

# Trump's 25% Tariffs: A Death Threat to Tunisia's Trade?

## Executive Summary

On April 2<sup>nd</sup>, 2025, U.S. President Donald Trump introduced a so-called reciprocal tariff policy, announced on what he termed “Liberation Day.” Under this policy, the U.S. sets a global baseline tariff of 10%, which escalates up to 25% or more for countries with significant trade deficits with the United States. The principle is straightforward: if a country imposes an X% tariff on American goods, the U.S. will retaliate by applying the same X% tariff on that country’s exports.

In this context, Tunisia was initially subjected to a 28% tariff, which will be lowered to 25% starting August 1<sup>st</sup>, 2025, following a 90-day grace period. Indeed, in 2024, Tunisia exported approximately US \$1.1 billion worth of goods to the U.S., including olive oil (~US \$223 million), fertilizers, textiles, and dates. By contrast, U.S. exports to Tunisia totaled about US \$500 million, resulting in a trade deficit of around US \$600 million on the American side.

This substantial tariff increase threatens Tunisia’s export competitiveness by compressing profit margins and diminishing market share. Consequently, Tunisian export volumes may decline significantly, resulting in lower earnings and reduced tax revenues. These economic pressures risk weakening public finances and could potentially trigger social unrest, particularly in regions that rely heavily on export-driven activities.

## 1. Policy Context & Tariff Timeline

Following Trump announcement of “Liberation Day” tariffs, Tunisia was initially given a 28% tariff, which was later reduced downward to 25%, with a progressive enforcement: 10% through July, then 25% from August 1<sup>st</sup>.

## 2. Tunisia–U.S. Trade Profile

Bilateral trade in 2024 exceeded US \$1.6 billion<sup>i</sup>, with Tunisian exports growing approximately by 30% reaching US \$1.1<sup>ii</sup> billion, mainly olive oil (US \$223m<sup>iii</sup>), fertilizers (~US \$128m<sup>iv</sup>), textiles, and dates. The main danger can be explained by the fact that these sectors are low-margin and price-sensitive. That’s why if the 25% tariff is applied, it will put them at a competitive disadvantage compared to agricultural exporters that are not subject to such tariffs.

## 3. Real Economy Impacts

### 3.1 Export Sector Strain<sup>v</sup>

Olive Oil: According to AGBI, the tariff “eats into... profit margins,” forcing producers to either raise U.S. prices or concede market share EU quotas and U.S. tariffs amplify pressure: exporting

via EU re-entrants doubles exposure. Textiles & Dates: Similarly lose pricing edge; order cancellations may lead to factory layoffs.

### **3.2 Fiscal & Macroeconomic Pressure<sup>vi</sup>**

If exports go down, foreign exchange reserves will decrease. This will lead to a wider budget deficit and to a higher pressure on Tunisia's already high public debt (over 80%<sup>vii</sup> of GDP). In this context, U.S. tariffs could slow global growth and increase inflation, which could raise Tunisia's inflation due to a higher cost of imports. Indeed, investors' confidence is likely to drop in a context of policy volatility, discouraging FDI and threatening the Tunisian dinar.

### **3.3 Social Risks**

Rural zones that are dependent on export can be hugely impacted by unemployment. If this happens, increasing joblessness and socio-economic frustration could increase unrest.

## **4. Strategic recommendations<sup>viii</sup>**

In order to minimize the impact of the U.S. tariffs, several strategic recommendations can be studied and gradually implemented across three complementary fronts: political, economic, and social.

First, on the political front, immediate diplomatic efforts (within 90 days) should be launched to actively negotiate either the retention of the preliminary 10% tariff or the conclusion of an agreement securing sector-specific exemptions (particularly for olive oil, textiles, and fertilizers). In this context, Tunisia could draw inspiration from countries like Indonesia, which successfully mitigated targeted tariffs through strategic diplomatic engagement. Under President Kaïs Saïed, however, Tunisia's relations with some traditional partners have weakened, especially on matters related to economic and social cooperation, such as renewable energy. As a result, greater attention should be directed toward the Chinese market, which presents strong potential for key Tunisian exports like olive oil, dates, textiles, and fertilizers. Tunisia has already begun strengthening ties with China through cooperation agreements in infrastructure, healthcare, and technology. Building on this momentum, Tunisia should intensify diplomatic and economic collaboration by organizing bilateral trade forums and participating in major Chinese import expos to boost product visibility. Additionally, negotiating preferential access or reduced tariffs and encouraging Chinese investment in agro-processing and logistics infrastructure could help diversify Tunisia's strategic partnerships and stimulate two-way trade.

