

Committee on Regional Trade Agreements

FACTUAL PRESENTATION

**Free Trade Agreement between
the EFTA States and Tunisia
(Goods)**

Report by the Secretariat

This report, prepared for the consideration of the Free Trade Agreement between the States of the European Free Trade Association and the Republic of Tunisia has been drawn up by the WTO Secretariat on its own responsibility and in full consultation with the Parties. The report has been drawn up in accordance with the rules and procedures contained in the Decision for a Transparency Mechanism for Regional Trade Agreements (document WT/L/671).

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EFTA STATES-TUNISIA FREE TRADE AGREEMENT

Factual Presentation by the Secretariat

I. TRADE ENVIRONMENT

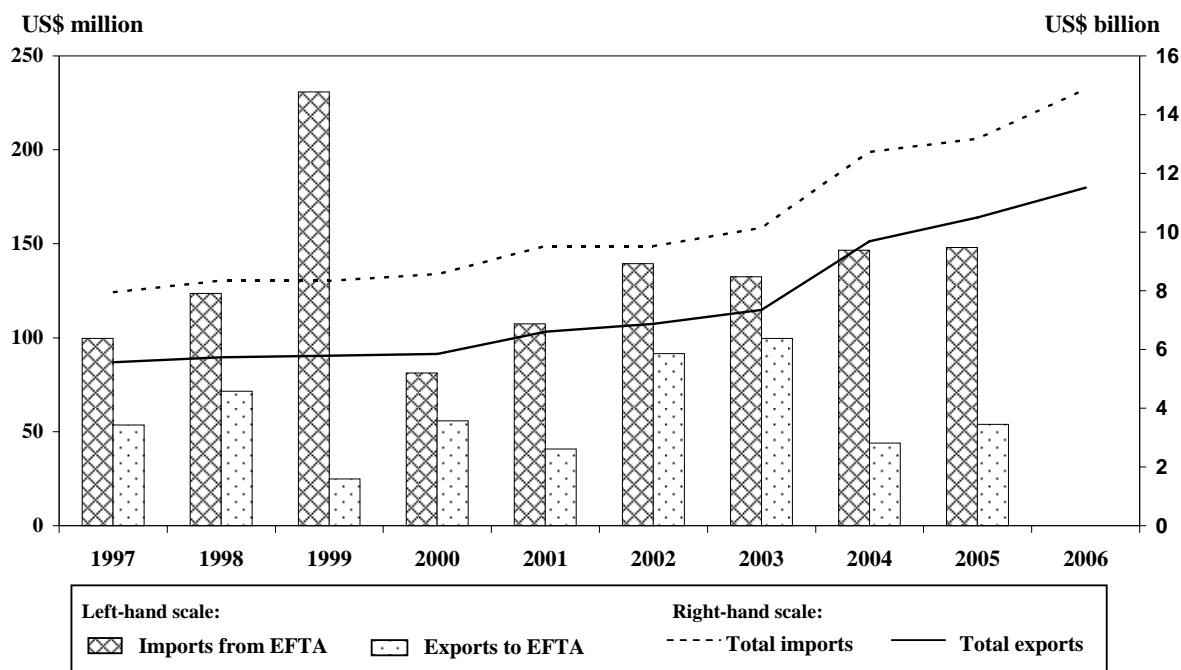
A. MERCHANDISE TRADE

1. The Parties to the EFTA-Tunisia Free Trade Agreement (hereafter the Agreement) are Iceland, Liechtenstein, Norway and Switzerland (which comprise EFTA) and Tunisia. In 2006, the EFTA countries' total merchandise imports from the world accounted for US\$211.6 billion and exports for US\$272.9 billion. In the same year, Tunisia's total imports from the world accounted for US\$14.9 billion and exports for US\$11.5 billion. In 2006, Tunisia's share in world exports and imports was 0.10% and 0.12%, respectively; the corresponding shares for the EFTA countries were 2.6% and 1.7%.

2. Recent developments in trade between the Parties are presented in Charts I.1 and I.2. With the exception of the sudden rise in exports in 1999 from EFTA to Tunisia, trade between the Parties has remained fairly stable and low in general terms; in 2005 trade with EFTA represented 0.85% of Tunisia's total trade while Tunisia represented only 0.03% of EFTA's total trade.

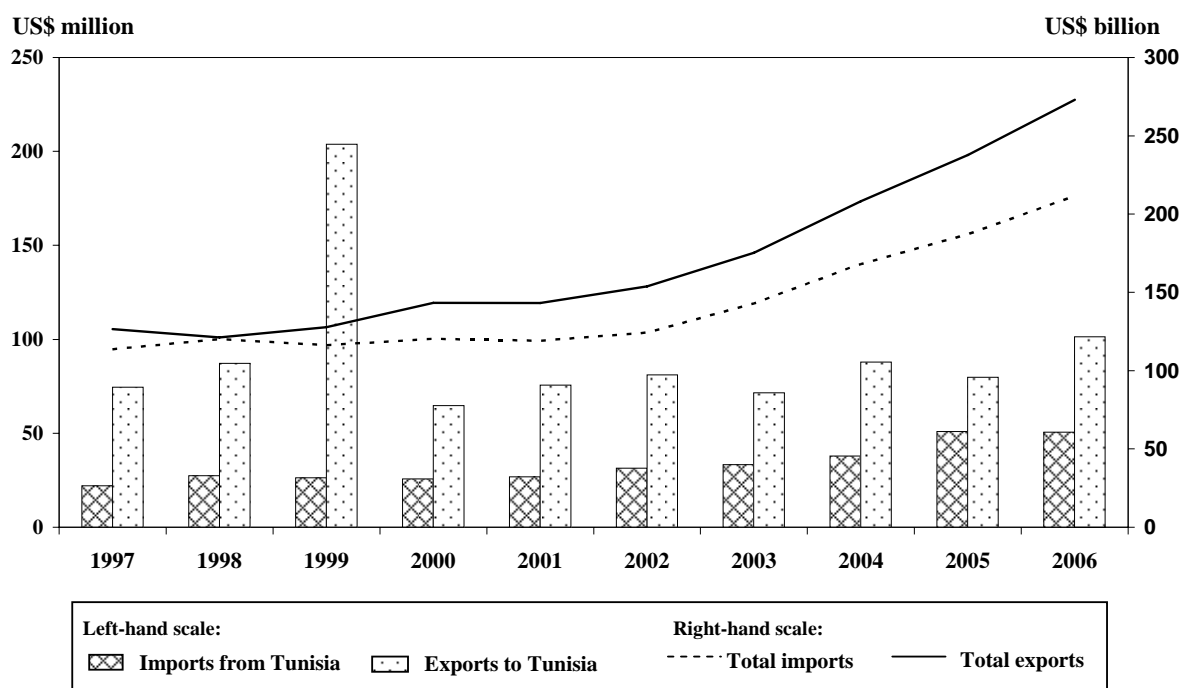
Chart I.1

Tunisia: merchandise imports from and exports to world and EFTA, 1997-2006



Source: UNSD, Comtrade database and WTO Secretariat.

Chart I.2
EFTA: merchandise imports from and exports to world and Tunisia 1997-2006



Source: UNSD, Comtrade database.

3. The commodity structure of trade among the Parties, as well as of their imports and exports to the world on average during 2002-2004, is shown in Chart I.3, based on Harmonized System (HS) sections. Three product categories (textiles, machinery and minerals) accounted for over 70% of EFTA's imports from Tunisia. Around 86% of Tunisia's imports from EFTA during this period were classified under five product categories (machinery, prepared foodstuffs, pearls and precious metals, chemicals, and textiles).

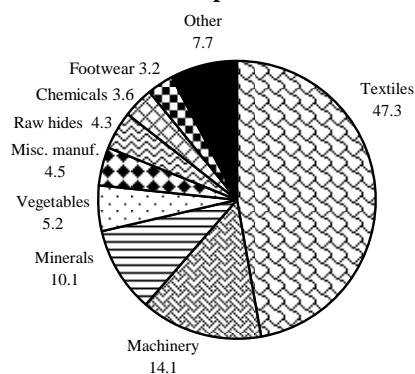
4. EFTA's largest export product categories (minerals, chemicals, machinery and optical products), which accounted for 70.6% of its total exports to the world in this period, made up 43.9% of Tunisia's imports from EFTA. Tunisia's largest export product categories (textiles, machinery, minerals and chemicals), which accounted for 74.3% of its total exports in this period, made up 75% of EFTA's imports from Tunisia, with textiles alone at 47.3%.

