Natural Resource Management: Looting, Waste, Clientelism, and Incompetence

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Natural Resource Management: Looting, Waste, Clientelism, and Incompetence

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Translated by **Sabry Zaki**

These are the translations of texts originally published in 2018 and 2019. They belong to several "folders" we were unable to translate at the time of their publishing in Arabic. Today, we translate and publish them because they remain equally important and relevant. We begin with the texts of the folder "Resource Management: Looting, Waste, Clientelism, and Incompetence."

How are the natural resources of the countries in our study managed? In addition to gas and oil, Egypt extracts gypsum, marble, cement, and other resources. Morocco has phosphate, marine fishery, and other resources. In addition to the tremendous tourist flow, there are the mining basins in Tunisia. In Algeria, oil and gas are in the way of many other resources that the country abounds in. While the Sudanese are starving, their abundant resources are being plundered. The random hunting for gold in Mauritania has turned into a profession for thousands of unemployed people, although official statistics raise many questions about its fate. The same goes for the marine fishery resources.

These are just several examples that illustrate how the methods adopted to manage natural resources reveal the dominant economic and social choices and criteria. They also reveal the structures of existing authorities: how they run their countries, the methods used to ensure their survival, the reasons for their hostility to the peaceful transition of power, and their desperate bids to stay in power.

Our texts begin by providing a survey of the resources that actually exist, their volumes, and their revenues in response to the often-repeated notion of "lack of resources" to justify looting, corruption, and incompetence.

Then the texts address the visions that govern the policies of resource management, the approaches, the paths of the achieved profits, their fates, and their functions within the general structure of the various countries' political economy, as well as the identity of the beneficiaries and their relationships with the ruling authorities.

It was important to conclude this folder with a third theme regarding the possible alternatives to this kind of management. We intend to discuss this in a future folder because it is a self-contained topic, even if it is based on the data discussed here.

This issue is urgent and necessary to anticipate any desired change. However, it calls for political imagination and scientific knowledge, not just wishful thinking. It requires identifying the possibilities and devising the plans, in order to shift the topic treatment from a presentation of the condemned reality to a proposal of realistic alternatives rather than slogans, so that they become tangible goals that people can believe in and defend.

In this folder, we particularly draw attention to the importance of this workshop, while pointing out that criticism - no matter how correct and accurate - is not sufficient on its own.


Egypt

Egypt’s Resources Are Not for Its People: Who Controls Them?

Magda Hosni
An economic researcher, from Egypt

Translated by **Sabry Zaki**

With their competitive advantages, namely their low prices, the materials produced by the military establishment’s factories have topped sales in all Egyptian governorates, revealing the growing economic influence of the army in Egypt. However, these sales uncover another invisible aspect, which is the degree of the massive expansion of the armed forces’ grip on resources in Egypt, with a green light from the state and even laws designed for that purpose.

On 150 square meters of land, Muhammad A. decided to build a house in the village of Nazlat Hanna, south of Bani Suef Governorate in central Egypt. He chose to purchase cement produced by Al-Arish factories, which were recently built in the governorate by the Egyptian army. He didn't need to think twice before deciding to buy his rebar from the Egyptian Steel factory, which offered its product at the best price in the market. It is worth noting that the army now controls the Egyptian Steel Factory, which recently opened a branch in the governorate. For the marble, Muhammad chose the products offered by the Bani Suef complex for marble and granite, which produces 3.6 million meters annually since its opening last year, north of the governorate.

A short tour of the suppliers of building materials in the governorate can reveal the changes that the market has undergone since the army strongly entered the public sector in 2014. With their competitive advantages, namely their low prices, the materials produced by the military establishment's factories have topped sales in all Egyptian governorates, revealing the growing economic influence of the army in Egypt. However, these sales uncover another invisible aspect, which is the degree of the massive expansion of the armed forces' grip on resources in Egypt, with a green light from the state and even laws designed for that purpose.

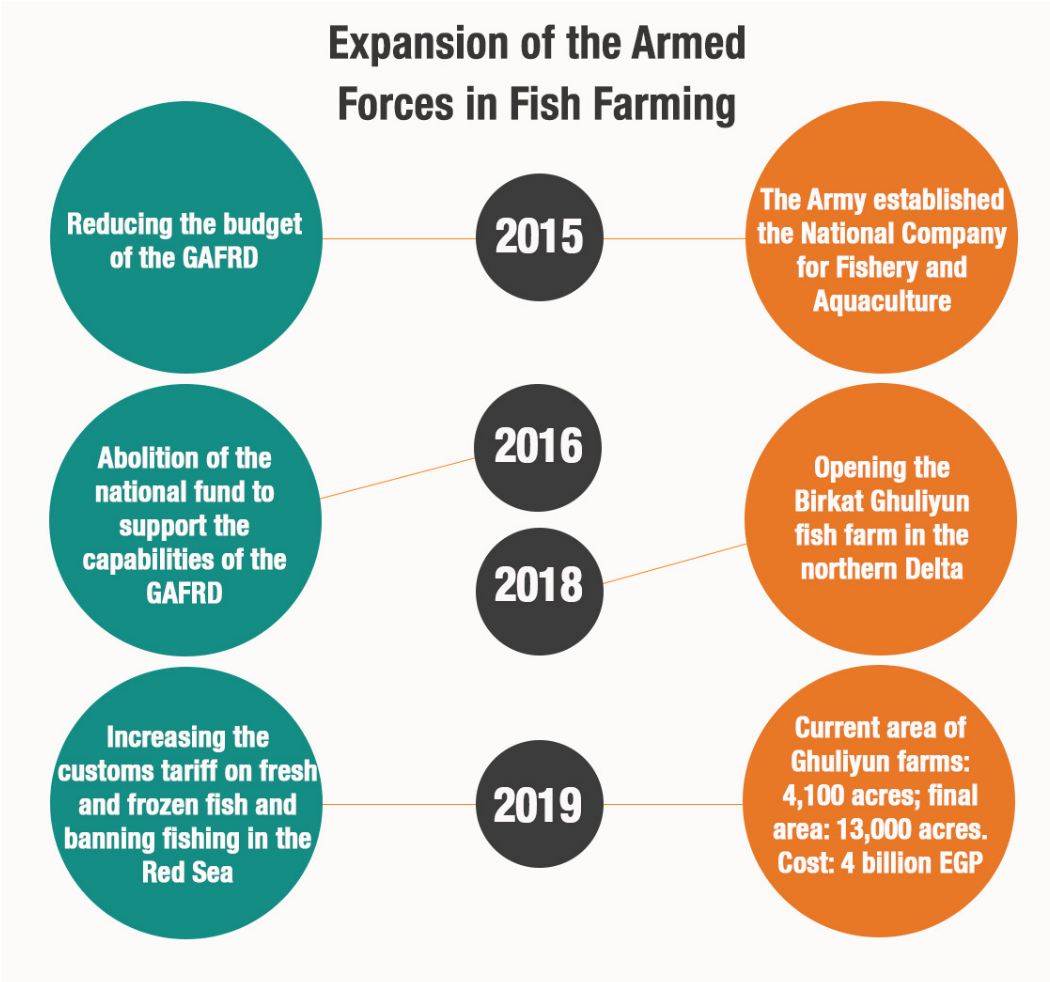
The State and the Army: Two Sides of the Same Coin

During the National Youth Conference in Aswan on 28 January 2017, President El-Sissi addressed the Egyptian people, saying: "We are very poor." The President had made similar statements only three years earlier, when he said: "I cannot give you anything. You do not need to ask me to give to you, because if I could, I would. Are you going to swallow Egypt whole or what?"

Egyptian officials have deliberately repeated the phrase "poverty of resources." They have given this issue an air of mystery to stop citizens from asking the government to provide more services, improve conditions, or hold successive governments accountable. On the ground, however, the situation appears to be contradictory. Egypt has large quantities of various natural resources, such as natural gas, cement, iron, marble, and fisheries. But, no one knows how they are managed or how the people benefit from them.

In 2015, Egypt and the Italian company Eni announced, amid a great celebration, the discovery of the largest natural gas field in the Mediterranean, with a capacity of 30 trillion cubic feet. With other discoveries made east of the Delta, Egyptian officials boasted that it would transform Egypt from a gas importing country to a gas exporter.

Although the actual production of this field began in early 2018, producing 2 billion feet per day since last September, gas and electricity bills have not decreased. On the contrary, prices have been soaring non-stop, which is part of the government policies put in place since 2014. These policies aim to convert fuel and other products, which were seen as services, into consumer goods that bring money to the national budget and finance the reform program agreed upon with the International Monetary Fund [IMF], as well as the controversial megaprojects that President El-Sissi is putting in motion. On 21 May 2019, the Egyptian Government announced a new increase in electricity prices by an average of 14.9 percent.



On the other hand, it is unknown who the biggest beneficiary in the gas sector is, in light of the army's expansion in the sector through several companies affiliated with its National Service Projects Organization [NSPO], and its involvement in several international contracts. So the question is: Who manages the other resources? Is it the state or the army?

On 18 November 2018, President Abdelfattah El-Sissi inaugurated the Birkat Ghalyoun Fish Farm in the northern Delta, the largest fish farm in the Middle East. For 4 billion

EGP [about $254 million], the project is built on 4,100 acres and will cover 13,000 acres when fully completed. Government officials presented it as an "integrated national project of which the Egyptians are proud," nearly doubling the fish farming production in Egypt and bringing the country closer to self-sufficiency.

> **The huge gas production did not prevent the steady rise in the gas bill paid by citizens. Since 2014, government policies have aimed at converting fuel and other service products into consumer goods that bring money to the state budget and finance the reform program agreed upon with the IMF, as well as the controversial megaprojects that President El-Sissi is putting in motion.**

However, this is not a national farm, as officials claim. The armed forces, which have founded the National Company for Fishery & Aquaculture in 2015, have established it. Like other productive agencies affiliated with the army, this company makes private investments, the returns of which do not enter the public budget. The expansion of the armed forces in fish farming moved with the support of President El-Sissi himself and with a legal methodology that allowed the army to not only dominate fish production in Egypt but weaken the competitiveness of government agencies and companies, which were the biggest players in this sector. Despite the government's slogans about developing fisheries, in the year the army established its fish farming company, the government reduced the budget of the General Authority for Fish Resources Development [GAFRD] from 128 million EGP [about $8 million] to 38 million EGP [about $2.5 million], instead of giving it the 438 million EGP [about $27.8 million] it wanted as part of its plan. This paralyzed the GAFRD, according to Muhammad Abdul-Baqi, the then chairman of the GAFRD, who added that the national fund to support the capabilities of the GAFRD (what he called "the magic key that helps the GAFRD carry out its work," had been abolished.

Within a year of establishing the Ghalyoun Farm, President El-Sissi issued a presidential decree imposing a new customs tariff of 5 percent on fresh and frozen fish, as well as other fish products such as those produced by the farm, to increase the competitiveness of domestic production. The state also banned fishing in the Red Sea, starting from February 2019, "due to security measures."

At a time when government outlets have partially stopped receiving fish produced by the GAFRD, local officials in the governorates were racing to provide outlets and vehicles to transport Ghalyoun Farm products and deliver them to citizens at prices 30 percent lower than the market price, in a strong blow to the principle of competitiveness.

> Governmental slogans promote the development of fisheries. However, in the year the army established its fish farming company, the government reduced the budget of the General Authority for Fish Resources Development (GARFD) from 128 million EGP to 38 million EGP, instead of giving it the 438 million EGP it needed for its plan. This led to paralyzing the GAFRD.

Cement Between the Suits and the Khakis

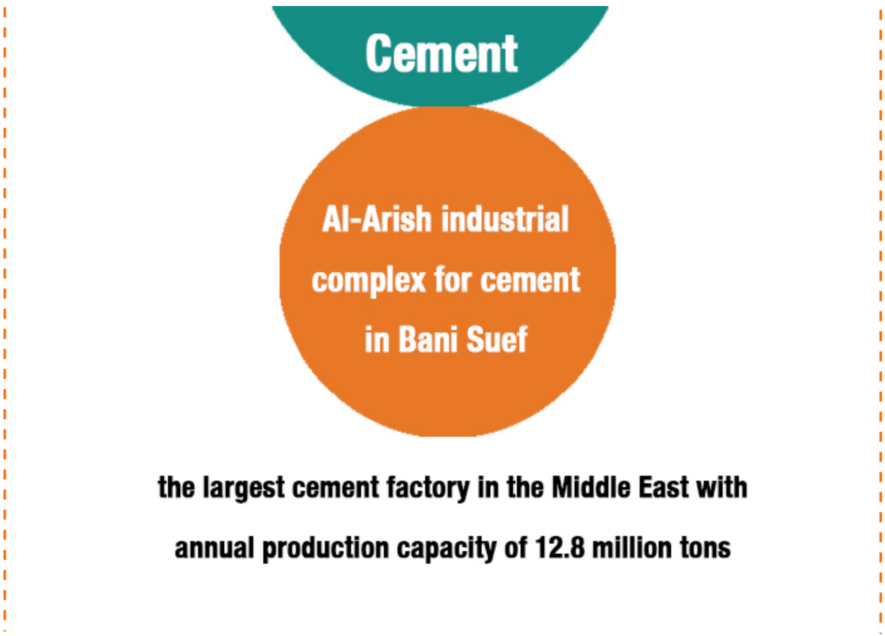
Less than nine months after the opening of the Ghalyoun Fish Farm, President El-Sissi inaugurated another "national" project amid media celebrations. Al-Arish cement complex in Bani Suef Governorate is the largest cement plant in the Middle East with a capacity of 12.8 million tons annually. Like the Ghalyoun Farm, this armed forces factory, with expenditures of $1.2 billion, has turned the cement production business upside down in Egypt.

In 2017, Egypt ranked ninth in the world in cement production at a rate of 69 million tons annually, according to the British Sigma Capital Corporation. Until the opening of this complex, the threads of this industry, which includes 29 factories in Egypt, remained in the hands of a private sector dominated by major European companies which comprise 70 percent of the business. This private sector rushed to buy these factories from the state, benefiting from the massive privatization campaign launched by former President Hosni Mubarak to sell the majority of public sector companies at the beginning of 1995, though that campaign had been marred by numerous accusations of corruption. During the privatization era, Italy's Italcementi took control of three major cement companies, namely Asec Cement, Tourah Cement, and the government's 55 percent stake in Suez Cement, before selling it to the German company Heidelberg. The Mexican company Cemex purchased the Asyut Cement Company, and the French company Vicat acquired 30% of the shares of Sinai Cement. Between 1998 and 2000, the Portuguese company Cimpor-Cimentos acquired the Al-Amiriyah Cement Company during a public offering on the stock exchange. The French company Lafarge and the Greek Titan also bought Alexandria Cement and Bani Suef Cement.

Ironically enough, the national cement industry was turning its final page with the closure of one of the two remaining governmental companies in this sector. This happened barely three months before the official opening of the Al-Arish cement complex, and more than 2,300 workers were laid off due to the lack of funding to modernize the company. During a public meeting on 17 May 2018, the board of directors of the National Cement Company, whose shares are mostly owned by the state, announced the closure of the company due to losses.

> Al-Arish cement complex was recently established as the largest cement plant in the Middle East, with a capacity of 12.8 million tons annually and expenditures amounting to $1.2 billion. Affiliated with the Armed Forces, the complex has turned the cement production equation upside down. Three months before its opening, one of the only two governmental companies in this sector shut down, and more than 2,300 workers were laid off due to the lack of funding.

According to the company's annual production report, National Cement was producing 4.5 million tons of cement annually through its four affiliated factories until 2014. But since 2015, the company has been closing its factories one after the other and falling into a viscous cycle of losses. The company's management justified the losses with the development process imposed by the government to switch from using natural gas to coal in production furnaces. This is in addition to the absence of factory development and maintenance, the rise in the prices of raw materials, and the liberalization of the exchange rate. In 2016, the company's losses amounted to 119.5 million EGP [about $7.5 million]. Hence, its management decided to cut losses by closing all factories. But losses continued to rise suspiciously, reaching more than 971 million EGP [about $61.7 million] in 2017, according to former Minister of Manpower Hisham Tawfiq.



However, a report by the Central Auditing Agency, one of the independent bodies responsible for monitoring the activity of institutions in Egypt, noted that a large part of the losses was intentionally inflicted in order to lead to the company's liquidation. The report said: "The losses incurred by the company in 2017, which amounted to 971.3 million EGP [about $61.6 million], were due to its management's decision to cease production. In 2016, when two factories were partially operating, the losses did not exceed 119.9 million EGP [about $7.6 million]." The report explicitly accused the management of obstructing production and halting work, which exacerbated the repercussions of high fuel prices and the exploitation of quarries.

However, the closure decision did not appeal to the businessmen who own a 4.5 percent stake in this huge company. During that board meeting, a businessman accused the company's management of colluding with the scheme to allow the army to control the cement market. With the closure of the National Cement Company, the state no longer owns any part of its cement industrial empire, except for the Nahda Cement Company in Qena, which is currently managed by a Major General.

At the end of February 2018, the army also opened two new factories belonging to its complex in Al-Arish, North Sinai, raising its production from 3.2 million tons annually in 2011 to 9.6 million tons last year. This huge productivity is supported by an important factor - the unpaid labor of conscripts - and the army's control over all crude cement quarries in Egypt, which raised their prices threefold. It should be noted that the army has started managing these quarries under a decree issued by President El-Sissi in 2014.

On 16 May 2019, the management of the Suez Cement Company [SCC] announced a temporary suspension of the production of Tourah Portland Cement Company, which the SCC owns 66.12 percent of its shares, justifying this by the deterioration of its financial returns and losses during the first quarter of 2019, with net losses exceeding 95 million EGP [about $6 million].

Rebar from Political Business to Military Uniforms

The iron industry is one of the important indicators of the shift in power centers in Egypt during the last three decades. The business elite, who had emerged in the final years of late President Anwar al-Sadat's presidential term, was able to tighten its grip during the Mubarak era due to the political support it enjoyed for its affiliation with the ruling party or thanks to the massive loans from government banks that contributed to creating wealth from scratch. Since the first day of implementing the government privatization program in the 1990s, this elite focused its attention on controlling this industry and removing the state's grip.

The political and financial rise of businessman Ahmad Ezz is a clear example of finishing off the national industry in ways that bear suspicions of corruption and intentional sabotage, dominating the country's natural resources through a class of businessmen who are part of this political system. Ahmad Ezz, who once ran a small scrap shop in the Al-Sabtiyah neighborhood of Cairo, became the unrivaled iron emperor in Egypt by the beginning of the third millennium and the decision-maker who dominated the policies associated with the iron industry. He benefited from the support of Jamal Mubarak, the son of late President Mubarak, and relied on the torrent of loans he had obtained. This is in addition to the corruption deals that allowed the expansion of this empire at the expense of the government-industry, especially the Al-Dukhaylah Company (formerly Alex Company for Steel and Iron).

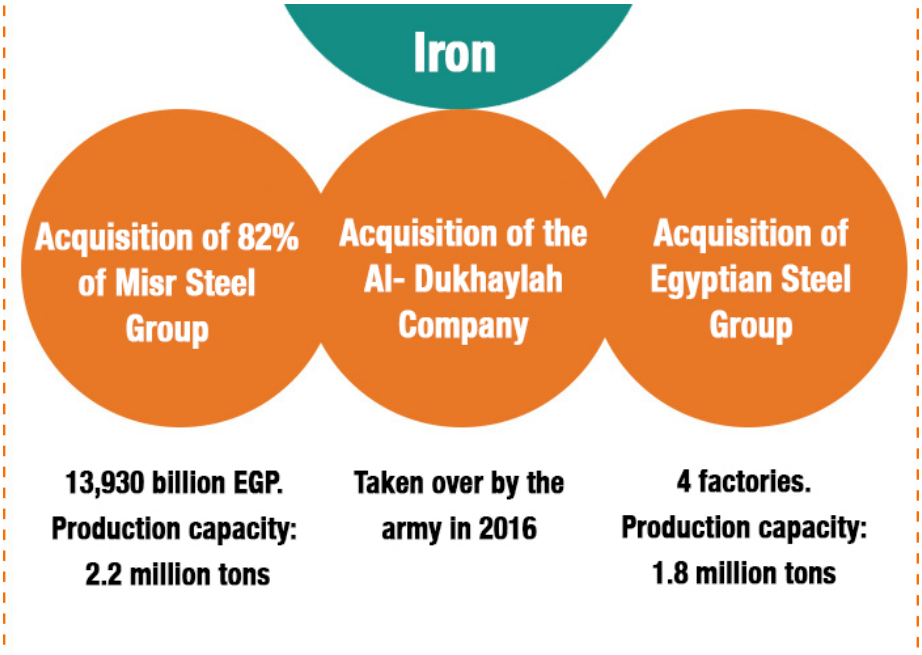
> **Ahmad Ezz, who once ran a small scrap shop in the Al-Sabtiyah neighborhood of Cairo, became the unrivaled iron emperor in Egypt by the beginning of the third millennium, dominating over the policies associated with this industry. He benefited from the support of Jamal Mubarak, the son of late President Mubarak, and from the torrent of loans he had obtained through corruption.**

In a report published on 25 November 2011, Al-Ahram newspaper said that Ezz managed to set his foot in the state-owned Al-Dukhaylah Company through an illegal agreement, by which he acquired 28 percent of the shares of this state-owned company in February 2000. This allowed Ezz to become the chair of the company's board. One month later, Ezz made the peculiar call to reduce the production of Al-Dukhaylah from 1.5 million tons annually to one million only to raise the production of his factory, Ezz Steel Rebars, in Sadat City. Ezz also monopolized the raw materials used to produce iron in Al-Dukhaylah and transferred them to his factory at prices below market value. All this was accompanied by government policies which made way for the voracious businessman to monopolize the industry, as the government imposed a 61 percent customs duty on imported iron. In 2006, Ahmad Ezz made a stock exchange between his factory and Al-Dukhaylah, which enabled him to own 52 percent of the Al-Dukhaylah, thus earning the title of Egypt's "iron man".

