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TUNISIA IS THE SICK MAN OF NORTH AFRICA

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The challenge facing the next Tunisian government is to speak the naked and uncomfortable economic truth to the people and combating the marginalization of the eastern and southern hinterland, poverty and corruption.

The Assembly of People's Representatives is more fragmented than ever. Whatever government eventually emerges, whether technocratic or political, it will face very strong economic, financial, social and regional headwinds.

Any government which is the result of an agreement between Rachid Ghannouchi, and the Nabil Karoui Qalb would suggest we are into the same kind of lame, not to say sordid compromises that characterized the marriage of reason between Nidaa Tunes and Ennahda.

The road to democracy is long and arduous: whether the Tunisian political elites have the wit, the ambition, the sheer vision to move ahead boldly is far from clear.

Three months after parliamentary and presidential elections, Tunisia still has no government. The prime minister designate, Habib Jemli failed to win the confidence of parliament when he presented his list of ministers on 10th January. He would have been the first prime minister since the country's independence not to hold a baccalauréat. Nominally "independent", he is in fact a member of the Islamist Ennahda party which polled the greatest number of votes in last October's general elections, followed by a lay party, Qalb Tunes. Mr Jemli is no more than a puppet of Ennahda's supreme leader Rachid Ghannouchi. Qalb Tunes' leader, Nabil Karoui withdrew his support for Mr Jemli because he felt that, rather than a coalition government, Rachid Ghannouchi was intent on controlling most key department not least by the device of appointing people of little stature and no political experience. The leader of the Parti Socialiste Destourien Libre, Abir Moussa made a scathing attack on those who had run Tunisia since the fall of Ben Ali. Many Tunisians openly regret the former president today.

The fractured nature of politics are reminiscent of the French Fourth Republic (1945-1958) which ended when General de Gaulle came to power in a soft coup d'état. The economy meanwhile continues to drift. Foreign indebtedness rises inexorably, so does corruption. When he was appointed prime minister four years ago, Youssef Chahed gave the impression he was a reformist. But he soon gave up, notably where reforming the justice system and fighting corruption are concerned. Individually some ministers and judges have tried to clean up the Augean stables but to no avail. The transparency organization I Watch has actively sought to promote public investigation into alleged cases of corruption but it is funded from abroad which makes the task of understanding why some of the corruption cases it brings to the courts go forward and others are held back remains clouded in mystery. Like the alleged financing of political parties by Qatar, the United Arab Emirates, Saudi Arabia or Turkey, the interference of foreign organizations or governments in Tunisian politics raises important questions about the soundness of Tunisian democracy and "free" elections. What is the real influence of such interventions? Who is really in charge? Conspiracy theories flourish in the murky atmosphere which passes as political life in North Africa's smallest nation.

To present Tunisia today, nine years after the fall of Ben Ali on 14th January 2011, as a model of political democracy is as laughable as to have presented the country as an economic model in the Arab world prior to 2011. A chorus of Western donors were only too happy indulge in this game before 2011, but today some of Tunisia's foreign partners are more cautious. Last summer the European Union ambassador, Patrice Bergamini, put his finger on the problem by publicly criticizing "certain family groups that have no interest in young Tunisian operators breaking through". He was criticised by Tunisian politicians but reminding North Africa's smallest country, which is increasingly dependent of financial flows from western and international donors was salutary. Rarely able to speak Tunisian Arabic, Western experts often struggle to understand what the average Tunisian thinks of his rulers or to make sense of confused and often misleading statistics, especially those related to the budget. To quote just one recent example, according to data from the Ministry of Finance's Supplementary Finance Law, the budget deficit reached 4.8% of GDP and is expected to fall to 3.5% of GDP in 2019. This decrease was obtained by making the very optimistic assumption that Tunisian GDP would grow, in current dinars, by more than 10% (10.4%) this year, a rate of growth Tunisia has not seen for more than a decade.

