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## Still a Long Way to Go for Tunisian Democracy

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**T**he turn over of the *Compagnie des Phosphates de Gafsa* (CPG) and the *Groupe Chimique Tunisien* (GCT), the state owned phosphate and fertiliser companies has dropped by two thirds since the revolt which toppled the regime of Zine el Abidine Ben Ali in January 2011. Turnover last year was 900m Tunisian Dinars (TD) compared with TD3bn in 2010. Production of phosphate rock has plunged by 75% over the same period, from 8 to 2m tons while phosphate rock stocks are down to one month's exports. Foreign competitors, notably the Moroccan Office Chérifien des Phosphates, have replaced CPG and GCT in key export markets such as India and for such highly added value fertilizers such as Diamonium Phosphate, whose exports have dropped by half.

The staff of the two companies has been multiplied by three to 27,000 over the same period as politicians and senior company managers attempt to quell social unrest in the poor southern Tunisian region around Metlaoui where the mines lie and the nearby port of Gabes where they are transformed into fertilizer and shipped abroad. The new staff lack qualifica-

tions for what are essentially phantom jobs. Were the story of these two companies whose exports, which account for 10% of the country's total, have been cut by 60% since 2010, to be repeated across Tunisian industry, bankruptcy would be staring North Africa's smallest nation in the face. Luckily it is not but the challenges the government faces as it tries to create jobs and make Tunisia attractive to foreign and domestic investors remains daunting.

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**The Minister of Human Rights and Transitional Justice recently stated that rising Islamic violence could well delay elections. The risk of Tunisia slipping into a political and economic quagmire which seriously damages its future stability is real if elections are put off indefinitely.**

**The Nahda dominated government is also discovering, like its counterparts in Tripoli and Algiers, that the blow back effect of exporting jihadi activity abroad is nasty.**

**Never has the need for consensus and serious debate about the future course of the economy been greater: the policies encouraged by the World Bank and the IMF over the past two decades have come unstuck across the Middle East and North Africa.**

**The budget is being used to distribute handouts to thousands of unemployed but no one is asking how Tunisian graduates who have degrees which are of no use to future employers are going to be put to work.**

**European political leaders may have no integration process to offer Tunisia – though a little imagination in Brussels might help, but they are helping the country financially, as is the IMF, the World Bank, Japan and the US. All are desperate for a “success” story in at least one of the Arab countries which has overthrown the yoke of authoritarian rule recently.**

### Negotiations with the IMF are progressing

The negotiations under way which should see the International Monetary Fund grant Tunisia a \$1.75bn two year standby loan later by next summer do not impose onerous conditions on the Tunisian government. Among the points the IMF is insisting on, two stand out. First state subsidies to fuel must be cut which means allowing fuel and domestic gas prices to rise – such subsidies amount to Tunisian Dinars D 1.5bn (3% of GDP) and represent two thirds of the overall cost of the state subsidies which help to keep the price of hydrocarbons and foodstuffs down. It also wants to see the

three state banks it believes are most at risk – Société Tunisienne de Banque (STB), Banque Nationale de l'Agriculture and Banque de l'Habitat – restructured but is leaving the government free to decide how it proceeds, by recapitalising them, which last year's IMF Financial Sector Assessment Programme estimated at TD 3bn, 5% of GDP, or by opening their capital to private Tunisian and foreign investors.

The IMF hopes the audits will be completed in place by the summer - the key bank is the STB because many of the loans it extended to the over bloated tourist sector over decades are unlikely to be ever repaid. But as the decision as to who will conduct these audits is pending - it has not yet been announced, they are unlikely to be ready before September. The bank unions have meanwhile made their opposition to the audits very clear – they will not cooperate. Their opposition is likely to carry far more weight than the wishes of the IMF. The IMF is also insisting that regional disparities be reduced but there is no sign of that happening. Discontent in the

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poorer regions which sparked the revolt of December 2010 is again on the rise, a situation further complicated by the guerrilla operations well armed Islamic militant groups are conducting in the Chaambi mountains north of Kasserine.

