

Considering the rights and obligations of the Parties stemming from the GATT 1994 and the WTO;

Resolved to lay down for this purpose provisions aimed at progressive abolition of the obstacles to trade between the Parties in accordance with the provisions of this Agreement, in particular those concerning the establishment of free trade area;

Believing that development of trade and cooperation in the economic and technical fields is one of the main elements of rapid development strategies of both countries;

Have Decided, in pursuance of these objectives, to conclude the following Agreement (hereinafter referred to as “this Agreement”).

Article 1

Objectives

The objectives of this Agreement are:

- (a) to increase and enhance the economic co-operation between the Parties to raise the living standards of the population of the two countries;
- (b) to gradually eliminate difficulties and restrictions on trade in goods, including the agricultural products;
- (c) to promote, through the expansion of reciprocal trade, the harmonious development of the economic relations between the Parties;
- (d) to provide fair conditions of competition in trade between the Parties;
- (e) to create conditions for further encouragement of investments particularly for the development of joint investments in both countries;
- (f) to promote trade and co-operation between the Parties in third country markets.

TITLE I: FREE MOVEMENT OF GOODS

Article 2

The Parties shall gradually establish a free trade area on substantially all their trade between them in a transitional period lasting a maximum of nine years starting from the entry into force of this Agreement in accordance with the provisions of this Agreement and in conformity with Article XXIV of the GATT 1994 and the other multilateral agreements on trade in goods annexed to the Agreement establishing the WTO.

Article 3

Basic Duties And Classification Of Goods

1. In trade between the Parties covered by this Agreement, the Parties shall apply their respective Customs Tariffs on the classification of goods for imports into them.

2. For each product the basic duty to which successive reductions set out in this Agreement are to be applied shall be the Most Favoured Nation (MFN) duty that was in force in the Parties on 1 January 2004.
3. If, after 1 January 2004, any tariff reduction is applied on an *erga omnes* basis, in particular, reductions resulting from the tariff negotiations in the WTO, such reduced duties shall replace the basic duties referred to in paragraph 2 as from that date when such reductions are applied.
4. The Parties shall communicate to each other their respective basic duties.

CHAPTER I: INDUSTRIAL PRODUCTS

Article 4

Scope

The provisions of this Chapter shall apply to products originating in the Parties falling within Chapters 25 to 97 of Harmonised Commodity Description and Coding System with the exception of the products covered by the definition specified in Article 11 (2) of this Agreement.

Article 5

Customs Duties On Imports And Charges Having Equivalent Effect

1. From the date of entry into force of this Agreement no new customs duties on imports or charges having equivalent effect shall be introduced, nor shall those already applied be increased in trade between the Parties.
2. Customs duties and charges having equivalent effect on imports shall be abolished in accordance with the provisions of Protocol I to this Agreement.

Article 6

Customs Duties Of A Fiscal Nature

The provisions concerning the abolition of customs duties on imports shall also apply to customs duties of a fiscal nature.

Article 7

Customs Duties On Exports And Charges Having Equivalent Effect

Without prejudice to the provisions of the GATT 1994:

1. From the date of the entry into force of this Agreement no new customs duties on exports or charges having equivalent effect shall be introduced in trade between the Parties.
2. All customs duties on exports and any charges having equivalent effect shall be abolished between the Parties upon entry into force of this Agreement.

Article 8

Quantitative Restrictions On Imports And Measures Having Equivalent Effect

Without prejudice to the provisions of the GATT 1994:

1. From the date of the entry into force of this Agreement no new quantitative restriction on imports or measure having equivalent effect shall be introduced in trade between the Parties.
2. All quantitative restrictions on imports and measures having equivalent effect shall be abolished between the Parties upon the date of entry into force of this Agreement.

Article 9

Quantitative Restrictions On Exports And Measures Having Equivalent Effect

Without prejudice to the provisions of the GATT 1994:

1. From the date of the entry into force of this Agreement no new quantitative restriction on exports or measure having equivalent effect shall be introduced in trade between the Parties.
2. All quantitative restrictions on exports and any measures having equivalent effect shall be abolished between the Parties upon the date of entry into force of this Agreement.