Conservative estimates suggest that more than one third of GDP is informal, which explains why arrangements between individuals, industrialists and governments largely escape the cold light of truth. Local media have neither the means nor, when they belong to wealthy individuals, the desire to speak the truth and engage in serious debate. Describing economic and social reality is no easy task as real economic power is discreet. To quote but one example, the name of the private group (SFBT) chaired by Hamadi Bousbia, which manufactures and distributes beer and mineral water, and yields considerable influence is hardly ever mentioned in the media. Other large private groups benefit from the links forged over the decades with a plethora of administration officials whose claim to fame is to have created an undergrowth of rules that stifle wealth creation. None of these networks or habits changed after 2011. New actors such as senior members of Ennahda simply joined the system and milk it in traditional fashion. So do the members of a plethora of new political parties whose members move with infinite ease from one to another. In such circumstances, it is nothing short of a miracle that Tunisia has been able to maintain a dense network of SMEs. Those who set them up have none of the connections of their elders yet, as true foot soldiers of an amazingly resilient Tunisian middle class, they continue fighting – and producing. If Tunisia survives it can thank these men and women who work hard, enjoy no privileges, whose names are unknown outside their immediate surroundings.

Combating the marginalization of the eastern and southern hinterland, poverty and corruption, and the increasing dilapidation of certain public services such as hospitals, requires public investment.

The challenge facing the next government, as the veteran economist Hashemia Alaya has noted, is to speak the naked and uncomfortable economic truth to the people. The state has been unable to free up resources for investment. Combating the marginalization of the eastern and southern hinterland, poverty and corruption, and the increasing dilapidation of certain public services such as hospitals, requires public investment. However, government investment has been halved since 2010, from 13.5% of GDP to 5.9% this year. Contrary to promises made to the IMF and foreign investors, government spending betrays rising wages in the civil service and a plethora of government enterprises where staffing is inflated out of all proportion. Those civil servants who earn more than 1500 dinars ($500) a month benefit from many advantages, including official vehicles that are increasingly used for personal ends. Corruption, once limited to a tight circle around the presidency, has spread like a cancer to affect the whole country. This goes hand in hand with a tax hike that has certainly improved tax revenues in 2019 but, together with some of the highest corporate taxes in Africa, makes the country unattractive to investors other than offshore.

The figures of the Investment Promotion Agency attest to the steady decline in productive investments. Industrial sites close every month, some industrialists pack their bags and head directly to Morocco.

Tunisia lost 94 production units last year, including 62 sites that are industrial. The industrial sector contributed 30% of GDP before 2011, a percentage that fell to less than 25% for the first six months of 2019. It is not surprising that the creation of new jobs continues to fall.

Contrary to appearances, the much vaunted tourism sector may well be contributing negatively to GDP. The huge number of non-performing bank loans to this sector negatively impacts bank balance sheets. It prevents them from lending to young entrepreneurs - but the subject is taboo in Tunis. Most banks privilege their traditional, often indebted clients and ignore a younger generation of entrepreneurs. Preferring to lend to the rich and for consumption, they are complicit with a political class which is sacrificing the younger generation, especially ambitious young entrepreneurs wishing to start small or medium size projects.

Representative democracy has run out of steam

Ennahda, presented as the relative winner of the October 6, 2019 legislative elections – with 52 seats (109 are required to achieve a majority) – represents less than 5% of the real electorate and has lost nearly two-thirds of its electorate since the first free elections in October 2011. Its former competitor Nidaa Tunes has collapsed and the left is in pieces. The Assembly of People's Representatives is more fragmented than ever. The second round of the presidential elections then gave victory to Kais Saïed, a 62-year-old retired constitutional law assistant who had so far held no political office. Without a party or a member of parliament, but with the promise of integrity, he succeeded in gathering the votes of more than 90% of the young people and 72% of the voters who put a ballot in the box. His opponent, Nabil Karoui, who suffered from spending most of the campaign in prison, following allegations of money laundering, has a party in Parliament, Qalb Tunes, which trails behind Ennahda with 38 seats.

