



Tunisia-EU Trade Relations and Impact Assessment of the DCFTA

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Introduction

The European Union (EU) has recently concluded or is currently in the negotiation phase for various bilateral free trade agreements, encompassing both industrialized economies such as Japan as well as developing and emerging economies. At the heart of these negotiations is the case of Tunisia, where formal talks for the establishment of the Deep and Comprehensive Free Trade Area (DCFTA) began in October 2015.

Aligned with the EU's trade strategy entitled "Trade for All. Towards a more responsible trade and investment policy," published in October 2015, these new generation bilateral agreements aim to be "deep and comprehensive". Beyond the resolution of traditional barriers such as tariffs and quotas, these agreements focus on a wide range of trade-related issues. These include investment liberalization and protection, intellectual property rights, public procurement, competition regulation, state aid, as well as non-tariff measures. Furthermore, the EU emphasizes the importance of integrating elements related to sustainable development, such as human rights, labor standards and environmental considerations, into its contemporary trade policy.

In this context, opposition to this agreement has emerged in Tunisia, expressing concerns about the impacts for the country. It is therefore crucial to assess the agreement considering the Tunisian socio-economic situation and the provisions proposed under the agreement. Moreover, it is important to examine the historical trade relations between the EU and Tunisia, given that the EU is Tunisia's main trading partner. This evaluation aims to understand the impact of existing relations and to anticipate how the next agreement, currently being negotiated, could positively reinforce the achievements or potentially worsen the impacts already in force.

Research question

Research question

"How can the EU-Tunisia trade relations be evaluated, spanning from existing agreements to the ongoing DCFTA negotiations"

1. What are the socio-economic characteristics and trade panorama of Tunisia?
2. How have trade relations between the EU and Tunisia developed over time?
3. What assessment can be made of the Free Trade Area between Tunisia and the EU? What could be the implications of the DCFTA on the Tunisian economy?

This research is articulated in three stages: it first presents the Tunisian socio-economic context as well as the current commercial landscape. Then, it finds the evolution of trade relations between Tunisia and the EU, as a leading trade partner, to assess their existing impact. Finally, it addresses the agreement DCFTA that is under negotiation in the last

chapter, from the perspective of analysing and evaluating its anticipated impact, mainly from the Tunisian point of view, given the recent socio-economic changes observed in the country.

This study will culminate in a conclusion that will synthesize the crucial points of the analysis and shed light on the reasons underlying this contribution. In conclusion, a part will be reserved for the examination of potential avenues of future research as well as the limits inherent in this thesis.

Chapter 1. TUNISIA: Economic Overview and Trade Relations

1.1 Recent shifts within the socio-economic sphere in Tunisia

Before the Arab Spring 2011, Tunisia experienced a long period of strong and stable economic growth, with GDP growth rates averaging around 5% in the 1990s and 4.3% between 2000 and 2011. This economic recovery was mainly supported by the manufacturing and service sectors, as well as a significant influx of foreign investment. Even in the face of global and European economic crises from 2008/09, the Tunisian economy has shown remarkable resilience. Tunisian exports have also evolved reflecting a structural change, as evidenced by the Economic Complexity Index (ICE). Between 1995 and 2011, Tunisia's national ranking rose from 71st to 48th (The Atlas of Economic Complexity 2015). Thus, Tunisia ranked higher than some North African countries such as Morocco and Egypt in terms of ECI but remains below middle-income countries such as Malaysia (IMF 2016).

After 2011, Tunisia experienced a sharp worsening of the current account deficit, reaching around 9% of GDP in 2014/15, the highest level since the 1980s. This deterioration was mainly concentrated in the tourism sector, which represents the main source of export of services for the country, due to the terrorist attacks that occurred in 2015. In addition to the current account deficit, Tunisia has also had to deal with high levels of unemployment, amounting to around 15% in 2016/17. In addition, risks related to public budgeting are considered major challenges for the anticipated economic recovery (IMF 2016).

In terms of key economic sectors, the Tunisian economy heavily relies on the tertiary sector, with services contributing approximately 60 percent of the GDP. Within this sector, the tourism industry shines as a notably profitable segment. At the same time, agriculture plays a crucial role in driving economic growth, accounting for around 10 percent of the country's GDP and providing employment for approximately 14 percent of the workforce. In terms of domestic agricultural production, cereals lead the way, while olive oil, dates, and fish take center stage as primary exports (Galal, 2023). Looking back at the years 2011 to 2019, the agriculture sector's contribution to the gross domestic product (GDP) was about 10.2%, with manufacturing at 16.3%, mining and utilities at 5.9%, and construction at 4.6% (Raga, 2022).

In 2020, Tunisia faced significant challenges as the Covid-19 pandemic had a profound impact on its already fragile economic and socio-political situation. The pandemic resulted in a notable 8.6% decline in GDP, affecting crucial sectors such as tourism, transport, and export-oriented industries like automobiles, cables, and textiles. (Raga, 2022).

Throughout 2021, the Tunisian economy remained significantly affected by the COVID-19 pandemic. Despite the easing of containment measures implemented in 2020, Tunisia's GDP rebounded with a growth rate of 3.1% in 2021, following a record contraction of 8.8% in 2020, as reported by the National Institute of Statistics (INS). However, economic challenges persisted in 2022, with real GDP in the first quarter (Q1) showing a modest increase of 2.1% compared to Q1 2021. The European Bank for Reconstruction and Development (EBRD) projected a mere 2% growth for Tunisia's economy in 2022 in May of the same year.

Unemployment, which had already reached 14.9% before the pandemic, further rose to 16.1% in Q1 2022, with even higher rates among young individuals, women, and recent college graduates. (International Trade Administration, 2021)

Additionally, there was a significant decline in productivity growth attributed to factors such as inadequate investment, excessive regulation of economic activities, reduced focus on trade, and limited innovation (WorldBank, 2023).

Moreover, Tunisian markets are increasingly concentrated, which makes it difficult for new operators to enter due to significant barriers. Also, the high costs associated with economic activities in all sectors and many factors, such as the strict investment rules, trade and licenses, the low access to finance are hampering the country's economic growth. Furthermore, increased state intervention has led to a significant increase in public debt, reaching 79.9% of GDP in 2021, from 40.7% in 2010. (WorldBank, 2023)

In the upcoming years, Tunisia may face challenges due to shortages of staple food products (Black Sea grains) and reduced tourism revenues (stemming from a decline in Russian visitors) caused by Russia's invasion of Ukraine in 2022 and 2023. Rising commodity prices and the war in Ukraine have intensified vulnerabilities in Tunisia's economy, leading to increased inflation and widening trade and budget deficits. (WorldBank, 2022)

1.2 Trade landscape and Business Environment

1.2.1 Trade Landscape

According to recent data from the World Bank, Tunisia's foreign trade represents 94% of its GDP. In Tunisia, the manufacture of wires and cables remains at the top of the export industries with a share of 13.3% in all exports, followed by textiles, petroleum by-products, olive oil, vehicle parts and plastics. On the other hand, hydrocarbon products are the country's main imports, followed by vehicles, electrical appliances, wheat, transport and travel, according to Comtrade data. (BNP PARIBAS, 2023)

Moreover, Tunisia's economic development in the area of trade is closely linked to the economic prospects of its main trading partners, in particular the European Union (EU). Between 2000 and 2015, the EU has continuously represented the main destination for Tunisian merchandise exports, with an average share of 77%. (OEFSE, 2018)

The European Union (EU) holds the position of being Tunisia's largest trade partner, constituting 56% of its trade in 2022, with 70% of Tunisia's exports destined for the EU and 46% of its imports originating from the EU. For the EU, Tunisia ranks as the 38th biggest trade partner, accounting for 0.5% of the EU's total trade with the world in 2022. (EC, 2023)