After the 2011 revolution and with the fall of Mubarak's, Ezz was forced, under political pressure and settlement processes with the government, to abandon Al-Dukhaylah

Company. Since then, the policies that control the threads of this industry, which produced 11.5 million tons annually until 2017, have begun to move unsteadily. However, with President El-Sissi assuming office in 2014, the iron industry was placed at the army's fingertips through the National Service Projects Organization [NSPO].

> The decree to impose new protective tariffs on iron imports serves its major manufacturers, but it constitutes a severe blow to about 22 small factories working in the field of iron and rolling. The chairman of the Metallurgical Chamber at the Federation of Egyptian Industries warned that this decree would lead to the closure of 22 factories and the layoff of about 25,000 workers.



A short tour of the website of the NSPO, a military-affiliated agency, reveals the shift in the iron monopoly forces in Egypt, in comparison to the years pre-2011. In a deal worth 13.930 billion EGP [about $889 million], signed in November 2016, the NSPO acquired 82 percent of the shares of Misr Steel Group, owned by businessman Jamal al-Jarhi and another Lebanese businessman, with a capacity of 2.2 million tons. The NSPO also acquired the Egyptian Steel Group, which includes four factories with a total production capacity of 1.8 million tons. As for the Al-Dukhaylah Company, which sparked controversy before the January revolution, it was handed over in 2016 to the army for development. Meanwhile, Ezz stayed in his factory (Ezz Steel Rebars) with a production capacity of 3.8 million tons.

In the last third of last April, businessmen launched a secret campaign in mass media to condemn a new decree issued to impose, for six months, a 25 percent protective tariff on imports of rebar and steel and a 15 percent protective tariff on crude iron. The decree was issued under the pretext of "protecting national industries from unfair competition with foreign products." It is worth noting that this campaign was halted under "sovereign" pressure, according to a press source who participated in the campaign. This decree was issued more than a year after Egypt imposed anti-dumping duties on imports of rebar. However, this decree, which serves major iron manufacturers in Egypt, especially Misr Steel, Egyptian Steel, and Ezz Steel Rebars, will constitute a severe blow to about 22 small factories working in the field of iron and rolling. Businessman Jamal al-Jarhi, chairman of the Metallurgical Chamber at the Federation of Egyptian Industries [FEI], who currently owns the Suez Steel Factory, warned that this decree would lead to the closure of 22 factories and the layoff of about 25,000 workers.

The Booming Marble Sector Catches the Army's Eye

The marble and granite industry is another leading sector in Egypt that has caught the attention of the armed forces. It all started in 2014 when President El-Sissi issued a decree transferring the right to operate marble and granite quarries from the police and municipalities to the army.

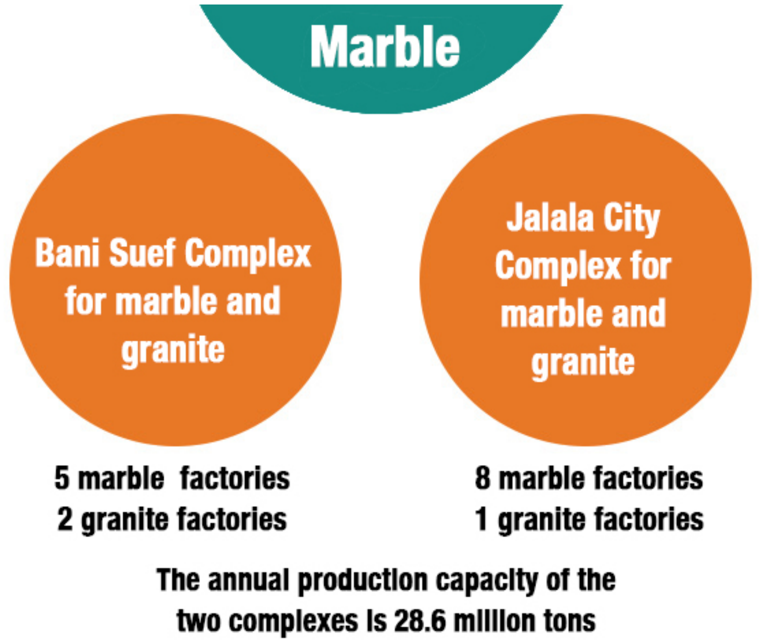
On the day following this decree, the army doubled the tariff for quarrying factories and workshops operating in this sector, not to mention the increase in prices several times during the following years. The owner of a marble factory in the Shaqq al-Thuban industrial area, which produces 80 percent of marble and granite in Egypt, told the researcher that the prices of quarrying rose three months earlier from 50,000 EGP [about $3,174] to 250,000 EGP [about $15,877].

On 30 April 2017, members of the Marble and Granite Chamber at the FEI were taken aback when a Major General dropped by during their weekly meeting. The Major General told them that the army was planning to build a large marble-manufacturing complex, and asked businessmen to provide it with the necessary expertise. Businessmen protested against this step, stressing that their industry is in decline due to the situation in Libya and the Gulf, the largest markets that receive Egyptian marble exports, and the Chinese invasion of this industry, as well as the exaggerated rise in electricity and gas prices for factories and workshops. Two years have passed since that meeting, and instead of the one complex that the army wanted to build, four have been built near the quarries that it manages: The Zaafarana complex in the Red Sea Governorate, the Marble City complex in Al-Jalalah in the same governorate, the

North Sinai complex, and the Bani Suef complex for marble and granite.

> The marble and granite industry is another leading sector in Egypt that has caught the attention of the armed forces. It all started in 2014 when President El-Sissi issued a decree transferring the right to operate marble and granite quarries from the police and municipalities to the armed forces.

During the inauguration of the cement factory in Bani Suef in mid-August 2018, President El-Sissi's schedule included the inauguration of another huge project - the Bani Suef complex for marble and granite, which includes five marble and two granite factories with a production capacity of 3.6 million square meters annually. During this visit, President El-Sissi stressed that there was a plan to build complexes close to all quarries in Egypt, whether in Sinai, Al-Ayn Al-Sukhnah, or Aswan.



Four months after the opening of this complex, President El-Sissi, accompanied by army major generals, inspected another huge complex - the first three factories in the Jalala city for marble and granite in the Red Sea Governorate. This complex is supposed to include eight marble factories with a total capacity of 24 million square meters, a granite factory with a capacity of one million square meters annually, and three factories for production requirements. With this productivity, the army's total production from these two complexes amounts to 28.6 million square meters annually. It is approximately equivalent to the total production of Egypt's civil factories, which is 30 million square meters, per the latest statistics in 2016. It should be noted that the total production of Egypt's civil factories was 40 million square meters in 2014, according to engineer Ibrahim Ghali, chairman of the Marble and Granite Division at the FEI.

The President completed his visit by inspecting the complex of compound phosphate fertilizers in Al-Ayn Al-Sukhnah, which was established by the Nasr Company for Intermediate Chemicals – a company affiliated with the NSPO. The complex includes nine factories for the production of fertilizers, with a capacity of about one million tons per year. Meanwhile, the total production of fertilizers in Egypt is 15.5 million tons per year.

In parallel, the problems of factory owners aggravated. For instance, the government refused to grant legal status to factories in the Shaqq al-Thuban area, which caused the closure of some factories; imposed restrictions on these factories' use of the Nile water; and postponed the issuance of export approvals without a convincing reason, amid rumors that preparations are being made to transfer this industry from this leading area to a far place. Speaking on condition of anonymity to avoid harassment, the owner of the aforementioned marble factory, who is also a member of the Chamber of Commerce, said that the exports of his factory and the area had fallen by one-half since last year.

Moreover, the Black Sand Company, which the NSPO owns most of its shares since its inception in 2016, is also working on establishing two factories with an area of 80 acres and 35 acres, respectively, to exploit the black sands scattered on the coasts of the Mediterranean to extract minerals.

From an Anti-Monopolist to the Sole Monopolist

From the very first moment, the army realized that its huge production of cement, marble, and iron will not remain in its stores because of its monopoly on implementing and supplying the huge national projects launched by President El-Sissi, especially the administrative capital, whose area is intended to reach 12 times the size of the US city of Manhattan.

> **The military not only wants to prevent any monopolistic practices by the private sector, as officially declared, but to become the sole monopolist of these resources.**

Moreover, the army offers its product at prices lower than the market prices, benefiting from customs and tax exemptions on its products and from cheap labor that depends on conscripts. This is in addition to the huge facilities provided by the various ministries that grant the army the implementation of projects by direct order.

The owner of the aforementioned marble factory said that the army has entered the economic sectors armed with its vast influence; it has moved above every law of the market, benefiting from huge privileges that make its competitors seem like cats wrestling with a lion. But what is the reason behind the big ambitions of the army to control the natural resources in Egypt? Is it to create balances in the market, especially in the cement and iron sectors, and prevent any monopolistic practices in these sectors, according to President El-Sissi's statements on the sidelines of the youth conference at the end of October 2016? The bigger picture reveals another aspect. The military not only wants to prevent any monopolistic practices by the private sector, but to become the sole monopolist of these resources.

El-Sissi and Resource Management in Egypt

Ali Al Raggal
A researcher in socio-politics, specialized in Security Studies, from Egypt

Translated by **Sabry Zaki**

Under the pretext of the weakness and flaccid structures of the state's civil institutions and their inefficiency compared with the military establishment and its various agencies, Egyptian President Abdelfattah el-Sissi has placed Egypt's resources under the army's control. However, this is not just about efficiency; it is about control and loyalty.

How can we understand the nature and form of el-Sissi's management of Egypt's resources, both human and natural? How does el-Sissi re-exploit Egypt's geographical location and how does he manage it from a security and geopolitical point of view?

El-Sissi from "Egypt, Mother of the World" to "We Are Very Poor"

El-Sissi's central goal was clear from the start; he said it was restoring the strength and prestige of the Egyptian state. Therefore, he was very keen to fully acquire most of the state's resources and maximize them through the army, in particular, and not through the state apparatus itself. But "maximizing state resources" does not mean maximizing the population's resources and improving their living conditions... or at least not at this stage, as el-Sissi claims, arguing – verbatim - that we are "very poor, very poor indeed." As for the army's expansion or el-Sissi's acquisition of resources through the army and placing them under its control, this was done under the pretext of the weakness and flaccid structures of the state's civil institutions and their inefficiency compared with the army and its various agencies. However, it is not just about efficiency; it is about attaining loyalty and control.

El-Sissi set maximizing control over resources under the command of the army as a precondition for restoring the state's strength and cohesion of governance after decades of the sluggishness of the state apparatus, the control of the National Democratic Party elites and businessmen over resources, and loosening the government's grip on the country after the revolution. El-Sissi began his rule with promises that "Egypt is the mother of the world and it will truly be the most important country of all," but now he ended with a constant discourse stressing Egypt's poverty, and the state's inability to provide many services to citizens.

While he evaded improving the living conditions of people to tighten his grip on power, el-Sissi tried to improve the living conditions of the members of the army, so he gradually raised their salaries and improved the services they get. He also raised their pensions to offset inflation and price hikes due to the floating of the Egyptian pound. Unlike the army, el-Sissi relied on the pay increases approved for the judiciary from 2009 to 2014, according to some internal sources. In return, he refused the request of the head of the Supreme Judicial Council to increase the salaries of judges after they complained about the high cost of living.

Furthermore, the Ministry of Finance addressed a strongly worded letter to judges. Although el-Sissi adopted the same policy with the Interior Ministry, he paid great attention to it in terms of development and moral support. However, there are many complaints and a muffled grumble among members of the Ministry of Interior who compare their conditions with those of the army personnel and their pay increases.

> **El-Sissi has improved the living conditions of the military establishment while the Minister of Education and the Minister of Health have complained about the lack of financial resources necessary for the work of their ministries. It became clear, then, that the primary objective of managing and redistributing resources was to grasp the nerve of the state to ensure its loyalty in light of repression and the conflict raging internally and externally.**

These options in managing the state's financial resources have given some indications of el-Sissi's general policy in the public administration of the state and its resources. Weeks ago, both the Minister of Education and the Minister of Health complained about the lack of the financial resources necessary for the two ministries to carry out their work and implement various plans. It became clear, then, that the primary objective of managing and redistributing resources was to grasp the nerve of the state to ensure its loyalty in light of the constant state of repression and the internal and external conflicts.

We can observe three stages of el-Sissi's control and management of resources in Egypt. They are not arranged chronologically but are overlapping. The first stage is the control over the state apparatus, the last of which was amending the Constitution to tighten control over the judiciary and grant el-Sissi more presidential terms. The second stage is the army's extensive acquisition of production tools and natural resources, such as its complete control over land and quarries, and the expansion of the army in the public sector companies themselves. The third stage is the expansion in loans and domestic and foreign borrowing. This happened in conjunction with the lifting of subsidies and the removal of the state's social burdens to provide funds from the budget that allow the implementation of el-Sissi's mega projects.

Army, Interior Ministry

Amr Adli (1), a researcher in political economy, considers that Egypt's el-Sissi represents a type of economy that can be called "military capitalism", which is a branch of state capitalism where state institutions, agencies, and companies undertake economic activities according to the logic of the market and to achieve profits like any market entity. However, unlike previous state capitalism cases, such as the public sector during the era of late Egyptian President Gamal Abdel Nasser, the current stage is witnessing a growing role for institutions and companies affiliated with the military in various activities, and in a much more extensive way than it did during the Mubarak era. By issuing a presidential decree, el-Sissi granted the Intelligence and Interior services the right to establish their own security companies. Issuing more presidential decrees, he granted the Engineering Authority [of the Armed Forces] the right to carry out various investment projects and allocated and re-allocated lands for the benefit of various military agencies. As a result, the army acquired one of Egypt's most important resources, land, thereby becoming one of the speculators in the real estate market. Perhaps the most prominent example of this is the new administrative capital and the city of Al-Alamayn, whose lands were allocated through direct presidential decrees in favor of the army. But at the same time, el-Sissi does not aim at reviving the public sector. On the contrary, he is pushing to privatize the rest of the public sector, or to bring the local and foreign private sector into partnerships with it, and to rely on the military, especially in infrastructure projects, housing, and some industries. Wael Gamal (2), an economic researcher, points out that the army is also preying on the public sector, and perhaps the two most prominent examples of this are the iron and cement industries and some pharmaceutical industries.

Furthermore, el-Sissi has used the state's financial resources and his relations with the UAE and Saudi Arabia to arm the Egyptian army and the Ministry of Interior. Egypt became the third importer of arms (3) in the world, according to the Stockholm Peace Institute, which indicated that Egypt's imports of arms have tripled in the period between 2014 and 2018 in comparison to the period between 2009 and 2013. The Egyptian army was rearmed by France, Germany, and Russia, along with the continued purchase of weapons from the United States to supplement the US military aid to Egypt since Camp David Accords. One of the France 24 channel reports has indicated Saudi Arabia's participation in financing the French Mistral deal (4).

The armament of the Ministry of Interior varied between equipment, vehicles, armored vehicles, ammunition, and tear gas canisters, as well as the right to produce bullets. Moreover, billions of dollars' worth of espionage equipment and technologies were imported, many of which were financed by the UAE, according to the same source (5). Arming the Ministry of Interior and developing surveillance techniques can be understood in the context of the domestic war the regime is waging against the Muslim Brotherhood and "terrorist groups", and as a way to corner the democratic forces. But this qualitative development in rearmament exacerbated the size of Egypt's debts, which, like the rest of the state's expenditures, depended mainly on the expansion in indebtedness.

Regarding the expansion in military rearmament, we can analyze it from more than one angle. First, the domestic reason was to satisfy the army as a military establishment and consolidate the pillars of el-Sissi's rule by ensuring its loyalty by raising its efficiency and developing it. The diversification of armament sources had a positive effect on the army, as it raised el-Sissi's popularity. He is considered the first to have succeeded in diversifying these sources since Camp David Accords; this is at least the view of many officers now. Thus, el-Sissi, succeeded in maneuvering with the United States after the latter threatened more than once to cut off military aid. The second reason was the regional arms race and the fear of existing tensions in the region, where el-Sissi has more than once presented Egypt to the Gulf as potential power. These deals succeeded in buying the silence of Western countries over human rights violations and breaking the isolation that some countries tried to impose on Egypt after the army took control on 3 July 2013. Due to the secrecy of the armament issue and the budget of the armed forces, according to the Constitution, it is neither possible to know how these expenditures are allocated in the general budget nor the extent of their impact on the future concerning the issue of debts, in particular.

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Of course, a question arises here about the options of setting spending priorities and the absence of any kind of public participation and transparency in the issue of spending state resources.

Energy: El-Sissi's Obsession and Greatest Success

El-Sissi came to power at a time when power outages were a constant problem across the country. It was one of the major problems faced by late President Muhammad Mursi during his short reign. The power outage was not the fault of either of them, as both of them inherited worn-out power plants from late President Muhammad Husni Mubarak, severe weakness in the generation of electric power from different sources, and an 89 percent dependence on fossil fuels. El-Sissi relied on diversifying sources of energy-producing electricity and allocated 614 billion Egyptian pounds [about $39 billion] to it from 2014 to 2020. Egypt's agreement with the German Siemens company was one of the key successes in this field. El-Sissi built wind power plants and a giant solar energy project in the area of Benban. He also started the nuclear reactor project in the area of Addabah.

El-Sissi was extremely successful in the issue of electric power. The power shortage has ended completely, and Egypt has had a surplus of power estimated at between 25 to 35 percent. There are many rumors about Egypt's tendency to export electricity, which has not been clear yet. Indeed, after achieving this surplus, some plants stopped production due to lack of need. Undoubtedly, it was a much-needed success. But it raises a question about planning and the use of power resources. This success is accompanied by doubts about the integration of planning and scheduling. It was necessary to benefit directly from these surpluses, or in the worst circumstances, to expand as much as needed, and to spend on other sectors in light of the budget deficit that the state suffers from. Moreover, despite this success in developing the electricity sector and the adequacy of production, the cost incurred by citizens increases every day, as the state transformed electricity from a service into a commercial commodity.

The subject of electricity does not stop at the social issue because this success was achieved at a high cost and with debt. To build three power plants by Siemens, Egypt borrowed $6.7 billion through a coalition of several financiers: Deutsche Bank AG, HSBC Holdings Plc, and KfW-IPEX Bank AG. A recent Bloomberg report indicated that Egypt had received an offer from China's Black Stone and Malaysia's Edra Energy to buy the three plants, after which they will sell electricity to the Egyptian Government, which, in turn, will sell it back to Egyptian citizens. The director of Qalaa Holdings believed that this deal would have helped reduce the volume of Egyptian debts and bring foreign direct investments to Egypt (6).

> **El-Sissi relied on diversifying the sources of energy-producing electricity, allocating 614 billion pounds [about $39 billion] to the sector between 2014 and 2020, and building wind power plants and a giant solar energy project in the Benban area. He also started the nuclear reactor project in the Addabah area. He achieved great success. The power shortage has ended completely and Egypt has a surplus estimated at between 25 to 35 percent.**

Wind power projects are also expanding in the areas of the Red Sea, such as the Jabal az Zayt project, which cost 12 billion pounds [about $763 million] on an area of more than 100 square kilometers and includes 300 turbines producing 580 megawatts. This is in addition to other projects in Al 'Ayn Al-Sukhnah. Reliance on wind energy is a real gain for Egypt in terms of positively exploiting natural resources, avoiding environmental pollution, being sustainable, and generating clean and safe energy.

New power plants, such as the Baltim plant in Kafr ash Sheikh built by Siemens, which relies on gas directly from the sea, have helped solve the problems of blackouts and power shortages in rural governorates. Despite turning electricity into a commodity, this did not prevent striking a balance between the cities and the countryside in terms of the availability of that commodity. During Mubarak's days, most of the electricity loads, and consequently the blackouts, were distributed to the rural areas because the impact of their protest would not have been as strong as the protests of the big cities if that happened there.

However, the Addabah nuclear power project raises a lot of controversies. Some state officials argued about the nuclear reactor's energy production as a matter of life and death for Egypt, seeing it as very important in diversifying energy sources. Nuclear energy in France, for example, represents about 70 percent of the total electricity production in France, which is cheap energy in the long run because the reactor operates for about 80 years, whereas solar energy projects are extremely expensive and expire within 25 years, after which they have to be replaced.

However, a report by the Egyptian Initiative for Personal Rights pointed to the danger of nuclear energy, noting that it is neither cheap nor safe. The report was based on three factors: First, the risks of any disaster that may occur, which will mean the almost destruction of the northern coast; one of the most beautiful beaches in the world, as well as the danger of nuclear waste disposal and the cost of the operation. Second is the lack of Egyptian competencies in this field. Third, the Levelized Cost of Energy (LCOE), which takes into account the cost of construction and operation, fuel prices, and the assumed lifetime of the plants, shows that the adjusted price per megawatt-hour of nuclear energy is about twice the price of both the combined cycle of gas and solar cells and three times as much as wind energy, according to the US Energy Information Administration (EIA) report for 2017 (7).

Gas discoveries in the eastern delta and the discovery of the Zohr gas field helped to achieve self-sufficiency in gas and to start exporting instead of importing. Nevertheless, Egypt continues to import gas from Israel, which is strange and incomprehensible, especially in the last decade. However, these discoveries helped El-Sissi improve the state's resources and plan to turn Egypt into one of the largest areas of gas liquefaction. While the Mediterranean gas became a vital area of conflict between Egypt and Turkey, it turned into Egypt's rapprochement with Italy and Greece. This conflict places a huge burden on the state's resources in the arms race and military exercises in the Mediterranean.

On the domestic level, the way the state deals with electricity is the same way it deals with gas. The plan to deliver gas to homes has been achieved in record time in the various governorates, such as the Al-Buhayrah Governorate, which completed the mission in one year and a half. However, the value of gas bills incurred by subscribers is witnessing a significant increase.