Article 10

Technical Regulations

1. The rights and obligations of the Parties in respect of technical regulations, standards and conformity assessment shall be governed by the WTO Agreement on Technical Barriers to Trade.
2. The Parties shall strengthen their co-operation in the field of technical regulations, standards and conformity assessment, with a view to increasing the mutual understanding of their respective systems and facilitating access to their respective markets, thereby preparing the ground for mutual recognition agreements. The Parties shall consult each other in the Association Committee in view of the implementation of the objective set out in this Article.
3. Without prejudice to paragraph 1, the Parties agree to hold immediate consultations in the framework of the Association Committee where either Party has taken measures which are likely to create, or have created an obstacle to trade, in order to find an appropriate solution in conformity with the WTO Agreement on Technical Barriers to Trade.

CHAPTER II: BASIC AGRICULTURAL, PROCESSED AGRICULTURAL AND FISHERY PRODUCTS

Article 11

Scope

1. The provisions of this Chapter shall apply to basic agricultural, processed agricultural and fishery products originating in the Parties.

2. The term "basic agricultural, processed agricultural and fishery products" (hereinafter called "agricultural products") means for the purpose of this Agreement the products covered by the WTO definition of agricultural products as well as fish and fishery products and products falling under the tariff headings of 3302 10 29 and 4501.

Article 12

Exchange Of Concessions

1. The Parties to this Agreement shall mutually allocate concessions set forth in Protocol II in accordance with the provisions of this Chapter.
2. Taking into account the role of agriculture in their respective economies; the development of trade in agricultural products between the Parties; the high sensitivity of agricultural products; the rules of their respective agricultural policies, the Parties shall examine in the Association Committee the possibilities of granting to each other further concessions in trade in agricultural products.
3. In pursuance of this objective, Protocol II providing for measures to facilitate trade in agricultural products has been concluded between the Parties.

Article 13

Sanitary And Phytosanitary Measures

The Parties shall not apply their regulations in sanitary and phytosanitary matters as an arbitrary or unjustifiable discrimination or a disguised restriction on trade between them. The Parties shall apply their sanitary measures within the rules and procedures of the GATT 1994 and the other relevant WTO agreements.

Article 14

Specific Safeguards

Notwithstanding other provisions of this Agreement, and in particular Article 21, given the particular sensitivity of the agricultural products, if imports of products originating in a Party, which are the subject of concessions granted under this Agreement, cause or threaten to cause serious disturbance to the markets or to their domestic regulatory mechanisms, in the other Party, both Parties shall enter into consultations immediately to find an appropriate solution. Pending such solution, the Party concerned may take the measures it deems necessary, in accordance with the relevant WTO rules.

CHAPTER III: COMMON PROVISIONS

Article 15

Internal Taxation

1. The Parties commit themselves to apply any internal taxes and other charges and regulations in accordance with Article III of the GATT 1994 and other relevant WTO Agreements.

2. Exporters may not benefit from repayment of internal taxation in excess of the amount of direct or indirect taxation imposed on products exported to the territory of one of the Parties.

Article 16

Trade Relations Governed By Other Agreements

1. This Agreement shall not prevent the maintenance or establishment of customs unions, free trade areas or arrangements for cross-border trade of the Parties with third countries to the extent that these do not negatively affect the trade regime and in particular the provisions concerning rules of origin provided for in this Agreement.
2. Consultations between the Parties shall take place within the Association Committee concerning agreements establishing customs unions or free trade areas and, where appropriate, on other major issues related to their respective trade policies with third countries. Such consultations shall take place so as to ensure that account is taken of the mutual interests of the Parties stated in this Agreement.