Tunisia remains very dependent on international good will: despite receiving aid and loans worth \$1.5bn last year, the growing current account deficit has reduced hard currency reserves to the equivalent of three and a half months cover of imports; the Tunisian Dinar lost 6.1% of its value against the Euro between January 2011 and January 2013. Inflation meanwhile has rose to 6.5% in February. Tunisian industry is in dire need of private investment but the sense of political crisis which engulfed the country last winter in the wake of the assassination of the left wing lawyer Chokri Belaid and the growing flow of young Tunisian *jihadi* fighters to Syria have sullied Tunisia's reputation and made investors very cautious.

The economic scenario presented by the Tunisian government suggests inflation will decline this year from 6.5% to 4.2% but badly underestimate the short term consequences of the decline in economic growth in Europe, Tunisia major partner and the consequences of the government being obliged this year to curtail public spending. The IMF is working on a less optimistic scenario which suggests that economic growth this year could rise from 2.7% to 4.1%. This is based on the

assumption that inflation is brought under control; that economic growth picks up in Europe – not in 2013 for sure, and that the banking sector is restructured, both of which are unlikely and that the implementation of government policies becomes more rigorous. Other scenarios from Western European countries are more pessimistic and conclude that growth could stabilise around 3% over the next two years.

The President of the Republic, Moncef Marzouki has for his part lost whatever respect he enjoyed by his virulent attacks on the leader of the opposition party Nidha Tunes, the respected statesman of the earlier Bourguiba period and first prime minister of the transition, Beji Caid Essebsi. His popular nickname *tartour* – the puppet, sums up what ordinary people think of him. The *Nahda* Prime Minister, Hamadi Jebali, was dismissed because his proposal of a technocratic government was not accepted by his party – his proposal was an attempt to broaden the political support for the government and thus enable it to conduct economic reforms more easily.

His successor, Ali Larayedh's failure to give strong support to the enquiry into the murder of Chokri Belaid has fuelled suspicions among many Tunisians that the ruling *Nahda* Islamist party has something to hide. Opinion polls in April conducted by the private Tunisian company 3C suggest *Nidha Tunes* candidates would poll more votes (32.2%) than *Nahda* (30.1%) were elections held tomorrow.

The Minister of Human Rights and Transitional Justice for his part recently stated that rising Islamic violence could well delay elections. After coming to power 18 months, *Nahda* leaders turned a blind eye to the violence of hard line Islamist groups such as Ansar al-sharia but three factors explains why the prime minister, Ali Larayedh changed tack and branded the group "terrorist": the murder of the police officer Mohammed Sboui by Islamists on 4<sup>th</sup> May coming after many similar attacks against members of the security forces, the rioting last week end by *Ansar al-charia* supporters in Tunis and the holy city of Kairwan on 19<sup>th</sup> May and the growing number of young Tunisians going to fight the "holy war" in Syria. To argue that in this tense climate elections should be delayed would be funny spectacle indeed were its potential consequences not so dire. The risk of Tunisia slipping into a political and economic quagmire which seriously damages its future stability is real if elections are put off indefinitely.

The draft text of the proposed constitution was severely criticised by Human Rights Watch on 13th April. Leading Tunisian intellectuals and legal experts argue that, were it to be endorsed by the constituent assembly, it would open the door to a theocratic state. The atmosphere in Tunisia is tense: the growing threat of Islamic armed guerrilla activity, massive smuggling of petrol, pharmaceuticals, foodstuffs, cement etc at the country's frontiers (one third of all petrol is imported from Algeria according to private estimates by

the French company Total) speak of a weakened state and a growing bazaar economy. Some high profile foreign investors are closing up shop: Latecoere, a subsidiary of Airbus that makes cables for aircraft has moved production back to France and Mexico. Others are likely to follow.