Converting State Services into Commodity

In a video leaked in 2013, El-Sissi, during a meeting with some army officers, disclosed his policy regarding the state services and the issue of subsidies. It did not take much time for the President to turn that vision into a public statement he made in more than one meeting, where he said: “The Egyptian people have been pampered by the services provided by the state; it is time to sell those services at their true cost.” This position represented the first direction of the el-Sissi Administration regarding state resources. Amr Adli said: “This tendency to use public resources per market rules aims to achieve the highest possible profitability. It, thus, raises the economic logic of the market at the expense of any other social logic that can govern the uses of public resources, such as ensuring social justice or equality.”

This is what we see in reality with other natural resources such as desert lands, which are increasingly subject to market logic in terms of pricing and sometimes speculation. This is in addition to creating the legal framework for state-owned or state-affiliated companies and institutions to use natural resources in a market logic. In other words, it is the process of completing the commodification that had begun with the land issue in Mubarak’s last days. The same applies to natural gas and fuels, which are increasingly subject to pricing according to an austerity program aimed at reducing the losses incurred by the state’s public treasury, as well as other public institutions working in the field of fuel production and distribution.

But again, this neoliberal approach to the state resources and services poses a central question: Where is the people’s right to benefit from those resources? In other words, why don’t the recent great gas discoveries in Egypt reflect an improvement in the lives of the population, since these discoveries help in the production of electric energy, which is in itself a source of energy? Are these resources a population property or a wealth in the hands of an oligarchy in control of the state apparatus, which, like any businessman, puts a price on things and sells them to the population under its rule? Here, it is possible to monitor the path of the Egyptian state and the ruling military oligarchy from the Nasser era to el-Sissi. While the former used the state’s resources to conclude a reciprocal deal with the society based on exchanging freedom for services and social security, the latter ended up depriving the people of their right to wealth and services, as well as to freedoms. This outcome now makes sense, if we think retrospectively. It is the result of the marginalization of the population at the level of government and production tools, depriving them of integration into the political and productive process, and, of course, depriving them of the right to manage the state resources. Hence, the state's argument that "we are poor and suffer from a lack of resources" is nothing but a rhetorical and ideological maneuver whose central goal is repression to push the public to accept the state's financial policies and its management style.

El-Sissi, who openly boasted of the poor resources, is the one who wasted a large amount of hard currency on the project of the new canal parallel to the Suez Canal. By the same logic, el-Sissi relied on selling the bonds of this new canal to finance the project, but his insistence on ending the project in one year had significant repercussions on the Egyptian pound. No one understood why he insisted on constructing the project in one year when all economic reports indicated a decline in world trade. Secondly, the project did not reflect positively in any way on the Suez Canal revenues. Rather, its revenues are noticeably declining. In the beginning, the government said that the Suez Canal's income would multiply by 300 percent, meaning that it would reach $15 billion (about 250 billion Egyptian pounds at current exchange rates) in 2023. But later, it said that the project's central goal was not to profit or increase income, but rather it was a morale booster to confirm the Egyptian people's ability to achieve.

> **Why don't the great gas discoveries reflect an improvement in the lives of the population? Are resources a population property or a wealth in the hands of an oligarchy in control of the state apparatus, which, like any businessman, puts a price on things and sells them to the population under its rule?**

The new canal and the new administrative capital have one thing in common: el-Sissi's vision of himself as a contractor and resource extractor. He sees that many Egyptians have a large cash flow that can be extracted by opening ways for this money to flow into his projects. This process can also open a way for money laundering through direct investment, which some of the regime's supporters see as a skill in exploiting hidden funds. The banking sector also benefits from the debt crisis; the more the Egyptian state borrows from the banking sector, the more this sector thrives. This situation has begun to move Egypt toward an economy based on permanent debt, which many neoliberals, merchants, and real estate investors do not object to. But the future question remains central in this matter: Who will bear the cost of this permanent debt? What is the impact of this burden on future generations?

The matter does not end with el-Sissi's tendency to expand in domestic debt, as he is also greatly expanding external debt. The state's role, including the provision of public services and the use of public resources, is increasingly aligned with the neoliberal agenda of the Washington Consensus (8). This is mainly due to the renewed traditional role of the International Monetary Fund with its intervention as a lender to Egypt at the end of 2016 and as a guarantor of more Egyptian borrowing from global bond markets. El-Sissi also adopted the same policy with China. Egypt borrowed nearly $3 billion from China to finance projects in the administrative capital, including the electric train project. In one of the television interviews with the Minister of Finance, the man simply confirmed that he did not have financial resources, and therefore he would borrow again. This is a cycle that may never end and lead to the Egyptian economy falling prey to permanent debt, and then becoming very fragile and vulnerable to economic shocks. Some analysts believe that the signs of a real estate crisis loom on the horizon due to the large expansion in the real estate sector.

> **The tendency to use public resources per market rules aims to achieve the highest possible profitability. It, thus, raises the economic logic of the market at the expense of any other social logic that can govern the uses of public resources, such as ensuring social justice or equality.**

Is Egypt a Poor Country?

The Egyptian opposition always argues that Egypt is rich in natural resources: seas and a river that runs along with the country, as well as natural resources such as gas, oil, and various quarries. This thesis suggests that Egypt's main problem is the systematic corruption and looting that Egypt has been subjected to since the colonial era, and then the corruption and looting at the hands of the military national elites that ruled Egypt after independence. But the truth is that Egypt is not such a rich country, but it is not a poor country either.

Egypt is not one of the resource-rich countries with huge financial benefits, such as Russia, the United States, Saudi Arabia, Canada, Iran, China, Brazil, Australia, Iraq, and Venezuela. Egypt, in particular, differs from the Gulf model, such as Saudi Arabia, which is based on extracting huge quantities of oil. In this model, the state only needs to contract with foreign powers to extract oil and distribute its export surpluses to the ruling elites, including a large amount of looting and corruption, to ensure loyalty or to cover the expenses and extravagance of the ruling family. Then the state uses the rent to build cities, construct some investment projects, and provide services to the general public.

But for Egypt to become a wealthy country, Egypt's resources require another mode of governance and different relations of production. Maximizing resources in Egypt requires rational management, the participation of the general population in the production process, and improving the capabilities and conditions of their production. Take, for example, the tourism sector. Egypt has monuments and huge tourist potential. At the level of the Middle East, it comes after Saudi Arabia in the number of tourists, as Saudi tourism is based, of course, on Hajj. However, not more than 10 million tourists per year visit Egypt in the best cases, which is inconsistent with the size of the available capabilities, compared to countries such as Spain and Portugal. Except for the factor of political and security turmoil, this shortage is mainly due to mismanagement, the inefficiency of infrastructure, lack of skill in presentation and interaction, and reliance only on the presence of monuments and picturesque beaches. There are some beaches that tourists do not come to at all, such as the northern coast, which extends for more than 600 km, most of which are among the best beaches in the world.

By tightening his grip on the country and restoring much of the security, el-Sissi has succeeded in helping tourism pick up again, especially in the last two years. But has the management of this resource improved its conditions, away from security, and made a serious investment in it? The answer so far is no.

The same applies to the rest of resource management. El-Sissi is aggressively expanding in road construction, real estate investment, land speculation, and energy projects, which have many positive aspects. However, road and real estate projects do not address the urgent and crisis-ridden economic questions in Egypt, as they are excessive in domestic and foreign borrowing and do not help build a productive pattern, which increases the problem of hard currency availability in the absence of exports. In the absence of production, el-Sissi's tireless attempts to limit and restrict imports remain a temporary treatment, albeit a good one in some respects.

El-Sissi's policies show that most expenditures are spent on the military and security sector, while the budget for the health and education sectors is shrinking. This illustrates a vision that is based on the marginalization of the population because the regime does not need them in this type of governance.

It is clear from tax collection that Egypt has continued to follow the rentier economy. The tax collection rate in Egypt is very low, not more than 14-15 percent of GDP. Part of these low proceeds comes from rentier sources such as the Suez Canal, the petroleum sector, and the financial sector. Of the 462 billion EGP [about $29 billion] collected in taxes in the 2016-2017 fiscal year (the latest actual figures available), 22 billion EGP [about $1.4 billion] came from the Suez Canal taxes and 42 billion EGP [about $1.4 billion] from the [Egyptian General] Petroleum Corporation, as well as taxes that came from other rentier activities such as investing in debt and securities.

Economic researcher Osama Diab (9) pointed out that in its quest to mobilize resources, the Egyptian state depended to a limited extent on the human element. Most of its resources come from borrowing, grants, income from the Suez Canal, and oil, whereas in industrial and post-industrial economies, most of the resources come from taxes on industrial, commercial, and service activities. In this model, the state relies more on the human element for its resources. This means workers at the heart of the processes of production and value creation on the one hand, and consumers who dispose of this generated value on the other.

The dilemma of resource management in Egypt and the question of whether Egypt is a poor or rich country can be summarized in three points: 1) The underdevelopment of the Egyptian economy structures, its inability to get out of the cycle of primitive accumulation of wealth, and dependence on rent and borrowing; 2) The failure to develop the productive forces themselves; 3) The predominance of the security character in managing the country and the reliance on the rule of the oligarchs, as shown by the expansion of the army and its agencies in sharing the rest of the economy with the Egyptian and global capitalist sectors. Egypt suffers from massive looting of surplus value with a huge untapped and marginalized population, which are constantly repressed and subject to violent police management. This raises many questions about how to manage the country's resources and the question of democracy and participation. Therefore, it is no wonder that Egypt is one of the countries in the world most characterized by the absence of economic data, statistics, and information related to various projects.

1) The researcher's interview with Dr Amr Adli in May 2019

2) An interview conducted by the researcher with the economic researcher Wael Jamal in May 2019

3) Mada Masr report on 12 March 2019

4) France 24 report on 23 September 2015

5) France 24 report on 6 July 2017

6) Magdy, Mirette (2019): Egypt Mulls Blackstone Unit Offer to Take Over Power Plants, published in 27 May 2019

7) The Egyptian Initiative for Personal Rights (2019): Position Paper: Nuclear Energy Is the Most Expensive and Dangerous, published on 23 April 2019

8) The Washington Consensus is a draft proposed by John Williamson in 1989 to be a set of ten economic policy prescriptions for "failed states" that have faced financial, administrative, and economic difficulties. It contains directions on how to diversify their economy and manage their natural resources, in addition to his call on the World Bank and the International Monetary Agency to adopt these prescriptions.

9) The researcher's interview with the economic researcher Dr Osama Diab in May 2019


Algeria

The Role of Petrol in the Fall of Bouteflika's Regime

Hocine Malti
Co-founder of Sonatrach and author of "The Secret History of Algerian Oil," published in French by La Découverte, from Algeria

Translated by **Sabry Zaki**

Abdelaziz Bouteflika has always used Algerian oil and the revenue it generates as a means of consolidating and perpetuating his power. He bought social peace and used oil revenues to allow the clan of generals and their henchmen to gorge themselves with commissions on all the contracts concluded by the state.

The year 2019 will certainly remain a landmark year in the history of Algeria. After breaking the wall of fear on 22 February, the Algerian people succeeded in removing Abdelaziz Bouteflika, a seemingly irremovable president, in March. The man is gone, but his regime is still alive, even if it is shaky. The country's official date of independence was in 1962, but in 2019 the people made their own independence. For more than three months, millions of people have taken to the streets every Friday, proclaiming their desire for profound change in the regime, while thousands of students expressed their rejection of the prevailing system every Tuesday.

This peaceful protest movement, the Hirak, has already achieved two major victories: the resignation of Abdelaziz Bouteflika and the cancellation of the presidential election, which was to take place on July 4th under the auspices of disgraced leaders. This "Revolution of Smiles" demands the departure of the entire ruling class. It paves the way for the people to choose their new president in all transparency, to elect a chamber of deputies that truly represents them, instead of being a sounding board for the regime, and to establish a second republic and a judicial system free of all ties to power. The Hirak does not want all these elections to take place under the supervision of men who were part of the abolished regime; it also demands the prosecution of all the "Mafioso" men who have embezzled the country's wealth for their own benefit. These are only the most basic demands of the Hirak.

That being the case, was such an upheaval foreseeable? It is certain that at the time of the events that marked Bouteflika's four terms in office, it was impossible to pinpoint the moment when everything changed. It was, nevertheless, foreseeable that the chain of events could only lead to the current situation. We can therefore answer the question with "Yes," because the scenario that Algeria is currently experiencing was a logical outcome. Like all dictatorial regimes, the Bouteflika regime itself nourished the seeds of its self-destruction, as internal struggles were some of the core reasons for its demise.

The Rise of Bouteflika

Bouteflika was elected in April 1999 under suspicious circumstances, after the generals pressured the other six candidates to withdraw from the presidential race on the eve of the election. Bouteflika sought to escape the generals' tutelage by soliciting support from abroad, in particular from the President of the United States. But benefiting from the support of the President of the world's leading power comes at a high price. Bouteflika's opportunity to realize his plans was provided by the September 11 attacks. He made two consecutive trips to Uncle Sam's in the last quarter of 2001, in an attempt to make a deal with George W. Bush: Algerian oil plus making the wealth of information held by Algeria on Al-Qaeda in the Islamic Maghreb available for the US, in exchange for Washington's support. Greedy for power, Bouteflika put his childhood friend and Minister of Energy, Chakib Khelil, in charge of drafting a new law on hydrocarbons, based entirely on the new US doctrine on the subject.

Under the guise of adapting the energy sector to the operating conditions of a free and competitive market economy, Khelil was asked to seek the assistance of the World Bank and US consulting firms to develop a text that took up, point by point, the new US provisions in this area. As soon as he arrived at the White House, President George W. Bush entrusted a working group chaired by Dick Cheney, former CEO of Halliburton and now Vice President of the United States, with designing this doctrine.

> **Like all dictatorial regimes, the Bouteflika regime nourished the seeds of its self-destruction, with internal struggles being some of the core reasons behind its demise.**

Unsurprisingly, the new Algerian law adopted the same objective as that of the Americans, that is, transferring ownership of oil and gas deposits belonging to the national companies of the producing countries to the multinational oil companies, the majority of which are American. The main provision of the new Algerian law stipulated that any foreign company to which an exploration license would be granted had to offer the national company Sonatrach a 20 to 30% stake and that the latter would accept or refuse this proposal within 30 days. The response of the national company could only be negative, given that the required investment was generally high and that the technical data, available at this stage of the operation, were very approximate. This meant that all oil and gas fields would eventually be under US control.

> **Bouteflika made a deal with George W. Bush: Algerian oil plus making the wealth of information held by Algeria on Al-Qaeda available for the US, in exchange for Washington's support and protection.**

Opposition to the law from the Department of Intelligence and Security [DRS] and the General Union of Algerian Workers [UGTA] led Bouteflika to freeze it in 2003 because it jeopardized his re-election for a second term. He, then, passed the law the day after his re-election, before rescinding its most controversial provisions in 2006. Out of spite, having lost the tug-of-war with other Algerian establishment structures, Chakib Khelil developed another law whose provisions were a real deterrent to any foreign investor wishing to set up in Algeria.

Oil Plus Power

Abdelaziz Bouteflika has always used Algerian oil and the income it generates as a means of consolidating and perpetuating his power. Oil revenues allowed him to buy social peace by subsidizing a certain number of basic products as well as fuels; they also served the purpose of allowing the clan of generals and their henchmen to gorge themselves with commissions on all the contracts concluded by the state, including those very important ones awarded by the National Hydrocarbons Corporation. Hundreds of millions of dollars were shared by all these corrupt people who only wanted one thing: that Bouteflika remains the head of the state as long as possible.

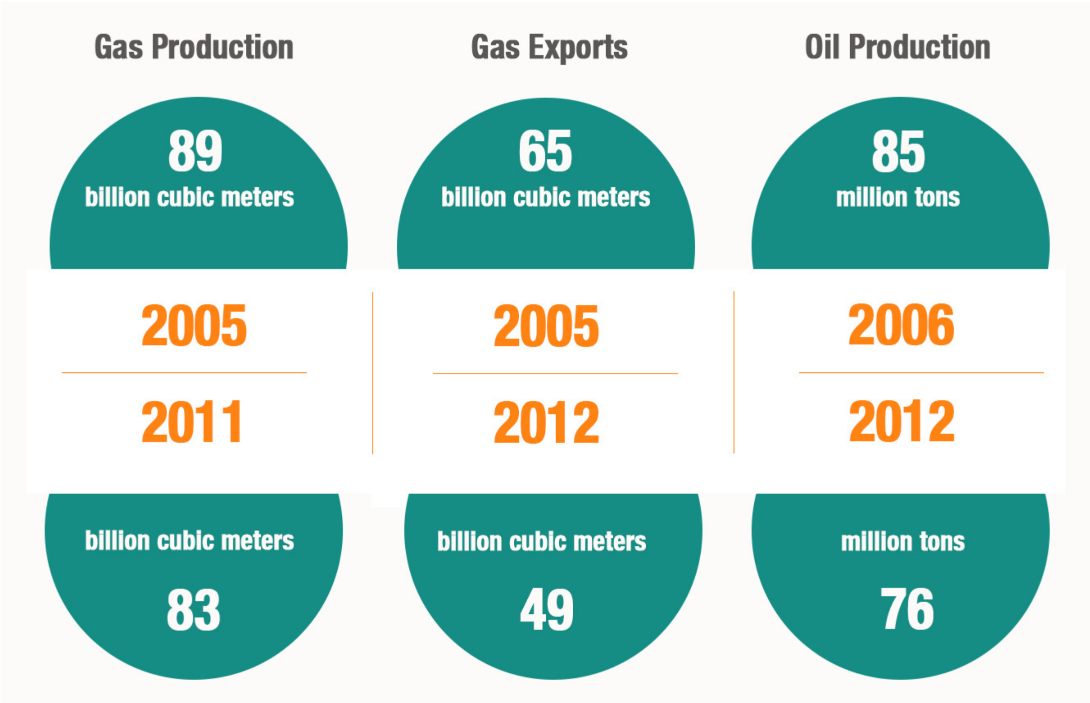
> **The new Algerian law adopted the same objective as that of the Americans, that is, transferring ownership of oil and gas deposits belonging to the national companies of the producing countries to the multinational oil companies, the majority of which are American.**

Corruption has been Bouteflika's tool of governance. It has allowed him to buy the support of crooked businessmen, high-ranking civil servants, politicians of all stripes, and members of religious groups. Making cheap consumer goods available to the people was a way to corrupt them. The DRS put the brakes on such activities in January 2010 when the CEO of Sonatrach, vice-chairmen and other managers of the company were brought to justice and imprisoned for a major scandal in which they were involved. The Ministers of Energy, Interior, and Commerce were also dismissed in the wake of the affair.

> **Corruption has been Abdelaziz Bouteflika's tool of governance. It has allowed him to buy the support of crooked businessmen, high-ranking civil servants, politicians of all stripes, and members of religious groups. Making cheap consumer goods available to the people was a way to corrupt them.**

This system worked perfectly well as long as the price of a barrel of oil oscillated in the range of $100 to $140 and Algeria attracted foreign investors. Things started to go wrong in 2011. The first scare occurred when rumors that Algeria's gas reserves were overestimated began to circulate around the world. The new Energy Minister, Youcef Yousfi, denied this and declared that the country had sufficient natural gas reserves to cover both domestic market demands and export commitments. However, the figures are persistent. Algeria's gas production had effectively fallen from 89 billion cubic meters in 2005 to 83 in 2011, while exports had fallen from 65 billion cubic meters in 2005 to 49 in 2012.

The minister had to face the facts and admit that Algeria was experiencing increasing difficulties in marketing its gas at any prices, as the United States was moving from being a major consumer to an exporter, after its intensive exploitation of shale gas a decade earlier. He also admitted that the domestic consumption of natural gas had been on the rise in recent years and that, at this rate, Algeria risked not being able to meet its exporting commitments in the long run. Crude oil production was also declining, from 85 million tons in 2006 to 76 million tons in 2012. This decline had not had a huge impact on the country's financial health, however, as the price of oil was still around $120 to $130 per barrel.



But the downward trend in oil prices over the past year or so had begun to cause serious concern for the regime, especially since the number of security personnel and the expenses of the security agencies, which are responsible for preventing any revolt by the people, were constantly on the rise. Another alarming event occurred when the third tender for the allocation of exploration permits proved unsuccessful in October 2011.

The Crisis

For the Algerian regime, this was too much: the selling price of gas was constantly declining, the mining sector had become unattractive, and there were sales contracts whose terms cannot be honored in the future. It was the whole edifice of power that was crumbling. To remedy this state of affairs, the Minister of Energy announced a new law on hydrocarbons with two essential provisions: the first was a revision of the method of calculating the tax on the profits of oil companies, which would henceforth be based on the rate of profitability of their operations, while the second, intended to compensate for the decline in natural gas production, authorized the exploitation of shale gas.

There were also setbacks due to internal struggles within the regime. The terrorist attack on the Tiguentourine gas plant in In Amenas area in January 2013 made Algeria even less attractive to foreign partners, who began to doubt the effectiveness of the means used to ensure the protection of men and industrial installations. This attack was carried out by a group under the control of Mokhtar Belmokhtar, a terrorist leader who had been considered a DRS man until that time. The DRS had convinced the Americans of the man's usefulness to the point that the latter did not eliminate him, even when it had the chance.

Rumors circulated at the time that the attack was a DRS operation gone wrong. The fact remains that it cost the lives of 70 people killed by missiles fired from DRS helicopters. The Americans then made the Algerians understand that their policy of infiltrating AQIM (Al-Qaeda in the Islamic Maghreb) was a failure and demanded that the DRS be swept clean. Only the boss Tewfik Mediene managed to save his head. But the principal consequence of this event was still there: it had seriously weakened the regime. The tension between the Chief of Staff of the Army and the heads of military regions, on the one hand, and the generals of the DRS, on the other, was such that it almost ended in a bloodbath.