In terms of goods trade, the total trade between the EU and Tunisia amounted to €26.1 billion in 2022. The EU's imports from Tunisia accounted for €12.5 billion and were predominantly composed of machinery and appliances (€4.3 billion, 34.4%), along with textiles (€2.6 billion, 20.8%). On the other hand, the EU's exports to Tunisia totalled €13.6

billion and were dominated by machinery and appliances (€3.2 billion, 23.5%), followed by mineral products (€1.9 billion, 14%), and textiles (€1.6 billion, 11.8%). (EU, 2023)

Regarding services, two-way trade amounted to €3.3 billion in 2021, with EU imports of services accounting for €2.1 billion and exports amounting to €1.2 billion. (EC, 2023)

From 2013 to 2017, four EU countries – France, Italy, Germany, and Spain – accounted for 60% of Tunisia's exports. The primary exports included textiles, machinery, transport equipment, and extractive products. However, if we exclude Tunisia's neighbouring strategic partners, Libya and Algeria, only 5% of Tunisia's exports were directed to African countries during that timeframe. This percentage is remarkably low, especially when considering Tunisia's untapped potential. (Baghdadi & Medini, 2020)

Moreover, it turned out that Tunisia's trade deficit is structural since a larger volume is imported than exported. With the continuous depreciation of the dinar against the euro and the dollar, the cost of imports has tripled compared to that recorded ten years earlier. The trade deficit increased between the UE and Tunisia increased during the recent years. (Baghdadi & Medini, 2020)

1.2.2 Foreign Direct investment

Foreign direct investment (FDI) in Tunisia has experienced notable fluctuations over time. In 2006, FDI inflows quadrupled following the privatization of the telecommunications industry. However, since then they have suffered several declines. In 2019, FDI flows fell by 18.5% to \$845 million, mainly due to the contraction of investments in the services sector. During the pandemic, FDI inflows further declined by 22.8% to \$652 million. In 2020, the stock of FDI reached \$35 billion, with much of this investment targeting the energy and manufacturing sectors, showing a gradual trend towards these areas over the past few years. (Raga, 2022)

Available data on FDI stock indicates that as of 2018, a significant share of FDI stock, excluding the energy and financial sectors, was directed towards the manufacturing and manufacturing sectors. Services. (Raga, 2022)

In 2020, the top five sources of non-energy related FDI inflows accounted for 76% of the total, coming mainly from France, Italy, Luxembourg, Germany and the UK. The top five sources of non-energy related FDI stock accounted for 64% of the total, with investments coming from the United Arab Emirates, France, Qatar, Italy and Germany. Between 2016 and 2017, the average rate of return on inward FDI in Tunisia was 2.6%, which was lower than the average for Middle East and North Africa (MENA) countries at 7.4%, as well as the average for OECD and G20 countries at 6.5% (OECD, 2020)

Consequently, the European Union plays a leading role in the field of international trade and business in Tunisia. It occupies a preeminent position in terms of exports and foreign direct investment. Countries such as France, Italy and Germany rank among the top five partners in terms of FDI inflows and stock. Despite these facts, it is observed that trade relations have

evolved in recent years, marked by a significant trade deficit in the trade balance between the EU and Tunisia. The impact of EU-Tunisia trade relations on the Tunisian economy has not been clearly perceptible, which can be explained by an important trade deficit as well as the return on inward foreign direct investment. Therefore, the next chapter will trace the evolution of EU-Tunisia trade relations, particularly since the latter's independence, highlighting the agreements and initiatives that have fostered Tunisia's economic integration in Europe, including the free trade area.

Chapter 2. EU-Tunisia Trade relations

2.1 EU-Tunisia Trade Relations

The countries of the European Union and Tunisia maintain close and essential commercial and economic relations, mainly due to their geographical proximity and their strategic positioning. What was originally a "natural" trading area was gradually formalized through various trade agreements established since 1969. These agreements have strengthened the economic ties between the two parties, thus promoting economic cooperation. (Mazigh, 2020)

In this part of the research, the different stages, agreements and events that have marked the commercial cooperation between the European Union and Tunisia will be explored, emphasizing the evolution of their trade relations. The last section of this chapter will present the main impact of the free trade area, implemented under the Association agreement of 1995.

2.1.1 Europe-Tunisia: Relations dating back to Antiquity

Relations between Europe and Tunisia date back to Antiquity. Carthage, an ancient city in Tunisia, played a crucial role in European Mediterranean culture. Following the conflicts with Rome, Carthage was able to recover and became prosperous. For almost 6 centuries, under various dominations, Tunisia had been a center of brilliant civilization and particularly renowned for its agriculture and mosaic art. During the 19th century, Tunisia underwent a period of profound reform, marked by events such as the abolition of slavery and the adoption of a Constitution in 1861. However, the financial difficulties faced by the country, combined with rivalries with European powers, prompted Jules Ferry to invade the country. This resulted in the transformation of Tunisia into a French protectorate until 1956, the year of Tunisian independence. (Toute l'Europe, 2011).

2.1.2 From Antiquity to Contemporary Cooperation: EEC-Tunisia Relations

After gaining its independence, Tunisia established relations with Europe based on an association according to the provisions of the Treaty of Rome of 1957. Nevertheless, until

1963, these relations remained closely linked to France, without there being any real agreements concluded with the founding countries of the European Economic Community (EEC). (Zouari, 2018)

Following the Declaration of the common market and Euratom, in the 1960s, cooperation with the EEC was renewed with the independent states of North Africa, including Tunisia. This cooperation took the form of the conclusion of a set of bilateral agreements, mainly promoting the development of commercial relations between the contracting parties, while preserving the principles of equality and the Most Favored Nation (MFN). It should be noted that these agreements did not call into question the advantages and exemptions granted to partners on the southern shore of the Mediterranean. (Zouari, 2018)

In 1976, a more concrete cooperation agreement was concluded, marking the beginning of privileged relations between Tunisia and the member states of the EEC, going beyond mere commercial cooperation. For an unlimited period, this agreement aims to achieve broad cooperation to contribute to the economic and social development of Tunisia, as well as to strengthen relations between the two parties. (Conseil de coopération CEE/Tunisie, 1987).

To this end, this agreement represents a comprehensive cooperation agreement for development, covering various areas such as trade, economic and financial cooperation, as well as a social component related to the issue of immigration. Its objective was to enable governments to implement their development policy by supporting actions such as investment, vocational training, and trade promotion. In 1986, an additional protocol to the global cooperation agreement was put in place to strengthen Tunisian exports to Europe by gradually eliminating customs duties. (Toute l'Europe, 2011)

Since 1990, Europe has demonstrated its commitment to enhancing relations with its partners in the Mediterranean region through the adoption of the "Global Mediterranean Policy" (GMP). This new approach aims to establish broader and more comprehensive links with the countries in the area. It emphasizes the regional political dimension, with a heightened focus on security, social, and political development. Within the framework of this policy, the European Economic Community (EEC) maintained the agreements it had previously concluded with the Maghreb countries while providing them with relatively modest financial assistance. Simultaneously, the EEC expanded its partnerships to include new countries in the Middle East. Moreover, it granted the customs union regime to Malta, Cyprus, and Turkey, thus further strengthening its commercial ties with these states. (Zouari, 2018)

2.1.3 Euro-Mediterranean Partnership

In 1990, Tunisia affirmed its adherence to the multilateral framework by signing the GATT agreements and participating in the 5+5 Dialogue. In 1995, it became associated with the Barcelona Process, also known as the "Euro-Mediterranean Partnership" (Euro-Med Partnership). (Zouari, 2018)

The Euro-Mediterranean partnership forms the basis of agreements between the European Union and the southern Mediterranean countries. This political, economic and social collaboration is based on the principles of reciprocity, solidarity and co-development. (EUR-Lex, 2020)