### **Nahda realises Jihadist problem cannot be exported**

Until recently, the party has tolerated the violence of its Salafi friends, arguing, at least to Tunisia's foreign partners and to ambassadors in Tunis that it was a small price worth paying to ensure that these often young unemployed men joined the democratic process. The attack of the US embassy in Tunis last 14<sup>th</sup> September, the lynching soon afterwards of a member of Nidha Tunes, Lotfi Naguedh, the attack by Nahda militias of the trades union headquarters in Tunis last November, the torching of sixty Sufi shrines – *zaouias* – and the murder of Chokri Belaid cast serious doubts about *Nahda's* real intentions, all the more as the culprits are seldom brought to trial.

The *Nahda* dominated government is also discovering, like its counterparts in Tripoli and Algiers that that the blow back effect of exporting jihadi activity abroad is nasty. This dawning realisation does not prevent the party, a majority of whose ruling Majliss are hardly moderates, to continue inviting hard line wahabi preachers to Tunisia, to the fury of many ordinary citizens and the delight of a few. Early in May the Egyptian preacher Mohammed Hassen attracted thousands of bearded followers to the sea front of Hammamet, the country's prime tourist resort. No doubt this was part of the minister of tourism's campaign to attract more foreign visitors to Tunisia at a time when tourists from Europe continue on their downward trend. In Euro terms, foreign receipts from tourism are at the level they had reached in 2005.

The new minister of the interior, Lotfi Ben Jeddou is a former magistrate and a man of integrity. He is leading the crack down hard on Salafis groups. Tunisia's western allies and Algeria are strongly supporting this change of heart. The US was both surprised and furious when its embassy was attacked. Its view of *Nahda* is less naïve than it was a year ago. Arrests started last autumn but have accelerated in recent weeks with the appointment of Lotfi Ben Jeddou. The grand mufti of Tunisia has recently spoken out - adding his voice to many Tunisians who object to mosques being used to recruit young men to fight in Syria and Mali. *The International Crisis Group* has offered an in depth analysis of the situation regarding the Salafists<sup>1</sup>.

Senior Western diplomats in Tunis confirm that well over 1000 Tunisians are fighting with *jihadi* forces in Syria, which begs the question of what happens when they return. Tunisians have long supported pan-Arab or Islamist movements: what is new is that the ministry of the interior has dismantled five networks which specialised in sending young Tunisians to Syria, via Libya and is cracking down on others. An important military operation, coordinated with 9000 Algerian troops is currently trying to dislodge well entrenched *jihadi* fighters from the Djebel Chaambi region near the Algerian border. This is the most important military operation of its kind in Tunisia since the fall of Ben Ali. Easy access to Muammer Gaddafi's storehouses during the 2011 war in Libya has intensified the threat that Salafi militants pose to Tunisia.

Neighbouring Algeria has cracked down hard on such groups following the attack by Islamist militants of the gas field of In Amenas last January, which left dozens dead. Among the 30 odd attackers one third were Tunisian, others came from as

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far a field as Canada and the UK. Tunisian leaders are learning a lesson their predecessors in North Africa, starting with Algeria in 1992, and the Middle East learned years ago: allow militants to go and fight the Russians in Afghanistan – or any other government anywhere else for that matter, and a few years later they are back attempting to topple governments from Rabat to Cairo. Tunisia's army is professional but small and will strain to control all the country, secure its frontiers, guard public buildings and ensure political peace in the main cities. It appears to be working in good intelligence with its eastern counterpart: so far the smuggling of goods between Algeria and Tunisia has not meshed with *jihadi* activity as Tunisian and Algerian security forces turn a blind eye to smuggling, but not to armed Islamic militants.

