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TUNISIA'S FUTURE LASTS A LONG TIME

Francis Ghilès, Senior Associate Fellow, Barcelona Centre for International Affairs (CIDOB)

Tunisia is often held up as the shining example of successful transition to democratic rule in the Middle East and North Africa. The popular uprising in one of the region's smallest states brought the surprisingly swift collapse of the regime of Zine el Abidine Ben Ali in January 2011. This unleashed revolts across the Arab world that left a trail of blood, mayhem and millions of refugees. The "Arab Spring" which promised a wave of liberalism and democracy proved a false dawn. It has given way to suffering and fear across the Middle East and beyond.

Not so in Tunisia where, for the past six years, free and fair elections have become the norm. Speech is free and torture had disappeared until, according to a [report](#) by Amnesty International last February – 'We want and end to fear': *Abuses under Tunisia's state of emergency*, it recently reared its ugly head in the name of the fight against terrorism. Meanwhile the start of the Truth and Dignity Commission public hearings has so far only unveiled the

tip of the iceberg of the abuses committed under Ben Ali's twenty four year dictatorship (1987-2011). In 2015 terrorist attacks left scores of foreign tourists dead and dealt a grievous

blow to an important sector of the economy. The tourist sector has hardly recovered. The capital Tunis feels safe. Restaurants and cafés ply their trade. Women veiled or not mingle at ease. That is true of most towns up and down the country.

Appearances can be deceptive however. On 28 February, an old crocodile in the zoo of Tunis was stoned to death by visitors. As the news spread through social media, shame was expressed at this act of wanton cruelty. Many recent visitors to the zoo pointed to the dreadful conditions many of the animals live in and the cruelty regularly meted out to them by visitors. Rubbish litters the zoo which sits in the Belvedere Park, the only green space left in this sprawling concrete city. The park is full of illegal street vendors. Trash tips add little to its charm. What should be an urban jewel is left to its own

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Aid from international donors is guaranteed, for the time being, if only because Tunisia lies in a region of great importance, in terms of security, to the European Union. But free meals do not last indefinitely.

If more international arbitration cases go against Tunisia, not least in the banking and oil and gas sectors, the damage to the country's reputation as an attractive place to invest for international companies will be immense.

devices by municipal authorities who can no longer afford the necessary personnel to maintain the zoo –now temporarily closed- or the park.

The authority of the state has virtually collapsed

This vignette sums up a country which is dangerously adrift. The authority of the state has virtually collapsed. It is ruled by a 92 year old president who respects neither the letter nor the spirit of the constitution democratically adopted in 2014. Beji Caid Essebsi was elected president in November 2014. His lay party, Nidha Tunes, won a plurality of votes in the general elections of December that year. He has appointed two prime ministers who lack political nous, thus denying them the exercise of their powers under the constitution which are greater than those of the head of state, who shares responsibility with the government for defence and foreign affairs.

Habib Essid was prime minister from February 2015 to August 2016 but failed to shake off the president's yoke and push through bold reforms. Is Youssef Chahed, an agricultural engineer of 42 with no previous political experience, man enough to face up to the president who is a master puppeteer? Can he face down the powerful trade union UGTT? In a country of 11m people that boasts 630.000 civil servants (a conservative estimate) which is more than twice the figure of Greece with the same population, this carries huge weight.

A new democratic Tunisia was in the making but Tunisians are deeply disappointed

To this figure must be added workers in state companies which pushes the figure to over 800,000. Dare he tackle the mafias whose activities expand as the economy stagnates and the informal sector spreads its tentacles? This budding democracy needs firm leadership and new ideas. Si Beji and the Islamist Nahda party leader Rachid Ghannouchi who are allies, are offering endless short term manoeuvrings.

Tunisians are deeply disappointed. The downfall of Ben Ali was akin to the rebirth of their nation after two decades of western endorsed harsh and predatory dictatorship. A new democratic Tunisia was in the making. The young who paid with their lives to topple Ben Ali dreamed of a remake of 1956 when Habib Bourguiba, leader of the newly independent country swept away the old Husseinite dynasty, decreed equal rights for women - a first in the Arab world and free health care and education. This was followed in the early 1960s with family planning, decades before Spanish, Italian or French women enjoyed such rights. History teaches us that economic decline and political volatility go hand in hand. They are rarely resolved quickly and easily.