Second, on the economic front, a targeted export support policy is essential. This could include establishing a transition fund to cover up to 50% of additional U.S. logistics and bottling costs, thereby easing the immediate financial burden on exporters. Promoting U.S.-based bottling or repackaging operations by Tunisian firms would also enable tariff circumvention at the point of origin. In the medium to long term, Tunisia should adopt a market diversification initiative, aimed at expanding exports to new destinations in the EU, West Africa, and Asia. This strategy should be supported by trade missions, financial incentives, and logistical aid. At the same time, trade procedures must be simplified by reducing bureaucratic red tape, improving port

efficiency, and empowering export promotion agencies like APEX Tunisia. A broader domestic tariff reform is also necessary, reducing Tunisia's high applied tariffs (currently up to 55%) on U.S. imports may encourage reciprocal reductions. On the macroeconomic level, export revenues should be leveraged to stabilize fiscal policy in collaboration with international partners such as the IMF. Efforts should focus on rationalizing subsidies and investing in value-added exports and agro-processing industries. Support policies targeting rural areas and SMEs should be expanded through subsidies for fertilizers, favorable credit lines, and technical training for farmers and cooperatives. Moreover, capacity-building programs in product processing and packaging will enhance global competitiveness. Finally, an inter-ministerial monitoring and stakeholder communication framework (led by the Ministries of Commerce, Agriculture, and Finance) should be established to evaluate tariff impacts and ensure transparency with producers, exporters, and financial institutions.

Third, on the social and structural front, Tunisia must transition toward higher value-added production. This involves moving away from low-value exports by investing in advanced manufacturing, including electronics assembly and automotive components. In the textile sector, this shift entails focusing on technical textiles, fashion design, and organic-certified fabrics. In agriculture, emphasis should be placed on branded, packaged, or processed products such as bottled olive oil. Parallel to this, Tunisia should intensify its trade diplomacy and lobbying activities by engaging directly with U.S. institutions to advocate for national interests. This requires coordinated action involving embassies, diplomatic missions, and the Tunisian diaspora. Domestic collaboration with U.S. business associations and multinational firms will also be instrumental in indirectly shaping U.S. policy. Should all diplomatic and economic avenues fail, Tunisia must be prepared to present its case before the World Trade Organization (WTO), using legal mechanisms to challenge the tariffs and safeguard its export interests.

## **5. Conclusion**

It is undeniable that the imposition of 25% U.S. tariffs from August 1<sup>st</sup>, 2025, will present a significant challenge for Tunisia's exports, particularly for main products such as olive oil, fertilizers, and textiles. Indeed, substantial losses in profit and export volume could destabilize foreign exchange reserves, strain fiscal balances, and negatively affect employment opportunities. These consequences may ultimately trigger social unrest.

Given these considerable risks, Tunisia must respond with proactive and well-coordinated measures to protect its economic stability and build long-term resilience. Key recommended actions include:

- Actively Negotiate tariffs in order to get delays or exemptions.
- Provide markets with tactical support such as financial incentives to encourage exporters.
- Encourage entry into other markets.
- Reform domestic tariffs to prevent future U.S. action.
- Strengthen macroeconomic resilience.
- Financially boost rural segments and small producers.

- Ensure coordinated government oversight and communication.

By implementing these targeted actions, Tunisia can effectively reduce the adverse impacts of the tariffs and secure sustainable economic growth despite external pressures.

## References

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<sup>i</sup> United States state representative.

<sup>ii</sup> Arabian Gulf business Insight (AGBI).

<sup>iii</sup> Arabian Gulf business Insight.

<sup>iv</sup> Arabian Gulf business Insight.

<sup>v</sup> Arabian Gulf business Insight.

<sup>vi</sup> Bloomberg (news analysis).

<sup>vii</sup> African Manager.

<sup>viii</sup> Business insider.