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internacionals

CIDOB

82
DECEMBER
2013

TUNISIA SHOULD ESCAPE FROM BECOMING A BAZAAR ECONOMY

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Five years ago, a report on Maghreb regional and global integration concluded that “the real challenge, which confronts this region of 80m people, rich in oil, gas agricultural products and tourism, is to integrate more fully and faster into the international flows of trade and investment. Were they to do so the five countries would have to adapt faster to international norms of economic, legal and maybe, political governance. Such an evolution can only come about through a process of mutual stake building between the different countries, more particularly Algeria and Morocco, which would suggest cross holdings in equity in the energy and banking sectors, but also in transport and food processing”¹. At the time of writing (December 2013), intra-regional trade among Maghreb countries was only 1.3% of their total merchandise trade, one of the lowest in the world.

In Tunisia, the state is still in a position to act –both administratively and in security terms. But the political stalemate which has prevailed during the past six months has made the policing of the frontiers with Libya and Algeria ever more difficult. The absence of consensus between the main political forces has seriously weakened the hand of the security forces, be it the *garde nationale* or the army.

Continued political uncertainty has allowed the economy to deteriorate as private investors remain reluctant to invest and foreign investors consider moving out.

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For all the faults of the Ben Ali regime, many sectors of the Tunisian economy were well managed, certainly better than in most neighbouring Arab countries. Tunisia can ill afford the political stalemate of recent months. Weak frontiers and a bazaar economy are unlikely to deliver free and fair elections, let alone a more democratic system.

Were frontiers between Libya, Tunisia, Algeria, Morocco and Mauretania to be opened; were investment flows between these countries given a legal framework; were major players like the Algerian state oil and gas monopoly *Sonatrach* and Morocco’s state *Office Chérifien des Phosphates*, one of the world’s leading producers of phosphate rock to set up joint ventures; in other words were measures taken to boost the confidence of North Africans in the future of their region, the average annual GDP growth of 2.5% could be increased to 4.5%.

Other studies noted that the two percentage points were too modest. They failed to take account of the multiplying effect greater confidence would bring, notably where private sector investment was concerned². Indeed, were only

1. Maghreb Regional and Global Integration, A Dream be fulfilled, Policy Analysis of International Economics No 186, Peterson Institute, Washington DC, October 2008

2. *Building Trust can take the form of Investment: some ideas to add faster growth and integration in the Maghreb.* Cidob-OCP Foundation seminar, Barcelona http://www.cidob.org/es/publicaciones/monografias/monografias/building_trust_can_take_the_form_of_investment_energy_and_regional_integration_in_the_western_mediterranean

a fraction of the hundreds of billions of private North African capital held abroad to be repatriated, that would provide a huge fillip to economic growth in the region. Joint ventures between major state companies would send a strong political message. Many private investors from all five countries would be encouraged to invest in producing a greater variety of goods. Giving entrepreneurs a greater role would have created many jobs but also manufactured a lobby for enforceable contracts, the rule of law and – ultimately – more representative government.

Political stalemate has made matters worse

What a difference five years can make. Three years after the Arab awakening, a much bleaker reality is slowly imposing itself. Unemployment is on the rise in Tunisia and Libya. Young people rose in anger three years ago to topple Zine el Abidine Ben Ali and Muammar Gaddafi yet have less chance today of

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finding a job. The huge growth in smuggling –fuel, weapons, cannabis and a broad range of foodstuffs and textiles has turned the frontiers of the region, but particularly those of Tunisia and Libya, into a giant sieve across which smugglers, *jihadi* fighters and smugglers parading as *jihadis* are passing through, according to a report of the International Crisis Group³. The hopes of 2013 are slowly turning into despair. When a country loses control of its frontiers, the consequences are dire. Algeria was reminded of this last January when a group of 32 armed guerrillas, 11 of whom were Tunisian, briefly gained control of the gas field of In Amenas which lies close to the country's frontier with Libya. Sixty foreign workers and Algerians lost their life. BP and Statoil, the two major foreign partners of the state oil company, Sonatrach, walked away and, though they are coming back, the cost of doing business in Algeria has risen accordingly. The oil and gas sector can afford such extra costs. Foreign investors in other sectors cannot.