Many of the young unemployed who brought down the authoritarian regimes of Zine el Abidine Ben Ali and Hosni Mubarak have turned their anger against the Islamist parties which now govern both countries but in Tunisia, others have been recruited by *Ansar al-sharia*. Two years ago, Tunisia seemed to offer greater promise of political and economic reform than Egypt. It still does, despite current tensions. The country is smaller; its population more homogeneous and better educated its civil service more professional. International strategic interests in Tunis are less important than on the banks of the Nile. Yet for all its promise of combining free enterprise with greater attention to the poor, *Nahda* is finding it much harder to deliver economic reform and more jobs than to fight a dictator. The rate of unemployment among the young in the poor hinterland towns remains around 50%.

1. Tunisia: *Violence and Salafi Challenge*, International Crisis Group, Middle East and North Africa Report n 137, 13<sup>th</sup> February 2013

## Why Nahda struggles to deliver economic reform

The Nahda led government is finding it hard to deliver economic reform: its lack of experience and widespread nepotism are brilliantly analysed in one of the more incisive analysis of the Arab revolts, *Le Peuple Veut* whose author, Gilbert Achcar argues that the Tunisian Islamists, as Islamist elsewhere hold a “magical view” of how to govern a country: in particular they chose to believe that the success of the Justice and Development Party (AKP) in Turkey results from its founders overtly religious posturing rather than hard socioeconomics facts<sup>2</sup>.

It is worth remembering that traditional Sunni jurisprudence offers little in the way of new economic thinking because re-Islamising society, as *Nahda* sees it, remains more important than improving the well being of ordinary people. Government control over one of the more efficient bureaucracies in the Arab world has weakened because many ministers cast doubts on

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the loyalty of senior civil servants and managers who served under the former dictator. Third, as Islamists and more liberal Tunisians compete for power and *Nahda* fails to create a broad consensus of how to manage the economy, a state of never ending political crisis encourages investors to hold back.

Let us start with the third point. The head of the employer’s federation UTICA, Ouided Bouchamaoui, who belongs to one of Tunisia’s most respected industrial families, was blunt when referring the former Tunisian government headed by Hamadi Jebali: “the economy is not their priority”. Since they took over the reins of government early last year, *Nahda* leaders have focused on issues which divide Tunisian society deeply. By insisting for months that *shari’a* should be a major source of law, by inviting hard line Wahabi preachers from Qatar and Saudi Arabia to preach in what has traditionally been a tolerant country, by failing to bring to justice the authors of most acts of vandalism against Sufi shrines, and by allowing their militia, the *Ligues de Défense de la Révolution*, to attack the headquarters of the powerful trades union UGTT last December, the Islamist party has opened up deep lines of fracture in Tunisian society. The risk of a brain drain among younger more educated Tunisians is real.

Identity confrontations have failed to create new jobs and held back much needed foreign and domestic investment. Senior ministers speak of reintroducing the traditional religious *zakat* tax at a time when the much touted – by the World Bank and

European Union – Tunisian “model” of privatization turns out to amount to less than the sum of its parts and new economic strategies on taxation, employment of young people and creating enterprises are desperately needed. It is also worth noting that ministers have very little power: their chef de cabinet, the key directors in each ministry and the heads of state companies which come under their authority are now appointed by the prime minister. Until January 2011, that was a prerogative of the head of state. *Nahda* has unrivalled control over the machinery of government.

Tunisian civil servants and the senior executives of state companies are by and large competent and honest. Most are proud of the founder of modern Tunisia, Habib Bourguiba, who granted women equal rights more than half a century ago and instituted universal education, healthcare and family planning decades before states in southern Europe. But Bourguiba also marginalised traditional Islamic institutions, notably the religious *habous* foundations whose land, buildings and income was turned over to the state, abolished Islamic universities and prohibited *zakat*. This tax amounts to a hefty 2.5% on private capital every year. The government’s aim of giving more importance to Islamic banking and re-Islamising Tunisian society is unlikely to create new jobs despite *Nahda*’s stated credo on the subject.

