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## TUNISIA, FROM HOPE TO DELIVERY

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Tunisian have reason for optimism. For any regular visitor to Tunis, the change of atmosphere in the capital compared even to last autumn, and certainly to 2012 - is striking. The underlying reason for the change is the adoption of the new constitution in January 2014, which enshrines the equal rights of men and women and the rule of law offers a rare example in the Arab world: a revolt against a dictator ushering in a period of progress, however turbulent and costly in the short term, respect for the rule of law. Tunisia thus represents a rare example in the Arab world: a revolt against a dictator which, a turbulent three years on, has ushered in a period of progress and, since the appointment of Mehdi Jomâa as prime minister, of good government.

There are continuing, grave problems: the country's economic situation has hardly improved, and the fight against terrorism claims regular victims. Many of these, say the prime minister, are the legacy of the previous years of Islamist government. Mehdi Jomâa is an impressive figure: for the first time since independence in 1956, a

Tunisian prime minister speaks frank language of economic truth to those he serves, in vernacular Arabic rather than the pompous classical version usually preferred by the leaders of Ennahda party that dominated the previous government. His tone is quiet and businesslike, a reflexion of the character of the inhabitants of the town from which he hails, Mahdia, which lies down the coast from Tunis.

Jomâa's message is as brutal as the bare statistics. GDP growth has averaged 2,3% annually since the fall of Zine El Abidine Ben Ali, 0,8% if one subtracts government wages (100,000 new recruits, often lacking in qualifications, have joined the civil service and state companies - and many of latter post huge deficits. That is the price paid for the political-economic expediency of the "Troika" (the three leading parties Ennahda, CPR and Ettakatol). Wages overall have grown by 40%, productivity by 0,2%. The cost of state subsidies to oil and gas products and foodstuffs has rocketed by 270% over three year. The budget deficit was 7% last year and expected to rise to 9% in 2014. Foreign debt meanwhile has risen

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by 38% over three years to over 50% of GDP. Such figures are unsustainable.

Strikes, many of them illegal, are increasing exponentially. The UGTT trade-union federation, emboldened by its success in convincing the Islamist government to leave office, the Tunisian General Labour Union (UGTT) now seems to be acting as a government in-waiting. Its national leaders are happy to denounce inflation but recoil at the idea of any austerity measures. Some UGTT members, notably regional leaders, seem to think that nationalising or renationalising loss-making industries will save them. Having seen its staff treble in three years and its production collapse by more than 75% and lost many of its export markets, the *Groupe Chimique-Compagnie des Phosphates de Gafsa* symbolises the dire straights the economy is in: its workers seem to work one day every ten. The UGTT section in Gafsa, the main town in south western Tunisia appears to have become a state within a state. If Tunisia does not get back to work, the economy could well derail the political process

The explosion of the informal sector, caused by the failure of the formal economy to provide jobs, is now fuelling inflation. It also has the perverse result of lowering the tax take. The state is probably receiving half the tax it is owed by its citizens. Urgent measures are needed to put state finances back on a sounder footing and mop up the huge amount of informal money washing around Tunisia.

## The adoption of Tunisia's new constitution helped rekindle a sense of national unity. It is the most democratic and liberal charter in the Muslim world, protecting civil liberties, separating legislative, executive and judicial powers and guaranteeing women parity.

The UGTT – and left-wing parties supporting the current caretaker government – is now playing the populist card. The UGTT's role in relation to the shortfall in tax revenues (estimated at 50%) invites comment. It decided that all tax offices should go on strike for a week, but the strikers continued after that period (without the authority of the UGTT, whose leaders however refuse to condemn the stoppage). The authority of the government is in question. The UGTT leader Houcine Abassi is one of the most courted men in Tunisia today but if he chooses to dictate economic policy to the prime minister then Tunisia is in for a bumpy ride.

William Lawrence - a professor at George Washington University – says: "in a country whose revolution was launched by a desperate and demoralized informal fruit seller subject to government harassment, further cracking down on the informal sector is unwise, if not foolish. Accordingly, the UGTT, whose rank and file were instrumental in publicizing Bouazizi's fate and turning it into a revolution will likely oppose the necessary measures".