Additionally, Euro-Mediterranean Partnership (EMP) was a manifestation of the liberal globalization movement, aligning itself with the ideas of Shimon Peres' "New Middle East" concept, which advocated an economic integration of the Near and Middle East, putting aside political problems. The European Union has taken this approach by supporting this vision. However, the assassination of Yitzhak Rabin on November 4, 1995 put an end to the peace process and stifled this dynamic. The vision of the EMP failed to overcome the crises, in particular the Israeli-Palestinian affair, to establish a comprehensive framework for cooperation. Additionally, the ownership of the partnership by the countries of the South had failed. The only positive aspect was that the MEDA financial program and the bilateral agreements had brought significant support to certain States, and the cooperation programs had established solid links, with hundreds of underlying micro-cooperations. (Daguzan, 2016)

In 2008, this partnership was replaced by the Union for the Mediterranean (UfM) to strengthen regional cooperation, dialogue and the implementation of projects with a concrete impact on citizens, with a focus on young people and women. Three strategic objectives guide the actions of the UfM: stability, human development and integration. In the area of trade, the UfM encourages stronger relations between its members, the reduction of barriers to trade, the initiation of actions for regional integration and greater trade cooperation. (EUR-Lex, 2020)

Following the December 2008 war against Hamas in Gaza, the UfM turned into a forum for political recriminations in the region, making it difficult to carry out its mobilizing projects. The financial issue also proved problematic, as the European Commission refused to use funds from the Neighborhood Policy. Moreover, the call for Gulf sovereign wealth funds came up against the realities of the global economic and financial crisis, thus limiting the UfM's budgetary resources. As a result, the UfM, which wanted to be a great mobilizing organization for the Euro-Mediterranean project, has become a manager of limited and honorable projects, leaving the initiative with results below the initial ambitions. (Daguzan, 2016)

2.1.4 The Association Agreement (AA)

2.1.4.1 Tunisian context

Following its independence in 1956, Tunisia, a country with a semi-arid climate, faced limited natural resources, and its economy was based mainly on subsistence agriculture and mining. However, the government has embarked on a proactive development policy, with the main ambition of raising the country and its citizens to a level comparable to that of certain European countries north of the Mediterranean. (OECD, 2011)

From 1961 to 1969, an economic development policy was implemented, based on a cooperative system in agriculture and trade, the creation of industrial poles in different regions of the country (steel, chemical, textile, paper, mechanical industries), the nationalization of settler lands in 1964 and the start of tourist development. The state played a central role as promoter, owner and manager in all these sectors. (OECD, 2011)

At the beginning of the 1970s, Tunisia embarked on a policy of economic openness centred on the export of manufactured products. This strategy was accompanied by the protection of the domestic market and benefited from a favourable oil situation, since the country was then a net exporter of oil. However, the end of this favourable situation and the inefficiencies of the state-controlled economic system led to a serious financial, economic and social crisis that lasted from the end of the 1970s to the mid-1980s. To respond to this crisis, the country made a political and economic shift, marked by the implementation of a Structural Adjustment Program (SAP) developed in collaboration with the World Bank and the IMF. During the decade 1986-1995, important changes were made in terms of macroeconomic stabilization and social pacification. However, the country's economy remained essentially closed and characterized by a dualistic system: a competitive offshore sector on the one hand, and a protected and state-controlled domestic sector on the other. Faced with this situation, the need for further liberalization of the internal market and competitive integration into the international economy has become increasingly urgent. (OECD, 2011)

However, despite these significant economic changes compared to the previous period, the Tunisian economy was not yet fully integrated into the world economy and the gains in stability and competitiveness were not sustainable. (OECD, 2011)

2.1.4.2 The Association Agreement

Political and economic relations between the EU and Tunisia truly took shape with the signing of the Association Agreement (AA) in 1995. From then on, Tunisia became the only Maghreb country in the southern Mediterranean to sign an Association Agreement with Europe. This agreement, which entered into force on March 1, 1998, constitutes the legal basis and the legal framework for bilateral cooperation and is fully aligned with the Barcelona Euro-Mediterranean regional partnership process, in which Tunisia has participated since 1995, as well as within the framework of the Union for the Mediterranean (UfM) created in 2008 (Toute l'Europe, 2011). Thanks to this agreement, the country was able to undertake a competitive integration, benefiting from a solid international partnership. This has taken the form of political agreements, financial support and access to appropriate technologies and standards. (OECD, 2011)

The Tunisia-EU Association Agreement appeared both necessary, given Tunisia's commitment to the WTO, and beneficial due to the complementarity of tradable goods, the difference in productive equipment and the implementation of the upgrading program. (Zouari, 2018)

The Association Agreement concretely established a free trade area (FTA) between the two parties, allowing the free movement of goods. In addition to this, it included provisions covering payments, capital, competition, and other economic aspects, while promoting cooperation in the political, economic, social, scientific, and cultural fields. The agreement also established a financial cooperation framework to support the country's arrangements and reforms. It has facilitated political dialogue covering issues such as international affairs, human rights, democracy, migration and other topics of common interest. This political dialogue, integrated into the Euro-Mediterranean framework, also encompassed an economic partnership and promoted the development of social and cultural exchanges throughout the Euro-Mediterranean region. (Toute l'Europe, 2011)

2.1.4.2.1 Provisions of the Association Agreement

This agreement proposes a progressive implementation of free trade in the industrial goods sector, covering a period of more than 12 years. In the light of previous cooperation and trade agreements, in force since 1976, almost all of Tunisia's industrial exports have enjoyed smooth access to EU markets, with certain exceptions such as certain textiles, subject to limited export restrictions. With this new agreement, this preferential access privilege will be maintained and even extended to textile products. At the same time, Tunisia is committed to the gradual elimination, over a period of 12 years, of all tariff and non-tariff barriers hindering the import of industrial goods from the EU, while putting in place safeguards to protect its interests. Quantitative restrictions and tariffs, applied mainly to capital goods, will be abolished immediately upon entry into force of the agreement. For other product categories, the phasing out of tariffs will extend over the 12-year period. It should be noted that tariffs may be maintained proportionally for non-liberalized elements, in particular agricultural inputs present in certain products. (IMF, 1996)

2.1.5 The European Neighbourhood Policy (ENP) in Tunisia

2.1.5.1 The European Neighbourhood Policy (ENP)

The European Neighbourhood Policy (ENP) was set up in 2005 and its objective is to strengthen political, security, economic and cultural cooperation between the European Union and its immediate or close neighbours. Initially centred on the countries of the East, it was extended, at the request of France, to the countries of the south of the Mediterranean. (Toute l'Europe, 2011).

The ENP approach adopted was intended to standardize the way the European Union cooperated with its partners. It was based on Europe's political and economic values, as well as on security criteria such as the fight against terrorism and proliferation. The ENP applied initially a similar approach and instruments to both the post-Soviet republics in the East and the Arab countries, including Israel, in the South. However, while among the Eastern partners, the EU was widely perceived as a role model, the appeal of the "European way of life" - apart from economic prosperity - was rather limited in most of the Arab countries in

the South. The economies, political systems, and societies in both regions differed significantly. Nevertheless, when it came to administrative cooperation, the EU found it easier to collaborate with its Southern neighbours due to their historical ties as former colonies, which led to administrative systems resembling those of their former colonial rulers. A shared administrative language greatly facilitated communication between European politicians and officials and their Arab counterparts. While both the East and South regions still heavily relied on regulated and non-competitive industries, the existing Southern model of state paternalism bore some resemblance to systems and structures from the last century, which made it relatively familiar to Europeans. (Koeth, 2015)

Furthermore, the ENP approach was translated concretely into practical measures such as the alignment of legislation, the reform of administrations, taxation, customs, etc. in order to ensure better convergence with European standards (Daguzan, 2016). However, lack of interest in meaningful reforms, Arab uprisings, and Russia's assertiveness forced the EU to revise its approach. It now proposes concrete measures and prioritizes bilateral trade agreements, making trade relations central to its engagements with Neighbourhood countries (Koeth, 2015)