Article 17

Structural Adjustment

1. Exceptional measures of limited duration which derogate from the provisions of Article 5 may be taken by Tunisia in the form of increased customs duties.
2. These measures may only concern infant industries, or certain sectors undergoing restructuring or facing serious difficulties, particularly where these difficulties produce important social problems.
3. Customs duties applicable on imports into Tunisia to products originating in Turkey introduced by these measures may not exceed 25% *ad valorem* and shall maintain an element of preference for products originating in Turkey. The total value of imports of the products, which are subject to these measures, may not exceed 20% of total imports of industrial products from Turkey as defined in Article 4, during the last year for which statistics are available.
4. These measures shall be applied for a period not exceeding five years unless a longer duration is authorized by the Association Committee. They shall cease to apply at the latest on the expiry of the transitional period.
5. No such measures can be introduced in respect of a product if more than three years have elapsed since the elimination of all duties and quantitative restrictions or charges or measures having an equivalent effect concerning that product.
6. Tunisia shall inform the Association Committee of any exceptional measures she intends to take. At the request of Turkey, consultations shall be held in the Association Committee on such measures and the sectors to which they apply before they are applied. When taking such measures Tunisia shall provide the Association Committee with a schedule for the elimination of the customs duties introduced under this Article. This schedule shall provide for a phasing out of these duties starting at the latest two years after their introduction, at equal rates. The Association Committee may decide on a different schedule.
- 7.

Article 18

Dumping

If a Party finds that dumping, within the meaning of Article VI of GATT 1994 is taking place in trade relations governed by this Agreement, it may take appropriate measures against that practice in accordance with Article VI of the GATT 1994 and the rules established by agreements related to that Article and under the conditions and in accordance with the procedures laid down in Article 21 of this Agreement.

Article 19

Safeguard Measures

1. Where any product is being imported into either of the Parties in such increased quantities, each Party retains its rights and obligations under Article XIX of GATT 1994 and the WTO Agreement on Safeguard Measures. This Agreement does not confer any additional rights or obligations on the Parties with regard to safeguard measures.
2. Notwithstanding provisions of paragraph 1 of this Article, the procedures laid down in Article 21 shall apply with regard to safeguard measure taken by any Party.

Article 20

Re-Export And Serious Shortage

Where compliance with the provisions of Article 7 and 9 leads to:

- (a) re-export towards a third country against which the exporting Party to this Agreement maintains for the product concerned quantitative export restrictions, export duties or measures or charges having equivalent effect; or
- (b) a serious shortage, or threat thereof, of a product essential to the exporting Party;

and where the situations referred to above give rise or are likely to give rise to major difficulties for the exporting Party, that Party may take appropriate measures under the conditions and in accordance with the procedures laid down in Article 21 of this Agreement. The measures shall be non-discriminatory and shall be eliminated when conditions no longer justify their maintenance.

Article 21

Notifications And Consultations Procedure

1. Before initiating the procedure for the application of the measures mentioned in Articles 14, 18, 19, 20, 25, 26 and 47 set out in this Article, the Parties shall endeavour to solve any differences between themselves through direct consultations, and shall inform the other Party thereof.
2. In these cases specified in paragraph 1 of this Article, a Party which is considering to resort to a measure shall promptly notify the Association Committee thereof. The Party concerned shall provide the Association Committee with all relevant information and give it the assistance required to examine the case. Consultations between the Parties shall take place without delay in the Association Committee with a view to finding a commonly acceptable solution.

3. If, within one month of the matter being referred to the Association Committee, the Party in question fails to put an end to the practice objected to or to the difficulties notified and in the absence of a decision by the Association Committee in the matter, the concerned Party may adopt the measures it considers necessary to remedy the situation.

4. The measures taken shall be notified immediately to the Association Committee. They shall be restricted, with regard to their extent and to their duration, to what is strictly necessary in order to rectify the situation giving rise to their application and shall not be in excess of the damage caused by the practice or the difficulty in question. Priority shall be given to such measures that will least disturb the functioning of this Agreement.

5. The measures taken shall be the subject of regular consultations within the Association Committee with a view to their relaxation, or abolition when conditions no longer justify their maintenance.

6. Where exceptional circumstances requiring immediate action make prior examination impossible, the Party concerned may, in the cases of Articles 14, 18, 19, 20, 25, 26 and 47 apply forthwith the precautionary measures strictly necessary to remedy the situation. The measures shall be notified without delay to the Association Committee and consultations between the Parties to this Agreement shall take place within the Association Committee.

Article 22

Rules Of Origin And Co-operation Between The Customs Administrations

1. Protocol III lays down the rules of origin and methods of administrative co-operation.

2. The Parties agreed to apply the actual harmonised preferential rules of origin in the context of the System of Pan-Euro-Med Cumulation of Origin in the mutual trade.