The worsening financial disorder could prevent Tunisia from turning the next, economic, corner. Social and political disorder will feed each other and, when set against existing security concerns, will exacerbate the overall sense of drift.

## The Bourguiba revival

In July 2013, when a second leftwing deputy, Mohamed Brahmi, was assassinated, north Africa's smallest country seemed to be on the brink. The Islamist led government, led by Ali Larayedh and opposition *Nidaa Tunes* coalition of parties traded mutual accusations and insults as to who was responsible for the dire straights Tunisia was in – a fast deteriorating economy and an ever worsening security situation. In the immediate aftermath of the murder, tens of thousands of Tunisian men and women demonstrated against the government, insisting it should respect the equal rights of men and women, fight terrorism wholeheartedly and reduce corruption. The Islamist –led government led by Ali Larayedh and the opposition *Nidaa Tunes* coalition traded accusations over responsibility for Tunisia's dangerous economic and security condition.

But several organisations – the UGTT trade union, the employers' federation Utica (whose members were alarmed at the explosion of the informal economy and growing insecurity), the League of Human Rights and the bar association did everything in their power to broker an agreement between government and opposition. The UGTT was in the lead; the other three played minor legitimising roles. Together, though, they acted as midwives to the agreement which

finally delivered a government of technocrats to lead the country in the run up to general elections, which are expected within a year.

The growing polarisation of Tunisia was marked by the reappearance of portraits of the founder of modern Tunisia, Habib Bourguiba, in shops and cafes. The man ousted by a "medical coup"

in 1987 and kept under house arrest for a decade till he died in 2000, is now the subject of many television and radio debates. Tunisia's post independence history is being discussed, more critically than was possible when Bourguiba ruled. He may well have been a dictator but he gave Tunisian women rights they enjoyed nowhere else in the Arab (and indeed much of the European) world in 1956, along with the advancements in education and health. He helped build a middle class and institutions which, despite the attempts of Ben Ali to dismantle them, survived to help steer the 2011 revolution towards calmer waters. It is the sons and grandsons, the daughters and granddaughters of Bourguiba who refused to countenance attempts to impose sharia law. He must be smiling in his grave at the posthumous effects of his conviction that Tunisia could become a modern state.

## The Tunisian exception

Ennahda's leaders, throughout their two years in power, complained that the "deep state" entrenched under Ben Ali was plotting to overthrow them. Events in Egypt and Turkey in mid-2013 fuelled such fears. The military coup which ousted Mohammed Morsi from the Egyptian presidency offered a sharp reminder that counter-revolution can easily follow rev-

olution; while the riots in Istanbul and their brutal repression was equally disturbing for Tunisian Islamists.

Tunisia differs from Egypt, though, in that one of the vital components of the latter's deep state – a strong army with considerable economic interests – is absent. And Turkey too no longer offers a political answer to Tunisia. The stability and prosperity that Turkey had enjoyed over the past decade created political confidence in the so-called "Turkish Model". Now, as that model comes unstuck, the idea that Islam and democracy can share the public sphere is under pressure, and a transition to Islamic authoritarianism no longer looks implausible. Turkish politics are being poisoned by bitter infighting between leaders who view compromise as cowardice, and further complicated by the fallout between two erstwhile Islamist allies, the movement of Fethullah Gülen and the AKP government of Recep Tayyip Erdogan.

Both Turkey's prime minister and his friends in Ennahda in Tunis often resort to conspiracy theories in an attempt to delegitimize their opponents. The veteran leader of Nidaa Tounes, the eighty seven year old Beji Caid Essebsi, never did. This explains why Turkey has been unable to agree on a new constitution and is still governed by the 1982 military one. Erdogan's attempt to push through as new constitution in December 2013 failed because AKP wanted the new text to maximise presidential power at the expense of the judiciary and legislature.