The revised ENP emphasizes the stabilization of the region, covering political, economic and security aspects. Two fundamental principles guide this revised policy: a differentiated approach respecting the varied aspirations of partner countries and responding to the interests of both the EU and its partners, and greater ownership by partner countries and EU Member States. These changes aim to adapt the ENP to the changing realities and challenges facing the EU and its neighbouring countries, with a view to deepening their cooperation and improving stability in the region. (DG NEAR, 2023)

The achievements of the European Neighbourhood Policy (ENP) in the southern region have been underwhelming and can hardly be considered successful. In the best-case scenario, the actual outcomes have been insignificant, while in the worst case, the ENP might be viewed as a strategic misjudgement that damaged the EU's credibility in the Arab world. Instead of actively supporting democratic forces and agents of change, such as civil society, prior to the Arab Spring, the EU often aligned itself with authoritarian leaders, hoping to gradually influence them to adopt EU values without compromising its own interests in energy security, trade, migration, etc. However, this approach backfired after the Arab revolutions, leading to strained credibility for both the European Union and its member states, especially among the younger generation. (Koeth, 2015)

Strategically, the European Union has reoriented its European Neighbourhood Policy (ENP) by emphasizing trade policy. The aim is to promote Deep and Comprehensive Free Trade Agreements (DCFTAs) as a central element of EU external relations. This approach highlights the importance of trade in achieving concrete and significant results in relations with neighbouring countries, thus contributing to the stability and prosperity of the entire region. (Koeth, 2015)

2.1.5.2 The ENP in Tunisia

As part of the European Neighbourhood Policy, an EU-Tunisia Action Plan has been drawn up setting up strategic objectives in connection with political and economic cooperation and the other areas covered by the Association Agreement. This document, drawn up according to Tunisia's needs and priorities, covers various areas such as social and economic reforms, technology, security, political dialogue, economic and social reforms, the internal market, justice, and more. The measures decided in this plan are based on the association agreement and are part of the European Neighbourhood Policy (ENP). This action plan is regularly assessed through internal reports, which are then presented in a public annual report, similar to what is done within the framework of the ENP. (Toute l'Europe, 2011)

Moreover, a political and financial assistance was provided from EU to Tunisia under the framework of the European Neighbourhood Policy (ENP). For the period 2017-2020, an envelope of 900 million euros (i.e. 300 million euros per year) has been allocated in bilateral aid to Tunisia via the European Neighbourhood Instrument (ENI). This funding was intended to support three key priority areas: (i) promoting good governance and the rule of law; (ii) stimulating sustainable economic growth and job creation to invest in the future; and (iii) strengthening social cohesion between generations and regions. Going forward, EU financial cooperation with Tunisia will be based on a new, expanded instrument, the Neighbourhood, Development and International Cooperation Instrument (NDICI), within the EU's multiannual financial framework for the period 2021-2027. Tunisia is one of the main beneficiaries of EU funds under the European Neighbourhood Policy. (EC, 2023)

The establishment of the free trade area between Tunisia took place within the framework of the association agreement. Since then, it has constantly received support in the context of the European Neighborhood Policy (ENP), with initiatives aimed at strengthening investment and business competitiveness, as well as development projects (EC, 2023). However, the impact of this free trade zone on the Tunisian economy raises questions. Was this impact significant? The following section will present a critical analysis of the free trade area.

2.2 EU-Tunisia Free trade Area impact

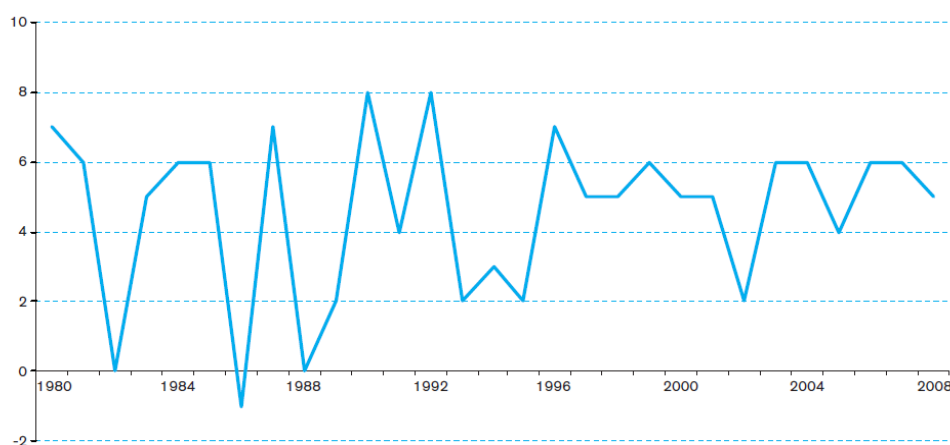
Long before the Association Agreement (AA) was signed, the European Union had already held a prominent position as Tunisia's primary trade partner, given the considerable disparity in size between the two economies. This trend has endured over time, with approximately 65% of Tunisia's goods being imported from EU countries and close to 80% of its exports being sent to the EU. (Boughzala, 2010)

As soon as the Association Agreement was signed, the focus was only on the liberalization of imports from Europe, as Tunisian exports to the EU were already liberalized since the 1970s. It has been incorrectly referred to as a free trade zone agreement for political reasons. The actual definition of a free trade zone involves the complete liberalization of all exchanges (imports and exports) between partners, whereas the association agreement only covers the liberalization of a portion of European industrial imports. (Boudhiaf, 2020)

In addition to the gradual dismantling of tariff barriers on industrial goods, the Agreement implemented a series of measures aimed at reducing Non-Tariff Barriers (NTBs), promoting competition, and enhancing transparency. Special attention was given to eliminating alliances and regulations that could hinder free competition, as well as preventing "the abusive exploitation by one or several companies of a dominant position. Additionally, all forms of public aid that had the potential to distort competition were targeted for elimination. Tunisia was granted a 5-year period, starting from the agreement's effective date, to adopt the necessary measures and regulations to strengthen competition and eradicate monopoly situations. Among the key targets were state monopolies enjoyed by certain commercial companies with commercial privileges, which were to be abolished. Furthermore, any discrimination affecting the marketing of merchandise was to be eliminated. (Boughzala, 2010)

Throughout this period, the economy maintained a steady growth rate, averaging around 5%. Simultaneously, the industrial sector's contribution to the GDP remained consistent, ranging from 28% to 30%. During the period from 2003 to 2008, Tunisia's exports experienced a remarkable growth rate of more than 9%, while imports also showed considerable growth, with an estimated average annual rate of 7.2%. This continuous trade relationship has played a significant role in Tunisia's economic landscape, fostering a dynamic trade flow with its European counterparts. (Boughzala, 2010)

Figure 1. Growth Rate of Tunisian GDP, 1980-2008



Source: World Bank, World Trade Indicators (WTI) 2010

Although the Free Trade Agreement (FTA) had a slight positive impact on the Tunisian economy, certain aspects, such as adherence to competition rules and the elimination of

State monopolies, did not function effectively. However, these issues did not appear to cause any significant tension or conflict between the parties involved (Boughzala, 2010).