CHAPTER IV: STATE MONOPOLIES, COMPETITION RULES, PAYMENTS AND OTHER ECONOMIC PROVISIONS

Article 23

State Monopolies

1. The Parties shall progressively adjust any state monopoly of a commercial character so as to ensure that by the end of the fourth year following the entry into force of this Agreement, no discrimination regarding the conditions under which goods are procured and marketed will exist between nationals of the Parties.

2. The Association Committee shall be informed about the measures adopted to implement this objective.

Article 24

Payments

Any payment arising from trade of goods, services and rights to non material goods between the Parties shall be made in convertible currency, in accordance with the respective national legislation of the Parties.

Article 25

Rules Of Competition Concerning Undertakings

1. The following are incompatible with the proper implementation of this Agreement, in so far as they affect trade between the Parties:

- (a) all agreements between undertakings, decisions by associations of undertakings and concerted practices between undertakings which have as their object or effect the prevention, restriction or distortion of competition;
- (b) abuse by one or more undertakings of dominant position in the territories of the Parties as a whole or in a substantial part thereof;

2. For the purpose of applying the provisions of paragraph 1 of this Article, the Parties will take the measures in conformity with the procedures and under the conditions laid down in their respective Agreements with the European Communities. In case of any change in those procedures and/or conditions these changes will be applicable between the Parties.

3. If the Parties consider that a particular practice is incompatible with the terms of the first paragraph of this Article, and:

- (a) is not adequately dealt with under the implementing rules referred to in paragraph 2 of this Article, or
- (b) in the absence of such rules, and if such practice causes or threatens to cause serious prejudice to the interest of the other Party or material injury to its domestic industry, including its services industry,

it may take appropriate measures after consultation within the Association Committee or after thirty working days following referral for such consultation.

4. Notwithstanding any provisions to the contrary adopted in conformity with this Article, the Parties shall exchange information taking into account the limitations imposed by the requirements of professional and business secrecy.

Article 26

Subsidies

1. Any state aid which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods is incompatible with the proper implementation of this Agreement.

2. The rights and obligations of the Parties in respect of subsidies shall be governed by Articles VI and XVI of the GATT 1994, the WTO Agreement on Subsidies and Countervailing Measures and the WTO Agreement on Agriculture.

3. In the case of practices incompatible with paragraph 1 of this Article, such appropriate measures may, where the WTO/GATT 1994 applies thereto, only be adopted in conformity with the procedures and under the conditions laid down by the WTO/GATT 1994 and any other relevant instrument negotiated under its auspices which are applicable between the Parties.

4. Each Party shall ensure transparency in the area of state aid. Upon request by one Party, the other Party shall provide information on particular individual cases of state aids.

Article 27

Balance Of Payments Difficulties

Where either Party is in a serious balance of payments difficulties or under threat thereof, the Party concerned may in accordance with the conditions laid down within the framework of WTO/GATT 1994 and with Articles VIII and XIV of the Articles of Agreement of International Monetary Fund, adopt restrictive measures, which shall be of limited duration and may not go beyond what is necessary to remedy the balance of payments situation. The Party concerned shall inform the other Party forthwith of their introduction and present to the other Party, as soon as possible, a time schedule of their removal.

Article 28

Intellectual, Industrial And Commercial Property Rights

1. The Parties shall provide suitable and effective protection of intellectual, industrial and commercial property rights in line with Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs) and other international Agreements.
2. Implementation of this Article shall be regularly assessed by the Parties. If difficulties which affect trade arise in connection with intellectual, industrial and commercial property rights, either Party may request urgent consultations to find mutually satisfactory solutions.

Article 29

Public Procurement

1. The Parties consider the opening up of the award of public contracts on the basis of non-discrimination, transparency and reciprocity, to be a desirable objective.
2. As of the entry into force of this Agreement, both Parties shall grant each other's companies access to contract award procedures a treatment no less favourable than that accorded to companies of any other country.

TITLE II: ECONOMIC AND TECHNICAL CO-OPERATION

Article 30

Objective

1. The Parties will exert all necessary efforts to develop Economic, Scientific, Technical and Commercial Co-operation between the two sides.
2. The Parties will promote and facilitate continuously the enhancement and diversification of trade exchanges and economic and technical co-operation between their economic establishments, enterprises, organisations and institutions within the framework of their respective rules and regulations as well as their international obligations.