The president sees himself as the reincarnation of Bourguiba. But he forfeited the respect of millions of Tunisians the day he appointed his prodigal son Hamedh to run the party he had so recently created. His son's only claim to fame is the company he keeps – shady businessmen. In 2014, many in the

middle class looked upon Si Beji with respect. He had fought against Nadha's attempt when in government (2011-14) to put Islam centre stage, thus fostering bitter identity conflicts. Respect turned to amusement, contempt and now outright anger. A leaked tape of a meeting of Nidha Tunes leaders in early March showed Hamedh explaining why the party could exert influence so long as the *cheib* (a rather derogatory way of referring to an old man) was in the presidential palace and disparaging Youssef Chahed. The fall out was devastating for the head of state.

State finances are broken

Economic growth meanwhile is stuck just above 1%. Public debt has risen from 35.6% of GDP in 2010 to 62.1% as of January this year. It could reach 70% by year end. The budget deficit has gone up from 3.9% to close to 6.2% between 2014 and today. Civil service salaries and interest payments on the public debt eat up 80% of tax receipts. Meanwhile, the living standards of millions of Tunisians decline. In such circumstances, it is anybody's guess how many young people will bother to vote at the next municipal elections, let alone the presidential contest in 2019. The number of abstainers can only increase from the already high figures of 2014 which will hardly strengthen the young democracy. Many in Tunis are aghast at the idea that a man who, in 2019 will be 94, can consider running again. How can Si Beji pretend to symbolise the hopes of a population half of whose members are under 30 years of age?

A second factor is at play. By appointing successive prime ministers who are civil servants, the head of state condemns the Tunisian government to impotence the very day they take office. At the seat of government, the former royal Palais de la Casbah, Hamedh Essid was a prisoner of his staff, people who are not accountable to the National Assembly let alone the broader mass of Tunisians. Does his successor command the authority over his ministers he needs to take difficult decisions when some of them are more beholden to the head of state or their respective party bosses than to their nominal chief?

A third factor makes reforming this aspiring democracy a challenge far greater than Tunisia's well wishers abroad are willing to admit, at least in public. The Tunisian General Labour Union (UGTT for its French acronym) has become too powerful for its own good. Its huge weight in the top heavy public sector, not least education encourages it to clamour constantly for higher wages. It is time for UGTT to decide whether it should create a party and enter the political arena, separately or in coalition with other parties. It did so as an ally of the then Neo Destour in 1956, 1981 and 1986. That would help clarify an economic debate which has not taken place since 2011 on what kind of long term strategy might accelerate growth and reduce regional disparities.

Nidha Tunes has proved incapable of putting its economic policy into practice because it was always a loose coalition of very different economic interests while Nahda has always practiced magic economics. A party which defends

private business interests would also help clarify the debate because well before 2011 economic policy in Arab regimes had reached a neo liberal dead end. As Gilbert Achcar¹ has pointed out, most of the regions' economies had "ended up marrying the disadvantages of bureaucratic state capitalism that had reached the limits of its developmentalist potential with the disadvantages of a corrupt neo liberal capitalism, without any of the advantages of statism or neo liberalism."

Foreign direct investment increased by a meagre 5% last year as did the exports of manufactured goods. Production and exports of phosphates and fertiliser increased by 30% in 2016. But, after five years of social turmoil production levels of rock remain below those of 2010. The harsh logic of statistics does not paint a rosy picture of the short or medium term future. Aid from international donors is guaranteed, for the time being, if only because Tunisia lies in a region of great importance, in terms of security, to the European Union. But free meals do not last indefinitely.