Chart I.3

EFTA and Tunisia: product composition of merchandise trade, average 2002-2004

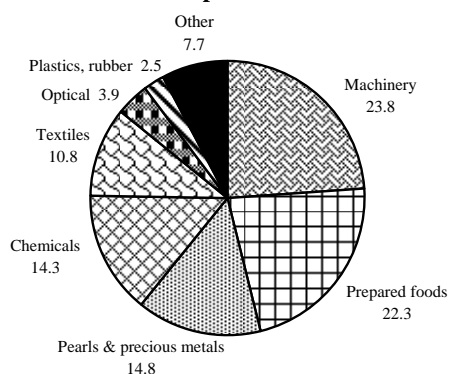
Per cent

EFTA's imports from Tunisia



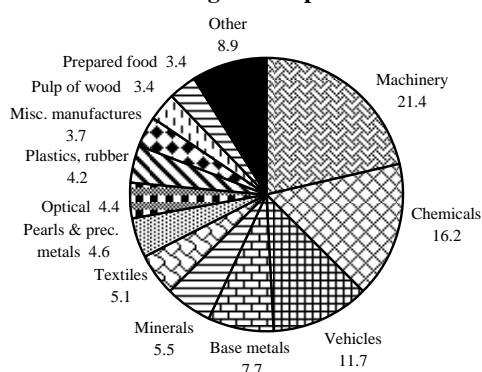
Total: US\$34.2 million

Tunisia's imports from EFTA



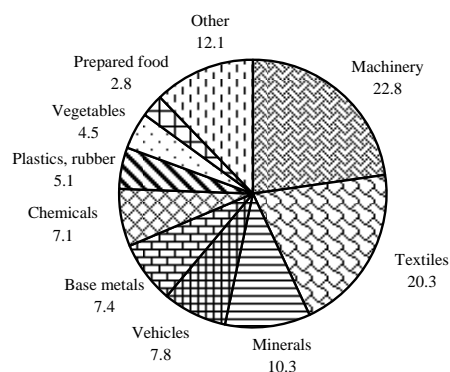
Total: US\$139.5 million

EFTA's global imports



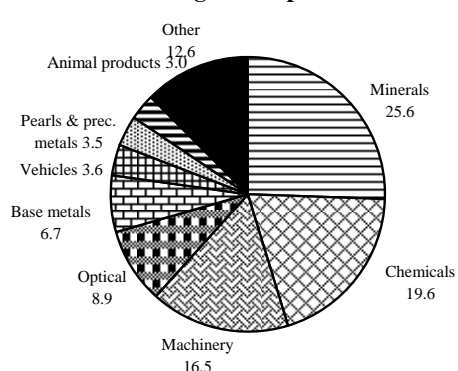
Total: US\$145.2 billion

Tunisia's global imports



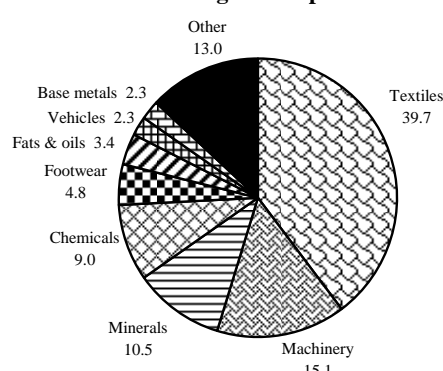
Total: US\$10.8 billion

EFTA's global exports



Total: US\$179.1 billion

Tunisia's global exports



Total: US\$8.0 billion

Source : UNSD, Comtrade database.

II. TREATY CHARACTERISTIC ELEMENTS

A. BACKGROUND INFORMATION

5. The EFTA-Tunisia Free Trade Agreement was signed by the four EFTA States – Iceland, Liechtenstein, Norway and Switzerland – and Tunisia on 17 December 2004. The Agreement entered into force on 1 June 2005 for Liechtenstein, Switzerland and Tunisia, on 1 August 2005 for Norway, and on 1 March 2006 for Iceland. Unless otherwise provided for in the Agreement, its provisions apply to trade and economic relations between the individual EFTA States on one hand (referred to hereafter as one of the two Parties), and Tunisia on the other (referred to hereafter as the other Party), but not to trade relations between the EFTA States. When ratifying the Agreement Norway exempted the territory of Svalbard from the application of the Agreement with the exception of trade in goods in accordance with Article 3 and Annex I.

6. The Agreement establishing a free-trade area was notified to the WTO by its Parties on 7 June 2005 under Article XXIV of the GATT 1994 and the Understanding on the Interpretation of Article XXIV of GATT 1994 (WT/REG201/N/1). The terms of reference for the examination of the Agreement were adopted by the Council for Trade in Goods on 15 July 2005 (WT/REG201/2). The text of the Agreement was circulated to the Members as document WT/REG201/1, and is also available, together with its Annexes, on the Parties' official Websites:

- <http://www.secretariat.efta.int/Web/ExternalRelations/PartnerCountries/Tunisia>
- <http://www.cepex.nat.tn/site/index.asp>

7. The Agreement is composed of ten Chapters, as follows:

Box II.1: The Agreement	
Chapter I	General Provisions
Chapter II	Trade in Goods
Chapter III	Protection of Intellectual Property
Chapter IV	Investment
Chapter V	Services
Chapter VI	Current Payments and Capital Movements
Chapter VII	Government Procurement
Chapter VIII	Economic Co-operation and Technical Assistance
Chapter IX	Institutional and Procedural Provisions
Chapter X	Final Provisions

8. The Agreement contains six Annexes and two Protocols. Annexes I-VI deal respectively with: Territorial Application; Products not Covered by the Agreement; Fish and other Marine Products; Elimination of Customs Duties; Protection of Intellectual Property; and the Constitution of an Arbitration Tribunal. Protocol A lays down the concessions that each Party applies to processed agricultural products while Protocol B and the seven annexes contained therein, deals with the rules of origin. Product-specific rules of origin are found in Annex II of Protocol B.

9. No overall implementation period is explicitly foreseen in the Agreement. However, EFTA countries will abolish customs duties on the covered products upon entry into force, and Tunisia will gradually eliminate them over a three-year transition period. By 1 July 2008 customs duties on most industrial products will be eliminated.

10. Three bilateral "agricultural protocols" (hereafter referred to as APs) have been concurrently concluded between Tunisia and Iceland, Norway, and Switzerland/Liechtenstein.¹ According to Article 4 of the Agreement, the APs form part of the instruments establishing a free-trade area between the EFTA States and Tunisia and they all provide for a strict parallelism with the Agreement with respect to entry into force and duration.

11. Although the APs have not been notified as such to the WTO, the information contained therein has been incorporated in this presentation so as to offer a complete picture of existing trade commitments between the EFTA States and Tunisia. Therefore, unless expressly specified, market access commitments and disciplines described in this presentation refer to products covered in both the (main) Agreement and the APs.

B. NATIONAL TREATMENT AND MARKET ACCESS PROVISIONS OF THE AGREEMENT

1. Import duties and charges, and quantitative restrictions

(a) General provisions

12. Each Party commits itself to apply internal taxes and regulations in accordance with Article III of the GATT 1994 (Article 11 of the Agreement).

13. The Agreement covers: industrial products (HS Chapters 25-97), with the exception of products listed in Annex II²; "processed agricultural products" (as defined in Protocol A of the Agreement); and "fish and other marine products" (Annex III). Protocol A and Annex III detail separate liberalization commitments that apply to each country with respect to the products included therein.

14. According to Article 6, the Parties cannot introduce new import customs duties or charges having equivalent effect on their mutual trade on products covered by the Agreement.³ EFTA countries agree to eliminate duties on all covered industrial products as of the date of the Agreement's entry into force. Tunisia will gradually eliminate them over a three-year period in accordance with Annex IV (with tariff reductions taking place on 1 July of each given year), or for a few products, upon a Decision by the Joint Committee. No such decision has been taken thus far. As agreed in Annex IV, Tunisia grants industrial goods originating in EFTA States treatment no less favourable than that afforded to those originating in the European Community. Also, should any change in the treatment of the EC occur, Tunisia would notify the EFTA States and provide them the opportunity to negotiate any improved treatment under the Agreement.

15. With regard to processed agricultural products, each country lays down its liberalization commitments in Protocol A. The Parties may levy fixed duties at a level no greater than the difference between the domestic and world market price of the agricultural raw material incorporated in the product concerned. Tunisia grants goods originating in the EFTA States no less favourable treatment than that accorded to the European Communities while the EFTA States confer upon Tunisian goods the more favourable treatment between that accorded to the European Community or to any of the EFTA States.

¹ The texts of the APs can be found in the Parties' official Websites (see paragraph II.A.6 above).

² The exception applies, depending on the importing EFTA country, to some products of headings 35.01, 35.02, 35.05, 35.06, 38.09, 38.23, 38.24, 38.25.

³ Article 8 specifies that the standstill and liberalization commitments contained in Article 6 apply also to customs duties of a fiscal nature.

16. Table 1 of Annex III covers fish and marine products of Tunisian origin for which the EFTA States grant duty free access as of entry into force of the Agreement.⁴ For its part, Tunisia must reduce duties to 10% within a certain quota limit on products covered by Table 3 of the Annex.

17. The base rates used by the Parties for implementing tariff liberalization schemes under the Agreement are, according to Article 7.1, the WTO bound rates, or if lower, the MFN rates applied as of 1 January 2004.⁵

18. The Agreement also prohibits the introduction of new quantitative restrictions on imports or of measures having equivalent effect, and provides for the abolition of such measures from the date of entry into force. This provision does not apply to a number of products when imported into Tunisia, as contained in Annex IV (category "D" products); this arrangement will be re-examined by the Joint Committee four years after the entry into force of the Agreement. The prohibition of quantitative restrictions is without prejudice to the GATT 1994.

19. The APs cover a number of products classified under HS Chapters 1-24, under a positive list approach. Only the Switzerland-Tunisia AP includes reciprocal concessions, the other two being unilateral concessions granted by EFTA States to Tunisia. All concessions under the APs take effect as of entry into force. Each AP includes a provision to hold consultations to promote trade in agricultural products. The parties confirm that they have agreed to periodically review the development of their trade in agricultural products within the framework of their respective agricultural policies and international obligations. They will periodically hold consultations to find appropriate solutions and possibly increase concessions to improve bilateral trade relations.