When Rashid Ghannouchi retreated from his earlier insistence of establishing Tunisia as an Islamic state, the opposition saw this concession as a token of goodwill. Despite its birth pangs, the adoption of a new constitution helped rekindle a sense of national unity. When deputies of all parties hugged one another and chanted *Mabrouk alina* ("congratulations to us all") they were celebrating Ennahda leaders' recognition that tolerance towards hard line Salafi groups was destroying the party's credibility.

Rashid Ghannouchi used to boast of his close ties with the Turkish Prime Minister – but no longer. Erdogan cultivates a very confrontational form of politics and uses his speeches as a bully-pulpit. Ghannouchi spent two years giving provocative speeches but, since autumn 2013 has behaved like he was being coached by an American political consultant to sound like a European Christian Democrat. Now that the party he leads is out of government and spared the consequences of its disastrous management of the economy, he is concentrating on winning the forthcoming elections.

Ennahda proved to be a poor steward of the country's economy and in this respect, AKP has done better. But Erdogan's insistence that a global network of financiers (by which he means Jews) is trying to weaken Turkey rather contradicts the economic policy he has conducted and which has exposed Turkish consumers to what he calls the "interest rate lobby". The country's foreign debt has nearly tripled since the AKP came to power.

The leader of Ennahda has also been blessed with an opponent who maintains a statesmanlike demeanour. Beji Caid Essebsi, head of the interim government, made way for the

Islamist administration in December 2011, but thereafter refused to respond in kind to the insults some Islamist leaders threw at him. He also refused to accept the Islamist attempts to disqualify him and thousands of other Tunisians who had belonged to the ruling RCD party (which was dissolved in the wake of the fall of Ben Ali). If Tunisia reaches the next elections without a major upset, both leaders will have secured their place in history.

Tunisia's new constitution is the most democratic and liberal charter in the Muslim world, protecting as it does civil liberties; separates legislative, executive and judicial powers; guarantees women parity in political bodies; and declares that Islam is the country's official religion while protecting religious freedom for all. This achievement is maybe less surprising if one remembers that the first ever written constitution in the Muslim world - which set up a constitutional monarchy- was promulgated in 1861, by Bey Muhammad as-Sadik III, the then ruler of Tunisia.

Qatar remains a strong supporter of the Tunisian Islamists, but the emirate's fallout with Saudi Arabia and other Gulf States suggest the emirate will henceforth act more prudently abroad in general and in Tunis in particular. Ennahda, during its first eighteen months in power, was welcomed in London and Washington but once Salafi Islamists in Tunisia began murdering politicians and members of the

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security forces, the attitude changed. Ennahda, after all, turned a blind eye as thousands of young Tunisians were recruited for the *jihad* in Syria and travelled to the Middle East by way of Libya and Turkey. No wonder American (and German) warmth towards Tunisian Islamists cooled as their diplomats began to wonder whether moderate political Islam might not be a contradiction in terms.

Tunisia's army is not powerful but it might have been tempted - when faced with mounting disorder and an explosion in illegal trade in weapons and drugs - to put an end to an ineffective government. It could well have received the discreet backing of its Algerian counterparts in doing so: senior Algerian military leaders made quite clear to Ghannouchi during his visit to Algiers in September 2013 that if Tunisia threatened to descend into chaos they would not stand by.

The United States played its cards well, by refusing to explicitly endorse more international aid for Tunisia until the country had delivered a modicum of economic reform. Its attitude also effectively froze loans from the World Bank and the IMF which were predicated on Tunisia enacting economic reforms. By relinquishing the government, the Ennahda leaders proved that they were prepared to act more in the interests of the Tunisian people than of the Islamic International. Some members of Ennahda would have preferred to turn Tunisia into a more Islamic state but Ghannouchi and other Ennahda leaders realised that if they pursued that aim, they could tip the country into civil war.