Apart from the competition and state monopolies concerns, the success of the Free Trade Agreement (FTA) was hindered by the 1972 Tunisian law. In fact, Tunisia's foreign trade operated under two distinct regimes since the implementation of this law. One was the offshore sector, with importations exempt from customs duties regardless of their origin, while the onshore sector remained heavily protected. Consequently, even before the association agreement's signing, Tunisian industrial imports from the European-origin offshore sector were already freely entering the local market due to the 1972 law. As a result, the liberalization of European imports covered by the FTA was limited to those in the onshore sector, as European inputs for the offshore sector already enjoyed tariff exemptions in Tunisia. It is crucial to highlight that the onshore sector's total imports only accounted for one-third of Tunisia's overall imports. (Boudhiaf, 2020)

Consequently, the impact of the association agreement's imports could not be significant. Moreover, the association agreement did not create a free trade zone; rather, it completed the establishment of a free trade zone between Tunisia and the EU, which had already begun with the 1969 and 1976 agreements for industrial products. The agreement's full implementation occurred gradually over a period of twelve years, from 1995 to 2008. The gains from this agreement were further limited by Tunisia's measures to replace lost customs revenues with consumption taxes to maintain the revenue of the Tunisian government. These taxes increased prices for consumers without protecting Tunisian production, as they were applied uniformly to both foreign and domestic products. (Boudhiaf, 2020)

Moreover, the free trade area has led to an increased concentration of Tunisian exports to the European market, creating economic dependence, and has also encouraged monopolistic practices in the Tunisian domestic market, thus restricting access to other potential economic actors from other countries. (Boudhiaf, 2020)

The limited impact of this agreement has led to the stalling of negotiations for the new Comprehensive and Deep Free Trade Agreement proposed by the EU.

Chapter 3. EU-Tunisia Deep and Comprehensive Free Trade Area (DCFTA)

3.1 Deep and Comprehensive Free Trade Agreements

Following the stalemate in the Doha Development Round negotiations and the global financial crisis, the EU revised its trade policy approach, emphasizing the establishment of regional and bilateral trade agreements. This strategic shift led to the creation of the "Deep and Comprehensive Free Trade Agreements" (DCFTA), aimed at enhancing economic cooperation between the partners. Initially proposed in 2011 by the European Commission, the DCFTAs seek to strengthen economic and commercial ties between the EU and

Mediterranean countries, including Moldova, Georgia, Ukraine, Tunisia, and Morocco (Koeth, 2015).

The DCFTAs represent innovative economic partnerships concluded between the European Union (EU) and third countries in the Mediterranean region. Going beyond traditional trade agreements, they aim to bolster economic relations by facilitating the free movement of goods, investments, and services while harmonizing regulations with those of the EU. Additionally, these agreements foster collaboration in areas such as energy, services, agriculture, and sustainable development. Perfectly aligned with the EU's new approach to trade policy, these agreements mark a significant step in consolidating economic and trade relations. (Koeth, 2015)

3.2 EU-Tunisia Deep and Comprehensive Free Trade Area Agreement

In 2015, negotiations to establish the Deep and Comprehensive Free Trade Area Agreement (DCFTA) between the European Union and Tunisia were initiated between the two parties. The major objective of this agreement is to intensify and extend the already existing free trade area, thus promoting closer integration of the Tunisian economy within the European economic area. (EEAS, 2016)

The importance of this agreement is clearly reflected in the bilateral trade data. Indeed, the European Union is positioned as Tunisia's main trading partner, absorbing 74.6% of its total exports and representing the source of 55.7% of its imports in 2015. These statistics bear witness to the magnitude of the trade between the two parties and stress the need to further strengthen economic ties. The expansion of the free trade area will open up new opportunities for Tunisian companies in the European market, thereby boosting trade and encouraging mutual economic growth. This strategic step therefore aims to consolidate economic relations and deepen cooperation between Tunisia and the European Union (EEAS, 2016).

The Deep and Comprehensive Free Trade Area Agreement (DCFTA) will build on the commitments previously established in the Association Agreement, thus resulting in a comprehensive agreement encompassing various areas of common interest in trade and economic relations between the European Union (EU) and Tunisia (EEAS, 2016).

The approach adopted by the two parties is based on the principles of asymmetry and progressiveness, in favour of Tunisia. This means that the trade openness and regulatory convergence sought by the DCFTA will be adapted to the priorities chosen by Tunisia, while taking into account the specificities of its economy and the reforms in progress. This approach guarantees the Tunisian economy the time and support needed to take full advantage of its integration into the European economic area. At the same time, the European Union undertakes to respect the sovereign decisions of Tunisia throughout the process. (EEAS, 2016)

3.2.1 EU-Tunisia DCFTA areas

The DCFTA agreement covers several key areas to facilitate trade and strengthen cooperation. It includes trade in services and investment protection. In addition, it facilitates trade in agricultural products and fishery products and strengthens sanitary and phytosanitary measures. The agreement also aims to improve the safety of traded industrial products and to guarantee fair access to public markets. It promotes transparency in trade regulations and simplifies customs procedures. In addition, it promotes fair competition and protects intellectual property rights while allowing for trade defense measures against unfair practices. Finally, it promotes sustainable and socially responsible trade. (EEAS, 2016)

3.2.2 Marked Resistance to DCFTA

The DCFTA did not receive support from the 2019 presidential candidates during their election campaign. They aligned themselves with the position of the UGTT, the most influential trade union in the Arab world, which waged a major campaign against the DCFTA, saying that the agreement undeniably had neo-colonialist traits. Under the presidency of technocrat Hichem Mechichi, formed in 2020, the government expressed its willingness to resume negotiations, which had been suspended during the election period. This desire could be linked to the pressure of the European Union, one of the main contributors of financial aid and development aid in Tunisia, and which sought to continue discussions on the DCFTA. (Gonzalès, 2021)

On July 25, 2021, President Kais Saied adopted exceptional measures by freezing the parliament and dismissing the head of government, exercising full executive powers. He justified this decision by referring to a constitutional article intended for situations of "imminent threat" to national security. This decision by the president was strongly supported by the population, showing significant discontent due to the persistent economic stagnation and political corruption. The unemployment rate, especially among young people, had reached almost 40% by then, creating great despair and deep disappointment, ten years after the Arab Spring uprising. In this context and regarding the DCFTA, it was obvious that the chances of supporting the agreement were slim, considering that the dominant party supporting the president is the left-wing Pan-Arab Popular Movement, which is strongly committed to national sovereignty. This position further hampered the ongoing negotiations. (Gonzalès, 2021)

Since the start of the DCFTA negotiations, several criticisms and reactions have emerged, mainly from civil society and other relevant stakeholders. These criticisms emphasize the potential dangers of signing the agreement for the Tunisian economy. According to several critics, the agreement could jeopardize key sectors of the economy, such as agriculture and services, and exacerbate social and economic inequalities already present since the Arab Spring revolution and the war in Ukraine. Some of the elements raised in these criticisms include the issue of sovereignty, the impact of foreign investment, as well as the incompatibility of European standards with Tunisia's social and economic context. (OFSE, 2018)

In the next section of the research, the major issues that caused resistance to the signing of this agreement are examined, highlighting the risks and challenges, particularly for the Tunisian economy.

3.3 Examining the Impact of DCFTA in Tunisia

3.3.1 Legislation harmonization

The harmonization of Tunisian standards and regulations with the *acquis Communautaire* constitutes an essential aspect of the DCFTA negotiations. The harmonization process, already initiated under the ENP, aims to fully align Tunisian standards with those of the European Union within the framework of this agreement. This harmonization extends to all areas of the Tunisian economy governed by European standards. (EC, 2016)

According to the EU's negotiating proposal, Tunisia would be required, in accordance with Article 6 of the chapter on technical barriers to trade, to align itself with the *acquis Communautaire* and to abolish regulations in contradiction with those of the EU. (Jonville, 2018) This approach also concerns sanitary and phytosanitary (SPS) measures, since non-compliance with these standards could constitute an obstacle to trade between the two partners. Along with legislative alignment, the agreement proposes cooperation in the areas of food safety, animal and plant health, as well as the creation of an SPS Sub-Committee in Tunisia. (EC, 2016)

Nevertheless, there is generally no need to harmonize trade laws or trade policies between the partners within a free trade area agreement. This type of agreement gives each country the freedom to pursue its own policy, unlike a customs union or a common market. However, if Tunisia decides to adopt EU standards, this would risk restricting the access of competing European products to the Tunisian market. Therefore, this could incentivize Tunisia to import more from the EU at the expense of cheaper imports from other countries. (Boudhief, 2020)