(b) Overall tariff liberalization⁶

20. Concessions vary from country to country, each of them presenting a different tariff liberalization schedule. Liberalization provisions also vary between the following groups of products: (i) all products falling within Chapters 25 to 97, excluding Annex II; (ii) processed agricultural products specified in Protocol A; (iii) fish and other marine products specified in Annex III; and (iv) agricultural products covered by the APs.

21. Table II.1A-D shows tariff elimination commitments by the Parties. With regard to the EFTA States, 70.2% of Iceland's tariff was already duty-free on an MFN basis, corresponding to 46.2% of its imports from Tunisia, before the Agreement entered into force; in 2006 a further 23.4% of tariff lines (53.8% of imports from Tunisia) became duty free for imports from Tunisia, amounting to 93.6% of the tariff, while 6.4% of the tariff is to remain dutiable. In the case of Norway 83.9% of the tariff was already duty free on an MFN basis, corresponding to 30.4% of imports from Tunisia; at entry into force of the Agreement in 2006, an additional 6.4% of the tariff (69.6% of Norway's imports from Tunisia) became duty free for imports from Tunisia with 9.7% of the tariff to remain dutiable. 17.5% of Switzerland's tariff lines were already duty free on an MFN basis, corresponding to 11% of its imports from Tunisia; in 2006 an additional 62.6% of the tariff (corresponding to 87.9% of imports from Tunisia) became duty free for imports from Tunisia, with 19.9% of tariff lines to remain dutiable after implementation of the Agreement.

22. In the case of Tunisia 14.6% of total tariff lines were already duty free on MFN basis. In June 2005 a further 23.2% of the tariff became duty free for imports from the EFTA States. A further 39.1% of the tariff is to become duty free for imports from the EFTA States in June 2008.

⁴ Switzerland is allowed to keep customs duties on a few products (Article 3 of Annex III).

⁵ If a tariff reduction is applied *erga omnes*, the reduced rate shall apply.

⁶ Unless otherwise specified, all statistics, tables and charts contained in this document have been prepared on the basis of data provided by the Parties.

Table II.1
Tariff elimination commitments under the Agreement and corresponding average trade
A: Iceland

Duty phase-out period	No. of lines	% of total lines in Iceland's Tariff Schedule	Value of Iceland's imports from Tunisia (US\$ million)	% of total Iceland's imports from Tunisia
MFN duty free	5,736	70.2	0.6	46.2
2006	1,914	23.4	0.7	53.8
Remain dutiable	526	6.4	0.0	0.0
Total	8,176	100.0	1.3	100.0

Source: WTO Secretariat estimates, based on data provided by the EFTA States' and the Tunisian authorities.

B. Norway

Duty phase-out period	No. of lines	% of total lines in Norway's Tariff Schedule	Value of Norway's imports from Tunisia (US\$ million)	% of total Norway's imports from Tunisia
MFN duty free	6,039	83.9	4.5	30.4
2006	461	6.4	10.3	69.6
Remain dutiable	702	9.7	0.0	0.0
Total	7,202	100.0	14.8	100.0

Source: WTO Secretariat estimates, based on data provided by the EFTA States' and the Tunisian authorities.

C. Switzerland

Duty phase-out period	No. of lines	% of total lines in Switzerland's Tariff Schedule	Value of Switzerland's imports from Tunisia (US\$ million)	% of total Switzerland's imports from Tunisia
MFN duty free	1,449	17.5	1.9	11.0
2006	5,188	62.6	15.2	87.9
Remain dutiable	1,645	19.9	0.2	1.2
Total	8,282	100.0	17.3	100.0

Source: WTO Secretariat estimates, based on data provided by the EFTA States' and the Tunisian authorities.

D. Tunisia

Duty phase-out period	No. of lines	% of total lines in Tunisia's Tariff Schedule	Value of Tunisia's imports from (US\$ million)			% of Tunisia's total imports from		
			Iceland	Norway	Switzerland	Iceland	Norway	Switzerland
MFN duty free	2,344	14.6	0.0	4.0	23.0	..	..	..
June 2005	3,716	23.2	0.0	0.5	23.4	..	..	..
June 2008	6,265	39.1	0.0	0.6	48.3	..	..	..
Remain dutiable	3,690	23.0	0.1	0.3	38.7	..	..	..
Total	16,015	100.0	0.1	5.5	133.4			

.. Not available.

Source: WTO Secretariat estimates, based on data provided by the EFTA States' and Tunisia, and UNSD Comtrade database.

(c) EFTA States' liberalization schedule

23. Table II.2 shows the liberalization schedule of each EFTA State according to HS Section. As of entry into force of the Agreement tariffs on 1,914, 461 and 5,188 lines were liberalized, respectively, by Iceland, Norway and Switzerland. Duties on all products in HS Sections VI-XXI become zero for imports from Tunisia as of entry into force. In Section VI 16 agricultural chemical products are excluded from liberalization by Switzerland, while Norway excludes 17 lines (of which rates on 5 tariff lines are reduced rather than eliminated). Liberalization for agricultural products (Sections I-IV) varies with Iceland liberalizing 273 lines, Norway 138 lines and Switzerland 90 lines. At the end of implementation 526, 702 and 1,645 tariff lines, respectively for Iceland, Norway and Switzerland remain subject to duty, the majority of which relate to live animals and animal products; vegetable products; and prepared foodstuffs and beverages.

Table II.2
EFTA States: Tariff treatment applied to Tunisia, by HS Section
(Number of HS 8-digit tariff lines)

HS Section	Description	Iceland			Norway			Switzerland		
		MFN duty free tariff lines	Duty free lines under the Agreement*	Remain dutiable	MFN duty free tariff lines	Duty free lines under the Agreement*	Remain dutiable	MFN duty free tariff lines	Duty free lines under the Agreement*	Remain dutiable
I	Live animals; animal products	385	3	166	247	1	178	113	28	192
II	Vegetable products	255	14	138	241	63	235	144	28	784
III	Animal or vegetable fat and oils	98	0	4	51	4	70	32	5	152
IV	Prepared foodstuffs, beverages	539	256	217	166	70	202	78	29	501
V	Mineral products	178	0	1	195	0	0	123	64	0
VI	Products of chemical or allied industries	840	148	0	958	0	17	421	599	16
VII	Plastics and articles thereof, rubber	240	128	0	304	0	0	30	211	0
VIII	Raw hides and skins, leather	25	103	0	95	0	0	17	60	0
IX	Wood and articles of wood	146	59	0	146	0	0	11	97	0
X	Pulp of wood	139	48	0	181	0	0	21	163	0
XI	Textiles and textile articles	792	382	0	670	323	0	41	1,084	0
XII	Footwear, headgear, umbrellas	7	75	0	72	0	0	0	66	0
XIII	Articles of stone, plaster, cement	108	81	0	177	0	0	2	155	0
XIV	Natural and cultured pearls	43	18	0	54	0	0	7	54	0
XV	Base metals & articles thereof	597	101	0	680	0	0	39	905	0
XVI	Machinery & mechanical appliances	829	280	0	1,076	0	0	246	1,056	0
XVII	Vehicles, aircraft, vessels	238	37	0	218	0	0	18	181	0
XVIII	Optical, photographic equipment	249	3	0	294	0	0	65	216	0
XIX	Arms and ammunition	6	21	0	27	0	0	0	29	0
XX	Misc. manufactured articles	16	156	0	180	0	0	33	156	0
XXI	Works of art	6	1	0	7	0	0	8	2	0
Total		5,736	1,914	526	6,039	461	702	1,449	5,188	1,645

* As of entry into force.

Source: WTO calculations based on data provided by the Parties.

24. Imports from Tunisia, as from other partners are subject to MFN tariff rate quotas for certain products. For Norway, the products include certain meat products (within HS 0208, and HS 1602) imports of which are free from Tunisia within the overall quota amounts of 250 tonnes and 35 tonnes respectively; for Switzerland imports from Tunisia up to the overall MFN tariff rate quota amount which are exempt from duty include flowers (within HS 0603), vegetables (within HS 0701, 0707, 0708 and 0709) and fruits (within HS 0809), cucumbers, peas, artichokes and apricots. For potatoes (within HS 0701) and olive oil for human consumption (within HS 1509) Switzerland accorded Tunisia preferential quotas of 1,500 and 1,000 tonnes, respectively. The in quota rates offered by Norway and Switzerland to Tunisia are lower than the applied MFN rates, thus providing Tunisia with additional preferences under the Agreement.

25. In addition to tariff rate quotas, seasonal rates of zero are applied for imports of certain products. For Norway, such products include: cut flowers, vegetables (potatoes, onions, cabbage, lettuce, carrots, cucumbers), and fruit (grapes, apples, pears, apricots, cherries, peaches, strawberries), while for Switzerland they include cut flowers and flower buds naturally dried and otherwise prepared, tomatoes, peas and other leguminous vegetables, artichokes and apricots.

(d) Tunisia's liberalization schedule

26. Table II.3 shows Tunisia's concessions to each EFTA State, organized by HS Section. Tunisia offers the same treatment to each EFTA country for industrial products. For processed agricultural products, Article 4 of Protocol A of the Free Trade Agreement states that for products listed in Table V, originating in an EFTA State, Tunisia shall accord treatment no less favourable than that accorded to the EU. According to the parties, Article 4(2) of the Free Trade Agreement provides that arrangements for trade in agricultural products concluded bilaterally between Tunisia and each EFTA State constitutes one of the instruments creating a free trade area between Tunisia and EFTA. In those bilateral agreements, Tunisia commits to granting concessions on a number of basic agricultural products to Switzerland on par with that accorded to the EU; no concessions on basic agricultural products are provided to Iceland and Norway.

