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THE PROBLEM OF TWO TUNISIAS HAS NOT GONE AWAY. Five years after the revolt of 2011

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Five years ago last January a popular revolt toppled the Tunisian dictator Ben Ali and sparked a wave of violence across the Middle East which has killed hundreds of thousands of people and is tearing countries asunder, re-writing frontiers set a century ago and flooding Jordan, Turkey, Tunisia and Europe with the greatest wave of refugees since the Second World War. Many seasoned observers of the region, who initially greeted what they called the Arab Spring with enthusiasm, are lost for words when faced with conflicts which are destroying swathes of the Middle East.

Set against this bloody mayhem and despite the violence which plays out in its southern neighbour, Libya, North Africa's smallest nation, Tunisia, is holding steady. Its internal security has improved following the appointment last December of Abderrahmane Hadj Ali to run national security and Amor Messaoud to head the police. These two no-nonsense career officers brought much needed order after the endless turmoil which engulfed both forces after 2011. The newly minted rapid intervention brigades showed their mettle when the border town of Ben Guerdane was attacked three months ago

by an ISIS commando which had crossed the nearby frontier with Libya. They were welcomed by the population. The terrorists, despite hailing from the region, were not.

The army for its part has seen its fighting capacity and weapons upgraded – it will soon be getting much needed helicopters and reconnaissance planes. The US has led the way in helping Tunisia securitize its frontier with Libya electronically.

Cooperation between the Tunisian and Algerian armies remains close as both track small groups of ISIS inspired terrorist groups which operate along the long mutual boarder. A policy to encourage economic development, particularly farming in these poor uplands should be a priority for both countries.

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The prime minister is handicapped by a president who behaves as if the constitution of 2014 had granted him the power to govern the country – which it has not.

The collapse of state authority has resulted in a collapse in morale among those working for the state - until then one of the more efficient civil services in the Arab World.

If solutions are not found to stark regional disparities and social divide, then Tunisia's democratic roots will wither.

Beyond nimble international companies, a non-convincing economic track record

The Tunisian Prime Minister, Hamid Essid, must be credited with improving the country's security. But his economic track record since he was appointed eighteen months ago is not convincing. Economic reforms, fighting

corruption and actually getting projects which are written into the budget implemented must be addressed in a far more energetic fashion if the 1.8% GDP growth forecast for 2016 by the World Bank is to be realised. Last year growth was a paltry 0.8%. The budget deficit remains steady at 4.9% of GDP but the cost of the civil service and state company payroll has risen to 15% of GDP which is unsustainable in the medium term. The dinar has depreciated against the euro while the current account balance is stuck at 9% of GDP, the same figure as in 2014. The trade balance for its part improved last year thanks to a decline in the energy import bill and a bumper olive oil crop – and hence exports. Tourist receipts however were halved and are not expected to improve this year.

Beyond food processing, Tunisia boasts some high respected and nimble international companies. Integra Group is specialised in asset management, brokerage and corporate finance domestically and in Ivory Coast and in private equity through. Africinvest which has recently launched a Franco-African Fund incorporated in France targeting French and African SMEs. This fund is sponsored by the French state owned Banque publique d'investissements (BPI). Vermeg Group is active in information technology and provides software in the banking and insurance sectors. Its activities span Africa, Asia and the Middle East. The Chakira Group specialises in cabling

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for the car industry and electricity and is key suppliers to European car manufacturers. They are present in Europe, Africa and South America. These are but a few names but the challenge the government faces is to curtail crony capitalism and support existing companies while helping new start-ups.

The announcement last month that the IMF and the World Bank will commit up to \$8bn worth of balance of payment support and loans over five years could turn out to be a case of the triumph of hope over reality. But no amount of financial support from abroad can cure Tunisia's ills if the country's leaders fail to re-establish the authority of the state. That means trimming the endless layers of bureaucratic control on the economy; giving greater support to farming and getting a grip on growing corruption.

Ennahda's rebranding

Last month, the Islamist Ennahda, the largest party in Tunisia's parliament, decided to scrap its Islamist proselytising and prioritise political over religious goals. This is an important decision though many Tunisians remain unconvinced by the words of the party's charismatic leader, Rachid Ghannouchi. This rebranding offers a welcome counterpoint to the extremism which has swept the Arab world since 2011. Ennahda's battles with secularists nearly derailed the nascent Tunisian democracy in 2012-13 but political freedom is protected today

in Tunisia and strategies developed in the past to survive dictatorship are no longer necessary. The measures announced at Ennahda's recent congress amount to a softening of its religious aspirations and should enable the party to gather support beyond its traditionally conservative constituency.

