and a Mediterranean country.

It thus opens the way for a vast cooperation policy between both sides of the Mediterranean, with the Maghreb countries as with the Machrak (Egypt, Jordan, the Lebanon and Syria). It is also the first marker in the Community's policy with respect to the Mediterranean area which was launched in November 1972.

This cooperation takes note of the interdependence which exists between the countries in the region each of whom wants to make it a zone of peace and prosperity. It comes at a time when the Euro - Arab dialogue is beginning to take shape and will thus complete the picture in an opportune manner.

It constitutes, in other respects, an essential pillar in cooperation between Europe and developing countries in the same way as the Convention of Lomé which brings together the Nine Member States of the EEC and forty six African, Caribbean and Pacific States.

It finally serves as an example for the negotiations currently going on in the framework of International Economic Cooperation between the industrialised countries of the northern hemisphere and the developing countries of the southern hemisphere (North - South Dialogue).

#### THE 1969 AGREEMENT : A POINT OF DEPARTURE

Since 1963, discussions between Tunisia and the Community have aimed at concluding a cooperation agreement. The negotiations have from the start run up against two types of problems.

It should be remembered that at this time, Europe was just finding its feet, particularly in so far as the agricultural sector was concerned. It is well known that the process of setting up the common agricultural market was both long and difficult and that problems had periodically cropped up in the management of this Community policy.

For a number of products in the agricultural sector, which on the trade level are of major interest to Tunisian exports, there is no common organisation of the market. As a result the Community authorities could not make any offer to Tunis for the products in question, as these would not be valid for all the Member States of the EEC.

This of course reduced, a priori, the scope of the envisaged agreement. Some of the Member States which have good relations with Tunisia were also hesitant about establishing a cooperation framework with this country which would have financial repercussions.

Essentially for these reasons, the negotiations between Tunis and the Six only succeeded in February 1969, the date on which the first EEC/Tunisia agreement was signed in the Tunisian capital. A complementary protocol to this agreement was signed in March 1973 in Brussels, to adapt it to the new dimensions of the Community which has since 1 January 1973, included an additional three Member States: Denmark, Ireland and the United Kingdom.

The 1969 agreement only covered the trade aspects, the aim being to establish a free trade area. So this arrangement was far from meeting the initial wishes of the Tunisian government which was demanding the conclusion of a global agreement covering three main aspects: the greatest possible preferential trade arrangements, financial cooperation, technical assistance, including provisions in favour of Tunisian workers employed in the EEC.

As this type of agreement seemed premature, in view of the level of integration in Europe, the Tunisian authorities finally accepted the idea of negotiating a partial type of trade agreement. The merit of this move was to start the cooperation process and to show confidence in the future so that the true dynamics of the first agreement would lead to subsequent developments.

The first agreement was therefore negotiated with the aim of giving concrete expression to a political commitment expressing reciprocal confidence in the future of mutual relations.

The 1969 agreement made the following provisions for imports of Moroccan goods into the Community :

- for industrial products the elimination of customs duties and quantitative restrictions with the exception of articles made out of cork and a special safeguard clause for refined petroleum products;
- for agricultural products a whole range of fruit and vegetables were excluded notably fruit juices and wines. For the rest of the products concessions of varying degrees were included (tariff reductions ranging from 50 - 80%), some being subject to special conditions (minimum import price, export tax, calendar limitations). These provisions aimed at avoiding jeopardising the functioning of the common organisation of the markets and at protecting products considered as sensitive in the EEC.

For its part Tunisia has subscribed to a commitment to guarantee a certain level of liberation of its imports from the Community.

#### THE 1976 AGREEMENT : A COMPLETELY DIFFERENT DIMENSION

The confidence which prevailed in 1969 took concrete form in March 1976 in Brussels with the conclusion of a real cooperation agreement. The negotiations which began in July 1973 ended with the conclusion of an agreement which covered all the aspects Tunisia had wanted. This is far from negligible when one considers that the EEC is the first trade partner of Tunisia.

It provides for the extension of free access to the Community market for products originating from Tunisia which are covered by the European Coal and Steel Community (ECSC).

The new agreement also provides for a more flexible regime for cork products and refined petroleum products. As of 31 December 1979, these products will be able to freely enter the EEC.

In the agricultural sector, the Nine significantly improved their concessions for products coming from Tunisia notably as far as tinned vegetables, fishery products and wine are concerned.

But this is not the main point about the new agreement between the EEC and Tunisia. It should be emphasised that, unlike the 1969 agreement which was valid for 5 years the new agreement has been signed for an unlimited period of time.