27. As of entry into force tariffs on 37.18% of all industrial products became zero. Minerals is the only group of products that is entirely liberalized as of entry into force. A liberalization schedule over three years applies on a further 61.94% of the industrial tariff, becoming duty free at the beginning of the fourth year, i.e. 1 June 2008. Two different liberalization schemes apply to these products: products classified as "B" are initially subject to an 80% reduction from the MFN rate and products classified "C" start with a 67% reduction. Finally, there are 88 chemical and textile products (0.88% of industrial products) that are excluded from liberalization. At the end of the implementation period therefore, 3,690 tariff lines (24% of the tariff) will remain dutiable.

Table II.3
Tunisia: Tariff elimination applied to EFTA States, by HS Section

HS section and description	MFN average %	Total No of lines	MFN duty free 2005	No. of duty-free lines under the Agreement		Remain Dutiable
				June 2005	June 2008	
I Live animals and animal products	67.6	1,116	10	0	0	1,106
II Vegetable products	77.5	835	41	0	0	794
III Animal or vegetable fats and oils	44.9	204	0	0	0	204
IV Prepared food etc.	60.6	1,508	10	0	0	1,498
V Minerals	8.0	623	315	236	72	0
VI Chemical and products	14.7	1,903	76	1,236	573	18
VII Plastics and rubber	19.7	516	142	119	255	0
VIII Hides and skins	33.7	260	0	74	186	0
IX Wood and articles	28.4	298	6	72	220	0
X Pulp, paper etc.	32.5	355	29	42	283	1
XI Textile and articles	30.3	1,847	93	335	1,352	67
XII Footwear, headgear	40.4	146	0	6	140	0
XIII Articles of stone	31.2	572	3	171	398	0
XIV Precious stones, etc.	38.4	157	1	4	152	0
XV Base metals and products	21.4	1,465	259	481	725	0
XVI Machinery	16.3	2,438	887	601	948	2
XVII Transport equipment	17.3	699	254	69	376	0
XVIII Precision equipment	15.4	589	218	209	162	0
XIX Arms and ammunition	23.8	41	0	0	41	0
XX Miscellaneous manufactured articles	37.6	431	0	61	370	0
XXI Works of art, etc.	17.3	12	0	0	12	0
Total	31.7	16,015	2,344	3,716	6,265	3,690

Source: WTO Secretariat estimates, based on data provided by Tunisia.

28. For imports of agricultural products from Switzerland, Tunisia also offers preferential tariffs equivalent to those applied on imports from the EC within an annual quota limit. The quotas are in place for certain dairy products, sugar products and preparations for animal food.⁷

2. Rules of origin

29. Disciplines regarding rules of origin and administrative co-operation on products covered by the Agreement are set out in Protocol B.⁸ The scheme is part of the Pan-European-Mediterranean cumulation system (see paragraphs 33-37 below). Articles 2-14 of Annex I deal with the rules of origin themselves, while Articles 15-38 relate to other customs-related issues (see paragraph 51).

30. The basic requirements for a product to be considered originating (Articles 2 and 6 of Protocol B) are:

- (a) the product is wholly obtained in one of the Parties; or
- (b) the non-originating materials incorporated in a product have undergone "sufficient working or processing" in the Parties, according to specific requirements; or
- (c) the goods originate in the European Economic Area, in which case they will be considered as originating in an EFTA State, provided there is a free trade agreement in force between Tunisia and the European Community; or
- (d) when the value of all non-originating materials that do not undergo the required condition does not exceed 10% of the ex-works price of the good.⁹

31. There are no regime-wide rules of origin, but a list of common specific criteria that non-originating materials should meet so that the final (industrial) product acquires originating status, as contained in Annex II to Protocol B. In most cases, origin is granted if the working or processing carried out on non-originating materials results in a change in tariff classification (CTC) on an HS basis, at the heading level (CTH 4-digit). This rule requires a change to either "any heading except that of the product" or from specific headings, although the use of materials from the same heading as the final product may be allowed, normally within a certain limit (for some petroleum products, chemicals, plastics, machinery and miscellaneous manufactured articles).

32. An import content test (MC) can also be provided either as an alternative criteria (for chemicals, plastics, base metals, machinery and mechanical appliances, transportation equipment, measuring instruments and furniture) or to supplement the CTC (base metals);¹⁰ the limit allowed for non-originating materials is normally 40%, but different thresholds may apply (ranging from 20 to 50%). A technical test, demanding that some production processes take place in the territory of the Parties, is required for some minerals, chemicals, plastics, wood, textiles, hides and skins and glass products. Rules requiring certain materials to be already originating (wholly obtained rules) are used in many processed agricultural products.

⁷ Certain other products such as coffee, tea, fruit juices, and tobacco products are included in the bilateral accord between Switzerland and Tunisia but there is no annual quota limit applied to imports of these products (Accord bilateral CH-Tunisie sur les produits agricole: Annexe II).

⁸ The APs contain provisions on origin rules applicable to the products covered therein (see paragraphs 41-42 below).

⁹ This rule does not apply to HS Chapters 50-63.

¹⁰ Column 3 of Annex II to Protocol B describes the specific rule. When a rule appears in column 4, either rule can be applied. The MC requirement establishes the maximum value of non-originating materials allowed in the final product, expressed as a percentage of the ex-works price of the product.

33. Paragraph 4bis of Articles 3 and 4 of the Protocol allows for "full cumulation" between the Parties - i.e. cumulation in terms of materials and of production processes. Article 2.1(c) of Protocol B establishes that goods originating in the EEA are to be considered as originating in an EFTA State, which implies full cumulation with the EC.¹¹ According to paragraph 5 of Article 4 of that protocol, these provisions are only applicable as long as identical provisions exist in trade relations between Tunisia and the European Community. Paragraph 1 (c) of article 2 of Protocol B, allows "originating products" according to the EEA agreement to be considered as originating in an EFTA State (there are no "EEA" products produced in - or imported into Switzerland). The three EFTA States concerned have "full cumulation" with the EC (as the EEA is considered a single territory for achieving "EEA originating status"). Paragraph 3 of Article 2 states that this provision is only applicable as long as there is a free trade agreement in force between Tunisia and the EC. Further, paragraphs 1 and 2 of Articles 3 and 4 provide for diagonal cumulation with the participants of the Pan-Euro-Med cumulation system of origin.¹² Article 6 provides for an "absorption principle" - i.e. when a non-originating material acquires originating status by meeting the corresponding processing requirement, this material is considered to be 100% originating once incorporated into a final product.

34. The "tolerance rule" in Article 6.2 applies to all products except textiles and clothing (HS Chapters 50-63).¹³ It provides that non-originating materials which would otherwise not be accepted may nevertheless be used, provided that (i) their value does not exceed 10% of the ex-works price of the product, and (ii) any of the percentages provided for in Annex II to Protocol B are not exceeded.

35. A list of minimal, non-qualifying operations or processes carried out in the territory of the Parties do not confer origin, as provided for in Article 7 of Protocol B. Articles 8 defines the unit of qualification of the HS nomenclature for each particular product; articles 9-11 deal with how certain materials (accessories, spare parts or tools; sets; and neutral elements) are to be treated/valued when determining the origin of the goods.

36. Articles 12-13 of Protocol B establish that outward processing outside the Pan-Euro-Med area is not allowed unless certain conditions are fulfilled. Not respecting these conditions will result in the loss of originating status.

37. Article 15 provides for a no-drawback rule to be applied as of 31 December 2009; as from that date, tariffs due on non-originating materials which benefited from preferential treatment and which have been incorporated in an originating product cannot be waived or paid back. However, drawback is allowed if (i) products obtain originating status without application of diagonal cumulation and (ii) for Tunisia, subject to the payment of a fixed percentage of customs duties.

38. In each AP, rules of origin are covered by their own Annex; an Appendix to each Annex contains the working or processing requirements for acquiring originating status. The specific rules contained therein vary from AP to AP. Products not covered by the list of product specific rules of the Appendix, must fulfill the main criteria of the relevant Annex relating to definitions of origin. A number of other articles in the Annex, however, refer to Protocol B to the main Agreement, to be

¹¹ Protocol 4 of the European Economic Agreement establishes that for origin purposes, EEA countries (except Liechtenstein) are treated as a single territory. EEA members are the European Community countries, Norway, Iceland and Liechtenstein.

¹² Participants include: EFTA Member States, the European Community, Bulgaria, Romania, Turkey, Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Syria, Tunisia and the PLO (for the benefit of the Palestinian Authority).

¹³ Special "tolerance rules" apply to certain textile products made of a mixture of materials (see notes 5 and 6 of Appendix 1 to Annex I).

applied *mutatis mutandis* for the Agriculture Protocol. The basic disciplines on rules of origin applicable to products covered by the APs incorporate *mutatis mutandis*, and almost in full, those contained in the Agreement and described above, with one main difference being that the cumulation provisions of the Main Agreement are substituted by bilateral cumulation between each of the EFTA States and Tunisia. According to Article 10 of the Norway-Tunisia Agricultural Protocol, the provisions of article 13 of Protocol B to the main agreement are to be applied *mutatis mutandis*. This means that such products can be transported through the territories of the Pan-Euro-Med countries for importation into Norway.

39. Wholly obtained rules are the most commonly used in the Norway-Tunisia and Iceland-Tunisia APs. In a few cases, a CTH may be required (in the case of Iceland-Tunisia, subject to restrictions). Specific rules in the Switzerland-Tunisia AP normally require the product to fulfil a combination of two criteria, combining wholly obtained, import content, and CTH type of rules.