## The economic danger

Since he was appointed prime minister in December 2013, Mehdi Jomâa's priority has been to contain smuggling and the informal sector. He has visited the customs at the port of Tunis and various places on Tunisia's frontiers with Algeria and Libya (crossing-points for a growing flood of diverse goods that is causing enormous damage to domestic production). The streets of Tunis and major cities are full of informal vendors selling anything from pharmaceuticals to cigarettes, petrol from Algeria, foodstuffs and alcohol. The informal sector, enormous before the revolution, has grown even further: the government estimate is that it represents 30% of the economy though the employer's federation Utica makes the figure 50%. Every major international financial institution has sent representatives to talk to the new government. The latter has four members - Mehdi Jomâa, Kamel Bennaceur, Hakim Ben Hammouda and Lassâad Lachâal - who have worked in international companies or financial institutions. They speak the same "language" and understand each other well. The respected Tunisian economist Mohamed Chawki Abid warns against an IMF-imposed recipe in Tunisia, that follows the time honoured formula (such as a sharp cut in subsidies across the board, a restructuring of the banking system, the privatisation of leading state companies in sectors such as electricity (STEG) and the post office. The IMF - which nego-

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tiated reforms with the two previous Ennahda-led governments - seems to want to impose the prescriptions of the now discredited Washington consensus on Tunisia, despite these having failed in many countries. Abid, writing on the news website Kapitalis, believes a bold economic austerity plan is essential in order to stop the "financial haemorrhage" which he compares to a "fire which is devouring us".

How these measures are selected and sequenced will determine their success or failure. The devil here is in the details. The price of tins of tomato sauce, a vital commodity for poorer Tunisians has increased (in two stages) by 29% since autumn 2013. Whatever the merits of the first rise, says Abid, the second one is unwarranted. Subsidies on petroleum products are to be cut, but would it not be wise to cut them on petrol used by tourism vehicles (which are used by the middle classes) but avoid it on fuel oil and diesel (used by tractor and collective taxis)? A huge increase in subsidies is a problem; but indiscriminate cutting of those subsidies, which affect staples and other goods used by poorer Tunisians, could provoke a social explosion.

Chawki Abid also proposes suspending the importing of luxury goods such as perfumes, cosmetics, alcohols and luxury cars while increasing value taxes on such items to 25%. That would require suspending some clauses of the free trade agreement signed with the European Union and the "open method coordination" states (OMC). Such a policy would rein in consumption, conserve precious foreign currency and reduce the balance-of-payments deficit.

Three other measures suggested seem equally sensible: a 1% tax of financial transactions between banks, insurance companies, mobile telephone operators and car-dealers; launching a large domestic bond without inquiring where their funds originated (in order to absorb the large sums of "black" money circulating in Tunisia), and reducing the size of the informal sector. Abid notes the absurdity of recapitalising Tunisian banks - a pet IMF idea - at this stage. That would cost Euros 500m over two years, equivalent to 3% of the budget. Surely that can wait until after the elections, which are due within a year. A final proposal is to facilitate the sale of luxury houses and flats - often located in tourist areas - to other nationals of the Maghreb: there would certainly be no shortage of Algerians and Libyans willing to buy.

There has been no debate in Tunisia on how an austerity package might be designed. Instead the Prime Minister travelled to the Gulf in the hope of raising up to Euros 5bn, most of which was earmarked to fund the budget deficit (which amounts to 9% of GDP). He was rebuffed, however, as Gulf governments are interested in investing in projects. Mehdi Jomâa knows that foreign oil and gas companies working in Tunisia are believed to evade tax to the tune of Euros 2bn annually and that the informal sector does so to the tune of Euros 1.5bn at the very least. He should put Tunisia's house in order before travelling abroad with a begging bowl - and he should also be mindful that, were he to swallow a Wash-

ington-consensus-inspired reform plan, he could well forfeit the trust of the Tunisian people.

A bold government policy is essential. This means that foreign donors - be they international organisations, or

European or Arab aid providers, are justified in waiting for Tunisia to take the initiative. Tunisia is the leading and possibly single democratic success story in the Arab world today, and there is no shortage of good Tunisian economists. A public debate on these issues would be in keeping with the new mood of pluralism which has engulfed the country.

As many of the hopes raised by the Arab uprisings of 2011 have given way to bloody internal turmoil (Libya), brutal military counter revolution (Egypt) if not outright savagery (Syria), Tunisia alone offers an elusive prize: the promise of reconciling people whose creed is Islam with state institutions that show respect for the rule of law, freedom of expression and the separation of religion and state.