It also includes an important section on financial and technical cooperation which both sides consider will, in the future, constitute a pillar of the EEC/Tunisia agreement.

It contains moreover provisions concerning Tunisian workers employed in the EEC. This has the merit of making the social advantages of Tunisian workers applicable throughout the Community, whereas previously there were different systems in the Member States.

On the institutional level, the new agreement establishes a Council of Ministers which is responsible for managing the agreement and for facilitating cooperation and contacts between the European Parliament and the National Assembly in Tunisia.

#### Contribute to the economic and social development of Tunisia

"The Community shall participate, within the framework of financial and technical cooperation, in the financing of measures such as to contribute to the economic and social development of Tunisia".

Such is the wording of the first article of the protocol dealing with financial and technical cooperation between Tunisia and the EEC. The intention can appear ambitious when compared with the sums allocated to the State to finance development actions. The Nine are granting Tunisia a financial envelope of 95 million units of account (about 38 million dinars) over a five year period, divided up as follows:

- 41 million u.a. (16.4 million dinars) in the form of loans from the European Investment Bank (EIB) accorded from its own resources at normal conditions of the financial market;
- 39 million u.a. (15.6 million dinars) in the form of loans on special terms: for a period of 40 years with a grace period of 10 years and a rate of interest of 1%.
- 15 million u.a. (6 million dinars) in the form of grants; these subsidies could serve as interest rebates (as a general rule 2%) for loans accorded by the EIB.

These sums although modest, are of prime importance to the spirit between the two partners as they should have a spill - over effect on other external financings in favour of development projects in Tunisia. The agreement also expressly provides for the co - financing of these operations :

"Aid contributed by the Community for the execution of certain projects may, with the agreement of Tunisia take the form of co-financing in which, in particular, credit and development bodies and institutions of Tunisia, of Member States or of Third States or international finance organisations would take part".

So the cooperation section of the EEC/Tunisia agreement would obviously favour joint action between the Nine and Tunisia but also with the participation of other countries notably with the Arab oil exporting countries.

In order to achieve the cooperation referred to in the EEC/Tunisia agreement account is taken of the following:

- The objectives and priorities of Tunisia's development plans and programmes;
- The importance of schemes into which different operations are integrated and of promoting regional cooperation between Tunisia and other states (this of course concerns in the first place the other Maghreb countries).

As far as the objectives of this cooperation are concerned the actions of the EEC must be complementary to the efforts of Tunisia to diversify the structure of its economy, notably in the framework of the industrialisation and modernisation of the agricultural sector of the country. It must also promote industrial cooperation enabling Community participation in the realisation of industrial development programmes, the organisation of contacts between firms on both sides and the acquisition on favourable terms of patents by Tunisia,

It is anticipated in the oil sector that cooperation will favour the participation of Community firms in research programmes, production, processing of energy resources as well as in the execution of long term supply contracts for petroleum products. Tunisian oil production is currently situated at over 4 million tons.

The new agreement also provides for cooperation in the scientific field and the fishing sector.

Finally it contains provisions which aim at favouring the participation of Tunisian firms in the execution of work financed by Community funds. Provision is made for an accelerated procedure for issuing invitations to tender involving shorter time limits for the submission of tenders for work contracts which could be mainly of interest to these firms.

This procedure can be applied to tenders where the cost involved is less than 1 million units of account (400,000 dinars).

#### A single territory for Tunisian workers

The new agreement enables Tunisian workers employed in the EEC not to be discriminated against in so far as working conditions or remunerations are concerned, in comparison to European workers. They must also have the same social advantages in all the nine Member States of the Community. They will benefit from all periods of insurance, employment or residence completed in the Nine in so far as pensions and annuities in respect of old age, death and invalidity, and also medical care for their families resident in the territory of the EEC, are concerned. This would not have been possible if an agreement in this sector had not been made at the Community level.

This "globalisation" certainly constitutes the most positive aspect of the provisions concerning Tunisian Labour employed in Europe. It also applies to family allowances for Tunisian workers whose families are resident in the Community. They are also allowed to freely transfer to Tunisia pensions, annuities in respect of old age, death and work accidents, illness and invalidity.

Annexed to the agreement is an exchange of letters between the two parties on the subject of Tunisian workers. In these documents the Community authorities commit themselves to an exchange of views on the possibility of examining improvements to the conditions of life and work of Tunisians residing in the EEC.

These improvements could concern notably socio - cultural problems which confront Tunisian workers.

These provisions are of particular importance when one considers that about 200,000 Tunisian workers are employed in the Community; 470,000 in France, 2,000 in Belgium, 12,000 in Germany and 800 in the Netherlands.