It is not entirely clear whether Mr Ghannouchi is apologising for decades of incitement carried out by the Muslim Brotherhood in Tunisia and the Middle East, under religious cover in order to reach purely political purposes or whether he is now convinced that there is no hope for political Islam in Tunisia. In the country, Ennahda has gained influence as the constant infighting in the leading lay party Nidaa Tunes has turned Ennahda into the largest party in parliament. The 90 year old president Beji Caid Essebsi has effectively destroyed the party he created by imposing his son, Hafedh as its leader. *Flipper le Dauphin* as he is known has the solid financial backing of a businessman who under Ben Ali enjoyed a monopoly on the importing of bananas, hence Chafik Jarray's nickname of *le roi de la banane*. Politics in this nascent democracy are often closer to vaudeville than serious debate and influenced by private money. Television channels, bought and sold by businessmen whose wealth is of questionable origin promote a culture of slander, reality shows and spurious news. Serious information and debate are mostly lacking.

Tunisia's dysfunctional institutional structure

Beyond his lack of bold political vision, the prime minister is handicapped by a president who behaves as if the constitution of 2014 had granted him the power to govern the country – which it has not. Mr Essid did not even know personally some of his minister when he formed his government in January 2015 and treats the president as his boss.

The latter refused to appoint a man whose authority would have allowed him to use the powers granted by the new constitution to the prime minister to full effect. When it was suggested that he appoint the CEO of the Banque d'Affaires de Tunisie, he dismissed the suggestion on the grounds that Habib Karaouli lacked ministerial experience. Mr Karaouli who hails from the Gafsa, the capital of the phosphate mining region, is a man of integrity and highly respected across the political spectrum, not least by the powerful UGTT trade union. His administrative experience did not commend him to a head of state who thinks of himself as a latter day Habib Bourguiba. Times have changed since independence in 1956 brought the founder of modern Tunisia to power. It would help democracy to put down roots if Mr Essebsi showed greater respect for the spirit and the letter of the new constitution.

This state of affairs only complicates decision making in a country characterised by a dysfunctional institutional structure which goes a long way towards explaining the near paralysis on decision making in economic affairs. A plethora of ministries whose responsibilities shift from year to year have made rational economic decision making all but impossible. Agriculture and the environment boast two ministries, education and research three; technology and transport are separate

portfolios as energy and industry. International cooperation and tourism each has a ministry and the Office National du Tourisme Tunisien is a separate office with more than 1,000 civil servants. The cost of the civil service has doubled from Tunisian dinars 6bn to TD13bn since 2010. The government is incapable of spending even half of the resources allotted to investment in the budget. This dysfunction and the crumbling authority of the state are the result of bitter political infighting which followed the victory of Ennahda in the country's first free general elections in late 2011. The victors were quick to claim their share of economic spoils, appointing tens of thousands of their followers who were often quite unqualified for jobs in the civil service. The governments of Ali Larayed and Hamadi Jebali side-tracked competent civil servants. Embezzlement and a quick grab of riches, notably villas and jobs which could be milked for corruption brought power and wealth to many Ennahda party stalwarts and Ben Ali allies who were quick to turn coat.

This has resulted in a collapse in morale among those working for the state - until then one of the more efficient civil services in the Arab World. The collapse of state authority showed as ordinary Tunisians set about building houses without official permits, trading in the informal economy and withholding taxes and all over the country, dumping rubbish on street corners. The state has not collapsed but it has been seriously and lastingly weakened. The leaders of UGTT meanwhile have lost control to regional and sector barons as strikes occur daily which senior union officials are powerless to stop. Too many Tunisians in position of authority -old elites like new ones- seem to want a larger slice of a static cake but younger and poorer Tunisians cannot even expect crumbs. As Ennahda becomes part of the establishment - the *makhzen*, it risks losing support among its more radical elements. It is worth recalling that 6,000 Tunisians have joined ISIS, the largest national group in North Africa.

The consequences of the unspoken deal between the old and the new elites are threefold. First of all, a serious cleaning up of the Augean stables left by the corruption of the Ben Ali family has been avoided with a few hundred noteworthy exceptions; second, Ennahda joined the establishment; third, it has hugely increased the scope for corruption in Tunisia, making economic decision even more beholden to private interests. The civil service has lost part of the respect it enjoyed from ordinary Tunisians who look upon the behaviour of their rulers with a mixture of irony and contempt. A majority of those who are under 30 years of age did not vote in the general and presidential elections in the autumn of 2013. Their disaffection will increase if economic growth and new jobs do not return soon.

If the challenge of getting the production of phosphates and fertilizers, which has shrunk to a third of its 2010 levels back to normal, if pollution in the mining basin of Gafsa and at sea offshore from Gabes is not addressed, if solutions are not found to stark regional disparities, then Tunisia's democratic roots will wither. In a nutshell and despite a vibrant civil society, Tunisia suffers from the lack of a culture of democracy. As TV

and radios stations indulge in a rush to new depths of vulgarity, it has proved difficult to engage in a serious debate about the economic and social challenges the country faces. There is still no agreement on the economic legacy of the Ben Ali regime - which was not all negative.