Never has the need for consensus and serious debate about the future course of the economy been greater: the policies encouraged by the World Bank and the IMF over the past two decades have come unstuck across the Middle East and North Africa. The government is now seeking the support of the IMF and using the same economic tools as its predecessor with an absence of vision which is striking. The IMF is asking the Tunisian government to “stabilise” the number of civil servants – that will hardly help the phosphate sector regain its competitiveness. The fit all Washington Consensus is still at work – no allowance is made for the particularities of Tunisia’s recent history, its complex social-political make up nor for the fact that its people, its professionals, its women wish to have a say in shaping economic policy. *Nahda* dare not mobilise Tunisian society, a point Gilbert Achcar illustrates very convincingly. Being the Trojan horse of a rather battered Washington Consensus is hardly a glorious posture. It is ironic that the IMF will lend Tunisia a sum not very different from what the CPG and GC have lost in turnover these past two years. Another reason which explains *Nahda*’s behaviour is supporters played no part in the downfall of Ben Ali. This was, according to a book, which reads like a thriller and is authored by two exceptionally well informed Tunisians, the result of a coup within the security apparatus not, as some observers choose to believe some western plot<sup>3</sup>.

2. *Le Peuple Veut*, Gilbert Achcar, Sindbad Actes Sud, 2013

3. 14 Janvier, *L’Enquête*, Abdelaziz Belkhdja & Tarak Cheikhrouhou, Apollonia Editions [www.apollonia.com.tn](http://www.apollonia.com.tn) 2013

The real economy drifts as the fast growing informal sector forces the closure of many small companies, which pay taxes and are unable to compete with cheaper Chinese, often illegal, imports. Increasing deficits in government budgets and foreign trade have fed inflation, now at 6%, which is hurting the poor. The budget is being used to distribute handouts to thousands of unemployed but no one is asking how Tunisian graduates who have degrees which are of no use to future employers are going to be put to work.

### **The example of Turkey is misleading**

The paramount leader of *Nahda*, Rashid Ghannouchi likes to compare the policies of *Nahda* to those of AKP but circumstances on the shores of the gulf of Tunis are different from those which prevail on the shores of the Bosphorous. AKP holds five cards *Nahda* does not. It built its policies in government on the economic reforms enacted by its predecessors and thus benefited from the results. The party gained valuable experience from running towns large and small before it came to power in Ankara – the prime minister was a successful mayor of Istanbul. AKP learnt to solve practical problems not ideological ones.

The Turkish army remains a secular force to be reckoned with, however much its beard has been singed by AKP. The second article of the Turkish constitution says the country is “secular”. This contrasts sharply with the draft constitution which the Tunisian government has just announced and will usher in “an Islamic state” according to Yahd Ben Achour, the highly respected scholar and former president of the High Authority for the Achievement of Revolutionary Objectives - the commission responsible for constitutional reform post revolution. Professor Ben Achour, a scholar grounded in both modern law and Islamic law, headed the commission charged with overseeing the elections of October 23<sup>rd</sup> 2011 but has since retired from active politics, not least because of *Nahda's* open hostility towards him.

Last but not least, Turkey is engaged in an integration process with the European Union. However uncertain this process, however far away in the future its potential outcome may be, its very existence leads to a legislative and normative convergence which will be the country's passport to modernity and efficient economic management. European political leaders may have no such integration process to offer Tunisia – though a little imagination in Brussels might help, but they are helping the country financially, as is the IMF, the World Bank, Japan and the US. All are desperate for a “success” story in at least one of the Arab countries which has overthrown the yoke of authoritarian rule recently. Such help is both needed and legitimate but it surely allows them to hold the Tunisian government more accountable than hitherto. The rule of law must be upheld far more rigorously

by the courts and by the ministry of justice than it has been hitherto. The West must also refuse to accept that any group, be it Islamist or not, be considered a worthy partners in the democratic process. Ansar al-charia invokes Allah but never the democratic process. Only when the leaders of *Nahda's* calls the bluff of such hard-line groups and those among its senior leaders who talk with a forked tongue, will the path to democracy in Tunisia be consolidated.

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