After independence, UGTT often offered refuge to democrats persecuted by the ruling Neo Destour party. In 2013, it played a key role, rewarded by the Nobel Prize, in preventing a confrontation between the government led by Nahda and the small Congrès pour la République party (CPR) headed by Tunisia's then president Moncef Marzouki (2011-2014) and millions of Tunisians who opposed the rising tide of Nahda fuelled Islamist intolerance. That confrontation came close to degenerating into civil war. Since the election of Si Beji, UGTT cannot decide whether it is a party or a trade union. Its leaders and regional barons outbid each other as they denounce ministers, confront officials and clamour for higher wages which they know the country cannot afford. Putting your head in the sand and sweeping uncomfortable statistics under the rug can only last so long. UGTT's behaviour could break the back of this young democracy.

Weaponising the courts is dangerous

A further factor worries many. The former Ennahda-CPR government and its Islamist militant minister of Justice from 2011 to 2013, Nourredine Bhiri, appointed a number of judges who were close to them politically, thus weaponising the courts. Moncef Marzouki has never tired of insulting his fellow citizens from afar, notably from Qatar which has long bankrolled him. Worse, by appointing judges who owed him political favours to key jobs he has left a number of time bombs which keep exploding. Under Ben Ali the state used more naked weapons like disappearance and torture. Now some of the state and judges are using 'legal' tools. Rather than controlling the abuse of law, many in the judicial system

are complicit in misusing it.

A recent case – and other examples exist - relates to the five year prison sentence passed on Habib Benyahia, the former minister of Foreign Affairs and Defence and later secretary of the Maghreb Arab Union. When he held the defence portfolio twenty years ago he ceded state land to the former president for Ben Ali to build a house on. As Ben Ali was chief of the armed forces it is difficult to see how Mr Benyahia could have refused. Nor did he derive any personal benefit from the transaction. Other ministers and senior officials of the Ben Ali era are being condemned in a manner which appears iniquitous to many Tunisians. Meanwhile neither Nidha Tunes nor Nahda is shy of being associated with private businessmen closely linked to the Ben Ali family. Such men are unlikely to be bothered by these crusading judges. The head of state remained silent on the sentence meted out to Mr Benyahia, which only increases the growing malaise felt by many Tunisians.

The ever weaker authority of the state and the absence of a long term economic strategy hardly increase the attractiveness of Tunisia for foreign investors. New foreign private investment is scarce and domestic private investment weak. Meanwhile the government will soon be reckoning with the consequences of what one seasoned lawyer in Tunis describes as the state's "ignorant, arrogant attitude towards international arbitration". If senior civil servants continue on their time honoured path, such arrogance could sink the

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country's reputation as a reliable place for foreigners to invest in. Tunisia's once pristine reputation has already been overtaken by Morocco. As corruption grows a pace, as the port of Rades which handles 70% of all containers remains out of control because of the corruption of the customs, as the informal economy gnaws away at the formal economy tax paying companies, the government needs to change its attitude to international arbitration head on.

Tunisia is reluctant to accept international arbitration in economic disputes

Historical context helps. In its dispute with Libya over the delimitation of the continental shelf in the Gulf of Gabès in 1982, Tunisian officials felt they had lost out to their southern neighbour. The Gulf of Gabès was known to have rich oil and gas deposits but the Tunisian government felt sure of its claim and refused to be defended by the best international lawyers whom they deemed too expensive. Senior Tunisian officials blithely ignored the manner in which Anglo-Saxon arbitration cases work, to the fury and dismay of some of their own very competent senior diplomats who, in private,

1. Achcar, Gilbert. *The People Want. A Radical Exploration of the Arab Uprising*. London: Saki Books 2013, page 95.

bemoaned the arrogance and ignorance of the ways of the world of their peers. After the fall of Ben Ali, the Tunisian government and central bank turned down offers of guidance on how to go about recovering stolen assets of the Ben Ali family abroad which are very conservatively estimated to be worth \$5bn. They have consistently brushed aside offers to help made by the Stolen Assets Recovery Initiative (World Bank), Transparency International or specialised law firms, notably in London, which boast good track records on such matters.