Living in Tunisia today on 15 or 25 dinars ($5-8) a day as a majority of the population is obliged to do is simply impossible.

Parliamentary elections are by single list and on a single round. The seats in the constituencies (often between 5 and 10) are distributed in proportion to the votes among the high scores, then the remainder of the seats (often more than half) are allocated to the low scores, the exact opposite of a majority vote. The constitution drafted in 2014 was undoubtedly doomed to failure and the mere fact that many of Kais Saïed's voters deserted the second round of the legislative elections suggests a first misunderstanding, that the president can change everything from the Carthage Palace. However, apart from diplomacy and defence, the Head of State has no responsibility or power in economic and political matters.

Any government which is the result of an agreement between Rachid Ghannouchi, and the Nabil Karoui Qalb would suggest we are into the same kind of lame, not to say sordid compromises that characterized the marriage of reason between Nidaa Tunes and Ennahda during the four and a half year presidency of the late Beji Caid Essebsi, who died six months ago. The support given by Qalb Tunes deputies to the election of Mr Ghannouchi as speaker of the lower house last autumn contradicts Mr Karoui's oft repeated commitment not to cooperate with his sworn enemy. Mr Ghannouchi quickly put forward the name of Mr Habib Jemli, but the prime minister designate looked a little like a rabbit being pulled out of a hat, "colourless, odourless and politically unflavoured" character, according to a seasoned observer of the Tunisian political scene.

Ennahda leaders have long sought to present a "reasonable" public face and act through proxies by appointing people who have little experience and are unknown to a broader public. Attempting to control the machinery of government while handing out stipends to its own supporters in order to silence dissidents seems to have reached its limits. The puppet master Ghannouchi finds himself with karakuz (Ottoman puppets) whose strings are broken. The system is fast accelerating the degrading of public services, where morale is already at rock bottom. Nidaa Tounes abused this type of demagogy under the aegis of the late president's son, Hafedh Caid Essebsi, who is on the run in France, too scared that he will find himself in the nets of justice.

Parties, large and small, share an economic cake that has grown very slowly since 2011, and have been unable to present an economic recovery plan, which explains the joke of Hachemi Alaya who entitled a recent Ecoweek bulletin "Tunisia has still not finished with the policy of the dead dog on the run". The risk however, is that the dog will drown. Many Tunisians are seeing their standard of living fall: 40% survive on a monthly income of 500 dinars, 35% on 500-1000 dinars, 10% on 1000-1500 dinars, 5% on 1500-2500 dinars and 3% on more than 2500 dinars. However, living in Tunisia today on 15 or 25 dinars ($5-8) a day as a majority of the population is obliged to do is simply impossible. These figures come from the World Bank, but it is important to note that Gilbert Achcar has provided evidence that the World Bank has underestimated the poverty rate in Arab countries for decades.

Whatever government eventually emerges, whether technocratic or political, it will face very strong economic, financial, social and regional headwinds. Neither religious pronouncements, nor spectacular promises which ordinary Tunisians have long since stopped believing, nor distributing pasta to the poor, as Qalb Tunes loves to do, nor a growing debt that guarantees wage increases for civil servants, but is never channelled toward collapsing public investment, nor conferences to promote the benefits for foreigners to invest in Tunisia, nor a cat-and-mouse game with the IMF, nor even a president who formulates a form of utopian direct democracy can hide a harsh reality: financially, the emperor has no clothes.

> Capital and elites flee to Tunis, the poor sell their labour on the coast.

Tunisian people grant Kais Saïed the benefit of the doubt, which is understandable but he is inexperienced and, if he has been able to make his voters dream, he will soon have to concede that formulating economic and social policy is not part of his constitutional remit. Who will he now put forward as the next prime minister in waiting? Will he call for new elections? If Ennahda succeeds in making itself indispensable to the proper functioning of a system which works to its advantage, the "system" may be able to gain time, but for not for much longer. The limits to redistribution when there is little additional wealth to redistribute are fast approaching.