Libya's loss of control of its frontiers explains to quite some degree what happened in Mali earlier this year. There is no state to speak of in Libya and it looks unlikely there will be one any time soon. Militias fight it out in different towns and have contributed to the production on oil falling to less than a fifth of its former output. The gas pipeline to Italy has been closed for the second time this year. The uncertainty has stopped all investment in the oil and gas sectors while some companies are thinking of pulling out altogether.

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has prevailed during the past six months has made the policing of the frontiers with Libya and Algeria ever more difficult. The absence of consensus between the main political forces has seriously weakened the hand of the security forces, be it the *garde nationale* or the army. After resigning his post last spring, the former chief of staff of the Tunisian army, Rachid Ammar complained publicly that the intelligence services of his country were weak. He bemoaned the fact that the army did not have the means to fight what he sees as the three greatest threats to Tunisia –terrorism, contraband and organised crime. He warned of the risk of a Somalia scenario⁴.

Whether the appointment of the minister of industry of the outgoing government, Mehdi Jomaa to run a caretaker technocratic government until elections next year will help avoid such a bleak scenario is anybody's guess. The new prime minister has little political and no security experience. Most of his business career was spent at Hutchison, the aerospace branch of the French company Total. He was appointed to his previous job when Ali Larayedh, the outgoing prime minister took over the government in March. Optimists will hope Mehdi Jomaa will be strong enough to confront the difficult challenges Tunisia faces, others will suspect that the leader of En-Nahda, Rachid Ghannouchi remains the key political player in the country. The new prime minister's ability to appoint ministers of high calibre and exercise power freely will be put to the test very quickly.

The number of terrorist attacks against the security forces and civilians has steadily increased in coastal areas and Tunis or in the remote Chambi Mountains on the central western border with Algeria. These and the assassination of leading left wing opponents to the Islamist led government –Chokri Belaid in February and Mohamed Brahmi in July– further polarised the former government and the secularist opposition. Many supporters of En-Nahda and the president's party, the CPR, believe that members of the police loyal to the former regime, foreign agents and manipulated jihadists are out to destabilise the country and prepare the ground for a repeat of the Egyptian *coup d'état sécuritaire*. Many opponents of En-Nahda and a growing number of members of the security forces are convinced for their part that the government is directly responsible for the worsening security situation in the country. They argue the government has failed to protect Tunisia from the fall out of the growing anarchy in Libya and the consequent increase in weapons being smuggled into the country. The number of weapons is not too worrying for now. What is disturbing is the discovery of arms caches in the poorer suburbs of Tunis and in towns such as Kasserine.

The *tribunal administratif* has invalidated the people appointed by the National Assembly to sit on the *Instance supérieure indépendante pour les élections*. The majority in the constituent assembly responded by deciding that a quorum of deputies,

3. *La Tunisie des frontières: jihad et contrebande*, International Crisis Group, Rapport Moyen-Orient/Afrique du Nord 148, 28 Novembre 2013

4. Rachid Ammar, Ettounisia, 24 June 2013

could meet in the absence of the president of the assembly, Mostefa Ben Jaffar, who leads the third party of the government troika, to decide when the assembly meets in plenary session. As politics get radicalised, confidence which was already low is plummeting. A new government which all parties had agreed would see the final writing of the constitution and preside over free and fair elections looks less and less likely to see the light of day. En-Nahda fears that it will be called to account for the appointment of tens of thousands of new civil servants since it took the reins of government two years ago. Court cases might be brought against some of its senior members for alleged corruption and alleged complicity in terrorist acts. It also fears a violent reaction of its militants if it compromises with the opposition. In the opposition, hard liners do not hide the fact they would like to rid the civil service of people appointed without due regard for established selection criteria. They want security forces to be strongly backed by the government to re-establish order. They calculate that foreign governments and particularly in the West have much less sympathy for En-Nahda than two years ago. Continued political uncertainty has allowed the economy to deteriorate as private investors remain reluctant to invest and foreign investors consider moving out.

The publication of a black book by president Moncef Marzouki has added to the sense of hopelessness⁵. In it he attacks 500 journalists, political figures, football clubs, foreign media which he argues are compromised with the Ben Ali regime. One of Tunisia's most famous football clubs, *L'Espérance* has decided to take the head of state to court. Its president was for many years one of Ben Ali's son in laws, Slim Chiboub. Club supporters have threatened to march on the presidential palace in Carthage. The minister of the interior has suspended matches for fear of public disturbances. The attack on Ahmed Bennour, who was head of security until 1984 and, fell out with Ben Ali that autumn over the Israeli bombing of the PLO headquarters in Hamman Chott just outside Tunis makes little sense. He is suing the president as well. Many Tunisians are upset at the use of state archives to fuel *ad hominem* attacks. Many of these do not appear to be justified. Politics as circus does little to redeem the reputation of a man who many Tunisians despise.