In the DCFTA, it is proposed that norms and standards also apply to the production and calibration of products, thus reinforcing their uniformity, particularly in the agricultural sector. Some standards can be beneficial by improving safety and environmental compliance, but their adaptation to the Tunisian context remains uncertain. Additionally, large Tunisian companies with resources can more easily adjust their products to new European standards, creating a disadvantage for small companies and increasing inequalities in the Tunisian market. On the other hand, European companies which already apply their own standards benefit from unrestricted market access, which creates an imbalance in relation to other firms. This disparity could lead to losses for Tunisian companies and favour the development of an informal market due to the inability to meet the required standards. (Jonville, 2020)

In addition, for agricultural products, subsidies from the EU's Common Agricultural Policy (CAP) represent a significant problem. If Tunisia wishes to include its agricultural products in the free trade agreement with the EU, it will have to harmonize its legislation on agricultural

subsidies to comply with the CAP. However, this could be difficult as the farming systems and needs of Tunisian farmers may differ from those of European farmers. The harmonization of subsidies could lead to market distortions and disadvantage Tunisian agriculture. Therefore, this issue represents a potential problem in the context of the negotiations for a free trade agreement between Tunisia and the EU. (Boudhiaf, 2020)

3.3.2 Foreign Direct Investment (FDI)

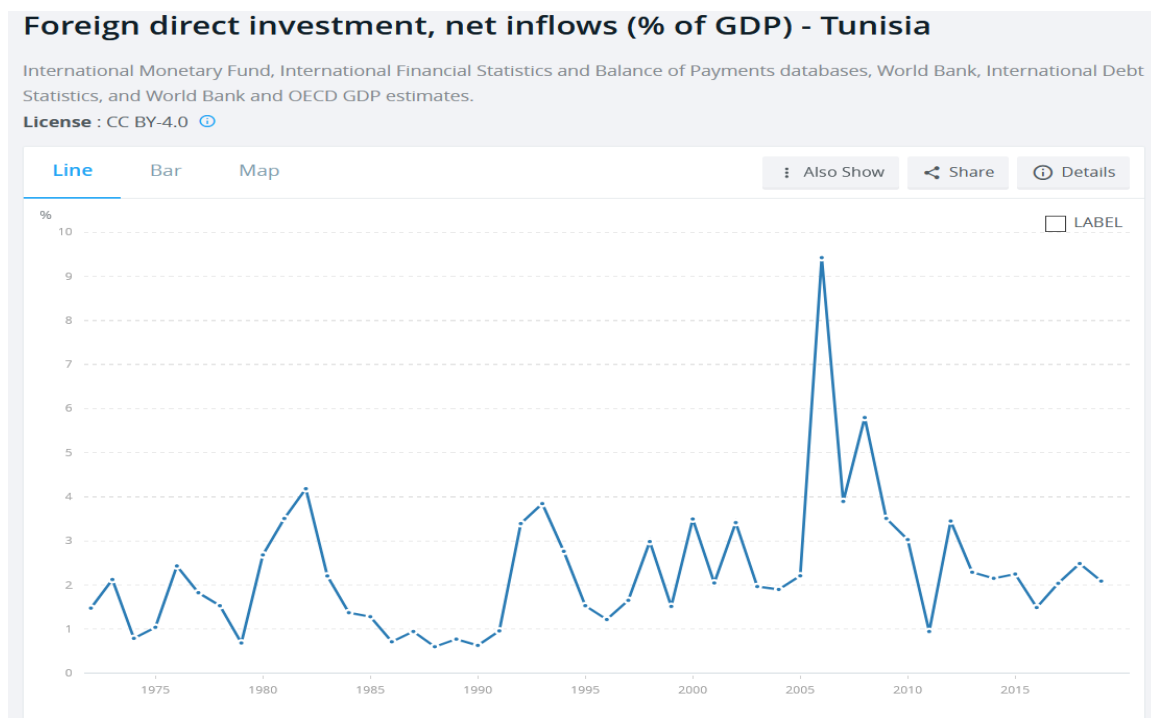
It has been proven that the relationship between the presence of agreements facilitating investment and the quantity of investments is not always straightforward. Numerous studies have even revealed a weak or non-existent correlation. The impact of these agreements has been more pronounced in industrialized countries, which is not the case for Tunisia. For instance, Brazil was ranked as the third largest recipient of foreign direct investment in the world between 1990 and 2010, despite the absence of specific investment treaties in that country. (Jonville, 2020)

The heart of this issue lies in the advantages granted to foreign investors, mainly through the investor-State arbitration mechanism. Tunisia currently has 31 bilateral investment treaties that include this arbitration system, out of a total of 38 bilateral investment treaties in force. However, the agreement under negotiation would extend this system to the whole of the EU. This would risk making it more difficult to renegotiate or oppose the agreement, considering the absence of a temporal limit to the validity of the treaty (Jonville, 2018). Under these treaties, foreign investors have the right to seek compensation from the state if they believe that a regulation, even if intended in the public interest, has had a negative impact on their expected profits. Notable examples include Vattenfall, which is demanding €6 billion from Germany over its decision to phase out nuclear power, and Veolia, which is demanding €175 million from Egypt for raising the minimum wage (Louati, 2019). Additionally, foreign companies could use the threat of arbitration to influence or change laws, as has been observed in France regarding hydrocarbon legislation (Louati & Jegham, 2020).

South Africa, which is a major recipient of Foreign Direct Investment (FDI), took the decision to terminate investment treaties involving the arbitration mechanism due to their high costs and after finding that most of the investments come from countries that are not bound by these treaties. However, this decision did not lead to a decrease in foreign direct investment (FDI) flows to the country (Mahjoub & Saadaoui, 2015).

In the case of Tunisia, the offshore regime, although its effectiveness is highly controversial, is considered as the main policy put in place to attract foreign direct investment (FDI). This regime granted significant advantages to investors seeking to use Tunisian labor to export their products. Although this regime is attractive for investment and supplemented by the Association Agreement, there has been no significant increase in terms of FDI inflows: the rate has varied between 1% and 4% of GDP, with a slight upward trend. (Jonville, 2020)

Figure 2. FDI net inflows (% GDP)



Source: <https://data.worldbank.org/indic 1>

On the other hand, foreign investment does not automatically guarantee improved welfare and employment in the country. Investments in Tunisia's retail sector could strengthen large retail chains at the expense of small businesses, leading to increased concentration.

Moreover, the DCFTA does not provide any guarantee to directly strengthen the Tunisian economic fabric. The agreement prohibits Tunisia from imposing conditions on foreign investment, such as the transfer of technology, the employment of local professionals, or the use of a minimum number of Tunisian suppliers. However, for FDI to really contribute to building a more prosperous economy, it is essential to direct it towards the sectors where it is needed and where it can benefit local businesses, as part of a state strategy aimed at developing and improving the productivity of specific sectors. This strategy model has been successful with newly industrialized Asian countries in their catch-up phase. It involves the use of technologies acquired through investments and their dissemination throughout the national economy. This diffusion and integration at the national level are crucial elements to ensure economic success (Rodrik, 2018).

Foreign direct investment (FDI) cannot be considered a durable solution, as it results in debt that must be repaid. Tunisia had to pay large amounts to foreign investors for their remuneration, which led to significant deficits in its primary income, especially between 2009 and 2013, following the substantial FDI recorded between 2005 and 2010. Moreover, FDI can result in significant direct losses. For example, between 2000 and 2012, Tunisia received 3.547 billion TND of FDI from the UK, but 7.08 billion TND was repatriated, resulting

in a net loss of 3.533 billion TND. It is therefore essential to control this debt and assess its real contribution to the country's development (Jonville, 2020; Riahi, 2014).