Box II.2: Rules of Origin: Basic Features at a Glance

- No regime-wide rules of origin.
- Specific rules common to all Parties apply to products covered in the Agreement. Bilateral rules for products covered in the APs.
- Product specific criteria:
 - Wholly obtained or entirely produced goods
 - In general, CTC at the heading levels
 - MC rules used, either alone or as supplementary rules
 - Two alternative rules for many products
 - Process rules used in certain cases.
- Cumulation:
 - Full between EEA countries, Switzerland, Liechtenstein and Tunisia
 - Diagonal under the Pan-Euro-Med cumulation system
 - Bilateral cumulation between each EFTA country and Tunisia for products covered in the APs
- Absorption principle.
- Tolerance rule at a maximum of 10%. Different rule applies to textiles and clothing.
- No duty drawback as of 31 December 2009. Tunisia allowed partial drawback
- Outward-processing not authorized.
- Similar disciplines apply to products covered by the APs.

3. Export duties and charges, and quantitative restrictions

40. Article 9 of the Agreement provides for the elimination of all customs duties and quantitative restrictions to exports between the Parties. This provision does not apply to products covered by Protocol A (Article 2 of the Protocol).

41. Following a specific procedure, as contained in Article 20, the Parties are allowed to take appropriate measures if the abolition of export duties and export restrictions leads to the circumvention of exports duties or restrictions in place towards third countries or to serious shortage of an essential product, and these circumstances give rise to major difficulties for the exporting Party.

C. REGULATORY PROVISIONS OF THE AGREEMENT

1. Standards

(a) Technical barriers to trade

42. Article 12 reaffirms the Parties' rights and obligations under the WTO Agreement on Technical Barriers to Trade in respect of technical regulations, standards and conformity assessment procedures. Additional disciplines of this Article provide for enhanced co-operation with a view to prepare the ground for mutual recognition agreements. No mutual recognition agreements have so far been entered into and for the initiation of immediate consultations in the framework of the Joint Committee in case of problems arising on a specific measure taken by a Party.

(b) Sanitary and phytosanitary measures and food standards

43. Article 13 reaffirms the Parties' rights and obligations under the WTO Agreement on Sanitary and Phytosanitary Measures.

2. Safeguard mechanisms

(a) Bilateral safeguards

44. Article 18 sets out the rules that apply to safeguard measures and reaffirms the Parties' rights and obligations under Article XIX of GATT 1994 and the WTO Agreement on Safeguards. Safeguard measures can be adopted when imports from another Party constitute a substantial cause of serious injury to the domestic industry of like products, or of serious disturbances in any sector of the economy, or difficulties which could bring about a serious deterioration in the economic situation of a region of the importing Party (Table II.4).

45. Provisions also allow for an examination by the Joint Committee prior to imposition of the measure with a view to seeking a solution acceptable to the Parties. If the Parties cannot find an alternative solution within 30 days from the initiation of consultations, the importing Party may impose safeguard measures in accordance with GATT Article XIX and the WTO Agreement on Safeguards.

46. Provisional safeguard measures may be applied in "critical circumstances" where delay would cause damage difficult to repair, on the condition that consultations take place immediately after taking such action.

(b) Structural adjustment

47. Under Article 19, Tunisia is permitted a derogation, for a limited duration, from Article 6 of the Agreement, in the form of increased duties and under particular circumstances, to protect infant industries or sectors undergoing restructuring. Tunisia will inform the Joint Committee of the measures it intends to take, and consultations may take place at the request of the EFTA States. The application of exceptional measures regarding structural adjustment shall cease to apply three years after the end of the transition period, subject to change by the Joint Committee. The EFTA States are not aware of any new information in this regard.

(c) Safeguard for fish and other marine products

48. Tunisia can, after consultation with the other Parties, adopt appropriate measures in case of "serious economic, societal or environmental difficulties in the fisheries sector of a nature liable to

persist" (Annex III, Articles 5-6). The adoption of measures without first consulting the other Parties is allowed only in exceptional circumstances. (Table II.4).

Table II.4
Synopsis of Safeguard Measures

Requirements	Bilateral safeguard	Structural adjustment (Tunisia only)	Safeguard for fish products (Tunisia only)
Trigger	Rise in imports resulting from trade liberalization under the agreement	(independent from rise in imports)	(independent from rise in imports)
Criteria	(i) substantial cause of serious injury or threat thereof; or (ii) substantial cause of economic disturbances in any sector of the economy; or (iii) difficulties which could bring serious deterioration in the economic situation of a region of the importing Party	Products from: (i) infant industries; or (ii) sectors undergoing restructuring or facing serious difficulties	Serious economic, societal or environmental difficulties in the fisheries sector
Measures allowed	Reference to GATT Article XIX	Increased customs duties	Appropriate measures
Maximum duration	Reference to GATT Article XIX	5 years (unless the Joint Committee decides otherwise) - All measures should cease to apply three years after the end of the transitional period	Not specified
Notification prior to adoption of the measures	Notification to the Joint Committee	Notification to the Joint Committee	Notification to the Joint Committee
Consultations prior to adoption of the measures	Consultations in the Joint Committee (minimum 30 days from the initiation of consultations)	Consultations in the Joint Committee at the request of a Party	Consultations in the Joint Committee (minimum 1 month from date of notification)
Provisional measures	Provisional measures can be adopted without prior consultations in critical circumstances	-	Tunisia may adopt protective measures prior examination by the Joint Committee in exceptional circumstances
Limitations to the type/amount of measures	The measures adopted should "cause least disturbance to the achievement of the objectives" of the Agreement	Total customs duty can not exceed 25%, total value of imports affected by the measures can not exceed 15%	Measures should be "restricted with regard to their scope and duration to what is strictly necessary in order to remedy the situation"
Notification after the adoption of the measures	Notification of adopted measures to the Joint Committee	Notification of adopted measures to the Joint Committee, together with a schedule providing for a phasing out at equal annual rates, starting at the latest 2 years after the introduction of the measures	Notification of adopted measures to the Joint Committee
Review of the measures	Periodic consultations with a view to the abolition of the safeguard measures	-	Consultations in the Joint Committee at least once a year with a view to the abolition of the measures before the date of expiry envisaged, or to the limitation of their scope
Other requirements	Measures should comply with GATT Article XIX and with the Agreement on Safeguards	-	Measures will apply with regard to all Parties

3. Anti-dumping and countervailing measures

49. The Parties declare that their rights and obligations in this respect are to be governed by Article VI of the GATT and the Agreement on Implementation of Article VI of the GATT (Article 16). The Parties agree to notify the Party whose goods will be investigated and allow for consultations with a view to find a mutually acceptable solution before the investigation starts. There is a provision to meet in the Joint Committee with a view to review Article 16, upon request of any Party.

4. Subsidies and state-aid

50. Disciplines on subsidies and state-aid are contained in Article 15, which states that the Parties' rights and obligations are governed by the GATT Articles VI and XVI, the WTO Agreement on Subsidies and Countervailing Measures, and the WTO Agreement on Agriculture. The Party considering initiating an investigation should notify the Party whose goods are subject to investigation and allow a 30-day period for consultations to find a mutually acceptable solution to the issue. Under Article 15.3. within 10 days of notification the parties shall meet in the Joint Committee if one of the parties so requests.

5. Other regulations

(a) Customs-related procedures

51. Customs procedures related to rules of origin are detailed in Protocol B. They detail administrative questions and disciplines regarding proof of origin (Articles 16-31 of the Annex). An EURO-MED certificate shall apply to products obtaining origin through Pan-Euro-Med cumulation and a EURO.1 certificate to products originating in EFTA countries or Tunisia. Articles 32-36 lay down the arrangements for administrative co-operation to be followed by the Parties' customs authorities, in particular with respect to mutual assistance, verification of proof of origin, resolution of disputes, and confidentiality. Article 37 of Protocol B establishes a Sub-Committee on Customs and Origin Matters, which is to report to the Joint Committee. The Sub-Committee shall, *inter alia*, exchange information, co-ordinate positions, prepare technical amendments to the rules of origin and assist the Joint Committee on any issue regarding rules of origin and customs cooperation.

(b) Current payments and capital movements

52. Articles 27 and 28 establish that all current payments for current transactions are to be made in a freely convertible currency and all capital related to direct investment in Tunisia is allowed to move and to be repatriated freely.

(c) Competition policy

53. The Parties, in Article 17, recognize that anti-competitive agreements, decisions or concerted practices between undertakings, as well as abuse of dominant position by one or more undertakings, in so far as they may affect trade between an EFTA State and Tunisia, are incompatible with the proper functioning of the Agreement, as long as they do not create any direct obligation for undertakings. This provision applies also to the activities of public undertakings, in so far as it does not obstruct the performance of their particular public task.

54. Matters arising from anti-competitive behaviour will be referred to the Joint Committee. In the absence of a satisfactory conclusion, or 30 days after referral to the Joint Committee, the Party facing difficulties arising from anti-competitive behaviour can adopt appropriate measures in accordance with the provisions of Article 37 (Provisional measures).

55. A Record of Understanding attached to the Agreement states that no measures can be taken against practices, in conformity with the standards of EEA and EC law.