A tradition of political violence

This standoff has surprised many foreign observers who have inclined to the view that Tunisians are peaceful and reasonable people, different from their more violent Libyan and Algerian neighbours. Yet the history of modern Tunisia has known violence a plenty. The founder of modern Tunisia Habib Bourguiba may have promoted women's rights with greater conviction than any of his Arab peers and built strong state institutions but he was an autocrat. He had the man who was for many

years his deputy and with whom he fell out just before independence, Salah Ben Youssef, murdered in Frankfurt in August 1961. Bourguiba confiscated the land of many traditional families and never hesitated to shame the respected scions of Tunisia's leading families. He instituted a form of class warfare albeit in less violent ways than in neighbouring Libya and Algeria. Throughout the 1960s and 1970s he was never shy in having militants of left wing Marxist groups imprisoned and tortured, a fate that in the 1980s befell those who supported the Muslim Brotherhood.

The leader of the opposition party Nida Tunes, Beji Caid Essebsi served Bourguiba loyally. Yet he accepts today that the methods used by his mentor have left scars on the Tunisia's body politic. He tells in his memoirs how the results of the elections of November 1981, the first free ones in the country's history, were falsified⁶. He himself was "elected" to represent Tunis for the ruling party when the leader of the opposition

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MDS, a former loyal lieutenant of Bourguiba, Ahmed Mestiri, had actually won the popular vote. Had Bourguiba opened up what was a tightly controlled system in 1981, the history of Tunisia would have been different. His obsession with denying the Muslim Brotherhood any legal representation led, in 1987 when his behaviour was getting increasingly erratic, to a "medical coup" by his Prime Minister Zine el Abidine Ben Ali, who also controlled the security forces. The fears of En-Nahda are therefore understandable. What is sobering is that their behaviour conforms to traditional Tunisian patterns.

The nature and scope of smuggling are changing

Smuggling is not a phenomenon which appeared out of nowhere when Ben Ali fled the country on 14 January 2011. Border regions everywhere are familiar with smuggling. Tunisia's poorer regions lie along the country's western border with Algeria and southern border with Libya. Strong tribal and family links remain. Until the mid 1990s, successive Tunisian governments made an effort to promote the poorer regions of El Kef and Kasserine near the border with Algeria. They allowed a measure of informal exchanges with Libya, where many of Tunisia's southern population worked. However, the turn of the century witnessed the regime of Ben Ali giving up any pretence of regional development. Foreign observers including international organisations were therefore surprised after the fall of Ben Ali to discover the depth of poverty suffered by people in these forgotten areas. The revolt of the phosphate region of

5. *Le Système de Propagande sous Ben Ali*, edited by the Présidence de la République.

6. Habib Bourguiba, *Le Bon Grain et l'Vraie*, Béji Caid Essebsi, Sud Editions, 2009

Gafsa, in the south of the country, for six months in 2008 was hardly mentioned in the international media. Foreign diplomats in Tunis, multilateral banks and aid donors simply turned their eyes the other way.

Smuggling before the fall of Ben Ali had its own codes. Its own protectors, often high up among the ruling family in Tunis and Tripoli appreciated that however much they neglected such areas, they should avoid those who lived there revolting against their rule. Foodstuff and other goods which were subsidised in one country naturally found their way to the other. Algerian subsidies keep the price of fuel, sugar, bread and certain building materials much lower than in neighbouring countries. Algeria being much richer can afford to pay out vastly superior sums than its neighbours, hence the attraction, which is not recent, to smuggle goods across the eastern and western borders of Algeria. Cigarettes and hard liquor have joined the list of smuggled goods more recently, the former travelling right across the Sahara to North Africa and helping to finance al Qaeda groups. Moroccan cannabis travels east to Algeria, Tunisia, Libya and Egypt in increasing quantities, some of it reaching Europe via Italy.