3.3.3 State sovereignty

The issue of sovereignty looms large among critics of the deal, pointing out that Tunisia would be forced to implement decisions according to European standards, with no room for negotiation.

One of the most important arguments put forward in favor of DCFTA is that it would compel Tunisia to implement political reforms in line with European standards. However, in Tunisia, the anti-socialist reforms proposed by the IMF, such as the privatization of several sectors and the promotion of competition, are already meeting strong opposition from the population. From a political point of view, in a true democracy, the decision to carry out reforms should be taken voluntarily by the country itself, rather than under the pressure of an international agreement. This would also allow citizens to democratically express their views on the adoption of new political reforms. (Jonville, 2020)

On the other hand, some actors in the European Union, as well as Tunisians with interests related to the agreement, see it mainly as a key political initiative capable of generating positive economic results in the medium and long term in Tunisia. However, a close examination of the text of the agreement reveals that its scope is mainly economic, focusing on the liberalization of investment and trade. Its political dimension resides above all in the fact that Tunisia would lose its ability to implement economic policies independently of the European Union, which would have a significant impact on its sovereignty. (Jonville, 2020)

On a broader scale, with regard to the DCFTA agreements with the Arab Mediterranean countries, it is undeniable that there are economic advantages for the European Union. However, some also see these agreements as a way to fill the gaps of the UfM (Union for the Mediterranean) and the ENP (European Neighborhood Policy) in the absence of other appropriate instruments. These agreements are subject to criticism regarding the intentions of the EU, accused of pursuing its strategic interests and ambitions by sometimes using concepts such as human rights, democracy and the rule of law in an opportunistic way. The EU is sometimes perceived as Eurocentric and paternalistic in the way it promotes its own value system, despite the significant differences between Europe's Arab neighbors (Israel being a special case). (Koeth, 2015)

3.3.5 Political or economic reforms

The DCFTA agreement has also been criticized for its limited impact on economic and social development by imposing political or economic reforms that may not align with the Tunisian context and reality or opening the Tunisian market for competition in favour of European firms.

In fact, the reforms should be tailored to the social and economic specificities of the country for effective implementation. There should not be just one way or strategy for economic

development. Economics should include a well-developed social dimension that takes into account the complexity of human reality and social interactions. Economic rules and strategies coming from a social reality different from that of the Tunisians would certainly be unsuited to the context. The economy cannot be separated from the social. (Jonville, 2020)

Few countries have succeeded in developing by following the prescriptions of the IMF and the World Bank. For example, China and South Korea have achieved economic growth without adopting these types of prescriptions. These two countries have implemented, depending on their respective contexts and realities, reforms and policies that could be impossible with an agreement such as the DCFTA, particularly regarding the protection of capital and investments. (Jonville, 2020)

A study by Dühnaupt and Herr and published in 2020 demonstrated that under such an agreement, countries in the South would lose the freedom and possibility to implement industrial policies that are beneficial to them. By joining global value chains, these countries would see their tasks tightly controlled and limited, without experiencing significant economic and social progress. (Jonville, 2020)

3.3.5 Competition and its negative impact on Tunisian economy

In addition to the matter of reforms, competition is also a major element of criticism of the agreement. Indeed, European standards promote competition, which is not always beneficial for consumers or the economy as a whole. There are even concerns about the takeover of energy distribution by European operators, leading to job losses in the Tunisian market. Tunisian companies dependent on the public market could also be seriously affected by the opening of public markets to European competitors. This particularly endangers small businesses which risk being directly exposed to European competition. (Rodrik, 2018)

According to a study carried out by Ecorys, most sectors will not experience positive effects. Over the long term, it is estimated that 9 sectors out of 37 will record a loss of more than 5% in terms of value added, while 7 sectors could experience gains of around 5%. For the remaining 21 sectors, the impact would be more or less than 5%. Moreover, a study by the OFCE in 2018 even estimated a decline in GDP of -1.5%, attributed to the loss of stable jobs and deficits in the trade balance. (Ecorys, 2013)

Moreover, European competition norms represent an economic ideology which has not necessarily succeeded in Europe on a social level and has even led to more serious social inequalities. For example, the movement of the yellow vests testifies to the anger of the population in the face of these social inequalities in France. The neoliberal approach, which promotes competition by giving power to large corporations has resulted in a precarious situation for the population. This same European ideology of competition has not prevented corruption and scandals either, especially in public procurement. Therefore, It should be noted that the current market regulations and rules in the EU should be reviewed, and it is essential to carefully consider how they may increase the risk of corruption before imposing them on partner countries as part of an agreement. (Summers, 2014)

It is crucial to emphasize that the job losses resulting from new imports and European companies setting up in the country will not only create an economic issue but also a social one. This could impact already vulnerable populations, such as small businesses and small-scale farmers, who may not have the opportunity to transition into other sectors of activity. (Jonville, 2020)

In addition, it is expected that the distribution of production will change at sector level: there will be a decrease in the production of cereals and an increase in that of olive oil, as well as a decrease in the textile sector and an increase in the machinery sector. These changes in production will also have short-term costs as well as long-term consequences that are not taken into account in the various studies. (Jonville, 2020)

3.3.6 Agriculture and Food dependency

Agriculture represents a key economic sector for Tunisia, as mentioned in the first chapter of this research, and it also plays a very important social role. It guarantees food security, manages natural resources, reduces regional imbalances and creates jobs. Despite a decrease in its contribution to Tunisia's GDP, the Tunisian agricultural sector is considered resilient in the face of major economic crises. In addition, 71% of the active population in Tunisia worked in the agricultural sector between 2007 and 2013. Over the past three years, the Tunisian agricultural sector contribution to the GDP has slightly increased, reaching up to 10% in 2017, even 13.6% taking into account the 'food industry'. (Mahjoub & Saadaoui, 2015)

The agricultural sector, on the other hand, suffers from low productivity, climatic vagaries and the effects of macroeconomic crises as a whole. In this context, food security emerges as an important issue and represents a major challenge for public policies and economic development. Indeed, Tunisia is significantly dependent on cereal imports from the EU, which cover about 10% of its annual needs, while Tunisian national production remains very low. (Mahjoub & Saadaoui, 2015)

The agricultural sector in Tunisia presents challenges of competitiveness, mainly made up of smallholders facing economic, environmental and climatic problems. These farmers benefit from low subsidies, unlike their European counterparts who receive agricultural subsidies under the Common Agricultural Policy (CAP). Although these subsidies are tolerated by the WTO, they can destabilize international markets (Jendoubi et al., 2019). In the absence of these support tools, Tunisia resorts to tariff measures to protect its agricultural sector. For its part, the EU promotes overproduction and encourages agricultural exports, thus creating constraints and potential imbalances within the framework of the DCFTA agreement. (Ben Rouine, 2019)

From a budgetary perspective, the elimination of customs tariffs would result in a substantial loss of revenue, considering the high customs duties currently imposed on European agricultural products. Additionally, the social ramifications of agricultural liberalization, including the impoverishment of rural areas and internal and international migratory movements, would compound the existing commercial and economic repercussions (Mahjoub & Saadaoui, 2015)

On the one hand, although Tunisian agriculture can be competitive and have comparative advantages, it struggles to penetrate the European market. On the other hand, the artificial competitiveness induced by the subsidies puts Tunisian farmers under pressure from European imports offered at artificially low prices. Unfortunately, nothing in the DCFTA seems to be able to correct these failures in agricultural liberalisation. (Maajoub & Saadaoui, 2015)

Despite the dependence of about 55% of the Tunisian population on food imports, the country actually has enough resources to meet its own food needs, contrary to some beliefs among experts and policymakers. These resources include water, agricultural land, as well as human resources, with remarkable expertise in the field of agriculture. However, the policies long awaited and hoped for by Tunisians to reduce this dependency, especially after the 2011 revolution, have not been implemented. This situation plunges the country into an uncertain future. (Ayeb, 2018)