56. In Article 14, the Parties also undertake to reform any state monopoly with a commercial character so as to ensure that no discrimination in the procurement and marketing of goods exists between nationals of the Parties

(d) Intellectual property

57. In Article 23 and its related Annex V, the Parties agree to ensure the non-discriminatory protection of intellectual property rights and reaffirm their conformity with the provisions of the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights and other related multilateral agreements to which they are signatories. The Parties undertake to join various international agreements by specific deadlines as contained in Article 2.2 of Annex V while Tunisia will do its utmost to accede to those agreements to which EFTA States are party. According to the Parties, Tunisia is a member of the Hague Agreement concerning the International Registration of Industrial Designs (20 October 1930), the International Union for the Protection of New Varieties of Plants (UPOV) (31 July 2003) and the Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedures (23 May 2004).

58. Annex V contains specific provisions on patents, undisclosed information, and designs, while reference is made to the corresponding TRIPS provisions for geographical indications, acquisition and maintenance, and enforcement of intellectual property rights. With regard to patents, the Parties ensure to effectively protect inventions in all fields of technology under their national laws.¹⁴ However, Tunisia may exempt methods for treatment or diagnosis of the human and animal body; plant and animal varieties other than micro-organisms; and what is provided in Article 27.2 of TRIPS (Annex V Article 3) from this requirement.

59. Upon request by any Party and subject to consensus by the Joint Committee, the Parties will review the Agreement's provisions on the protection of intellectual property rights, with a view to avoiding or remedying trade distortions caused by actual levels of intellectual property protection or to further improving those levels.

(e) Government procurement

60. The Parties restate their objective to reciprocally and gradually liberalize their public procurement markets and provide for the possibility of entering into consultations in the Joint Committee in the case that a Party grants access to its public procurement markets to a non-Party.¹⁵

(f) Economic co-operation and technical assistance

61. In Chapter VIII, the EFTA States declare their readiness to engage in economic co-operation and provide technical assistance to Tunisia, in accordance with their national policy objectives, bilaterally or through EFTA programmes in particular to improve bilateral trade and investment opportunities resulting from the Agreement and to support Tunisia's own efforts in achieving sustainable economic development. The co-operation and assistance will be focused on sectors suffering from internal difficulties or affected by liberalization of the Tunisian economy, as well as sectors likely to bring the economies of the EFTA States and Tunisia closer, in particular those generating growth and employment.

¹⁴ For Switzerland and Liechtenstein, effective and adequate protection means protection on a level corresponding to the one in the European Patent Convention of 5 October 1973; for Iceland and Norway, to the Agreement on the European Economic Area of 2 May 1992; and for Tunisia, to Article 27.1 of the TRIPS Agreement.

¹⁵ All the EFTA States are Parties to the WTO plurilateral Government Procurement Agreement, Tunisia is not member or observer.

D. SECTOR-SPECIFIC PROVISIONS OF THE AGREEMENT

62. Agricultural products, whether raw or processed, and fisheries, are subject to different provisions, as described in Section B above.

E. GENERAL PROVISIONS OF THE AGREEMENT

1. Exceptions and reservations

63. Article 21 sets out the general exceptions for trade in goods; it basically incorporates the provisions of Article XX of the GATT 1994. Security exceptions similar to those under Article XXI of the GATT 1994 are included in Article 22, and apply to all Chapters of the Agreement. Rules on the application of restrictive measures to safeguard a Party's balance of payments are provided for in Article 29, which, in particular, provides for consultations with the Joint Committee and clarifies that any such measure shall be taken in accordance with the conditions established by the relevant WTO Agreement and consistent with the Articles of the IMF Agreement.

2. Accession and withdrawal

64. The Agreement is open to accession only for any new EFTA member, following the prescribed timetable and under the terms and conditions negotiated with the Parties (Article 43). Each Party may withdraw from the Agreement six months after written notification to the Depository. If an EFTA State withdraws from the EFTA Convention, it will also cease to be a Party to the Agreement.

3. Institutional framework

65. The institutional arrangements for the implementation of the Agreement are laid down in Chapter IX (Articles 34-38). The body responsible for the supervision and administration of the Agreement is the Joint Committee, where each Party is represented. The Joint Committee serves, *inter alia*, as a forum to hold consultations at the request of any Party; it also keeps under review the possibility of further removing obstacles to trade between the Parties and can make recommendations on matters not provided for in the agreement. The Joint Committee may also set up subordinate bodies, such as the Sub-Committee on Customs and Origin Matters, which is established in Article 37 of Protocol B. Meetings of the Joint Committee take place every two years or at the request of any Party.

66. The Agreement contains an evolutionary clause for further co-operation or to extend the Agreement to other areas (Article 39). Article 41 provides for the possibility of amendments.

4. Dispute settlement

67. Article 36 calls on the Parties to resolve disputes through consultation and co-operation, which may take place in the Joint Committee at the request of any Party. If no commonly acceptable solution is agreed within three months, the complaining Party can take "provisional balancing measures". These should be the subject of consultations in the Joint Committee and will be abolished when conditions no longer justify their maintenance.

68. If any dispute has not been resolved within the Joint Committee within 90 days from the request for consultations, it may be referred to arbitration (Article 38). The rules governing the constitution and the functioning of the arbitral tribunal, as laid down in Annex VI, state that in case of failure to agree on the composition of the tribunal, the President of the International Court of Justice can be asked to appoint its members; the award should be made within six months after the designation of the president of the tribunal and it is binding upon the Parties to the dispute.

5. Relationship with other agreements concluded by the Parties

69. The Parties, in Article 42, reaffirm their rights and obligations under the WTO and under any other agreement to which they are Party. Although the Agreement cannot preclude the Parties entry into any other customs union, FTA or arrangements for frontier trade, consultations can be requested of the Party that enters such agreements by another Party. No such requests for consultations appear to have been made.

70. Table II.5 lists the regional trade agreements (RTAs), notified to the GATT/WTO and in force, to which Tunisia and the EFTA States (collectively or individually) are parties.

Table II.5
Tunisia and EFTA States: Participation in other RTAs (notified and non-notified in force)

Partner/ Agreement	Date of entry into force	Type of agreement	GATT/WTO Notification	
			Year	WTO Provision
EFTA STATES - COLLECTIVELY				
Egypt	01.08.07	Goods	2007	GATT Art. XXIV
Lebanon	01.01.07	Goods	2006	GATT Art. XXIV
Republic of Korea	01.09.06	Goods & Services	2006	GATT Art. XXIV & GATS Art. V
Chile	01.12.04	Goods & Services	2004	GATT Art. XXIV & GATS Art. V
Singapore	01.01.03	Goods & Services	2003	GATT Art. XXIV & GATS Art. V
EFTA	01.06.02	Services	2002	GATS Art. V
Croatia	01.01.02	Goods	2002	GATT Art. XXIV
Jordan	01.01.02	Goods	2002	GATT Art. XXIV
FYROM	01.01.01	Goods	2000	GATT Art. XXIV
Mexico	01.07.00	Goods & Services	2001	GATT Art. XXIV & GATS Art. V
Morocco	01.12.99	Goods	2000	GATT Art. XXIV
Palestinian Authority	01.07.99	Goods	1999	GATT Art. XXIV
Israel	01.01.93	Goods	1992	GATT Art. XXIV
Turkey	01.04.92	Goods	1992	GATT Art. XXIV
EFTA	03.05.60	Goods	1959	GATT Art. XXIV
INDIVIDUAL EFTA STATES				
Faroe Islands — Switzerland	01.03.95	Goods	1996	GATT Art. XXIV
EEA	01.01.94	Services	1996	GATS Art. V
Faroe Islands — Iceland	01.07.93	Goods	1996	GATT Art. XXIV
Faroe Islands — Norway	01.07.93	Goods	1996	GATT Art. XXIV
EC-Norway	01.07.73	Goods	1973	GATT Art. XXIV
EC-Iceland	01.04.73	Goods	1972	GATT Art. XXIV
EC-Switzerland and Liechtenstein	01.01.73	Goods	1972	GATT Art. XXIV
TUNISIA				
EC	01.03.1998	Goods	1999	GATT Art. XXIV
GSTP	19.04.1989	Goods	1989	Enabling Clause
Pan Arab FTA	01.01.1998	Goods	2006	GATT Art. XXIV

Table II.5 (Cont'd)

Partner/ Agreement	Date of entry into force	Type of agreement	GATT/WTO Notification	
			Year	WTO Provision
PTN	11.02.1973	Goods	1971	Enabling Clause
Egypt	01.03.1999	Goods		Not notified
Iraq	31.12.1999	Goods		Not notified
Jordan	01.01.1999	Goods		Not notified
Libya	19.02.2002	Goods		Not notified
Morocco	16.03.1999	Goods		Not notified

EEA: European Economic Area. Members are the European Communities, Iceland, Liechtenstein and Norway.

EFTA: European Free Trade Association.

FYROM: Former Yugoslavian Republic Of Macedonia.

GSTP: General System of Trade Preferences among developing countries.

PTN: Protocol Relating to Trade Negotiations among developing countries.

Source: WTO Secretariat.

ANNEX

Indicators of trade liberalization under the Agreement and the APs

1. A comparison between the scheduled elimination of tariffs applied to the Parties' mutual imports and the MFN duty rates applied by the EFTA States and Tunisia in 2005 is shown in Tables A.1 (EFTA States) and A.2 (Tunisia) below, by agricultural, industrial and total products.¹⁶

2. The EFTA States have variable applied MFN tariffs, with tariffs on agricultural products in general higher than those on industrial products. In 2006, the overall average MFN (unweighted) tariff was 4.3% for Iceland, and 1.6% for Norway. A relatively high share of the tariff was already duty free on an MFN basis for Iceland and Norway, 70.2% and 83.9%, respectively of all tariff lines; in comparison only 17.5% of the Swiss tariff was duty free on an MFN basis. Upon entry into force of the Agreement the share of duty free lines applicable to exports from Tunisia increased, respectively, to 93.6%, 90.3% and 80.1% to Iceland, Norway and Switzerland. On entry into force of the Agreement, Tunisia's exporters enjoyed a relative margin of preference of 24.5% for agricultural products and 100% for industrial products over the average MFN tariff applied by Iceland in 2006; and a relative margin of preference of 20% for agricultural products and 100% for industrial products *vis-à-vis* the average MFN tariff applied by Norway in 2006. As Switzerland applies only specific duties it is not possible to include it in the tariff analysis.