> **The terrorist attack on the Tiguentourine gas field in January 2013 was carried out by a group under the control of Mokhtar Belmokhtar, a terrorist leader who had been considered a DRS man until that time. The DRS had convinced the Americans of the man's usefulness to the point that the latter did not eliminate him, even when it had the chance.**

Finally, there was the lack of enthusiasm shown by the oil companies during the 4th call for tenders for the awarding of new exploration permits in January 2014. This call for tenders covered 31 oilfields, 17 of which were located in areas with shale gas. Only 4 licenses were granted, none of which were in shale gas zones. A panic then invaded the ranks of the regime, which saw that this new income, on which it was counting firmly to regenerate the system, did not seem to excite potential partners.

But the greatest blow would come later. During an OPEC meeting on the 27 November 2014, Saudi Arabia imposed its own decisions on the other members of the organization. To regain the market share that had been eaten up by US companies producing shale oil, Saudi Arabia refused any reduction in OPEC production below the current level of 30 million barrels per day. The market reaction was immediate; the price of a barrel of Brent crude oil plummeted from $72 to $57 on the last day of 2014 in just one month.

The Army Opposes the Proposal

In parallel to these events, the opposition parties managed to agree on a minimum demands program for the first time. They created the National Coordination for Liberties and Democratic Transition [CNLTD], which proposed the establishment of a transitional period during which a new President of the Republic would be chosen to replace the seriously ill Abdelaziz Bouteflika. This small window was immediately closed by Chief of Staff Gaid Salah, who responded in the same way he did to a similar request made a month ago, namely that "the army was opposed to such a proposal."

This was five years ago. Due to their carelessness, their lack of interest in the welfare of the people, and because they have always been obsessed with only one issue - their survival in order to continue to plunder national resources - the mafia henchmen of all sides, civilian and military, of the Algerian regime, have missed noticing the problems accumulating over Algeria. They did not know, or perhaps, they did not want to notice the deterioration of the general state of the country, including that of the hydrocarbon sector that brings in almost all the foreign currency necessary to cover Algeria's plentiful imports, which allowed them to give the people the illusion of living well.

> **The government continued to import everything and anything. Algerian leaders have never considered a program for the development of the economy based on the work, effort, and intelligence of citizens because, in their eyes, a responsible citizen is a dangerous citizen.**

How did the government react to the crisis that was brewing? By incompetence or by the greed of some who wanted to get more commissions, the government continued to import everything and anything. Algerian leaders have never considered a program for the development of the economy based on the work, effort, and intelligence of the citizen because, in their eyes, a responsible citizen is a dangerous citizen. The Algerian citizen must remain a permanent recipient of assistance who believes that maintaining the same “gang” in power is his only salvation. This was the term used recently by General Gaid Salah himself to designate those pillars of the regime, including the brother of the deposed President, who have allied themselves against him and sought to depose him.

Let us not forget that Gaid Salah himself was the most important pillar of this regime during the last 20 years. The government did not understand that the path it had chosen would cause enormous economic, political, social, and cultural damages to Algeria in the more or less long term and that it was equally suicidal for it. For lack of expressing their total rejection of the system, as they have been doing magnificently for more than three months, the people unleashed dozens of daily protests to wrest a few meager financial advantages from the mafia clique and thus recover even a tiny share of the oil rent they shared. The slogans already launched by the youth during these protests showed how much disdain they had for Bouteflika, his entourage, the generals, and the oligarchs who respected neither the glorious past of their country nor their own people. The cowardice, which the rulers had already shown at that time, demonstrated day after day that they had no respect for their own people.

Enough Is Enough

The re-election of Bouteflika for a fourth term of office added to this poisonous atmosphere. His very poor health had turned him into a ghost who was rarely seen on television, but the authorities could not agree on the name of his replacement. The people, who grew accustomed to these masquerades of elections since the country’s independence, did not vote in April 2014; abstention reached a peak 90 percent, rarely witnessed anywhere else. The people’s slap in the face to the regime was resounding, but power makes the one who wields it crazy and blind.

The Algerian leaders demonstrated this five years later; they did not understand that the people had no desire to relive the farce of 2014. Algerians, who were living in miserable conditions, could see that “those above” lived in magnificent mansions, drove around in luxury cars, and regularly took airplanes to travel abroad; they could see that “those ups there” could seek medical attention in top hospitals and clinics in Europe, while they, the people, were directed to Algerian hospitals, which had become more like morgues; they had to send their children to Algerian schools, without any hope of acquiring quality education, while “those above” were sending their children to study in top foreign schools and universities.

On 22 February, the people finally expressed their total rejection of this authority because they felt stripped of their dignity. They did not want to undergo once again the affront of voting for a frame, inside which was a thirty-year old photograph, enthroned on a pedestal before which the servants of the regime came to prostrate themselves.

> **Accustomed, since independence, to these masquerades of elections, the people did not vote in April 2014; abstention reached 90 percent, rarely seen anywhere else in the world. The people's slap-in-the-face to the regime was resounding, but power makes the powerful crazy and blind.**

How will this confrontation end? No one knows. What we do know is that the army's Chief of Staff who currently holds the reins of power is terrified of the people in revolt. He is trying to buy peace by offering people the heads of many former officials of the Bouteflika regime. They are about 200 to 300 former ministers, senior officials, crooked businessmen, and others who have been brought to justice. But the initiative of the Chief of Staff has not led to the support of the people whose objective remains the same: to get rid of this regime for good, as the contempt they have for it is as great as the frustrations they have experienced because of it for over twenty years.


Tunisia

Natural Resources in Tunisia Between Scarcity, Abundance, and Waste

Mohamed Rami Abdelmoula
Journalist, from Tunisia

Translated by **Sabry Zaki**

The main problem lies in the political and economic-developmental choices of the country's rulers. The dominant elites do not seem to have a clear and practical vision for prospective solutions. In fact, it seems that they lack an accurate understanding of the problem. They have no vision for exploiting these natural resources, other than attracting foreign investment and finding external markets to export the surplus.

Tunisia's area and its natural resources are both limited, especially if we compare them with the country's eastern and western neighbors: Libya and Algeria. Tunisians have always said that their untold wealth is human resources and "gray matter" (that is, the brains of citizens), as late Tunisian President Habib Bourguiba used to say. Indeed, natural resources are often limited, but so is the population. Nevertheless, a large part of the population has a high level of education and an epistemic capital that allows for the proper exploitation of these resources and the exploration of other potential ones. This text will address only three natural resources due to their importance and/or their abundance and/or their impact on the economy, environment, and society. These resources are water, phosphates, and fossil fuels.

Water: the ghost of thirst

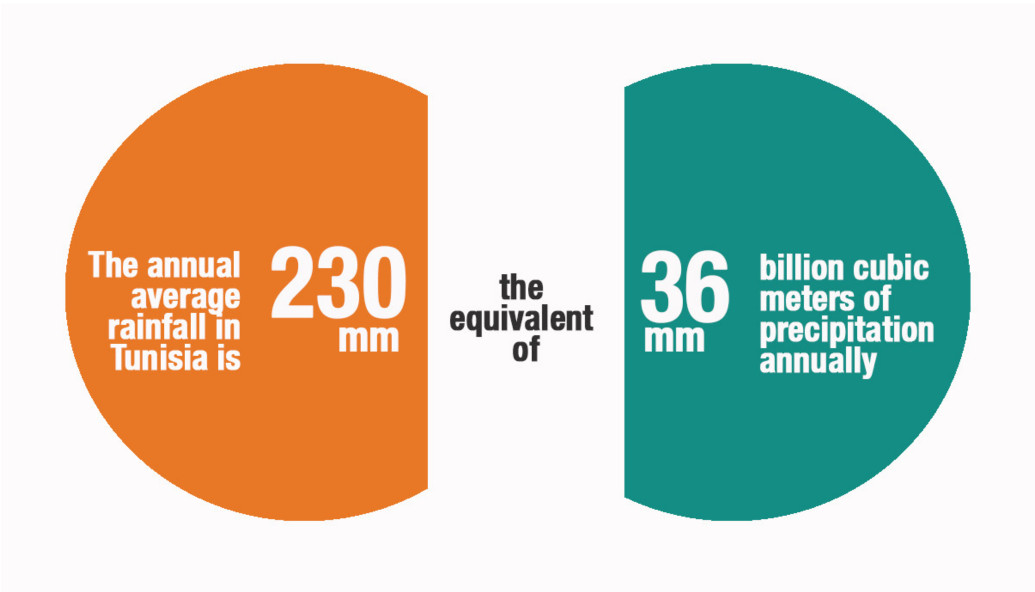
In recent years, "green" Tunisia has been teetering on the edge of water poverty. This dangerous situation, which might worsen in the upcoming years, is due to several reasons, some of which are natural-climatic, while others are the responsibility of humans, whether these are rulers or ruled.

> One of the main problems associated with water availability is the economic policies adopted by the government. Since the late 1960s, the government has chosen to rely on a "light" and diversified economy based on the export of phosphates, agricultural materials, light manufacturing industries, and low-cost beach tourism. This policy provided jobs and brought in large revenues in hard currency, but this had its high environmental, especially aquatic, costs.

The average annual rainfall in Tunisia is 230 millimeters per year, which is equivalent to 36 billion cubic meters of precipitation annually. Moreover, arid and semi-arid climate dominates most of the country. Tunisia has water resources estimated at 4.875 billion cubic meters, of which 2.175 billion cubic meters are from groundwater, and the rest is from surface water. Surface water storage is based on a hydraulic infrastructure that consists of 40 dams, nearly 1,000 mountain lakes, and 400 mountain dams, giving Tunisia a storage capacity of approximately 3 billion cubic meters. There are 16 water treatment plants, 12 underground water desalination plants, and one seawater desalination plant. Per the official figures provided by the Société Nationale d'Exploitation et de Distribution des Eaux (SONEDE; National Company of Water Exploitation and Distribution), the percentage of Tunisians connected to the potable water supply network is 100 percent in urban areas and 97 percent in rural areas. In conclusion, water resources are limited, but there are considerable efforts, plans, and a hydraulic infrastructure to increase the volume, storage, and distribution of these resources. Where do the problems lie then? And why does water poverty threaten Tunisia?

There are three main problems; the first of which concerns rainwater harvesting systems such as dams and mountain lakes. Despite enormous investments and national strategies, there are significant shortcomings in this area. The storage capacity of dams and similar facilities is still insufficient to accommodate the precipitation waters, which are largely wasted in vain and into the sea or bogs, despite them being already limited. Even this limited storage capacity is not guaranteed, as many Tunisian dams lose up to 40% of their storage capacity due to sediments and lack of maintenance.

The second major problem is the depletion of water resources due to the economic policies adopted by the government. Since the late 1960s, the government has chosen to rely on a “light” and diversified economy based on the export of phosphates, agricultural materials, light manufacturing industries (mostly owned by foreigners), and low-cost beach tourism. This policy created economic dynamism, provided jobs, and brought in large revenues in hard currency, which had high environmental, especially aquatic, costs.



The third major problem is the distribution of potable water networks and irrigation networks. Water distribution does not pose a big problem in urban areas, as SONEDE connects homes, shops, and factories to the centralized treatment network. However, the so-called water societies/ associations are in charge of linking houses and agricultural lands outside the cities to the water supply networks. They are councils made up of representatives of the residents of the relevant area, who supervise an electric water pumping plant and take charge of collecting invoices and maintaining equipment. However, neither the experience nor the organization of the supervisors of these councils is suitable for managing facilities of such importance, which results in a huge water waste. Moreover, water distribution among agricultural lands is usually affected by political loyalties (in the era of the dictatorship), nepotism, and family and tribal affiliations. According to official figures, there are only 400 "exemplary" associations out of 2,500 associations, which means that more than 80% of the structures that control the distribution of more than 80% of water have problems ranging from lack of maintenance, misconduct, and corruption.

Phosphates: a blessing and a curse

Phosphate is the most important natural and mining resource in Tunisia in terms of financial returns and the volume of reserves available. It has a special place in the country's modern history, as its story began with the French occupation of Tunisia and continues to this day. Phosphate mines contributed to building the Tunisian trade union movement and in assisting the national movement and the armed resistance to colonialism. This natural resource later played a leading role in providing the financial resources to build a post-independence Tunisia.

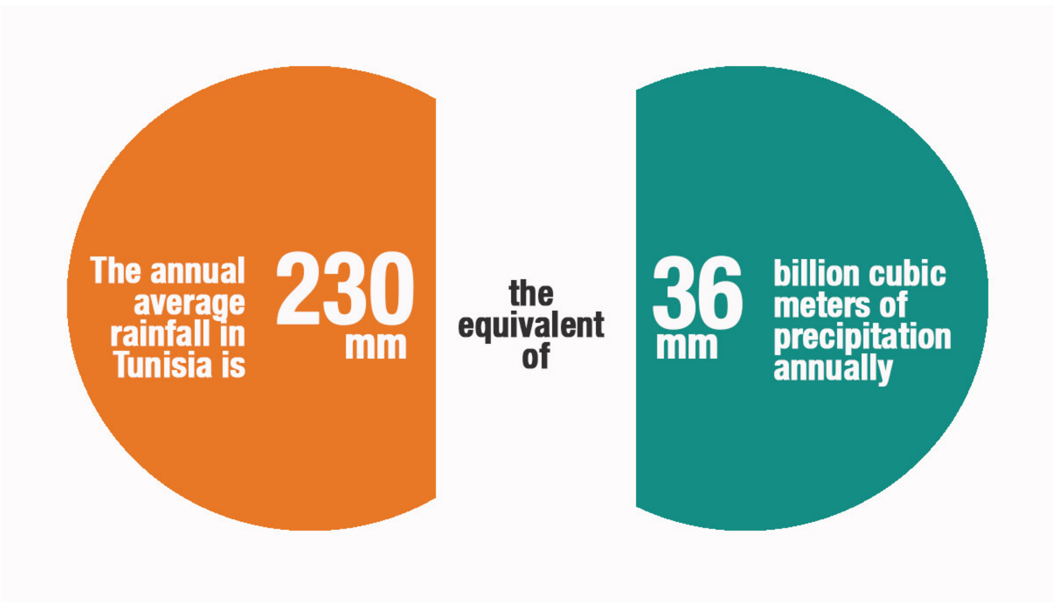
In 1885, four years after the occupation of Tunisia, the French geologist Philip Thomas discovered the presence of significant amounts of phosphate in the Metlaoui area in the southwest governorate of Gafsa. It was not long before the colonial authorities began to plunder this resource. In 1897, they granted a license to a French company to explore and exploit phosphates on a precondition that it pays for laying a railway between the mines and the seaport of Sfax, in the center of eastern Tunisia. The Phosphate Company and the Gafsa railways started by digging tunnels for underground mines in the Metlaoui area in 1899, the Redeyef area in 1903, the Om El Araies area in 1904, and the Mdhila area in 1920, creating the Gafsa Mining Basin.

> **Phosphate mines contributed to building the Tunisian trade union movement and assisting the national movement and the armed resistance to colonialism. They played a leading role in providing the financial resources to build a post-independence Tunisia.**

In addition to extracting crude phosphate in Gafsa and sending it abroad, chemical processing industries have emerged that produce agricultural fertilizers and phosphoric acid in Sfax. At the beginning of the 1960s - after the independence of Tunisia and the company's nationalization - production progressed significantly, reaching 3 million tons annually. Then it increased to 4 million tons in the 1970s, 5 million tons in the 1980s, and 7 million tons in the 1990s, reaching 8 million tons at the start of the third millennium and maintaining its production capacity until 2010. In the two decades preceding the 2011 Tunisian revolution, phosphates contributed about 5 percent of the crude output and about 10 percent of the value of exports. Tunisia was among the top five global producers and exporters of this substance.

> **About 30,000 people work, directly and indirectly, in the various stages of phosphate exploitation, which means that this industry is the breadwinner for hundreds of thousands of Tunisians. It also brings large funds to the state treasury. However, this does not conceal the health, environmental, and social tolls of phosphate exploitation, which are terrifyingly high.**

About 30,000 people work, directly and indirectly, in the various stages of phosphate exploitation, which means that this industry is the breadwinner for hundreds of thousands of Tunisians. It also brings large funds to the state treasury from profits and hard currency. All this does not conceal the health, environmental, and social tolls, which are terrifyingly high. The health toll not only concerns the large number of workers who died in the Damous mining tunnel, suffered serious accidents, or became chronically ill. It also threatens hundreds of thousands of Tunisians who live in areas adjacent to the phosphate extraction, washing, transporting, and transfer facilities in Gafsa, Gabes, and Sfax. These cities' residents suffer from a high prevalence of respiratory and skin diseases and high rates of various types of cancer compared with the rest of the country.



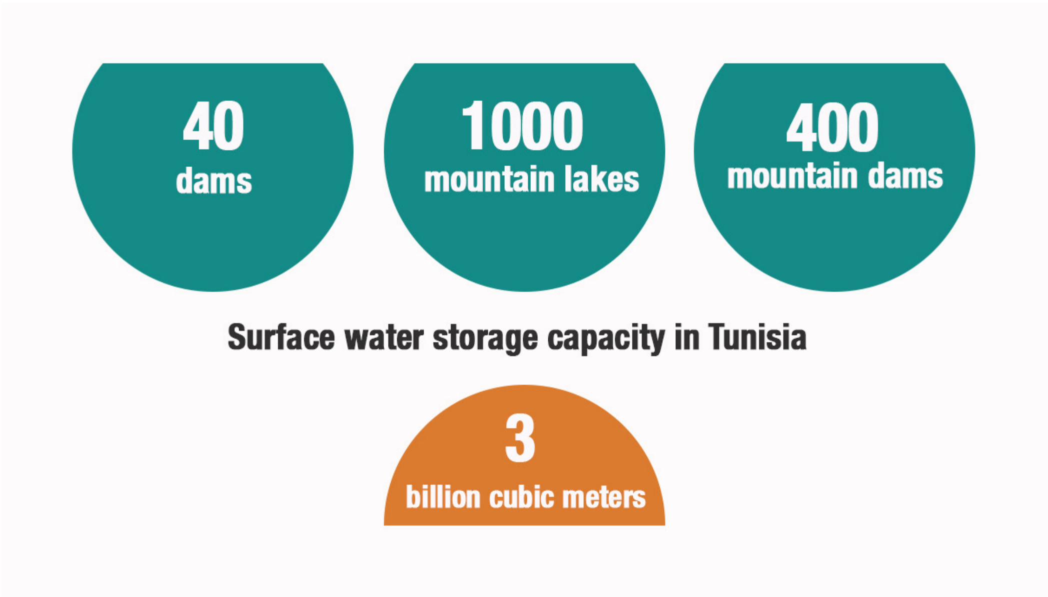
The environmental toll is multifaceted, as the phosphate industry depletes large amounts of water during washing, fertilization, and waste disposal. It is worth noting that most production and processing plants are in the southwest and southeast, which are the water-poorest areas in the country. Phosphate, its derivatives, factory fumes, and waste radiation seep into the air, land, water table, and the sea to create chronic and aggravating pollution.

The severity of the socio-economic toll varies from one area to another. For example, in the Gafsa Mining Basin, we can say without exaggeration that the Phosphate Company compensates for the absence of the state, as it is almost the only operator that is concerned with the issues of supplying electricity and drinking water. It also supports health and educational facilities, transportation companies, and cultural and sports activities. This continued until the beginning of the 1990s when the company adopted a restructuring plan that led to its merging with the Tunisian Chemical Group, which limited its independence, as well as reduced social expenditures in return for establishing a fund to support the mining areas and redirect economic activities there. The heaviest blow was the company's abandonment of the underground mines that require a large number of workers and its reliance on surface mines and sections that produce more quality and less expensive phosphate and rely on equipment and machinery more than people. The lack of job opportunities created widespread corruption when hiring. Bribery, loyalty to the ruling party, nepotism, and tribal affiliations are the standards for recruiting, rather than skills and competencies. All these factors created a state of increasing tensions that culminated in the outbreak of the uprising in the Gafsa Mining Basin in January 2008, which lasted for several months despite the repression and siege.

The concentration of phosphate industries in Gabes hit two key sectors: agriculture and tourism. The oases -- near which factories were erected -- could have been used for tourism. These oases overlooking the sea are unique; they were rich in pomegranate, henna, and apple plants. But pollution, unpleasant odors, and the distortion of the general appearance by factories and the commercial port all "killed" entire areas and deprived them of agriculture, sea fishing, and even the enjoyment of the sea and the beach. In Sfax, the air pollution in the areas surrounding the phosphate processing plants caused a drop in land prices, which attracted the poorer classes. As a result, residential communities, which are highly exposed to multiple pollution risks, were formed. Moreover, the infiltration of pollution into the air, the water table, and the sea greatly damaged the neighboring farming estates.

The phosphate sector has been suffering since the 2011 revolution. From 8 million tons annually in 2010, production fell to 2 million tons in 2011, and it has not recovered much since. The social movement, that has been going on for years, is the main reason for the decline in phosphate production.

Protesters have gone on strike at phosphate production and processing plants or blocked the passage of trains carrying crude phosphate. The protesters have two prime demands: allocating part of the revenues to develop the phosphate industrial areas and employing part of their unemployed citizens in the factories of the Phosphate Company and the chemical complex. Since there is no clear and practical conception of the issue of wealth distribution, the actual demand is employment. Thus, the factories of the Phosphate Company and the chemical complex, whose needs of workers and employees do not exceed a few thousand, find themselves required to employ tens of thousands of young people with or without qualifications.



The environmental and social bill may increase if the state does not restructure the sector according to a strategy that increases and diversifies production. More importantly, this strategy should give top priority to protecting the environment from mines, processing plants, and export seaports. It also has to reduce wastewater in laundries and allocate a big part of the profits to support real and sustainable development.

Fossil fuels: a black box?