The DCFTA agreement would aggravate the food dependence of Tunisians by completely opening the market to European producers and distributors. The Tunisian agricultural and food sector is sufficiently vulnerable to be exposed to European competition. On the other hand, Tunisian food and agricultural products will continue to face export trade barriers due to European requirements. In addition, grain imports will remain substantial. These export obstacles, the negative impact of European competition on the Tunisian market and an increased demand for imports could plunge the country further into debt and worsen the trade deficit. (Ayeb, 2018)

Additionally, past experiences have shown that food sovereignty is often associated with the establishment of an effective agrarian policy, involving the limitation of agricultural property, the deterrence of speculative investments and the regulation of land and food markets. This type of reform has been successful in South Korea, for example, where land reform imposed by the United States after the Korean War led to increased food self-sufficiency and remarkable economic development. Therefore, the implementation of the DCFTA would be very detrimental for Tunisia, as it would worsen its food dependency if the necessary agrarian reforms are not put in place in the country. To preserve its food sovereignty, Tunisia must engage in radical agrarian reform to protect its agricultural sector and guarantee its long-term food independence. (Ayeb, 2018)

3.3.7 Services Sector

The balance of services in Tunisia is already strongly affected due to the decline in the tourism sector since 2014, and the coronavirus pandemic has only worsened the situation. The liberalization of trade in services, provided for in the agreement, risks further widening the country's trade deficit, even in the long term, to the detriment of the Tunisian economy (FTDES, 2018). Although studies such as Ecorys (2013) and Solidar Tunisie (2018) identify opportunities for emerging service sectors in Tunisia, they also predict that these same sectors will be most affected by European competition. These studies cannot provide

absolute certainty, but they do at least make it possible to foresee a development trend which indicates the services sector is likely to register an increased deficit. (Jonville, 2020)

Furthermore, the disparity in people's movement between Tunisia and the EU, particularly for Tunisian exporters of services or agricultural products, has the potential to disrupt trade. The issue of requiring visas for Tunisians should not be overlooked in the analysis of the agreement, as it can pose an obstacle. In the context of trade in services, the mobility of individuals providing these services becomes crucial, and the inclusion of services in the free trade agreement might be challenged if their export remains hindered. The successful integration of services under the new agreement will depend on the facilitation of mobility, which may entail the abolishment of visas to promote smooth trade. (Boudhiaf, 2020)

3.3.9 Health safety

The Deep and Comprehensive Free Trade Agreement (DCFTA) also addresses the issue of the right of establishment and the protection of intellectual property. According to the WTO agreements on intellectual property, the holder of a patent benefits from exclusive exploitation of his innovative product for twenty years, after which the product enters the public domain. This twenty-year period allows developing countries, importers of patents, to produce generic drugs that are more affordable for Tunisian consumers in terms of price. However, the European offer in the chapter on intellectual property foresees an extension of this period, which could neutralize the right to health by maintaining control over patents. This provision could lead to high prices for medicines and compromise access to care for Tunisian citizens, in contradiction with the social commitments and the fight against inequalities of the EU-Tunisia partnership. (Jendoubi et al., 2019).

Moreover, restrictions on pharmaceutical patents run counter to the objective of the European Neighborhood Policy (ENP) to strengthen democratic transition and good governance, based on the principle of equality - a pillar of any democratic state. They also deprive Tunisia of a potential comparative advantage in the generic drug industry. These provisions therefore raise concerns about their impact on the right to health and their compatibility with the social and democratic objectives of the EU-Tunisia partnership. (Jendoubi et al., 2019)

Conclusion

Tunisia has witnessed major socio-economic transformations in recent years, reflected in economic regression, an increase in public debt, and a worrying unemployment rate, particularly among young people and women. These changes are mainly the result of the Arab Spring, political instability and transition, as well as terrorist attacks that have heavily impacted the tourism sector, one of the economic pillars of the country. In addition, rising commodity prices and the war in Ukraine have intensified vulnerabilities in the Tunisian economy, leading to higher inflation and widening trade and budget deficits.

The European Union is positioned as Tunisia's main trading partner, occupying a leading position in the absorption of a significant share of its exports. In addition, EU Member States, such as France, Italy and Germany, play a major role in investment flows and stocks. However, it is essential to note that in recent years, the trade deficit of trade between Tunisia and the European Union has recorded a marked reduction. Although external factors, independent of bilateral relations, have influenced this dynamic, such as political and social conditions specific to Tunisia, rising energy prices and growing energy import needs, as well as the situation in Ukraine, questions remain about the impact of historical trade links between the EU and Tunisia.

Tunisia's economic integration with Europe has been marked by numerous European initiatives, events and policies targeting the neighbours of the European Union. However, these interventions have often been perceived as disguised means of control, hiding behind the values of democracy, prosperity and stability, notably through the Euro-Mediterranean partnership and the European neighbourhood policy.

Moreover, trade has played a central role in these policies, acting as a lever to impose reforms and European standards in the countries of the Southern Mediterranean, in line with the new trade policy of the European Union. In this context, the association agreement between Tunisia and the European Union was signed in 1995, establishing a free trade area through the gradual dismantling of trade barriers for industrial products and the implementation of projects aimed at to improve competitiveness. The European Neighbourhood Policy has also sought to strengthen trade and investment through various programs for the development and modernization of Tunisian products.

However, after many years of implementation of this agreement and the EU-Tunisia Free Trade Area, the economic fallout has been disappointing. This situation can be attributed to monopolistic practices and corruption prevailing in the Tunisian domestic market, which has been overprotected by state authorities. Also, the opening of the European market has proven to be hampered for other actors. Another determining factor in the weak impact of free trade between the EU and Tunisia is Law 72, which already granted advantages to the offshore sector long before the conclusion of the agreement. Consequently, the trade liberalization initiated in 1995 only targeted the onshore sector, representing only one third of total imports. Faced with this observation, negotiations for the Comprehensive and Deep Free Trade Agreement (DCFTA) between Tunisia and the European Union began in 2015 to eventually fill the gaps in the Euro-Mediterranean partnership, the European neighbourhood policy and the free trade area of 1995. DCFTA aims to free trade in key economic sectors of Tunisia such as agriculture and services.

Since the start of negotiations in Tunisia, many actors, including civil society and various economic operators, have opposed the agreement, calling it neo-colonialist. This opposition is based on a variety of arguments, highlighting the economic, social and political stakes for Tunisia. The issue of state sovereignty was particularly raised, as well as the risk that the agreement would force Tunisia to implement reforms to meet European standards, without considering the country's specificities and needs. The harmonization of legislation has also

drawn criticism, as it can favour European companies, which are better equipped to adapt, while undermining competition for Tunisian companies.

These concerns also apply to key sectors of the Tunisian economy, such as agriculture and services. Opening the European market to these sectors presents risks and imbalances. European farmers benefit from subsidies under the common agricultural policy, which can lead to unfair competition in the Tunisian market. As for the service sector, already affected by the health crisis and the 2015 attacks, its opening up could further weaken the Tunisian economy. All these factors would worsen the social inequalities in Tunisia.

These developments in EU-Tunisia relations and the challenges anticipated for the new DCFTA agreement reveal a limited economic and social impact in Tunisia, while showing that Europe does not sufficiently consider the political, social and economic vulnerability of the country. Nevertheless, a successful negotiation can lead to a mutually beneficial agreement by considering Tunisia's fragility and proposing suitable measures for both parties. Investment rules should be redesigned to promote sustainability and job creation. Legislation and standards should be flexible and fair. Tunisia, for its part, must protect its population, diversify its trade partnerships and encourage innovation.

In sum, the path towards a balanced trade partnership between the EU and Tunisia is complex, requiring a thorough understanding of the needs and realities of each party. Lessons from the past should guide future negotiations that are more inclusive and mutually beneficial.

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