A recent case illustrates the deep seated collusion which exists between the Tunisian State, the central bank and local interests. The International Committee for the Settlement of International Disputes (ICSID), linked to the World Bank, is expected to rule later this year on damages which the Tunisian State will have to pay to the private shareholders who subscribed 51% of the capital of the Banque Franco-Tunisienne (BFT) in 1983. This money was confiscated by the State soon afterwards. The State has used every trick in the game for nearly thirty years to avoid compensating the shareholders. The BFT is still operating and has lost large sums of money over the years, making loans to Tunisians who enjoyed privileged links with the rulers of the day. The ICSID has declared that it has itself competence despite endless obstruction from the Tunisian government. When it awards damages later this year, Tunisia will have to pay up or lose any credibility as a

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country which abides by international law. This sorry saga illustrates the mixture of corruption, arrogance and ineptitude of successive governments, ministers and central bankers and a deep seated refusal to play by the rules of international arbitration.

The prospect of arbitration proceedings with Shell is now looming which is unlikely to improve the attractiveness of Tunisia for international oil and gas companies. The obstructive attitude taken by the country's National Constituent Assembly and then Assembly of the Representatives of the People, which constitutionally decides on every single exploration permit for oil and gas granted by the government has delayed many projects and led to ENI's exit from the country after many years presence. Shell finally lost patience after spending years trying to settle a dispute it inherited when it took over British Gas – Tunisia's leading gas producer in early 2016. Shell is demanding the reimbursement of \$380m it has invested in the development of the offshore gas fields of Miskar and Hasdrubal as well as \$120m in damages. The \$1bn BG had planned to invest after reaching an agreement with the Tunisian government in 2009. In 2015, Shell reduced its objectives in Tunisia and has cut back its investments ever since.

Meanwhile Britain's Petrofac is facing an uncertain future. It has a minority holding with the Tunisian state company

ETAP in a joint venture to produce gas off the Kerkennah Islands. This faces ever longer closures because a group of militant locals oppose any transport across the island of condensate produced offshore. Production of gas from the fields has been shut down for the best part of the past year. The more ETAP and Petrofac concede the more local groups of militants clamour for more jobs, more money and more local development projects. Both companies have gone to extreme lengths to respond to grievances but they are facing what amounts to blackmail. Senior officials express the fear, at least in private, that taking on the activists will spark a social revolt but Tunisia is losing huge revenue because of the behaviour of people whose claims are, at best, dubious. A firm smack of government is needed even if it comes at a cost.

Two years ago, a wave of protest against the Tunisian oil and gas industry, was sparked CPR. Its promoters claimed senior officials of ETAP and the ministry of Energy had been among the most corrupt servants of the state over a generation. If one economic sector can be held up as a paragon of professional competence and honesty, it is the oil and gas industry. But as Tunisians contemplated the corruption of the Ben Ali family laid bare after 2011, it was easy for demagogues such as Mr Marzouki, the CPR founder and head of state from 2011-14 to play on the theme of alleged corruption in hydrocarbons. As crowds in the south of Tunisia – strong supporters of Nahda and the CPR, clamoured to control their natural resources, the wildest rumours spread. The net result is that Tunisia, a minnow among oil and gas producers, has seen many foreign companies pack up and leave and is forced to buy more energy from neighbouring Algeria. Low oil prices have hastened the exodus.

The new constitution gives deputies the right to grant new oil or gas exploration licences. Most are blithely ignorant of the internationally accepted rules which govern the oil and gas industry. Foreign companies cannot afford to have the bids for exploration and production they submit to the Tunisian state hydrocarbons company be made public, let alone discussed in parliament, for obvious reasons of commercial confidentiality. That deputies should debate the overall policy of ETAP every year and hold it to account is a different matter. Unfortunately this absurd rule was written into the constitution, which makes it difficult to rescind. If more international arbitration cases go against Tunisia, not least in the banking and hydrocarbons sector, that will be adding insult to injury. The damage to the country's reputation as an attractive place to invest for international companies will be immense. To lose ENI was bad enough, to lose Shell would be a disaster. Were that to happen, the best course would be to cancel international road shows promoting Tunisia as an attractive place for foreign investments.