This issue is perhaps the most ambiguous regarding Tunisia’s natural resources. It often raises controversy about the reality of the available reserves. Many Tunisians believe that successive post-independence Tunisian Governments have hidden the real volume of oil and natural gas production. Some people’s perception about the size of the country's energy resources is based on a simple logic. Tunisia lies right between two major fuel producers in the world, Algeria and Libya, so how can it not be rich? This argument does not take into account the desert area in Tunisia and the concentration of oil and gas fields in Algeria and Libya, which are hundreds of kilometers away from Tunisia.

There is also considerable confusion, fueled by some Tunisian media, when it comes to this issue. The confusion caused by the oil and gas producing companies and petroleum service companies - which take care of transportation, maintenance, cleaning, and providing the needs of workers in the fields - has led some to believe that there are hundreds of oil companies in Tunisia. There is confusion about the difference between exploration licenses, exploitation licenses, and development licenses, not to mention the confusion between preliminary studies/estimated figures, real reserves, and the extent of oil extraction potential.

This does not mean that Tunisia does not have oil and gas resources. Tunisia ranks 48th in the world in oil, with a production of nearly 65,000 barrels per day (120,000 in the early 1980s), and 53rd in gas, producing more than 3 million cubic meters per day. The exploitation of oil and gas fields in Tunisia began in the 1960s. Most of it is concentrated in the desert areas and the southeast area of the Gulf of Gabes and is distributed between land and sea fields. The state-owned Entreprise Tunisienne d'Activités Pétrolières (ETAP) is in charge of the petroleum sector, while the Société Tunisienne de l'Electricité et du Gaz (STEG) is considered the first party concerned with the exploitation of natural gas for the production of electric power and heating.

> **Tunisia was self-sufficient in hydrocarbons, thanks to its production and the taxes it collects from the Algerian gas pipelines that cross Tunisia toward Italy. However, since the late 1990s, the energy shortage has been gradually worsening. After the revolution, it reached what is estimated today at nearly 59 percent of the needs of the population.**

Tunisia's reserves are estimated at 400 million barrels of oil and about 65 billion cubic meters of natural gas. Until the early 1980s, Tunisia was self-sufficient at the level of hydrocarbons, thanks to its production and the taxes it collects from the Algerian gas pipelines that cross Tunisia toward Italy. However, since the late 1990s, the energy shortage has gradually worsened. After the revolution, it reached what is estimated today at nearly 59 percent of the needs of the country. With the devaluation of the national currency and the constant increase in the country's imports of hydrocarbons, the bill became very exorbitant.

In addition to the obvious reasons such as the natural depletion of some fields and wells and the increase in the country's energy needs due to demographic growth and changing consumption patterns (cars, home electrical appliances, air conditioners, etc.), several other factors can help explain this shortage.

Corruption is one of those factors. There had been exploration and exploitation licenses granted to specific companies, even though their offers were not the best. Perhaps the most prominent examples of this were the cases of the offshore ile Chergui field and the Skhira refinery (both in the central-eastern governorate of Sfax). Before the 2011 revolution, the right to exploit the ile Chergui field was granted to the British company Petrofac under suspicious circumstances. After the fall of late Tunisian President Zine El Abidine Ben Ali, it became clear that one of his sons-in-law had facilitated the company's obtaining of the license after he received $2 billion in bribes from one of the company's senior managers.

In 2007, Qatar won the project of building the Skhira refinery. However, the project was postponed due to political disagreements between the two countries because of Al-Jazeera Channel and because senior Tunisian officials demanded considerable bribes. There are also cases where corruption was accompanied by dereliction of duty. In 2018, the Tunisian Prime Minister dismissed the Minister of Energy and several senior officials after revealing that a petroleum company continued to enjoy exploration and exploitation concessions in the El Menzel field (off the coast of the central-eastern governorate of Monastir), despite the expiration of its license on 31 December 2009.

Corruption in this sector is not related to the volume of production, but rather to contracts and licenses for exploration and exploitation. Corruption is also present in the reports made by experts and consultants about estimates of the available reserves when exploring a field. This last fact is very important because the state relies on these reports to decide whether it will participate in the production expenses and share the proceeds with a private company, or leave the whole thing to the investors and just collect taxes.

The most serious problems lie in the policies of exploiting fossil fuel resources, which are characterized by ill management and the absence of clear strategies. At the beginning of its exploitation of oil and natural gas, the Tunisian state was adopting a policy of partnership with foreign companies to extract, refine, and market fossil fuels. This option was understandable given Tunisia's insufficient material and technical capabilities. But it was supposed, after two or three decades, to control the entire stages, from exploration to marketing. This is especially true after the state established several public institutions concerned with studies, transport, and refinery, and after it built generations of engineers and experts. But what happened was the opposite. Since the 1990s, the state has tended to leave the matter to foreign companies almost entirely. It also gave up part of its monopolized services to the private sector, especially in the logistical field.

> **Other than the natural depletion of some wells and the increasing consumption of energy, corruption is one of the factors explaining the energy shortage. There were exploration and exploitation licenses granted to certain companies, although their offers were not the best. For example, to make it easier for a British company to obtain a license, one of Ben Ali's sons-in-law took a $2 billion bribe.**

If new oilfields and wells are not discovered and exploited, Tunisia's oil resources will be depleted before the middle of this century, and the energy shortage will become almost complete. So, what is the solution? Some suggest the exploitation of shale gas, aka schist gas. According to preliminary studies, there are two Tunisian areas rich in shale gas and shale oil: the first is in the southeastern governorate of Tataouine, and the second is in the central-western governorate of Kairouan. The exploitable reserve in both areas is estimated at 600 billion cubic meters. The country appears to be going down this path, despite the objection of many to the environmental and water costs of extracting this type of resource.

But the real solution is to rely more and more on alternative energies. They are renewable, cost less in the long run than traditional energy resources, and most importantly, they are environmental-friendly. Tunisia has great potential in solar energy (more than 3000 hours of sunshine per year and more than 100 square kilometers to install thermal energy storage systems) and, to a lesser extent, wind energy. The state seeks to raise the contribution of alternative energy in electricity production to 30% in 2030 instead of the current 3%. However, government policies in this field are still unclear, and procedures are slow.

In conclusion...

Tunisia also has iron, gypsum, marble, lead, zinc, cobalt, and other substances. However, their quantities are either limited or have not yet been exploited.

In most cases, the authorities do not manage resources optimally. Resources are drained, neglected, or given to foreigners for exploitation. Weak financial and technical capabilities may explain some of the failures, but other factors certainly exist. The most important of these are corruption, short-sightedness, and the absence of transparency, as well as the adoption of policies whose primary concern is to bring in hard currency and raise productivity, without much consideration for environmental-health aspects and social impacts.

Tunisia today finds itself facing great challenges, as it is threatened by thirst, desertification, and the almost complete depletion of its hydrocarbon reserves within two or three decades. But it is still manageable. The main problem lies in the political and economic-developmental choices of the country's rulers. The dominant elites do not seem to have a clear and practical vision for prospective solutions. In fact, it seems that they lack an accurate understanding of the problem, and they have no vision whatsoever concerning the exploitation of natural resources - other than attracting foreign investment and finding markets to export the surplus. Even the opposition parties, forces, and trade unions rarely address this issue, and if they do, they usually chant slogans and clichés of political propaganda. Elites, the media, and even public opinion are preoccupied with "more important" issues such as "identity," "the civil state," and "equality in inheritance." Of course, everyone has the right to set their priorities. But they may be deprived of this intellectual "luxury" when drinking water and irrigation water is depleted, when they go thirsty and hungry, when they do not find enough resources to generate electric power, or when the air they breathe becomes saturated with polluting substances and diseases.

Power and Natural Resources in Tunisia: On Corruption and Nepotism

Fouad Ghorbali
Sociologist, from Tunisia

Translated by **Yasmine Haj**

Economic growth is usually linked to the revenues generated from exporting primary raw materials, like phosphate, fish stock, and agriproducts. Shrunken exports mean shrunken growth. However, growth generated from exporting natural resources has failed to realize independent development in Tunisia.

The Tunisian state has propagated the narrative that Tunisia is a poor country which hasn't been blessed with many resources, unlike its two neighbours, Libya and Algeria, both rich in oil and gas. All that Tunisians possess, as Bourguiba would repeat, is their "raw matter", by which he means the Tunisian brains which are the country's means of growth. "Pure Tunisian intelligence" would subsequently become a catchphrase. The natural resources that Tunisia could potentially possess were not addressed, however. Even geography classes at schools don't provide much about these prospects. Tunisia is merely described as a country that overlooks the Mediterranean, with tourism as its main source of income - to the point where everybody would repeat that we were a poor country living off of tourism, a little bit of farming, and much external debt.

However, the 2011 revolution disrupted the "code of silence", and so the discussion about natural sources would commence. It was a discussion, however, where a political argument prevailed between two poles: one that considered Tunisia to have many resources, including oil, yet without full control over these resources, and another pole comprising the powers that recalled the founding narrative of the nation state, based on the belief that Tunisia possesses nothing but the intelligence of its people.

> **Bourguiba would repeat that "all Tunisians have is their "raw matter"", by which he means "Tunisian brains" as a means of growth. "Pure Tunisian intelligence" subsequently became a catchphrase among citizens and politicians.**

In 2013, "Where's the petrol?", a campaign led by unemployed young men and political activists was launched to demand that oil drilling figures be shown and that oil company contracts be reviewed. They wanted to unveil the real quantities that the country produces. In other words, the campaign called for transparency. The government then was forced to openly confirm that Tunisia did not have much oil, that it wasn't hiding any lakes of petrol, saying that they had a mere few thousands of barrels. It reached a point where then President Beji Caid Essebsi told a group of students preparing for their BA exams, "You're the raw material. You're the petrol." As such, he invoked Bourguiba's theory in response to his political adversaries, who considered "their demand for petrol" to be soliciting a dependent rentier model, which would undervalue diligence and labour.

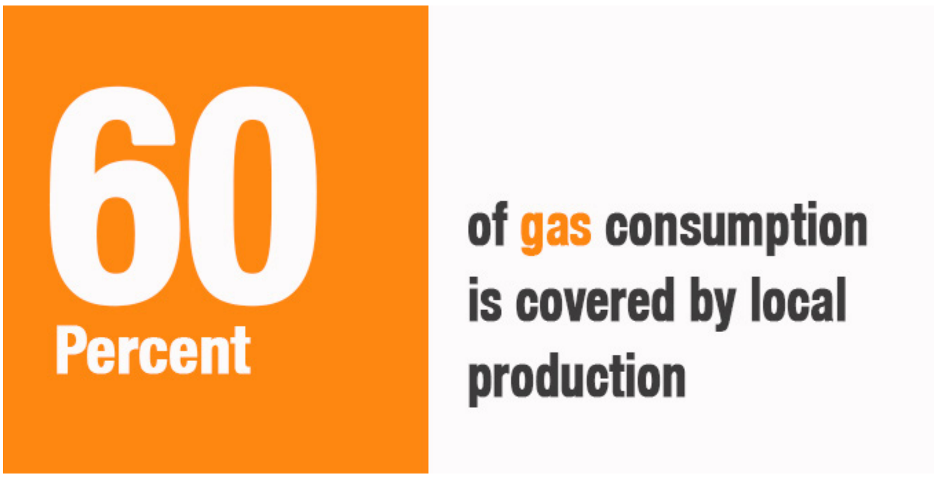
> **Natural resources are those that have a high exchange and conversion value in the global markets, such as oil, minerals, renewable energy, water, and agriproducts.**

Political arguments are raised on natural resources, and the successive post-revolution

Tunisian governments are unwilling to delve into the question – for multiple reasons, most important of which is perhaps the legitimization of current economic policies, which are essentially based on tax collection and indebtedness. Nonetheless, the management of the country's natural resources is what matters, that is, in the context of the limits and conditions drawn by multinational companies that work in both the phosphate and energy sectors. Additionally, one should examine what these resources mean in the context of dependent and unproductive economic models, and how they're managed in the complete absence of transparency.

What resources does Tunisia have?

Contrary to the official narrative, and despite the high poverty rates in the country, making up 30 percent of the population, Tunisia does have its own resources. What's meant by natural resources are those that have a high exchange and conversion value in the global markets, such as oil, minerals, renewable energy, water, and agriproducts. The figures issued by the Tunisian Ministry of Industry indicate that oil-related Tunisian production has reached, during 2012, the limits of 70 thousand barrels a day, and more than 750 oil drilling operations were conducted. Only 115 of those, however, have led to the discovery of exploitable oil wells. El Borma and Ashtart fields make up 85 percent of oil-production in the country, noting that Tunisian petrol is categorised by oil experts as top quality worldwide. In the global market, such production is sold crude, whereas the country itself imports lower quality oil products, to be treated in petrol refineries in Bizerte Governorate and in Skhira city in the Sfax Governorate. For its own internal use, Tunisia requires nearly 90 thousand barrels a day; 40 percent of those are covered by local production, whereas the rest is imported. As regards natural gas, production reaches 56 thousand barrels a day. The British Gaz Company has monopolised the gas production of the Hannibal and Ashtart fields, which covers 6o percent of local production. Algeria provides the rest; some of it is bought and the other is given for free, in return for Algeria's use of Tunisian territories to export gas to Italy.



Tunisia's most important resource is phosphate, ranking fifth in its global production. Its main mining fields are located in Gafsa Governorate in the southwest regions, run by Gafsa's Phosphate Company. Its treatment is then handled by the Tunisian Chemical Complex in Sfax. Between 1998 and 2010, phosphate production in Tunisia reached around eight million tonnes, of which the Gafsa Phosphate Company makes around one billion dollars a year. The phosphate sector stands out for its high employment capacity, which has led the local population to demonstrate and demand their own share of employment, especially following the overthrowing of Bin Ali's regime.

90 thousand barrels	Daily domestic consumption of petroleum products
70 thousand barrels	Tunisian production related to petrol in 2012
40 Percent	of domestic consumption was covered by local production

The water resource management has also been quite ambiguous, causing anger and popular protests. Some areas, especially in the country's inlands, have been suffering from drought, although they are home to the biggest water reservoir in the country (specifically in the northern and central regions). Numbers show that there are 30 large-sized dams with the ability to collect what amounts up to 1.85 million m a year, in addition to 250 small dams and 750 lakes that subsequently provide 0.15 million m a year and 1.5 million m of the water reserve. Such infrastructure guarantees 70 percent of safe drinking and irrigation water. However, the more important question is: how can water resources be distributed, and in which sectors should they be used? Then, what makes Tunisia, despite its large water resources, "always at the risk of drought"?

Then, besides water, petrol, and phosphate, there's mineral salts and renewable energy.

At the expense of the local population

One cannot resolve the question of natural resources in Tunisia, and in Third World Countries in general, without linking it to the division of labour. That world is based on an industrial core that owns the technology and on the side-lined margins that own nothing but raw materials that they export for a low price – determined by the global stock markets. Economic growth, often brought up in these cases, is usually linked to the revenues generated from exporting primary raw materials, like phosphate, fish, and agriproducts. Shrunken exports mean shrunken growth. However, growth generated from exporting natural resources has failed to realize independent development; development cannot be sustained under rentier economies. Growth is quantitative, whereas development is qualitative, which positively affects the local communities. The Tunisian case reveals that the regions that produce natural resources are the most impoverished and marginalised – like the phosphate-producing Gafsa region and the oil-producing southern regions.

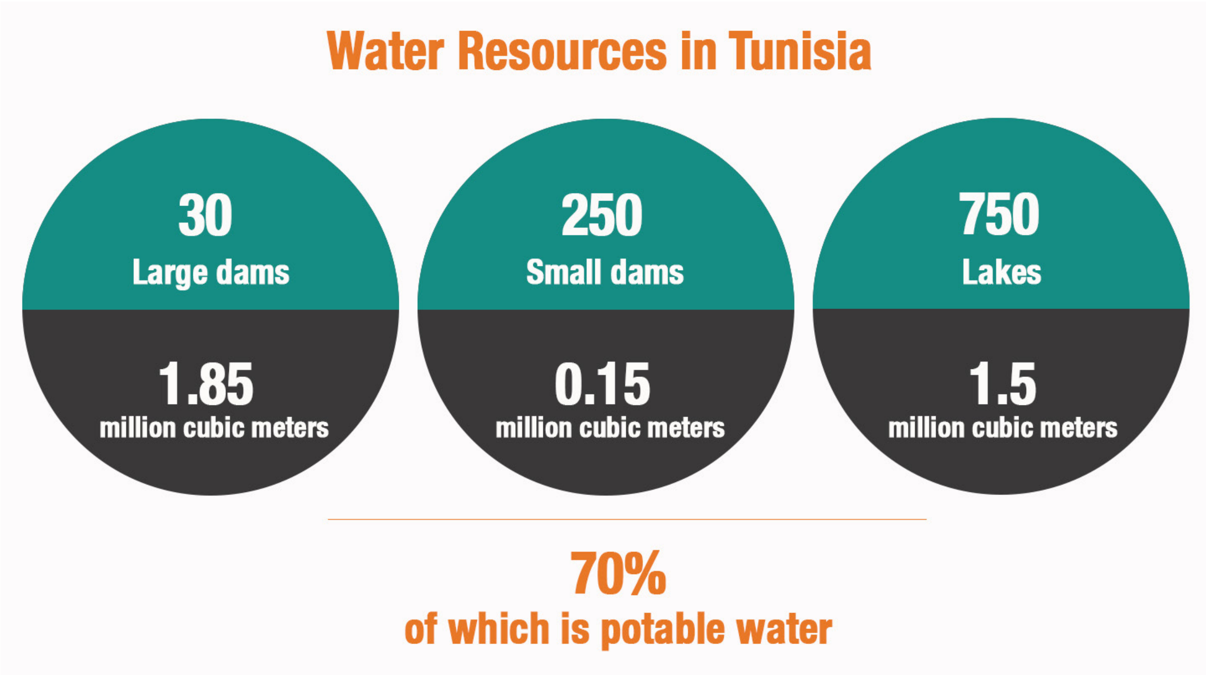
The national economy that took shape post-independence still maintains its precolonial nature; the inlands form a source of wealth, completely geared towards international exports, without yielding any developmental benefits to the local population; rather, the latter is often twice as harmed by such practices. On the one hand, we find high percentages of unemployment among the younger generations; unemployment rates in Gafsa Governorate, for instance, are an estimated 30 percent of the potential workforce – double the national unemployment rate. The same applies to southern regions that live off of smuggling. On the other hand, the local population suffers from pollution generated by extractivism and refining phosphate – especially in the mining basin and in Gabes and Sfax. Media reports have shown in the past few months that the health units in Gafsa city have recoded a rise in chronic and malignant disorders, and damages to the oasis and water reserve as a result of the toxic gases emitted from phosphate treatment plants. In parallel, phosphagen residues have greatly damaged the agricultural sector there. The same applies to both Gabes and Sfax, where the Tunisian Chemical Compound operates.

> **Tunisia's case reveals that the regions that produce natural resources are the most impoverished and marginalised – like the phosphate-producing Gafsa region and the oil-producing southern regions. This is characteristic of the rentier production model.**

Additionally, those areas lack good infrastructures capable of counteracting the negative effects of pollution, caused by exploiting underground riches. While government officials have known this since Tunisia's independence and awareness of the matter has only increased following the revolution, no one wants to change reality. All that governments want is "buying social peace" by transforming what nature gives them into a rentier economic model – through which the governance mechanism is entrenched.

> **The national economy that took shape post-independence still maintains its precolonial nature; the inlands form a source of wealth, completely geared towards international exports, without yielding any developmental benefits to the local population; rather, the latter is often doubly harmed by such practices.**

This has manifested in various stages. The 2008 mining basin uprising revealed the irony that the regions that produced natural resources had no shares in them. Ben Ali's regime cracked down on the uprising then and crushed it. This happened again following the revolution, through similar moves, like the Kamour Uprising in Tataouine Governorate in the south, where young protesters, mostly unemployed, blocked the oil valves and pumps used by foreign companies, demanding that they be employed there. Then, in Kerkennah Islands, violent protests against the British company, Petrofac, broke up against its overexploitation of natural resources and contamination of the sea. Those protests have forced the authorities to look into the questions of natural resources. Rather than rethink its management based on a new and fair developmental model, they opened the door of employment to protesters in “environmental and planting companies” – a formula where the employed receive wages without truly working. The official approach has always faced the contractual pressures of companies, especially those that exploit oil fields or work in excavation, with efficiency and profitability being their main aims; it also faces the pressures of social demands. The governments have submitted to contractual obligations at the expense of the people’s demands, to the point of having to involve the military to protect oil fields during the Kamour sit-in. Some government officials had also demanded a military intervention that would crack down on the protesters that blocked the production of phosphate.



In the absence of clear public policies in their management, natural resources figure as part of the political economy of control. What foreign companies want is more profit, whereas the state wants to guarantee the most “social peace” possible, by way of installing unproductive employment in the sectors related to energy and mining. These resemble social bribes more than they reflect an accommodation of the workforce. Authorities are occasionally forced to address issues integrally, which is often thanks to social upheavals.

As for energy levels (electricity, gas, and fuel), the official discourse continuously affirms that Tunisia suffers from a huge energy deficit, one that has devoured a third of the state budget – that is, despite the official discourse on increasingly resorting to renewable energy. The government explains such deficit, which continuously forces it to increase fuel, electricity, and gas prices, and link them to the global increase of oil prices and the halted production of phosphate. However, in parallel, the energy-related cases of corruption are sealed with silence while, in the best of cases, they are dealt with through scapegoating junior officials.