The poor hinterland is an equation of many unknowns

Back in 2014, the former director of the state phosphate and fertilizer company, Kais Daly, noted that a new deal between the coastal and inland regions, where the great revolts of 1984, 2008 and 2010-11 started, is the only long term policy capable of reducing the divide between the two Tunisias. According to Daly, "the policy of extreme extraction of natural resources, which has become politically unsustainable, must be abandoned and processing activities gradually integrated into resource production areas". He estimated transfers from these eleven governorates, representing 70% of the country and a third of its population, at 5 billion Tunisian dinars per year, or 20% of GNP - providing the coastal regions with more than 5% of their water resources, 50% of oil and gas, 70% of durum wheat, 50% of fruit, vegetables and olives – and all the phosphate that is processed into fertilizer on the coast before being exported. Income is one-third of the national average, there is no capital accumulation. Capital and elites flee to Tunis, the poor sell their labour on the coast.

Daly illustrates this situation by the history of the El Borma oil field, which for the two decades of the 1970s and 1980s financed almost a quarter of the national budget and thus contributed significantly to the development of infrastructure and the economy on the coast. The governorate of Tataouine, where El Borma is located, has not seen any investment and today smuggling has become a survival strategy. Chaos in Libya has only strengthened this underground economy in the south, since its inhabitants had depended on work provided by the rich neighbour for their livelihood, and not on government largesse from Tunis. The failed modernisation of the phosphate and fertiliser sector is another example from which the consequences must be drawn.

To this is added the barely disguised contempt of many Tunisian elites for country folk, the country bumpkins or aroubis from the interior. These elites are more at ease at dinners at the French Embassy in La Marsa than in Le Kef or Gafsa, cities where they have often never set foot. Their children often hold French passports and frequently work abroad.

Whether by creating a regional development fund or by encouraging resource processing activities, solutions are not lacking: the transfer of semolina and couscous factories to durum wheat production regions, phosphate processing industries to the mining regions, and geographical rebalancing of electricity production centres toward energy source regions are all possible remedies but none have been attempted. Encouraging the development of agriculture, where state investment is chronic for half a century, would help rural areas. The production and export of quality olive oil and dates is increasing and provides valuable foreign exchange. These sectors contribute infinitely more to the country's development than tourists who stay at discounted prices.

For three decades, Moroccan leaders have been able to expand Morocco's working regions beyond the Casablanca-Kenitra axis to include Tangiers, Fez, Marrakesh and Agadir, but Moroccan SMEs have a poor record compared to their Tunisian counterparts. An investment policy granting undue privileges to large international companies does not help to build a properly domestic industrial base and does not create a national value-added chain. Algeria has been able to distribute the oil windfall throughout the country, but the curse of black gold and a military power that wastes revenue on excessive arms purchases are holding back the development of the private sector. It is striking to note in this regard that Morocco's per capita GDP exceeds that of Tunisia for the first time though income differences in Morocco remain greater than in Tunisia. Daly insists on the fact that it is essential to reintegrate poor Tunisian regions into the national economic system "which is being torn apart, at the risk of eventually leading to political upheaval".

Civil disobedience in Gafsa and Tataouine has "held hostage" the central system through natural resources essential to the coastal economy. It effectively creates "economic association zones with the neighbouring countries of Algeria and Libya, which are in competition with the Tunisia-European Union association zone." It is creating the Maghreb of tomorrow and as such, it is perhaps, ironically, a promising future. The cost of the Non-Maghreb includes, among other things, the marginalization of the populations of northern and western Morocco; the western uplands and deep south of Tunisia.

The road to democracy is long and arduous: whether the Tunisian political elites have the wit, the ambition, the sheer vision to move ahead boldly is far from clear. If the muddling through with growing corruption and unsustainable levels of foreign debt continues unchecked, the risk of a much bloodier rising than nine years ago looms.