Table A.1
EFTA States: Indicators of tariff rates applied to MFN and Tunisian imports in 2006

Origin of goods	Year	ALL PRODUCTS			Agricultural products ^a			Industrial products ^a		
		Average applied tariff		Share of duty-free tariff lines (%)	Average applied tariff		Share of duty-free tariff lines (%)	Average applied tariff		Share of duty-free tariff lines (%)
		Overall (%)	On dutiable ^b (%)		Overall (%)	On dutiable ^b (%)		Overall (%)	On dutiable ^b (%)	
Iceland	MFN	4.3	14.5	70.2	11.0	26.1	56.3	2.5	9.6	73.9
	Tunisia	1.7	31.8	93.6	8.3	31.9	70.2	0.0	0.0	100.0
Norway	MFN	1.6	24.1	83.9	8.0	69.0	46.1	0.7	11.5	94.0
	Tunisia	0.9	74.4	90.3	6.4	75.2	55.2	0.0	15.0	99.7
Switzerland	MFN	..	..	17.5	..	..	17.6	..	..	17.5
	Tunisia	..	..	80.1	..	..	21.9	..	..	99.7

.. Not available.

a WTO definition.

b "On dutiable" excludes duty-free tariff lines.

Note: Calculations exclude specific and in-quota rates and include the *ad valorem* part of alternate and compound rates.

Source: WTO calculations based on data provided by the Parties.

3. Tunisia has a variable duty structure with relatively higher MFN rates for agricultural products than for industrial products. Its (unweighted) average MFN tariff in 2005 was 31.7% (65.7% for agricultural and 21.6% for industrial products). It provides duty free access on an MFN basis for 14.6% of all tariff lines and only for 1.7% of agricultural tariff lines.

¹⁶ Applied MFN duty rates taken from the latest year available in the Integrated Data Base (IDB) served as a basis for the comparison.

4. On entry into force of the Agreement (June 2005), exporters from the EFTA States enjoyed a relative margin of preference of 77.3% for industrial products but zero for agricultural products *vis-à-vis* the applied MFN rate in 2005; the margin of preference is expected to rise to 98.6% for industrial products but remain zero for agricultural products by June 2008 (*vis-à-vis* the applied MFN rate in 2005) when the Agreement is implemented fully.

Table A.2
Tunisia: Indicators of tariff rates applied to MFN and EFTA States' imports in 2005

Origin of goods	Year	ALL PRODUCTS			Agricultural products			Industrial products		
		Average applied tariff		Share of duty-free tariff lines (%)	Average applied tariff		Share of duty-free tariff lines (%)	Average applied tariff		Share of duty-free tariff lines (%)
		Overall (%)	On dutiable ^b (%)		Overall (%)	On dutiable (%)		Overall (%)	On dutiable (%)	
MFN	2005	31.7	37.2	14.6	65.7	66.9	1.7	21.6	26.6	18.5
EFTA States	June 2005	18.8	30.2	37.8	65.7	66.9	1.7	4.9	9.5	48.6
	June 2008	15.2	66.1	77.0	65.7	66.9	1.7	0.3	36.7	99.3

.. Not available

Source: Data for industrial products on MFN and preferential rates provided by the authorities of Tunisia; MFN rates on agricultural products taken from the last TPRD report as provided by Tunisia. No preferential rates are applicable for WTO agricultural products.

5. Table A.3 shows the market access conditions in the EFTA States' import markets for Tunisia's top 25 exports, which in 2002-2004 accounted on average for 52% of Tunisia's global exports.¹⁷ For each individual EFTA State, the table specifies the number of HS 8-digit lines involved, the average MFN applied rate and the preferential rate for Tunisia under the Agreement or the corresponding APs.¹⁸

Table A.3
EFTA States: Market access opportunities for Tunisia's top 25 exports in 2002-04

HS 6-digit and description of the product	Global export share (%)	ICELAND			NORWAY			SWITZERLAND		
		MFN average rate (%)	No. of duty free lines ^a	Remain dutiable	MFN average rate (%)	No. of duty free lines ^a	Remain dutiable	MFN average rate (%)	No. of duty free lines ^a	Remain dutiable
270900 Petroleum oils, oils from bituminous minerals, crude	6.9	0.0	1, 0	0	0.0	2, 0	0	0.0	2, 0	0
620342 Men's, boys' trousers & shorts, of cotton, not knitted	6.5	15.0	0, 1	0	10.7	0, 2	0	..	0, 1	0
621139 Men's, boys' garments nes, of material nes, not knitted	3.8	15.0	0, 1	0	10.7	0, 1	0	..	0, 1	0
310530 Diammonium phosphate, in packs >10 kg	2.9	0.0	1, 0	0	0.0	1, 0	0	..	0, 1	0
620462 Women's, girls' trousers & shorts, of cotton, not knitted	2.9	15.0	0, 1	0	10.7	0, 2	0	..	0, 2	0
150910 Olive oil, virgin	2.9	0.0	2, 0	0	..	1, 0	1	..	1, 0	2

¹⁷ Trade data (2002-2004) were derived from the *UNSD COMTRADE* database. Preferential and MFN rates are those available in EFTA States' schedules.

¹⁸ Notes have been added to describe those cases where several specific rates are applied to a single HS-6 digit export (thus making aggregation difficult).

HS 6-digit and description of the product	Global export share (%)	ICELAND			NORWAY			SWITZERLAND		
		MFN average rate (%)	No. of duty free lines ^a	Remain dutiable	MFN average rate (%)	No. of duty free lines ^a	Remain dutiable	MFN average rate (%)	No. of duty free lines ^a	Remain dutiable
854441 Electric conductors, nes < 80 volts, with connectors	2.4	0.0	2, 0	0	0.0	1, 0	0	..	1, 1	0
640610 Footwear uppers and parts thereof, except stiffeners	2.0	0.0	1, 0	0	0.0	2, 0	0	..	0, 1	0
271019 Petroleum oils, except light oils	2.0	0.6	8, 0	1	0.0	20, 0	0	0.0	9, 0	0
280920 Phosphoric acid and polyphosphoric acids	1.9	0.0	1, 0	0	0.0	1, 0	0	..	0, 1	0
621210 Brassieres and parts thereof	1.8	15.0	0, 1	0	6.9	0, 1	0	..	0, 1	0
621132 Men's, boys garments nes, of cotton, not knitted	1.6	15.1	0, 1	0	10.7	0, 1	0	..	0, 1	0
610910 T-shirts, singlets and other vests, of cotton, knitted	1.6	15.1	0, 1	0	10.7	0, 1	0	..	0, 1	0
310310 Superphosphates, in packs >10 kg	1.5	0.0	1, 0	0	0.0	1, 0	0	..	0, 1	0
853690 Electrical switch, protector, connector for < 1kV nes	1.4	0.0	1, 0	0	0.0	3, 0	0	..	1, 4	0
640391 Boots, sole rubber or plastic upper leather, nes	1.1	15.0	0, 3	0	0.0	1, 0	0	..	0, 1	0
853650 Electrical switches for < 1,000 volts, nes	1.1	0.0	1, 0	0	0.0	4, 0	0	..	1, 3	0
854470 Optical fibres and cables	1.1	0.0	1, 0	0	0.0	1, 0	0	0.0	1, 0	0
620349 Men's, boys' trousers & shorts, material nes, not knitted	1.0	15.0	0, 1	0	10.7	0, 2	0	..	0, 2	0
620520 Men's, boys' shirts, of cotton, not knitted	1.0	15.0	0, 1	0	10.7	0, 1	0	..	0, 1	0
640399 Footwear, sole rubber, plastics uppers of leather, nes	1.0	15.0	0, 1	0	0.0	1, 0	0	..	0, 4	0
853890 Parts, electric switches, protectors & connectors nes	1.0	0.0	1, 0	0	0.0	4, 0	0	..	0, 4	0
080410 Dates, fresh or dried	0.9	0.0	2, 0	0	0.0	1, 0	0	..	0, 1	0
610990 T-shirts, singlets etc, of material nes, knitted	0.8	15.0	0, 2	0	10.7	0, 2	0	..	0, 1	0
611020 Pullovers, cardigans etc of cotton, knitted	0.7	15.0	0, 1	0	10.7	0, 1	0	..	0, 1	0
Total of above	51.8		23.15	1		44.14	1		16.34	2

.. Not available due to use of specific rates.

a First figure refers to number of lines that are duty free on a MFN basis; the second figure refers to number of lines that become duty free as of entry into force of the preferential agreement.

Note: Tariff information is based on 2006 tariff schedules for all three EFTA States.

Source: WTO calculations based on data provided by the Parties, and UNSD, Comtrade database.

6. Iceland's top 25 exports in 2002-04 to Tunisia accounted for almost 87% of its global exports. Of these products, 183 tariff lines were subject to MFN duty in 2005. As a result of implementation of the Agreement, 12 lines are to become duty free on a preferential basis in June 2005. At the end of implementation 171 of the 183 tariff lines corresponding to Iceland's top 25 exports to Tunisia are to remain subject to MFN rates of duty.

