

The Multifiber Agreement Phaseout and Unemployment in Tunisia

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ABSTRACT:

Using a dynamic general equilibrium model, the paper provides a quantitative assessment of the impact of the Multifiber Agreement dismantling on unemployment in Tunisia. The specification of intertemporal behavior of households and firms permits the analysis of the effects of the shock on consumption and investment in the long run. By including a multisectoral model of efficiency wages, the model allows for an endogenous determination of unemployment. The main findings are that unemployment and wage inequality will increase due to the MFA phase out, and that a deeper integration with the EU can soften the negative effects of the shock.

Keywords: Unemployment, dynamic general equilibrium model, efficiency wages, multifiber agreement, Tunisia;

JEL classifications: D58, D91, D92, F16, J41.