#### Increase Tunisian exports to the EEC

For raw materials and industrial products including ECSC products the Nine accord Tunisian exports free access into the Community market meaning exemption of customs duties and also quantitative restrictions.

As far as agricultural imports from Tunisia are concerned, they benefit from a substantially improved regime. The tariff concessions offered by the Community cover between 80 and 90% of Tunisian exports of agricultural products whereas the 1969 agreement only covered 50%. Moreover Tunisia can continue to benefit from privileged access in the French market for products not covered and for some products covered by the agreement. This is a temporary measure enabling Tunisian exporters to apportion their sales better between the Member States.

These sales are at present essentially made on the French market and concern notably fruit and vegetables. The cumulated advantages thus accorded should end, in the opinion of the EEC, on 1 January 1979.

The desire of the Community authorities to increase the volume of Tunisian exports on the European market is clearly expressed in Article 8 of the agreement:

"in the field of trade, the object of the Agreement is to promote trade between the contracting parties, taking account of their respective level of development and of the necessity to ensure a better balance in their trade, with a view to increasing the rate of growth of Tunisia's trade and improving the conditions of access for its products on the Community market."

The attainment of this objective is a necessity for Tunisia which needs the receipts drawn from its foreign sales to finance its economic development.

To do this, it is obliged to buy its capital goods from abroad, a large part of which are supplied by the Member States of the Community.

The new agreement should enable first of all the stabilisation and then the increase of agricultural exports of Tunisia to the EEC. These have often been subject to significant fluctuations from one year to the next.

It should also increase the export of industrial products to the Community markets. In 1969 these accounted for 22.2% of total Tunisian sales to the EEC and this percentage increased to 25.4% in 1974.

In this way Tunisia should be able to slightly reduce its trade deficit with the Community, which is currently quite high, as the following table indicates : -

External trade of Tunisia with the EEC (1969 - 1974)

|                       | 1969       |      | 1971    |      | 1972   |      | 1973    |      | 1974    |      |
|-----------------------|------------|------|---------|------|--------|------|---------|------|---------|------|
|                       | (1) 1000ua | %    | 1000ua  |      | 1000ua | %    | 1000ua  | %    | 1000ua  | %    |
| Imports               | 161153     |      | 864841  |      | 281798 |      | 338179  |      | 523481  |      |
| Exports               | 103498     | 100  | 697678  | 100  | 215391 | 100  | 188335  | 100  | 404241  | 100  |
| Agricultural products | 39957      | 38.6 | 45221   | 6.5  | 68149  | 31.6 | 91626   | 48.7 | 127150  | 31.5 |
| Raw materials         | 39988      | 38.6 | 588424  | 84.3 | 88026  | 40.9 | 36941   | 19.6 | 174359  | 43.1 |
| Industrial products   | 23553      | 22.2 | 64033   | 9.2  | 59216  | 27.5 | 59768   | 31.7 | 102732  | 25.4 |
| Balance               | -57655     |      | -167163 |      | -66407 |      | -149844 |      | -119240 |      |

Source : Statistical office of the European Communities.

(1) 1 ua = 1.20 dollars

Community exports to Tunisia benefit from most favoured nation treatment. Provision is made for some exceptions in favour of other developing countries notably in the Maghreb. In other words Tunisia can accord advantages to developing countries without according them to the EEC.

Moreover the agreement does not include the immediate obligation of reciprocity on the part of Tunisia. This country commits itself to consolidating the existing regime, but at the same time preserves its right to reinforce its customs protection in the light of its industrialisation and economic development. But free trade is still the objective of the agreement: measures are envisaged as the gap between the levels of development is progressively reduced.

Industrial products : only two exceptions

There are two exceptions to the Community's concessions to Tunisian exports of industrial products. Until 31 December 1979, EEC imports of refined petroleum products and of cork from Tunisia will be subject to an annual ceiling system which will be increased by 5% for the former and 3% for the latter every year.

Within these ceilings these products will enter free of customs duties. Above these thresholds the EEC reserves the right to reimpose customs duties written into the Common Customs Tariff (CCT).

As of 1 January 1980, this type of restriction will be abandoned and refined petroleum products and cork products will be able to enter the Community freely, at of course zero duty.

Import arrangements in the EEC for refined petroleum products and cork from Tunisia until December 31, 1979.

|                                | Zero duty on the following volumes (in tons) | Above these volumes CCT duty                     |
|--------------------------------|--|--|
| Refined petroleum products (1) | 175,000                                      | 2 to 17.5% depending on the category of products |
| Natural cork                   | 50   | 8%   |
| Articles of natural cork       | 50   | 16%  |
| Agglomerated cork              | 800  | 16%  |

(1) Tunisian production of these products is currently of the order of 1 million tons

It should be noted that exports of non agricultural products account on average for 40% of total Tunisian sales abroad. This is essentially due to the export of raw materials, notably phosphates and crude oil.