> **"Lobbies" with "tribal" connections and solid politics that know how to benefit from social tensions would be revealed. The transfer of phosphate through privately owned trucks that belong to influential businessmen, who are part of the ruling circles, prospered – that is, following the halting of transport through the railroad networks which were blocked due to protests.**

Corruption and grey zones

The case of the secretary of state responsible for energy in the Youssef Chahed government, who accepted bribery in return for an Iraqi businessman's control over a fertilizer deal from the Gafsa Phosphate Company, has uncovered the way natural resources are handled. The secretary of state was thus imprisoned and the minister resigned. Prior to that, the government spokesperson announced that one of the investors had invited the head of government in 2018 to inaugurate an oil well in the coastal Monastir city. In turn, the investor appears to have unduly exploited the field since 2009, noting that the overall value of the field production was estimated at nearly 15 million barrels a day. The minister was thus dismissed and the case would be investigated.

In 2019, in a similar context, the accounting department report showed that more than 11 million dinars was the cost of free energy given to those who owned the Tunisian Company for Electricity and Gas. The report showed that the state has no national strategy to regulate energy, contrary to what the national agency of this sector claims. The data also shows that the declining production of phosphate isn't necessarily connected to the social pressures (that is, the demands-based movements) that the company faces but to the corruption that infiltrates the Gafsa Phosphate Company, which is outright financial corruption. Most importantly, however, is that phosphate production also perceives companies as spoils, which is exactly the ruling party's approach in Ben Ali's era.

Money would be obtained from the company under fictive pretexts, such as funding sports, in addition to a delegation policy based on nepotism, all while constantly looking to balance partisan and tribal logics. After 2011, several "lobbies" - with "tribal" connections and solid politics can be employed to benefit from social tensions

- would be revealed. The transfer of phosphate through privately owned trucks that belong to influential businessmen, who are part of the ruling circles, prospered – that is, following the halting of transport through the railroad networks which were blocked due to protests. Natural resources are a field where lobbies and financial powers assemble.

The state gives up its resources: to whom?

Ever since Tunisia adopted the Structural Adjustment Program (SAP), natural resource management has been rethought. It was decided that the public authorities would be encouraged to directly manage them – to the benefit of private investors. One of the results of such a decision, for instance, was giving up four factories specialised in grey concrete production in 1998. The Tunisian Industrial Concrete factory was given to an Italian company, the Central Mount Concrete to a Portuguese compound, the Enfidha Concrete to a Spanish compound, and the Gabes Concrete Factory to a Portuguese compound, while a white concrete factory was given up to a Portuguese compound. That same policy was applied to the water resource sector, where the state gave up water management to benefit the Agri-development Compounds, composed of private elites. The slogan raised during this process was "supporting a participatory approach," while the result on the ground was more corruption in those compounds and further waste of water resources due to their malmanagement.

This takes place at the expense of small-scale farmers. In that context, the state has given long-term contracts to oil exploitation and drilling companies – however, all data indicates that the contractual relationship between the state and those companies lacks transparency, and that no one knows how exploitation contracts are given. Even legislation in that regard seems ambivalent.

Lack of public policy on natural resources renders the latter at the mercy of political bids, making it a playground for corruption and favouritism. Corruption here does not contradict with global capitalist agendas, which relentlessly seek increased profits.


Morocco

Morocco: A Kingdom of Rent

Omar Brouksy
An independent journalist and university professor, from Morocco

Translated by **Yasmine Haj**

Morocco is replete with natural resources: precious minerals and vast phosphate reserves, apart from deep-sea fishing, as well as agriculture. However, these resources are managed through a rentier approach from which only a small minority of influential people can benefit.

While Morocco has no petrol or natural gas, it has 3500 km of fish-rich coastlines. Furthermore, it has important natural resources of huge phosphate reserves, precious metals extraction and exploitation sites, deep-sea fishing, and innumerable sand quarries. The Moroccan kingdom is replete with natural resources, that come with economic, as well as political, stakes.

Ever since Morocco's independence in 1956, the distribution, management, and exploitation of these resources has been the subject of repeated debates, questioning, and controversy – as they lack any legal framework that relies on rational and consensus-based texts. What's the nature of these resources, though, and what economic weight does it have? How are they used? Who are the actual beneficiaries? And what legal framework determines the pathway of distributing and managing these resources?

A colonial heritage

Unlike Algeria, which used to be a French governorate for more than 130 years, Morocco used to be considered a "protectorate" whose political and religious structures haven't been significantly altered by the former colonial power. The sultanate system and main tribal structures remained untouched. On the other hand, France had no qualms about searching the entire country in pursuit of exploitable natural resources. Three domains were the potential objective of such a process, which required setting up the necessary infrastructure, to be able to practically and efficiently exploit such natural resources: roads, ports, railways, and so on. General Hubert Lyautey, the main engineer of French infiltration in Morocco, thought that a distinction should be made between a "useful" and "useless" Morocco, and act accordingly. As such, phosphate, agricultural production, and precious minerals formed the natural resources that had to be given exploitation priority.

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It was only in 1921, that is, nine years following the establishment of the protectorate in Morocco, that the French authorities began extracting and treating phosphate – after setting up the first mine near Khouribga (in the centre of the country), where the biggest phosphate reserve in the world is located. In order to "manage" this sector, which would expand at a bewildering speed, the Group OCP (L'Office Chérifien des Phosphates) was created that same year.

> **The agricultural domain and fertile land exploitation had major economic stakes for the "French Protectorate" powers. As happened in Algeria, the best and most fertile terrains were given to French colonisers.**

Precious metals are the other "natural resource" that Morocco has. Very early on, following their discovery of an important cobalt reserve in Bou-Azzer region (by Al-Atlas Al-Kabir) in 1928, the colonial authorities began to exploit those resources. Two years later, Managem company was founded, which also developed very rapidly. Currently controlled by the royal family, this company employs more than 5000 people and manages 12 mining sites in Morocco and Sub-Saharan Africa.

Finally, the agricultural domain and fertile land exploitation had major economic stakes for the "French Protectorate" powers, which aimed to enable French nationals to settle in Morocco. As happened in Algeria, the best and most fertile terrains were given to French colonisers. According to colonial statistics, between 1912 and 1923, nearly 55 thousand French immigrants settled in Morocco, 8000 of whom settled in the rural centre.

The exploitation of agricultural terrain by the French colonisers, with the material and political support of the French authorities in power, has contributed to the proliferation of modern farmhouses that became, by the end of the occupation, some of the biggest, most modern, and best equipped agricultural production units.

The French Colonial Heritage in Morocco

Precious Metals

1928

The discovery of a huge cobalt reserve in the Bou-Azzer region

1930

Establishment of the company "Managem"

Phosphate

1921

Preparation of the first mine near the city of Khouribga

Establishment of the Cherifian Office of Phosphates (OCP)

Agriculture

1912 - 1923

Approximately 55,000 French immigrants were naturalized in Morocco

8000 of them settled in the countryside

A major actor: the monarchy

As colonial powers departed in 1956, the three domains of agriculture, precious metals, and phosphate would become one of the most prominent structures of natural resource exploitation, as well as most coveted by the new political elite of the newly independent Morocco.

Soon enough, the Moroccan monarchy, along with its entourage, would impose themselves as the actors who determined the management and exploitation of such resources. They would do so either by granting themselves the power to appoint the public companies commissioned to manage these resources, or by directly controlling them, through privatization. The Managem company case is the most emblematic of such policies.

As of the 1990s, and through widespread privatizations of public companies led by Hassan II (1929-1999), the Moroccan monarchy was able to take hold of the Managem company. Later, the ONA Group followed (Omnium Nord-Africain), as did the National Investment Company, which today goes by Al Mada – the main financial group controlled by the royal family.

In a few years, Managem turned into a conglomerate, with its own international headquarters in the Swiss city of Zoug – the global capital for brokering primary resources, where fiscal policies that favour big corporations are applied. The group is now worth 500 million euros, according to figures published in 2018, and it runs ten mining complexes very rich in gold and silver, especially in Morocco and Sub-Saharan Africa. (See Managem company's brochure and maps of mining sites in Morocco and abroad).

Managem thus turned from a public company into a private company controlled by Mohammed VI, a monarch by divine right with absolute political and administrative powers. Among these powers is the power to appoint senior officials, as stated in the constitution, which makes it easier for his company to obtain public contracts and attain precious metals exploitation and extraction permits in the mining sector. As such, Managem has an almost crushing monopoly over other companies, both Moroccan and foreign.

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While the royal group exploits these resources and enjoys all such facilitations, the sites of mining complexes themselves live as if they were in the stone age. In the Atlas Al-Kabir mountains, for instance, in the village of Imider, only two kilometres away from one of the biggest silver mines in the country (which produces 240 tonnes a year) exploited by Managem, no infrastructure exists: neither hospitals nor schools, while the only paved road that can be found dates back to the colonial era. Since 2011, Imider inhabitants have been leading one of the longest protests in Morocco's history against the conditions they live and the destructive environmental consequences on their region, which are the result of exploiting and extracting minerals.

Phosphate: mismanagement and environmental disasters

Phosphate is yet another underground resource whose exploitation and management are the subject of recurrent debate. The OCP, which became a public company in 1975, has been overseeing the entire process of extracting and exploiting phosphate, considered to be "Morocco's petrol". According to official figures, Morocco (along with China) is the biggest phosphate producer in the world, as it is home to 75 percent of the global reserve. It has such a vast reserve that it would need seven centuries of exploitation for it to completely run out, as OCP officials affirm.

Morocco's exports of phosphate and its derivates, the primary source of hard currency income, were estimated at nearly 5.1 billion euros in 2018. The way the OCP is run and the way its managers are appointed, though, is often criticised. Even if the head of government is the one chairing the board of directors, it is the general director appointed by the king who runs the group, who reports only to the head of state. There is no legal measure, for instance, that enables the Moroccan parliament to control the functioning of the OCP. In 2007, the famous American consultancy firm, Kroll, drew up a disconcerting report on the “catastrophic management” of the group, describing it as a “management with no real industrial or commercial strategy”.

Furthermore, the OCP has turned into some form of a “milk cow”, which the monarchy frequently uses to promote itself to foreign bodies, especially French ones. For example, every year, the OCP grants more than 700 thousand euros to the IFRI (L’Institut français des relations internationales) – a think-tank based in Paris, which produces “studies” that side with the kingdom and its leaders. And that’s not all, the OCP’s presence within the IFRI isn’t limited to organising international meetings or funding academic programs; Mostafa Terrab, the current CEO of the OCP is also a member of the IFRI board of directors.

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Acting without the slightest independent monitoring, the OCP fails to adhere to international standards of respecting the environment and fighting pollution. As a result, the workers’ and local population’s right to health is systematically violated. A report published by Suissaid in June 2019 notes that the “two OCP-affiliated fertiliser factories (Safi and Jorf Lasfar), located by Morocco’s Atlantic coastline, emit large quantities of toxic gases that pollute the air and violate the workers’ and local population’s right to health. Many workers suffer from respiratory diseases and tumours as a result of their prolonged exposure to pollutants and fine particles. Many deaths have been reported among workers due to such conditions. The pollution that the OCP produces also affects local residents (respiratory disorders and dental fluorosis) as well as agriculture and livestock in the villages adjacent to the OCP’s work sites.

The sea, desert, and earth

With a coastline longer than 3500 km, considered one of the richest coasts in the world in terms of fish resources, deep-see fishing and the exploitation of sand quarries represent an important economic stake, with real revenues, from which the country's powerful elite can benefit. To guarantee their "allegiance", the Moroccan monarchy has granted the high-ranking military notables and the palace's close circles "approvals", like "licences", of exploitation. These licences submit to no objective legal standards, and help their bearers enjoy the sea riches and make enormous amounts of money, thus becoming their "goose that lays golden eggs".

In the wake of the Arab Spring of 2011-2012 and on the eve of entering government, the Islamic Justice and Development Party (PJD) promised to publish a list that contains the names of all beneficiaries of such approvals, in an attempt to maintain "transparency". That did not happen, however; while a list was indeed published, it included no names. In fact, only the names of a number of companies (the people behind which would be impossible to identify) were published here and there, but without any real consequences.

> Morocco has 3500 km of fish-rich coastlines. Deep-sea fishing and sand quarry exploitation constitute real revenues from which the country's powerful elite can benefit. To guarantee their "allegiance", the Moroccan monarchy has granted the high-ranking military notables and the palace's close circles "approvals" (such as licences) of exploitation, which submit to no objective legal standards.

In an investigation published in 2012 by the independent website lakome.com, journalist Omar Radi noted some of the names of people who benefit from such approvals, most of whom are military and political figures, as well as Western Sahara notables (controlled by Morocco since 1975, although the Polisario Front has since been asking for independence). Despite everything, this report unveiled some famous names: General Abdelziz Bennani, whose name was noted in WikiLeaks documents on corruption within the army, and the two generals Hosni Benslimane, one of the most influential men in the kingdom, and Abdelhak Kadiri, former inspector general of the armed forces, both of whom had benefited from licensing deep-sea fishing, through the framework of a company called Kaben pêche. Still, observers agree, this was only the tip of the iceberg.

In addition to the high-ranking officials, Saharawi notables also benefit from important licences for sand quarrying and deep-sea fishing. Among those are former leaders of the Polisario (the Sahrawi independence movement) who have linked up with Morocco, such as Hassan Derhem, Mrs Gajmoula ben Ebbi, Hibatou Maelainine, and the Ould Errachid family.

The farmer king

Finally, agriculture constitutes yet another revenue from which the monarchy and the large landowners fully benefit. King Mohammed VI, it should be recalled, is the largest landowner, even if it is difficult to estimate the exact number of hectares he owns, as economist Najib Aksebi says. Moreover, even if he owned only 12,000 hectares, as some journalists have written, he would still be the largest landowner in the country. No other landowner, including Zniber, one of the biggest landowners, is known to have such a large number of hectares. Even the Kebbaj (Agadir, in the southwest) and Nouiji (the West region) groups lands do not reach 10,000 hectares (1).

> **Agriculture constitutes yet another revenue extremely exploited by the monarchy and large-scale landowners, while noting that King Mohammed VI is the country's largest landowner.**

The structure that manages the majority of the king's agricultural activity has a name: The Domains Company. Its production is quite diversified, including cheeses, tropical fruits, vegetables, Atlas trout, honey, extra virgin olive oil, aromatic plants, and dairy products. A large part of these products is destined for export, especially to Europe, the most important market, followed by the Gulf countries, and especially Saudi Arabia.

Taxed revenues

In 1984, King Hassan II decreed total tax exemption for agricultural revenues, with a timeframe until 2010. In other words, farmers, including largescale landowners, were exempted from taxation. In 2008, in a speech to the nation, and two years before the decree expired, King Mohammed VI decided in turn to extend this measure – deemed unfair by most economists – all the way until 2014.

1.4

billion euros

The state's annual losses due to tax exemptions for agricultural revenues

"The estimates regularly made here at the Agronomic Institute show more or less the same figure: the state loses 1.92% of GDP each year, which today corresponds to nearly 15 billion dirhams (1.4 billion euros) of annual losses in revenue for the Moroccan Treasury." Mr Aksebi adds: "Is it normal today that an employee who earns 3000 dirhams (270 euros) pays his taxes, while a large-scale farmer who earns millions pays nothing to the state?"

At the time of writing this article, this "fiscal rent" has yet to be abolished…

1) *In an interview with the author.*

“Phosphate and Two Seas”: Morocco’s Depleted and Unspoken Resources

Said Oulfakir
Journalist, from Morocco

Translated by **Sabry Zaki**

With the constant depletion and mismanagement of natural resources in Morocco, the question of resources is strongly present in Moroccans’ conversations. Resources are far from scarce, as official figures indicate their value amounts to 12.833 billion Moroccan dirhams, i.e., more than $1 trillion. But, what if these resources are equally distributed?

“We have phosphate and two seas, but we live with poor means!” This slogan is chanted in every protest, expressing the frustration of a large percentage of Moroccans who do not enjoy the minimum levels of decent living in a country that has abundant natural resources. These resources are almost inexhaustible on Morocco’s land and sea, both under and above ground, and in its waters and extended mountains. These diverse and plentiful resources are supposed to enable the country to acquire economic sovereignty without dependency. But the misuse and mismanagement of these resources threaten their depletion in the coming years.

Morocco’s Waters Spring from its Mountains

The waters of Moroccan rivers spring from the country’s mountains extending from the countryside to the Atlas Mountains. Morocco does not share its water resources with its neighbors like the riparian countries on the Nile or the Euphrates. However, the Moroccan citizen’s average annual share of renewable water resources is in constant decline (1). In the 1960s, the renewable water resources per capita for Morocco was 3,000 cubic meters per year. However, it is expected to drop to less than 500 cubic meters by next year, which is considered the beginning of absolute water scarcity (i.e., the amount of water is less than the minimum needed to meet the needs of the people, according to international standards). The Food and Agriculture Organization (FAO) considered this average a “destabilizing factor,” as its 2018 report warned Morocco and the Middle East and North Africa countries that “instability combined with poor water management can become a vicious cycle that further exacerbates social tensions.” The report called for a “shift away from current policies focused on increasing supplies toward long-term management of water resources. Ineffective policies have left the region’s people and communities exposed to the impacts of water scarcity, growing ever more severe as a result of rising demand and climate change.”

Water supply in the past decades did not include all individuals, and the groups of people whose houses were not connected with piped potable water supply were forced to fetch water through public taps placed in marginal and poor neighborhoods and alleys. These taps no longer exist, or barely exist, after the percentage of individual access to water increased (2) and most Moroccans benefited from their right to water resources for individual and domestic consumption at least. But the quality of water is another issue, which is evident in several places. This is in addition to the severe shortage of water flow and the occasional water outage. Moreover, the distribution of water resources is not equal in most areas of the country (3).

As concern about water depletion rises, the authorities confirm that they are in the process of implementing the National Water Plan. The project aims at constructing three dams annually, desalinating seawater with a capacity expected to reach 510 million cubic meters, reusing sewage water, and diverting water from the basins of the major rivers in the northwest to the center-west basins, with about 800 million cubic meters.

Mineral Water Enriches Companies

Article 1 of the Water Law states: "Water is a public property and may not be transferred to a private property." However, the law does not object to relinquishing the management of water resources to private companies, which generate profits exceeding 2 billion dirhams (about $200 million) per year, with an annual production of 430 million liters of mineral water.

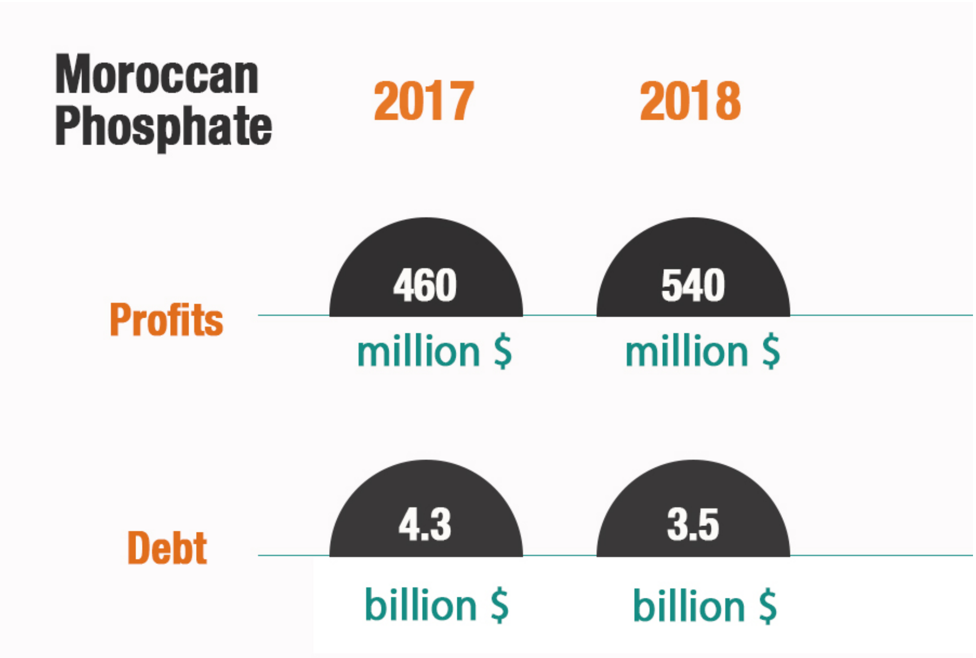
The companies' revenues do not stem from the large volume of individual consumption of bottled water but the selling price per liter. For example, this is the case of the Sidi Ali water bottles, of which a 1.5-liter bottle is sold for six dirhams, which is higher than the price of other international mineral water bottles in the local market. Moroccans did not like the price imposed by the Olmas Mineral Water Company on the Sidi Ali product. So they resorted to boycotting its products, in an unprecedented move that also affected three big companies.

The company in question is the Holmarcom Group, a family holding company founded by the Mohamed Bensalah family and managed by Mariyam Bensalah. The company did not initially recognize the consumer boycott of its products. For many months, it ignored the matter until it released figures indicating a loss of about $17 million (about 173.8 million dirhams) (4). Before the boycott, the bottled mineral water sector did not face foreign competition due to the high customs duties imposed by Morocco on imported mineral water, amounting to 25 percent of its price, and also due to the difficulty of reaching the local market in the absence of an efficient distribution network. However, Moroccans began to buy Spanish and other imported mineral water products, displaying them on their social media pages as a call for a boycott. It is worth noting that mineral water imports have increased by 45% since mid-2018.

The residents of the village Tarmilat, where the water of the boycotted company comes from, and human rights activists accuse the company of illegally exploiting groundwater resources. According to press reports, the company is involved in completely draining wells (5), which has forced it to drill 11 additional wells to transfer water to the source. This is while the villagers suffer from frequent water outages, especially during the summers when water is not available for more than two hours a day. This situation enraged the residents who participated in protests against the company's business, demanding that it provide them with drinking water, save mineral water, and put an end to the depletion of the area's water resources.