Cheap goods imported from Asia are undermining the activity of legitimate firms while growing insecurity is giving foreign investors second thoughts about remaining in Tunisia

After international sanctions against Libya were lifted a decade ago, the country became a redistribution centre for Asian manufactured goods from China and India via Dubai: anything from plasma screens to white goods and Turkish carpets. The most worrying development according to the International Crisis Group report is the appearance of synthetic drugs made in India. Libyan police are believed to have confiscated 61m pills in 2012. The appearance of Subutex and Tramadol is feeding fears of Libya becoming a major redistribution centre for chemical drugs. Drugs which were unknown until recently are making their appearance in the poorer districts of Tunis. Together with weapons this does not augur well for the future. Until the fall of Ben Ali cannabis and cocaine consumption were well documented among young well to do Tunisians in the posh northern suburbs of the capital but no longer.

Libya is a bazaar economy, Tunisia risks turning into one

After the fall of Ben Ali, two factors contributed to the explosion of smuggling across Tunisia's frontiers. One was the collapse of policing, many members of the police being suspected of links with the presidential family. This might have been true of some in the police but the broad suspicion that every policeman was linked to the former regime meant that the police as a whole lost its informers and simply gave up doing its job for six months or more. Then came the war in Libya. By September 2011, up to one million Libyans had taken refuge in

Tunisia. The poorer ones moved into camps and the well to do into nice hotels along the coast or rented villas: Today as many as 500,000 Libyans remain in those camps. The Tunisian prime minister also acceded to the request of the US, France and the UK to allow free passage for a number of goods and weapons being channelled to opposition groups fighting Gaddafi in Libya. The result was an explosion of smuggling and trafficking at the frontiers around the border town of Ben Gardane. Weapons from Libya whether sold by former Gaddafi supporters or from Libyan arms dumps flowed into Tunisia and Algeria through Ghadamès, a town much further south which lies close to the Algerian gas field of In Amenas. Most weapons to Mali, according to the ICG report moved into Mali 900 kilometres further south at the Libyan boarder point of Erg Marzouk.

These two factors changed both the nature of the smuggling and its scope. The continuing lack of central authority in Libya and the well armed groups which control much of the country have added to the political stalemate in Tunis. In addition the borders are long and much of them pass through mountainous regions which are very difficult to patrol at the best of times. Until 2011, smuggling followed roads and dirt tracks well known equally to smugglers, police and border guards of the three

countries. There was a hierarchy of sorts in bribes to the security officials and among smugglers. Now there is a free for all with a lot of people jostling for position in an ever more lucrative market. The increase in drug trafficking has increased the flow of money. This may explain the

large villas being built around Kasserine and the appearances of ever more powerful 4x4 which would have been inconceivable a few years ago. For many inhabitants of these poor regions, smuggling has been a traditional way of life for centuries. Today such activities are spreading to the main towns of Tunisia and the capital itself. Cheap goods imported from Asia are undermining the activity of legitimate firms while growing insecurity is giving foreign investors second thoughts about remaining in Tunisia.

The Tunisian government estimates the informal economic sector amounts to 30% of GDP. The employer's federation Utica has a more pessimistic estimate of 50%. The immediate outlook for Tunisian private companies is bleak. Workers are pressing for higher wages, the corporate tax burden is set to increase next year, the shortfall in tax revenues is estimated by the *Agence Française de Développement*, the French development agency, to be 50%. The informal sector is exploding – 85% of Tunisia's 616,000 companies are informal ones, with an estimated turnover of more than Euros15bn. A recent report from the Association of Tunisian economists describes the 60 wholesalers, who command a capital of Euros 1.5m, relayed by hundreds of resellers and a large fleet of trucks and vans based in the town of Ben Gardane: construction materials, alcohol and foodstuffs flow into Libya while weapons, petrol, pharmaceuticals and other Asian goods flow into Tunisia. It is little wonder than the president of Utica Wideed Bouchamaoui warns that the informal sector and smuggling are in the process of "destroying social peace in Tunisia."

The new prime minister is likely to pay more attention to her words than his predecessor. The country's leaders have, slowly but surely, been losing control of Tunisia's frontiers. They have allowed a bazaar economy to take over from the real economy. For all the faults of the Ben Ali regime, many sectors of the Tunisian economy were well managed, certainly better than in most neighbouring Arab countries. Tunisia can ill afford the political stalemate of recent months. Weak frontiers and a bazaar economy are unlikely to deliver free and fair elections, let alone a more democratic system. Mehdi Jomaa stands a chance.