For these products the Community absorbs a large proportion of Tunisian exports. In 1974 it bought about 138 million u.a. of crude oil and 32 million u.a. of phosphates. For this category of products there are no customs duties written into the CCT.

The interest of the agreement is also linked to the progressive industrialisation of Tunisia and in particular to efforts accomplished and the EEC will participate in these - to develop the means of processing raw materials on the spot.

Agricultural products : a privileged regime

It is for this reason that the Community's concessions for Tunisian exports of agricultural products are so important.

The advantages offered by the EEC to Tunisia constitute a complementary means of development. Representing nearly 31% of total exports, Tunisian exports of agricultural products benefit from a privileged access regime in comparison to other Third countries (with the exception of Algeria and Morocco which are on the same footing). Despite the sensitivity of some products in terms of production patterns in certain regions of the Community, the new agreement provides for tariff concessions of between 80 and 90% for Tunisian products exported to the Community market. They vary between 20 and 100% with a certain number of additional provisions (quotas - import calendars - respect of rules provided for in the common organisation of the market, safeguard clauses destined to safeguard the interests of Community producers in the case of disturbances on the market).



It is clear that it is in the interest of both sides, to improve the market in agricultural products in such a way that neither the Moroccan nor the EEC producers suffer. This cooperation should therefore manage to set up a certain complementarity between the Tunisian and Community production.

Below are the concessions granted to Tunisia for its main export products giving the value of exports to the EEC in 1974.

| Products                             | Rate of reduction | CCT duty          | duty left | Value |
|--------------------------------------|-------------------|-------------------|-----------|-------|
|                                      | %                 | %                 | %         | %     |
| Fish Crustacean Molluscs             | 100               | 5 to 23           | 0         | 3841  |
| Dates                                | 100               | 12                | 0         | 2045  |
| Oranges                              | 80                | 15                | 3         | 3472  |
| Thyme saffron bay leaves             | 100               | between 14 and 25 | 0         | 1425  |
| Peeled tomatoes                      | 30                | 18                | 12.6      | 1320  |
| Apricot halves prepared or preserved | 50                | 17                | 8.5       | 1057  |
| Olive oil                            |                   | see text below    |           | 89398 |
| Wine                                 |                   | " " "             |           | 9934  |

Source : Statistical office of the European Communities

The Community has granted substantial concessions to two important products namely wines and olive oil.

Table wines will benefit from a tariff reduction of 80% with the obligation to respect the reference price (minimum import price). This concession is far from negligible when one considers that Tunisia is in a position to export 300,000 hectolitres a year to the Community market.

For quality wines the EEC will open a tariff quota of 50,000 hectolitres at zero duty.

As far as olive oil is concerned the Community grants Tunisian exporters a commercial advantage in the form of a reduction of the levy of 0.5 u.a. per 100 kg. (1 u.a. = about 1.20 dollars) and an economic advantage consisting of an additional reduction of 20 u.a. per 100 kg on condition that the Tunisian authorities apply an export tax of the equivalent amount.

This reduction of the levy is composed of a fixed component of 10 u.a. and a variable component of 10 u.a. which is periodically revisable in relation to developments on the international market in olive oil. This is a very significant concession when one considers that exports of olive oil occupy the most important export position in the agricultural sector (over 50% of the total).

#### Joint management

In order to implement the provisions of the new Tunis agreement and in order to appraise the results, a Council of Ministers assisted by a committee at ambassadorial level and where required, specialised committees have been created.

The Council has the decision making power to realise the objectives fixed by this agreement. Both sides are committed to taking adequate measures to implement the decisions taken by this joint body.

It can moreover formulate recommendations to assure the good working of the agreement.

It is composed of representatives of the EEC Council and Commission on the one hand and representatives of the Tunisian government on the other. As a general rule it meets once a year.

The committee is also composed of representatives of both sides and can meet when necessary to ensure the smooth running of the agreement.

Provision has been made for two meetings to take place to examine the results of the agreement and improvements which could be made to it: the first will take place after 1978 and the second after 1983.

The combination of the various instruments of development within the framework of a contractual type of relationship between equal partners ensured of a sufficiently long future and relying upon a permanent dialogue are all combined in the declaration in the preamble:

"The partners resolved to establish a new model for relations between developed and developing States compatible with the aspirations of the international community towards a more just and more balanced economic order."