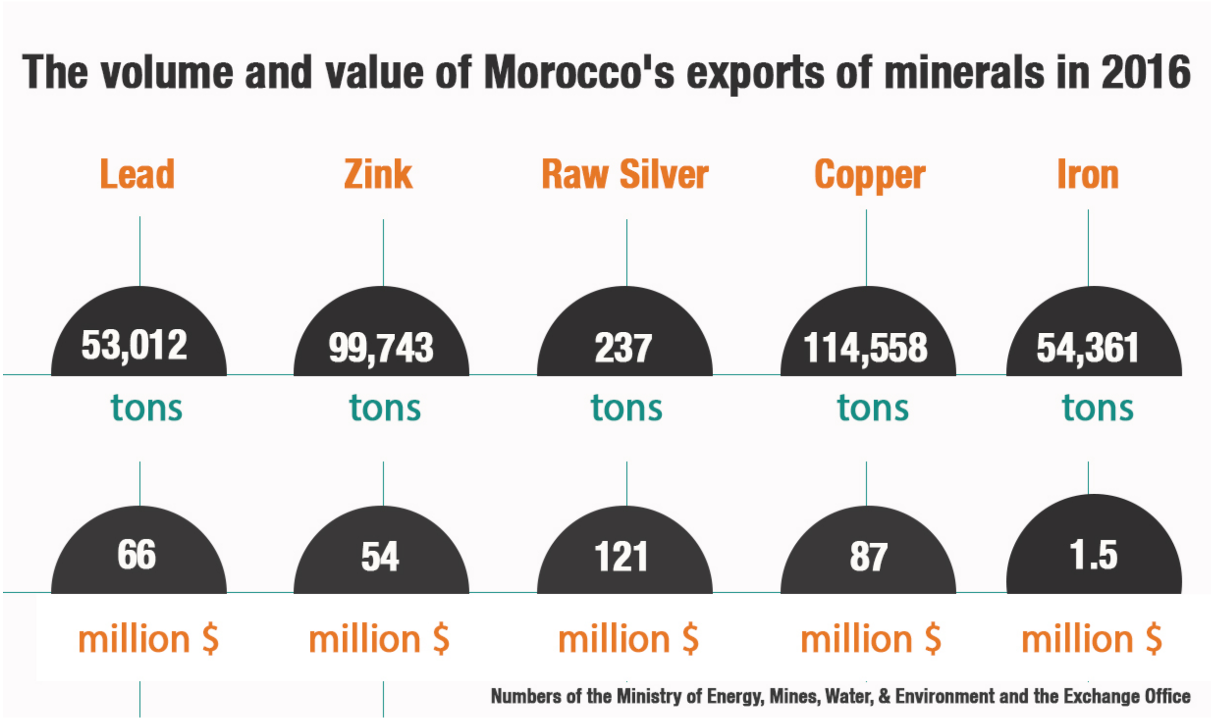
Phosphate: Morocco's Gift with Unknown Profits

Phosphate is Morocco's gift (6), an underground resource that is indispensable for increasing agricultural production in the whole world. There is no fertile soil without fertilizer and no fertilizer without phosphorous extracted from crude phosphate. Phosphate resources are run by the state-owned company Office Chérifien des Phosphates (OCP), which is a sovereign institution and a "milk cow" for the regime, as Le Monde newspaper once put it. The regime invests the OCP's revenues to defuse the various political crises the country has known since the 1970s. They were also an important factor in quelling the anger of the Moroccan streets during the protests of the 1980s.



Source: Office Chérifien des PhosphatesSource: Office Chérifien des Phosphates

It is still unclear how phosphate revenues are invested. There are no precise details about the size of the embezzled funds, except for what the Moroccan Association for the Protection of Public Funds has declared in 2011: it reported that 10 billion dirhams (about $1 billion) were embezzled from the OCP, whose profits were estimated at $540 million (about 5.4 billion dirhams). Commenting on this, the Northern Miner Journal said those numbers were "suspicious and inaccurate," admitting that the OCP had "money up to its ears," but its resources were "confidential." Furthermore, the OCP does not list its financial transactions on the stock market, which prevents a transparent view of the real numbers of phosphate trade in the country. Also, the OCP does not have an accounting archive, its business deals are not audited, and its production numbers have been illegally inflated.



Last May, Morocco's Supreme Audit Institution did not dare to present all the details in its report, which sufficed with listing the problems and technical obstacles and giving solutions and recommendations that concern the improvement of the sector. The institution justified its concealment of these facts by saying they were "harmful to the interests" of the OCP.

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The Country of Fish Eats Very Little Fish

Bordered by the North Atlantic Ocean and the Mediterranean Sea (7), Morocco has a fish yield exceeding one billion tons annually. It is the first in the Arab world in production and the first exporting country in Africa. Despite this, the average Moroccan consumes between 12 to 14 kilograms of fish per year (most of which is sardine), which is a small amount compared with the global average recommended by FAO (about 17 kilograms), and also compared with the average consumption of countries importing fish from Morocco. For instance, Spain, which has one seafront, has a per capita consumption of 23 kilograms in the worst case.

A partnership between Morocco and the European Union has started in the 1990s as part of the EU-Morocco Association Agreement in various fields, including the fisheries partnership agreement. Proponents of the agreement see it as rewarding. They believe that it pours millions in hard currencies into the state treasury, gives the country opportunities to benefit from the experiences of the European partner, enhances “political and diplomatic cooperation,” and defends issues of concern to both parties in international forums, especially the Sahara issue. However, opponents of the agreement believe that it has been “unfair” to Morocco for years, given the “poor” financial return offered by the EU countries to exploit Morocco’s marine resources. In fact, they consider the agreement to be a “submission” to the requirements of the EU and a selling of a vital Moroccan resource at the lowest of prices.

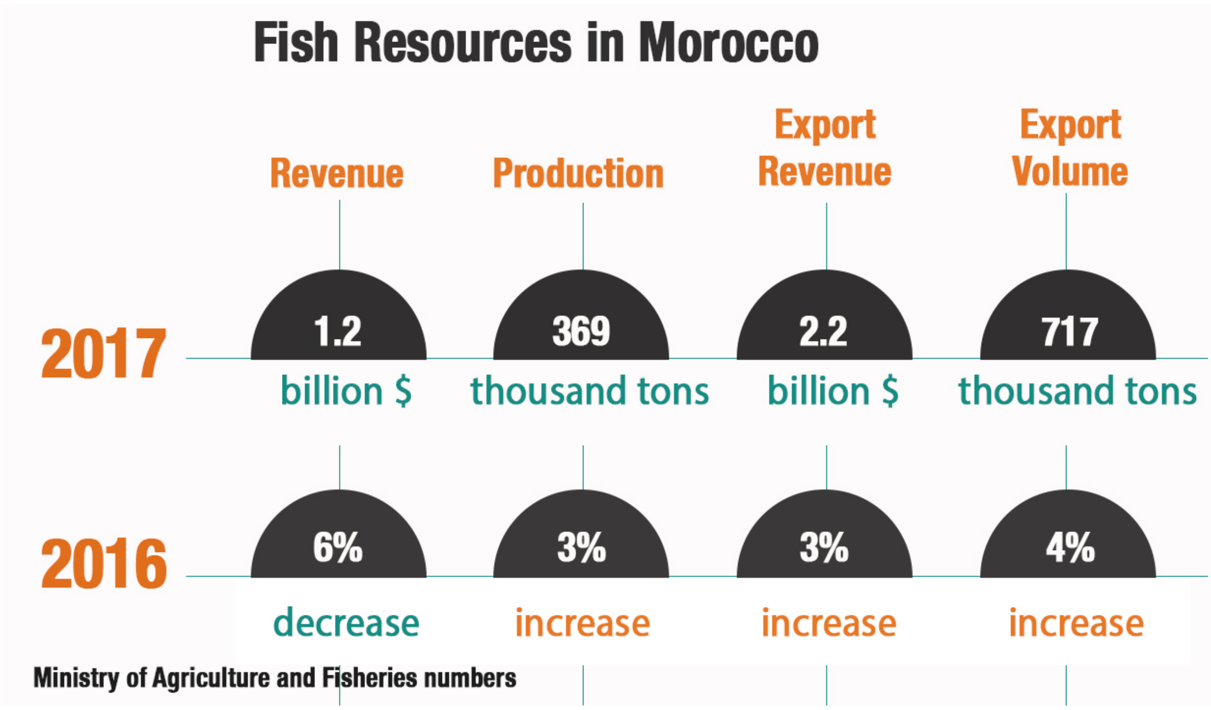
A large number of brokers is a problem adding to the list of obstacles that deprive the local consumer of benefiting from an appropriate price and good quality fish. These people intervene in the details of buying and selling fish, starting from the stage of seaports and ending with the stage of retail selling to street vendors, markets, and fish shops. This image appeared clearly during the past year, as prices showed a large gap between wholesale prices (3.5 dirhams per kilogram) and retail prices (25 to 40 dirhams).

It is not only brokers who are responsible for the high fish prices, the major investors in the sector are also to blame. They forge strong alliances to control the fish price in the local markets. The authority made room for free market selling without caring for the needs of the Moroccan low-income consumer. Therefore, the profit logic achieved its goal, practically and smoothly, in exporting rather than marketing at the local level. There are also other factors that cause the price of fish to rise, including the A to Z costs of fishing. Professionals point out that the prices of fuel, logistics, and labor are also high. In addition, 16 percent of the sale share is always deducted for risk insurance, social security, and local taxes.

Sea Fishery Between Traditional and High Seas Fishing

Most small-scale fishers (or sailors) are not doing well. Their profession is constantly fraught with numerous perils. They earn their livelihood by using small fishing boats (feluccas). Their income depends on the abundance of the easy-to-catch fish. On the other hand, they do not benefit from the risk insurance funds or the compensation for "biological rest" periods (the periods when fishing is banned to allow for fish breeding).

However, the authorities confirm that they have not abandoned sailors, as the government supports them through the Ibhar [Sailing] program, adopted since 2008. However, its implementation faces many obstacles, some of which are administrative and bureaucratic or related to granting loans. Model villages for traditional fishing remain the stable position for this social group. They are located in some coastal villages and provide sailors with more suitable conditions for fishing and infrastructure for receiving and marketing sea products. They provide an organized market for sailors to sell their fish near unloading points, and plants for ice production and fish storage. Model villages also protect the legal status of sailors and grant them social privileges such as enrolling in social security to benefit from its services. However, not all sailors enjoy these privileges. Many still migrate from one sea to another and from disguised unemployment to a temporary change of professions such as practicing crafts related to sea professions or other works that have nothing to do with this field.



The figures released by the Ministry of Agriculture and Fisheries indicated that the coastal and traditional fishing sector profits amounted to about 6.7 billion dirhams (about $670 million) in 2016. The production volume was more than 1.3 million tons, which is a large volume compared with high seas fishing. But if we go into details, we will see that the yields and profits of this dual (coastal and traditional fishing) sector are collected and placed in one basket. This might be intentional to give the impression that the traditional and coastal fishing profits are much greater than the profits of high seas fishing, despite the latter's efficiency and high capabilities. Mixing between traditional fishing and coastal fishing is confusing; the former has its peculiarities and obstacles. It cannot go beyond small sea distances and depths and a two-ton load. As for the coastal fishery, its load can reach 150 tons, and the ships used for it are not the traditional wooden sailing felucca boats.

The profits and privacy of the high seas fishery are revealed by the quality of its fish yields. It excessively targets rare species, such as mollusks and crustaceans (8), which are considered expensive, profitable, and in high demand in international markets. The profits of this type of sea yield are much greater. In 2016, the mollusks revenues were about 3.5 billion dirhams (about $350 million), while the traditional and coastal fishery revenues were about 2.2 billion dirhams (about $220 million). However, the high seas fishery sector depletes fish resources and violates the quota allocated to some fish species, such as the octopus (a mollusk), which has become an endangered marine creature due to overfishing, in violation of the laws and memoranda that determine the permissible quota in each season and period of fishing.

> **Announcing the names of the corrupt officials was a very sensitive issue, and no one dared to do so. When a Moroccan newspaper published the names of the corrupt figures, it became clear that they belonged to the world of politics and the military and security field. It also appeared that they are influential figures due to their closeness to the head of the state; profiting from this rentier sector was not for free, but was rather "payback", in return for loyalty and services provided within the framework of intertwined and complex interests that have been in place for decades.**

Furthermore, the high seas fishery sector is involved in environmental violations, such as using traditional and unsustainable fishing methods, emptying quantities of unfit fish into the sea, and disrespecting the biological rest periods of sea creatures. However, the revenue of this sector is wasted, and "Morocco does not benefit from it at all," as emphasized by Muhammad al-Miskawi, chairman of the Moroccan Association for the Protection of Public Funds. In a statement to a Moroccan website, al-Miskawi said: "The beneficiaries of the licenses resort to tricks, including establishing companies that contract with foreign companies which have the means and technology necessary for sea fishing, in exchange for huge compensations that go to foreign banks as well."

During the 2011 demonstrations, Moroccans called for fighting corruption in this sector, holding those involved accountable, and revealing the lists of the beneficiaries of the profits, considering that the sector constitutes a rentier economy. Prime Minister Abdelilah Benkirane said: “Let bygones be bygones,” and the government reneged on its promise to expose the clandestine corruption. Those responsible for the agriculture and fisheries sector are also evading any accountability. The topic seemed very sensitive, as no one dared to expose those involved. However, when a Moroccan newspaper (9) published their names, it became clear that they belonged to the worlds of politics, military, and security. It also appeared that they are influential figures due to their closeness to the head of the state; benefitting off this rentier sector was not for free but was rather in exchange for their loyalty and the services they provided within the framework of intertwined and complex interests that have been in place for decades.

In general, regarding the depletion and mismanagement of natural resources in Morocco, the question of resources is present strongly in Moroccans’ everyday meetings and conversations. They are not scarce, as official figures indicate their value amounts to 12.833 billion Moroccan dirhams, i.e., more than $1 trillion (10). So, what if these resources are equally distributed? Certainly then, the voices of Moroccans in the streets and squares would not chant the slogan “we live with poor means,” while “we have phosphate and two seas.” Moreover, the natural resources that revolve in the orbit of the phosphate and the two seas are on the line, risking scarcity and depletion for future generations.

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1) According to a report by the World Bank.

2) From 14% in 1994 to 94% in recent years (Economic, Social and Environmental Council).

3) Water per capita in the north exceeds 2,000 cubic meters annually (by virtue of rainfall rates and climatic and terrain factors), while the southern areas provide 150 cubic meters annually for each person.

4) Its financial revenues were 189.5 million dirhams (about $18 million) in 2017, and collapsed to $1.570 million (15.7 million dirhams) in 2018.

5) In Article 112, the Water Law prohibits the exploitation of water in the orbits, as this poses a threat to the water springs or the quality of water.

6) Reserves of 50 billion tons, or about 71% of global reserves.

7) Morocco overlooks two sea fronts, with a coastline of 3,500 km in length, of which 2,900 km on the Atlantic Ocean, and 600 km on the shores of the Mediterranean, with a sea area of 115,000 km^2.

8) According to figures from the marine fishing sector, the price of red shrimp per kilogram reached 58.52 dirhams, while the price of royal shrimp reached 143.29 dirhams per kilogram during 2017.

9) The names were published in Akhbar al-Yawm newspaper on 8 March 2012. They are leaders in the royal gendarmerie, the army, and the worlds of politics and economics.

10) The figures and statistics of the Economic, Social and Environmental Council confirm that natural resources, which include agricultural and grazing lands, forests, fisheries, mineral and energy resources, and protected areas, have doubled by 2.4 percent in 15 years.

(*) The dollar exchange rate ranges between 9-10 Moroccan dirhams.


Sudan

Instability and a Rentier Mentality Threaten Sudan's Resources

Alsir Sidahmed
A journalist specialised in petrol-related issues, from Sudan

Translated by **Yasmine Haj**

Over the past few decades, the authorities' performance, fluctuating policies, and contradictory approaches have led to a state of impoverishment in Sudan, creating hotbeds of political, economic, and social unrest that would explode as insurgencies, which sometimes resorted to arms. Most important, though, has been these policies' failure to turn Sudan into a "bread basket" for the Arab world, or to even feed the Sudanese people.

Political instability and a rentier mentality that inspires many political socioeconomic policies, have been the main features characterising the ruling elite's performance in Sudan over more than six decades. Their policies held contradictory approaches, from a prevailing public sector to enabling privatization policies which are devoid of any professional dimension, while also implying political enabling. This led to a state of impoverishment, creating hotbeds of political, economic, and social unrest that would blow explode as insurgencies which sometimes resorted to the use of arms. Most important though has been these policies' failure to turn Sudan into a "bread basket" for the Arab world, or to even feed the Sudanese people themselves. This created the first spark that launched the ongoing December-April revolution, initially triggered by lifting bread subsidies, which later expanded to target the entire political system.

The practices and outcomes of such mentality manifest in three main sectors: oil, gold (and their production, extraction, and exportation), and agriculture. A rentier mentality has shaped how these three resources are approached. The Salvation regime was premised on an Islamist platform that overprized its international network at the expense of its national grounds. Likewise, as it would sympathise with Gaza and Rohingya Muslim children, disregarding Darfur's suffering by the same governmental forces, it would sow more interest in generating quick revenues off of its resources, though at the expense of depleting them. What proves the former is that once the country prospered in petrol, interest in its agricultural sector declined. In fact, the sector only deteriorated during the petrol boom, and never in the years before it.

Agriculture in decline

Post-independence agri-politics have followed the same path, inherited from colonial times – whereby Al-Jazira Project, which produces cotton to supply fabric manufacturers in Lancashire in Britain, the backbone of the modern irrigation sector. It also generates hard currency for the public treasury. The biggest development happened when around one million acres were added to the project, known by El-Manaqil Extension, where the majority of rain-fed agricultural plans, upon which the vast majority of the population depends, were ignored. Furthermore, its area compounded the irrigated farming projects areas. When mechanized agriculture was introduced into traditional and rain-fed farming sectors, the policies that ensued, supported by the World Bank, have only had negative implications. Prioritizing senior state officials and army officers or on-ground workers with permits (even if they weren't locals to the area) as well the intensive land exploitation, have both drained and impoverished the soil. Those have also intensified popular anger, which took rebellion and violence as a path, as had happened in the region south of Kordofan.

Similarly, the foreign investment promotion policy in agriculture has only exacerbated the situation – in its pursuit of turning Sudan into the bread basket of the Arab world. Many Arab and, specifically, Gulf investments were given disproportionate privileges. They were gifted thousands of acres, often at the expense of local populations, which ate away at even more of their rights, as traditional and irrigation agriculture comprise their two main sources of work and livelihood. As these agricultural investment areas are situated in rural regions that lack infrastructure and services, those investors had to contribute to that aspect, while the governmental policies have helped them out with many exemptions and offers, such as renting out the land for a nominal fee (like paying no more than 50 cents per acre), free access to water, and exemption from taxes at the beginning. These attempts to encourage investments succeeded in luring in a Bahraini company for instance, which acquired agricultural land that nearly equals the entire area of Bahrain. Likewise, one thousand end-of-pivot sprinklers were set up for a Lebanese company, using nearly half of the Lebanese population's water consumption. An Egyptian company (that later halted operations) also obtained authorization to use 750 million m3, that is, around 4 percent of Sudan's share of the Nile's water. Were these waters given at market price, the company would have had to pay no less than one million dollars.

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Saudi companies like Nadec, Al Safi, and Almarai and Emirati companies like Zayed Elkheir Project and Amtar also got excited about going to Sudan, where they could farm fodder crop and make up for the prohibition of farming those in their own countries, as they consume large quantities of water, so scarce in Gulf countries. Sudan has also served as an ideal location, just 350 km away from the Red Sea, where agriproducts could easily be transported to ports for export. Clover could be harvested every 30 days and moved to Port Sudan in no more than seven hours.

Such expansion resulted in tensions between farmers, shepherds, and local populations and foreign investors, be it related to roads, right to lands whose legal status hasn't been regulated to guarantee the local population's rights, or to the activity these companies carry out in exports, which has led to a spike in fodder and foodstuffs prices. All these factors have helped forge a path to revolt, which broke out in the latest December-April protests, resulting in the overthrow of former president Omar Al Bashir.

> **Governmental policies have helped them out with many exemptions and offers, like renting out the land for a nominal fee, free access to water, and farming fodder, which is prohibited in several countries because of its large water consumption. Sudan has also served as an ideal location, just 350 km away from the Red Sea, where agriproducts could easily be exported.**

Petrol

Extracting and importing petrol is a textbook example of mishandling resources and empowering short-term political goals over strategic economic and social planning. Despite discovering oil in the 1970s, its production for exports or local consumption wouldn't begin for until two decades later. Led by Al Bashir, the Salvation regime has managed the breakthrough that Jaafar Nimeiri's, Abdel Rahman Swar al-Dahab's and Sadiq al Mahdi's governments failed to manage.

> **Extracting and importing petrol is a textbook example of mishandling resources and empowering short-term political goals over strategic economic and social building.**

This paralleled an internal and external opposition to the Salvation regime and policies, which entitled it to this precious commodity and its revenues in hard currency. The regime focused on using those revenues to buy political allegiances and consolidate its security arsenal. The latter's expenditures grew to reach nearly 70 percent of the state budget, leaving the rest to all sorts of services and developmental projects. Furthermore, the productive sectors didn't enjoy the same chance agriculture did, with any significant investment, where the al-Jazirah Project was left to collapse as the funds allocated to renovate its infrastructure were minimal – that is, even though the official discourse goes by the slogan: "Agriculture is Sudan's actual petrol".

> **Where have the petrol revenues that entered the public treasury gone? These are revenues that range between 30 to 35 billion dollars, besides the 12 billion that were channelled into the southern government.**

The petrol extraction process followed the same mentality of exploiting available resources, while failing to consider environmental impacts or local communities. Many issues then ensued, which the peace agreement between the government and the SPLM attempted to resolve in 2005, stipulating that 2 percent should be allocated to productive states, as well as defining measures to deal with the negative environmental impacts. All that, however, remained ink on paper, and the ever-rightful question remained: where have the petrol revenues that entered the public treasury gone? Revenues that range between 30 to 35 billion dollars, besides 12 billion that were channelled into the southern government. Even some of the major infrastructure projects, like the Marawi Dam, were funded by separate loans, mainly by Arab funds.