Table A4a
Tunisia: Market access opportunities for Iceland's top 25 exports

Iceland's top export products in 2002-2004		Access conditions to Tunisia's import markets					
		Average MFN applied rate (%)	MFN 2005		Duty-free in June 2005	Duty-free in June 2008	Remain dutiable
HS number and description of the product	Share in global exports (%)		Number of tariff lines				
		Duty-free	Dutiable				
760110 Aluminium, not alloyed	18.5	0.0	1	0	0	0	0
030420 Frozen fillets	16.8	42.5	0	33	0	0	33
230120 Flours, meals and pellets, of fish or of crustaceans, molluscs or other aquatic invertebrates	7.1	17.0	0	6	0	0	6
030562 Cod, salted	6.8	43.0	0	1	0	0	1
160520 Shrimps and prawns	5.7	43.0	0	3	0	0	3
030410 Fish fillets, fresh or chilled	5.1	41.2	0	18	0	0	18
030379 Other fish, frozen	3.0	43.0	0	31	0	0	31
720221 Ferro-silico-manganese, containing by weight more than 55% of silicon	2.9	10.0	0	1	1	0	0
030530 Fish fillets, dried, salted or in brine, but not smoked	2.8	43.0	0	8	0	0	8
300490 Medicaments, other	2.1	13.7	0	9	9	0	0
150420 Fats and oils and their fractions, of fish, other than liver oils	2	20.0	0	2	0	0	2
030331 Halibut, frozen	1.8	43.0	0	3	0	0	3
030490 Fish fillets, other	1.6	42.2	0	21	0	0	21
030551 Cod, dried but not smoked	1.4	43.0	0	2	0	0	2
300390 Medicaments, other	1.3	8.8	3	2	2	0	0
030269 Other fish, fresh or chilled	1.2	43.0	0	32	0	0	32
902139 Artificial parts of the body, excluding joints	1.1	0.0	2	0	0	0	0
030380 Livers and roes	0.9	35.0	0	4	0	0	4
842320 Scales for continuous weighing of goods on conveyors	0.8	0.0	1	0	0	0	0
030250 Cod, fresh or chilled, excluding livers and roes	0.8	43.0	0	2	0	0	2
890200 Fishing vessels; factory ships and other vessels for processing or preserving fishery products.	0.8	0.0	8	0	0	0	0
030262 Haddock, fresh or chilled	0.6	43.0	0	1	0	0	1
030520 Livers and roes of fish, dried, smoked, salted or in brine	0.6	43.0	0	1	0	0	1
030612 Lobsters	0.5	43.0	0	3	0	0	3
843850 Machinery for the preparation of meat or poultry	0.5	0.0	1	0	0	0	0
Total of above	86.7		16	183	12	0	171

Source: WTO estimates based on data provided by the Tunisian authorities, and UNSD Comtrade database.

7. In 2002-04 Norway's top 25 exports to Tunisia accounted for 74% of its global exports. For these products 276 tariff lines were already duty free on an MFN basis in 2005, while 102 lines were dutiable. As a result of implementation of the Agreement an additional 12 lines became duty free in June 2005 on a preferential basis; a further 51 lines are to become duty free in June 2008 under the Agreement as a result of which 39 out of the 102 tariff lines are to remain dutiable.

Table A4b
Tunisia: Market access opportunities for Norway's top 25 exports

Norway's top export products in 2002-2004		Access conditions to Tunisia's import markets					
		MFN 2005		Duty-free in June 2005	Duty-free in June 2008	Remain dutiable	
HS number and description of the product	Share in global exports (%)	Average MFN applied rate (%)	Number of tariff lines				
			Duty-free	Dutiable			
270900 Petroleum oils and oils obtained from bituminous minerals, crude.	43.7	6.0	14	4	4	0	0
271121 Natural gas	13.0	0.0	2	0	0	0	0
760120 Aluminium alloys	3.0	0.0	3	0	0	0	0
271011 Light oils and preparations, other than crude	1.7	2.5	70	10	0	10	0
271019 Petroleum oils, other than crude excluding items under heading 271011 and waste oils	1.5	3.8	133	20	0	20	0
030212 Pacific salmon, fresh or chilled	1.4	43.0	0	1	0	0	1
750210 Nickel, not alloyed	1.1	10.0	0	1	1	0	0
271112 Propane	0.9	0.0	12	0	0	0	0
030420 Frozen fillets	0.6	42.5	0	33	0	0	33
271113 Butanes	0.6	0.0	10	0	0	0	0
890190 Other vessels for the transport of goods and other vessels for the transport of both persons and goods	0.6	0.0	8	0	0	0	0
890120 Tankers	0.6	0.0	2	0	0	0	0
292429 Other cyclic amides	0.5	10.	0	3	3	0	0
480261 Other paper and paperboard, in rolls	0.5	43.0	0	4	0	4	0
880240 Airplanes and other aircraft, of an unladen weight exceeding 15,000 kg	0.5	12.8	0	6	0	6	0
030374 Mackerel, frozen	0.4	43.0	0	2	0	0	2
030551 Cod, dried but not smoked	0.4	43.0	0	2	0	0	2
760110 Aluminium, not alloyed	0.4	0.0	1	0	0	0	0
283650 Calcium carbonate	0.3	27.0	0	1	1	0	0
271600 Electrical energy.	0.3	0.0	1	0	0	0	0
030350 Herrings, frozen, excluding livers and roes	0.3	43.0	0	1	0	0	1
760612 Aluminium sheets > 0.2mm of aluminium alloys	0.3	0.0	8	0	0	0	0
280469 Silicon, containing by weight < 99.99% of silicon	0.3	15.0	0	1	1	0	0
851750 Other apparatus, for carrier-current line systems or for digital line systems	0.3	7.5	2	2	2	0	0
841370 Other centrifugal pumps	0.3	22.5	10	11	0	11	0
Total of above	73.6		276	102	12	51	39

Source: WTO estimates based on data provided by the Tunisian authorities, and UNSD Comtrade database.

8. In 2002-04 Switzerland's top 25 exports to Tunisia accounted for 37% of its global exports. For these products, 29 tariff lines were already duty free on an MFN basis while 78 were dutiable. As a result of the Agreement 39 lines became duty free in June 2005 while a further 39 are to become duty free in June 2008. Thus all top 25 exports to Tunisia from Switzerland are to be given duty free access as a result of the Agreement.

Table A4c
Tunisia: Market access opportunities for Switzerland's top 25 exports

Switzerland's top export products in 2002-2004		Access conditions to Tunisia's import markets					
HS number and description of the product		MFN 2005		Duty-free in June 2005	Duty free in June 2008	Remain dutiable	
		Average MFN applied rate (%)	Number of tariff lines				
			Duty-free				Dutiable
Share in global exports (%)							
300490 Medicaments, other	8.2	1.7	0	9	9	0	0
300210 Antisera and other blood fractions and modified immunological products	3.4	0.0	4	0	0	0	0
910221 Wrist watches with automatic winding	2.3	43.0	0	1	0	1	0
711319 Jewellery, of precious metal other than silver, whether or not plated or clad with precious metal	2.1	43.0	0	9	0	9	0
910211 Wrist watches with mechanical display only	2.1	43.0	0	1	0	1	0
271600 Electrical energy.	1.7	0.0	1	0	0	0	0
300420 Medicaments, containing other antibiotics	1.3	14.5	0	4	4	0	0
293399 Heterocyclic compounds with nitrogen hetero-atom(s) only, other	1.2	15.0	0	6	6	0	0
711011 Platinum, unwrought or in powder form	1.2	43.0	0	1	0	1	0
294190 Antibiotics, other	1.1	15.0	0	6	0	6	0
910121 Wrist watches with automatic winding	1.0	43.0	0	3	0	3	0
300439 Medicaments, other	1.0	15.4	0	4	4	0	0
841199 Parts of gas turbines other than turbo-jets and turbo-propellers	1.0	10.0	0	1	1	0	0
293719 Hormones, other	1.0	15.0	0	1	0	1	0
710239 Non-industrial diamonds, other	1.0	43.0	0	1	0	1	0
902150 Pacemakers for stimulating heart muscles, excluding parts and accessories	0.9	0.0	1	0	0	0	0
847989 Machines and mechanical appliances, not elsewhere specified., other	0.9	0.0	19	0	0	0	0
293499 Nucleic acids and their salts, other	0.9	10.0	0	8	8	0	0
880240 Airplanes and other aircraft, of an unladen weight exceeding 15,000 kg	0.8	12.8	0	6	0	6	0
880230 Airplanes and other aircraft, of an unladen weight exceeding 2,000 kg but not exceeding 15,000 kg	0.8	12.8	0	6	0	6	0
910111 Wrist watches, with mechanical display only	0.7	43.0	0	3	0	3	0
970110 Paintings, drawings and pastels	0.7	15.0	0	1	0	1	0
330290 Mixtures of odoriferous substances and mixtures, other than those used in the food and drinking industry	0.7	15.0	0	4	4	0	0
292429 Carboxamide-function compounds; amide-function compounds of carbonic acid, other	0.6	10.0	0	3	3	0	0
902110 Orthopaedic or fracture appliances	0.5	0.0	4	0	0	0	0
Total of above	37.0		29	78	39	39	0

Source: WTO estimates based on data provided by the Tunisian authorities, and UNSD Comtrade database.