Farming is the Cinderella of economic policy

Along with most Arab countries, Tunisia suffers from a bloated civil service. For many years also it has neglected its farming sector whose contribution to GDP was 8% in 2014, down from 10% in 2010. The sector employs 15% of all Tunisians and accounts for 10% of the value of exports but it has been the Cinderella of economic development for decades as the state's attention and that of the World Bank have been lavished on the coast - tourism and industrial assembly plants. The deficit of the food balance has increased from TD0.6bn in 2009 to TD1.9bn in 2014. In the poorer north west farming accounts for 40% of employment, in the south for 35%. Farming suffers from an ageing population (43% of farmers are over 60), one which is less educated on the coast and one where half of those who till the land are seasonally employed. Inheritance laws continue to split land holding, thus reducing the surface of land every family can till.

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As the climate gets drier and water resources more expensive to harness, the need to support large scale farming grows. Companies like Poulina -Tunisia's food processing giant and largest private enterprise- farm dozens of former state and private land where they grow fruit and vegetables of high quality for export. But much state land lies fallow, in northern and central regions where private investment is the answer to more employment and production. There are many niche productions which Tunisia could develop such as almonds - California provides 80% of all almonds consumed worldwide and the EU imports 70% of its consumption of what are expensive products. Why does the state not encourage the planting of almond and pistachio trees: a high value product which requires a lot of labour and on which the EU imposes no quotas?

In the Saouaf region due south of Zaghouan near Tunis, a very well run 450 hectare domain, Tanit, operated by Poulina and employing three hundred families (who also own a small personal plot of land) sit cheek by jowl with 6,000 hectares of state land, *terres domaniales*, with lie fallow. Nearer the coast the huge state domain of Bouficha is empty. The very active leader of the recently created free *Syndicat des Agriculteurs de Tunisie (Synagri)*, Leïth Ben Becher is trying to raise awareness of the huge potential offered by farming. He knows as well as Adel Sahel -who does a key job at Poulina introducing new strains of fruit from California and cross breeding them with local varieties- that the state must address farming at two levels: as a social problem and with policies to help small farmers and thus help bring jobs

to the hinterland; at the level of large farms to encourage large scale production. When asked by the former president how best to encourage farming, Adel Sahel retorted "by getting rid of the ministry of agriculture". This was only half in jest. He could have asked why the *Banque Nationale de l'Agriculture* only boasts 20% of its loan portfolio to farmers. Why loans to farming represent a paltry 5% of loans to the private sector (euros 1bn)? Only 7% of loans overall goes to the farming sector. It is not just the administrative *mille feuilles* which hinders farmers; it is the fact that Synagri has to jockey for influence with the official farmers union which is still legal. Thus the old and the new mingle and fight each other and the government dares not usher in a new age of rational decision making. The old Tunis elite contempt for farming still prevails while many young people seem content to make out a meagre living in towns rather than earn a better income on the land.

A more stable Libya could add 2 percentage points to GDP growth

Continuing turmoil in Libya remains a source of anxiety. Tunisians well acquainted with their neighbour see no hope of the political or military situation stabilising any time soon. If

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and when it comes, the reconstruction of Libya will act as a powerful engine of growth on the Tunisian economy - which has effectively stalled. Traditional links of tribe and trade between the two countries, especially between Libya's western region of Tripolitania and Tunisia's deep south could develop beyond today's smuggling. This could add an estimated 2% to Tunisia's GDP growth and offer desperately needed new jobs. Companies such as Poulina and many others own a number of plants in Libya which are operating at a fraction of their full capacity. Libyan tourists or long term residents in Tunisia are an important source of income in a sector deserted by European visitors following last year's terrorist attacks. Libya is a country in which it is far easier to operate in than Tunisia's other heavyweight neighbour, Algeria where a top heavy bureaucracy and powerful vested interests make foreign investment arduous.

As for now, those who revolted are poorer today than in 2011

The Tunisian ship of state it still afloat but however much the EU, the US and the World Bank help – and regional strategic conditions dictate they will continue to do so, only Tunisia's political leaders can tackle the challenge that two Tunisiyas exist the richer coastal one ignoring the need of the poorer one. What a legal scholar who has been an adviser on the new constitution, Ghazi Gherairi, told the *New York Review*

of Books senior editor Hugh Eakin¹ a year ago remains true: "Who benefited from the revolution? The political elite and people who already had some means. They got political participation, freedom of expression, freedom of movement, freedom to organize. This was extraordinary. They hit the jackpot. But for the marginalized population who started the revolution – the poor and the working classes – they say, 'We are poorer than before,' and they are right." If the Tunisian elite, which now include many Ennahda members, fail to heal this divide, a real revolution - more violent than the revolt of 2011 lies somewhere down the road.

1. Eakin, Hugh. "Why Tunisia?" *New York Review of Books* July 2, 2015
<http://www.nybooks.com/daily/2015/07/02/tunisia-jihad-terrorism-why/>