Lack of transparency was one phenomenon that accompanied petrol extraction. The challenging and confrontational state in which the Salvation regime found itself could explain such an approach, as it faced domestic and international pressures, and more specifically US sanctions. Mystery reigned supreme all throughout the different stages of raw material production, export, and refining. Everything connected to the petrol industry was thus rendered into a security issue, especially since the bulk of petrol is located in South Sudan, where the revolt took centre stage, and since SPLM, which led the revolt, clearly announced that the petrol facilities would be considered military targets were a political peace agreement not be reached. However, even after the peace agreement was made, the same practices were maintained, though shrouded in mystery and secrecy.

Gold

Gold production in Sudan is rooted in ancient times; it goes all the way back to the Kingdom of Marawi. Looking for gold was also behind the Muhammad Ali Basha campaign to invade Sudan in 1821. Sudan kept producing negligible quantities through private activity, until modern production took off in 1990, when a French company partnered with the Ministry of Energy and Mining under the name of Ariab, and managed to raise production to reach nine tonnes in 2009. Following the South Sudan split from Sudan, transforming into its own independent country in 2011, gold digging operations picked up to try and find new sources of foreign currencies to compensate for the petrol revenues that crashed with the split. Looking for gold would thus take place through traditional mining carried out either by individuals or Ariab and other companies, which boosted production to reach 73 tonnes in 2014.

According to the five-year economic programme of 2015-2019, set up to absorb the southern split shock and the missing petrol revenues, the mining sector would be considered the country's generator of economic growth. The action plan stipulated that production be raised to reached 103 tonnes, by facilitating bank and private funding. Currently, Sudan ranks third in Africa in terms of production and gold exports, right behind South Africa and Ghana. It is estimated that there are around 132 companies that work there, including 15 foreign companies.

The increased gold prices in the international market have drawn in many miners, once estimated to be a million. Despite the increased volume of gold exports, with revenues sometimes exceeding two billion dollars, only a small percentage would reach the state budget – due to unfair policies, with central bank's monopoly over gold sales. As gold rates are determined by the dollar exchange rate, the Bank of Sudan would purchase gold at the black-market rates and sell it to the Ministry of Finance according to governmental rates, which are the lesser rates. As the two rates are disparate, the Central Bank of Sudan would make up for the difference by printing currencies, a process that cost it an estimated 1.8 billion dollars between 2009 and 2015. Likewise, this very policy increased inflation rates, which reached 70 percent, according to official numbers.

> **The Bank of Sudan monopolised gold sales. As gold rates are determined by the US dollar exchange rate, the bank would purchase gold at black-market rates and sell it to the Ministry of Finance according to the lesser governmental rates. As the two rates are disparate, the Central Bank of Sudan would make up for the difference by printing currency, a process that has cost it an estimated 1.8 billion dollars between 2009 and 2015.**

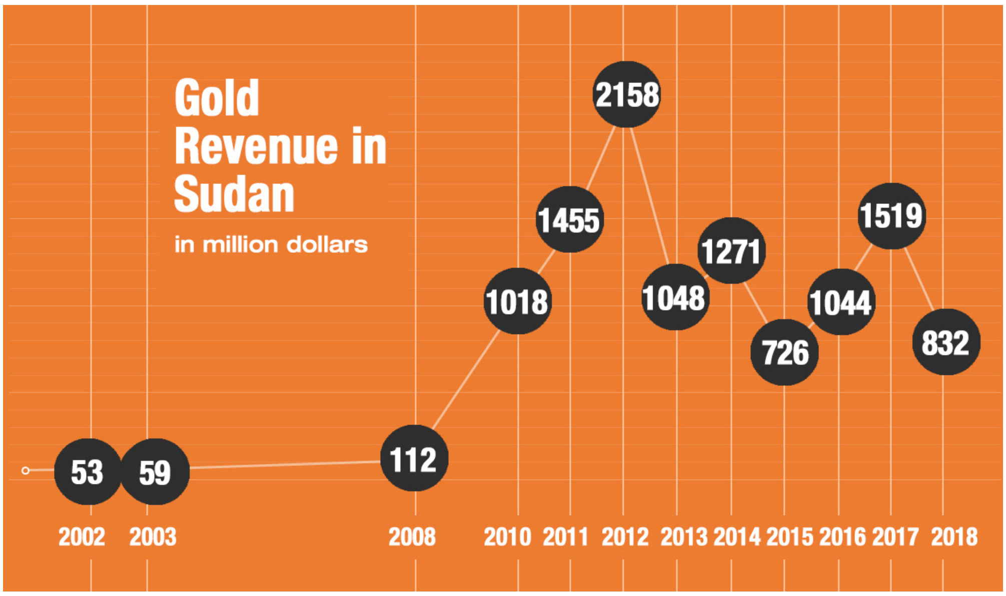
The IMF intervened, critiquing such a method. However, as the regime itself was home to such centres of power, these policies would be maintained, enabling some private companies to export gold. The biggest share of production, however, would happen through smuggling gold into Ethiopia, Eretria, Chad, and the United Arab Emirates. The United Nations report notes that, between 2010 and 2014, gold smuggling is valued at 4.5 billion dollars, especially into the United Arab Emirates.

The former Minister of Mining Ahmed Sadiq al-Karuri says that 75 percent of randomly produced gold goes into smuggling. In 2011, for instance, Sudan produced 73.4 tonnes of gold, equalling 3.1 billion dollars, and enabled the export of 30.4 tonnes, 41 percent of production, through official channels, which generated 1.4 billion dollars in revenues. In 2015, production volume reached 82.3 tonnes valued at 3.1 billion dollars, of which 19.4 tonnes, or 24 percent, were exported through official channels.

Smuggling thus lost the public treasury revenues estimated at two billion and four hundred million dollars.

Unofficial mining exists in twelve of Sudan's eighteen states, through 22 mining locations and 65 markets. It is believed that around 14 percent of the country's population depend on unplanned mining in one way or another. Of the regions known for mining is the Jabal Amir region in North Darfur, where gold was found in 2012, once called "Switzerland", controlled by the Rapid Support Forces and the incumbent deputy head of the military council lieutenant general Mohammad Hamdan Humeidati, who inherited the area from former militia leader Musa Hilal. In return for the fees he receives from the miners, numbered by the thousands, or through his share of gold sales, he protects them with his own militias. Some estimates note that the Jabal Amir mines generate around 54 million dollars at least to those who control it on a yearly basis. On the other hand, the revolting SPLM controls some mining locations in the Nuba and Blue Nile mountains; it makes use of them to fund some of its operations. At a time when domestic or unofficial mining contributes to nearly 10 percent of international production, its percentage in Sudan ranges between 85 and 90 percent of production.

Mining is considered an attractive industry to many impoverished rural populations, especially the workforce that hails from Darfur, Kordofan, and the Blue Nile. They are most drawn to this type of activity, as work opportunities are almost non-existent in their home regions and live in abject poverty. Due to such conditions, child and underage labour seems to be common in these areas. Likewise, the use of some chemical materials in the mining operations, like mercury, has negatively impacted the regions where they're practiced and, more importantly, affected workers' health – as mining is carried out in vacant lands, which lack the minimum of services, especially healthcare facilities.



Due to political instability and civil war in the country, both petrol and gold became the focal interest of many human rights groups, which saw that, by procuring further resources, the Salvation regime was perpetuating the war. As such, campaigns to put pressure on foreign companies engaged in the petrol domain in Sudan were launched to call for them to withdraw their business. As such, the Canadian company, Talisman, was forced to sell its own shares in the consortium that operated in Sudan to an Indian petrol and gas company, although it considered its own project in Sudan to be the best of its international projects.

The success that the Salvation regime saw in exporting petrol and receiving extra hard currency revenues was reflected as an improvement on its military abilities. This pushed the Centre for Strategic and International Studies in Washington to write a report on Sudan, advising the revolting popular group to enter into serious talks to reach peace and split the petrol revenues rather than stop its operations. This would eventually be the basis of the diplomatic efforts that concluded with a peace agreement in 2005.

Likewise, a campaign was launched to freeze Khartoum's gold sales, premised on the fact that its revenues were being used to finance the war in both the Blue Nile and South Kordofan. While such efforts did reach the United Nation, the Sudanese government was able to block those by resorting to its strong connections with Moscow.

As such, the state's policies have exposed its rent-seeking approach, manifest in the decisions and measures it takes, and which have resulted in further unrest and political impasse. The latter endures, manifest in the ongoing popular uprising since December; it has been through much back-and-forth in its aim to achieve one of its most important slogans: a "civil rule". It also places Sudanese nationals' interests at the heart of the political process; it wishes to use the country's resources for the people's own good, with full transparency.


Mauritania

Rich Land, Poor People: How is Mauritania's Wealth Managed?

Ahmed Oueld Jeddou
Writer and Blogger, from Mauritania

Translated by **Yasmine Haj**

Mauritania has a small population and massive resources. According to the authorities, of the 4 million people there, 31 percent are "poor", while other reports state that the latter make up 45 percent of the population. The contradiction between that reality and generated wealth is stark. Who manages Mauritania's production, then, and how is it managed?

Mauritania's underground, land, and seas treasure different kinds of natural resources. The country has minerals, like iron, copper, and gold, and enjoys its own share of petrol. It will soon see a gas boom, and has seashores rich with fisheries. Some of its terrain also boasts of extended and fertile lands. That, however, is not reflected in the people's reality. According to the Mauritanian government, the poverty rate in Mauritania has reached 31 percent, while other statistics note 45 percent of the population, 75 percent of which is rural.

Not everyone can see the glitter of gold

Mauritania's iron reserves reach 1.5 billion tonnes. Its extraction began with French colonialism, with MIFERMA (1952), a partnership between French colonials and occidental merchants. Mauritania's post-independence shares made up only 5 percent of this production, and the country has been exporting iron ore since 1963.

In 1974, Mokhtar Oueld Dadah, the first post-colonial president of Mauritania, would nationalise the company, following national struggles, and would become known as La Société nationale industrielle et minière (SNIM). Today, Mauritania holds 78 percent of the company's shares, the Industrial Kuwaiti Bank holds 7 percent, along with other investors… In recent years, however, due to corruption, drained by offshore investments and the granting of private loans, the company has been in decline, and is now close to bankruptcy (1).

Mauritania's gold reserve, which, like copper, hadn't been truly used until 2008, amounts up to 25 million ounces, and its copper reserve amounts to 28 million tonnes. Mauritania is full of other minerals too, like quartz, of which it has a reserve of 11 million tonnes, and salt, of which it has a reserve of 245 million tonnes, whereas its gypsum reserve amounts up to 100 million tonnes (2).

More than 82 agents, both foreign and Mauritanian, invest in minerals. Furthermore, the opportunity to invest in traditional gold surface excavations opened to Mauritanian nationals in 2016, a domain that thousands of Mauritanians entered in the hope of enhancing their financial situation. This was, however, a trap for most of them, and a path towards suffering. Sidi Abdullah al-Bukhari (3), one of the people who tried out this domain, says: "Traditional excavators experience many forms of suffering. Many diseases have appeared among them, especially those related to malnutrition, as the food available in the area is terribly bad. When it comes to the climate, the area has strong winds and severe dust, which affects the excavation equipment and power generators. The area is also extremely hot in the summer and extremely cold in the winter."

Getting a traditional excavation permit costs five thousand ouguiya (the local currency, whereby one dollar equals 356 thousand ouguiyas) and requires a copy of one's ID and personal picture. Sidi Abdullah says: "Some people have gone there in the hope of changing their reality, but lost their money, found no gold in return, and returned home disappointed." Al-Bukhari sees that the "biggest winners are the tax collectors, the truck owners that drive people there, the stone-grinding machine owners, and the handymen like electricity generator technicians and tunnel diggers." The path to reach the heart of Indoor (the field was inaugurated in 2018) in northern Mauritania is arduous. That field is the biggest of the areas open to surface excavation; the trucks drive excavators back and forth, as private cars are prohibited from going there.

> **The Canadian Kinross company, which works through what is called the Kinross Tasiast Mauritania, is the biggest gold exploiter in Mauritania. It channels a mere 4 percent of its production to the government, in accordance with the distribution contract. This meagre percentage angers Mauritanians, who have launched many calls for revisiting the entire agreement, as the company is also accused of contaminating the environment.**

Al-Bukhari shares his own experience of excavation: "Clandestine ways are inevitable if you want to sell the gold you excavate; the central bank pricing and calibration are unfair. The worst distress that could happen to an excavator is a medical emergency, as transporting patients is quite complicated." That's why there have been many death cases among the excavators, that is, in addition to being swept into the soil of the trenches that they dig…

There are 125 untraditional (industrial) excavation permits and 13 exploitation permits. Those include iron, gold, copper, quartz, and salt, with more than 15 thousand workers employed, half of whom do not work on a permanent basis.

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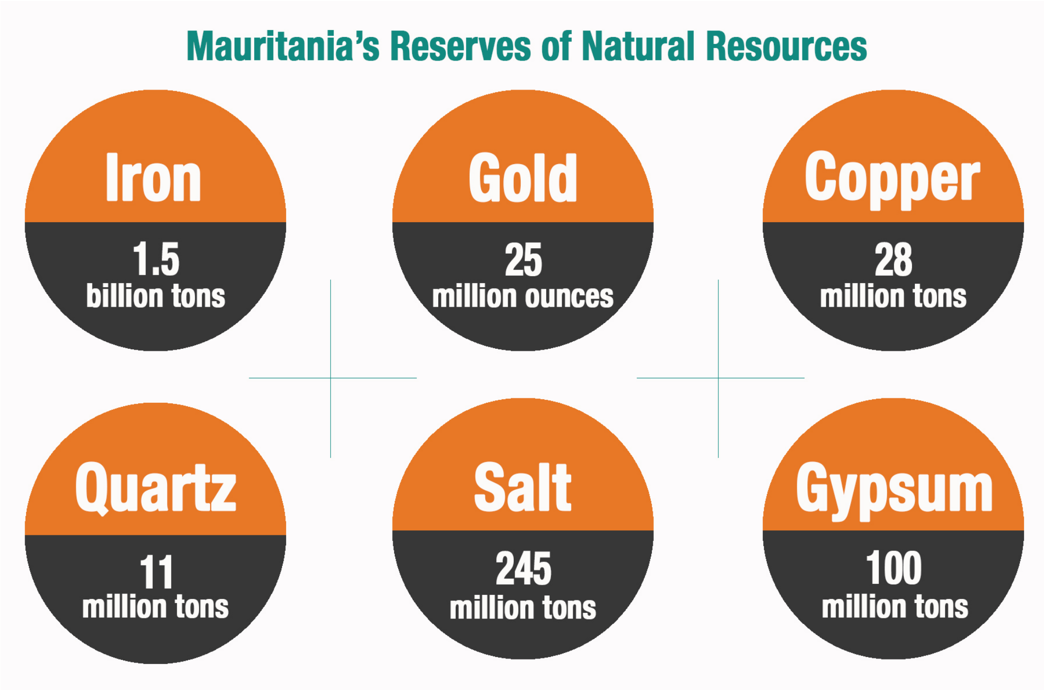
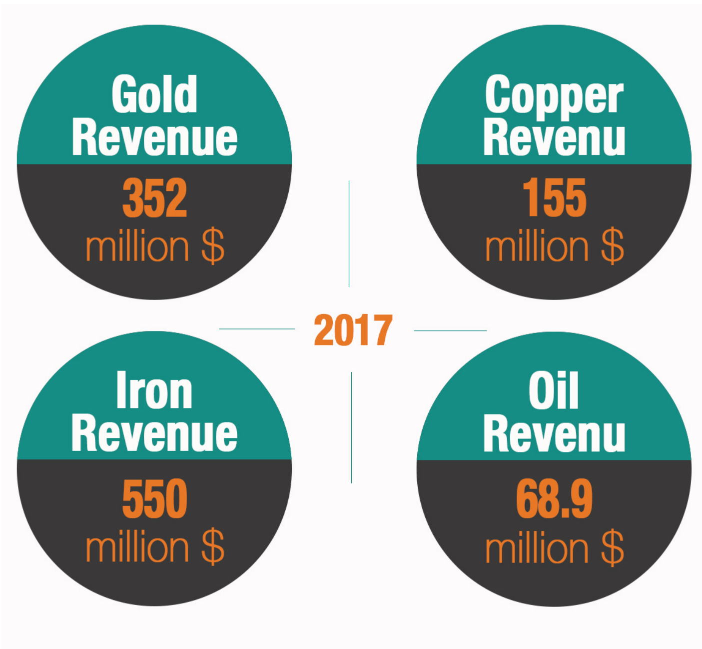


In 2017, the number of acquired gold resources has reached 352 million dollars (4), which amounts up to 100 million dollars increase compared to 2016, thanks to increased production (292,500 ounces as opposed to 229,000 ounces in 2016) due to extending the company's excavation work and mine development.

Moreover, in 2017, revenues accrued from copper reached 155 million dollars, while petrol revenue reached 68.9 million dollars. Exploitation of the Shanqeet field completely halted on the last day of 2017 as its productivity decreased. However, and despite that, the decision to shut it down was a shock to economic experts in Mauritania, and no explanations were given. The Malaysian company Petronas excavates petrol.



Mauritania has rich seashores

The Mauritanian seashores (spread along 755 km) are home to more than 300 types of fish, 170 of which are internationally marketable for their high quality. According to the Minister of Fishing and Maritime Economy (5), revenue from fish exports reached more than a billion US dollars, while the size of caught fishes reached 700 thousand tonnes. The minister confirmed that the fishing sector provided 60 thousand Mauritanians with jobs. Europeans top the list of beneficiaries of Mauritanian fishing, followed by the Japanese and the Chinese, while Mauritanians work with basic tools, without any governmental support.

> **Maritime resources have been over-drained by foreign fleets, which have no signed agreements with Mauritania to fish within limits. The agreements do not observe the environment, scooping up the seabed and harming traditional fisherpersons, who face dangers that bigger ships create, such as getting run over.**

Maritime resources have been over-drained by foreign fleets, which have no signed agreements with Mauritania to fish within limits. The agreements do not observe the environment, scooping up the seabed and harming traditional fisherpersons, who face dangers that bigger ships create, such as getting run over. Mauritanian fisherpersons have been demanding the authorities to make development plans to help them and develop their sector as well as the local market, rather than take care of the international market only and foreign fleets, which have been left to squander the territorial waters unwatched. The fisheries represent a third of the country's overall wealth.

Interest in Mauritanian seashores began with the Portuguese in 1432, through explorer Gil Eanes de Murara, followed by the Dutch and the French. The actual exploitation of wealth, however, only began in 1890, through a company in the Canary Islands, among which were multiple European countries.

The Paris Agreement, concluded between France and Spain in 1905, chronicles the beginning of French exploitation of Mauritanian maritime resources (6), where a French city was founded in northern Mauritania, Port Etienne, (now Nouadhibou), and then, in a short period of time, many French companies that work in the fishing sector showed up.

How are Mauritania's resources managed?

Mauritania is a country with a small population (4 million people); hence, wondering about the way its resources are run is not only justifiable but crucial. In his study, Moussa Fall affirms (7): "Governance is being evaluated through the efficiency of exploiting resources in this or that country. As regards Mauritania, if we were to add up the different budget sectors and the revenue from hard currency between January 1st, 2009 and December 31st, 2017, we'd receive the following total: 3.514 billion ouguiyas of internal revenue and 28.535 billion dollars of foreign revenue. Having examined those numbers, the first question that comes to mind is this: Who would have imagined that the country had received these amounts of revenes at this moment in time? The second question would be: Where did all these resources go, considering the scanty results on the ground? If we were to exclude the efforts made to secure our external borders and some secondary facilities, the positive effect that one would expect from such resources is invisible in terms of citizens' welfare and the country's development in general."

He adds: "The financial policies reflect the strategies applied in every country. In Mauritania, since 2009, the government has adopted financial policies that prioritise the following items: 1) Resources are rechannelled as investments (16 percent of the GDP), which are nonprofitable investments, 2) To pay back foreign debt, (5 percent of the GDP), at an elevated level due to over-indebtedness, and which dangerously reduces manoeuvring margins in terms of financing development, 3) Transfers and grants, to spend resources (3 percent of the GDP), and which inflated in the past years as tens of public institutes were created". In his study, Fall affirms; 'The attention that these three items have received has reduced the resources allocated to other domains, especially social sectors. Frequently, the country disregards the health sectors. These sectors, essentially consisting of education, health, national unity, and social cohesion have been pushed down to the bottom of our agenda".

> If we were to add up the different budget sectors and the revenues from hard currency between 2009 and 2017, we'd receive the following total: 3.514 billion ouguiyas of internal revenue and 28.535 billion dollars of foreign revenue. So, where did all these resources go, considering the scanty results on the ground?

Mauritanian financial expert (8), Mohammed Oueld el-Aabed, says: "From a theoretical aspect, natural resources in Mauritania are managed in accordance with their corresponding budgetary arrangements. The minerals as well as the fishing budgets, along with their relevant implementation documents, both include the guides and measures that would enable a transparent management of both these resources – that is, in an aim to guarantee their ideal contribution to the developmental process. Notably, in 2005, the Mauritanian state has adopted principles of the transparent extractivism initiative, which stipulates that all cash flows produced from mineral exploitation, including gold, petrol, and gas, must be declared. In 2013, a transparency initiative was adopted in the fishing sector." Oueld al-Aabed continues: "Observers agree that transparency in both extractivism and fishing is still lacking, whereby permits are granted to exploit such resources beyond the determined courses of action. The state partners, especially the IMF and World Bank, have repeatedly alerted the Mauritanian authorities to the need for observing the legal texts so that the country is able to make use of its best natural resources […] Undoubtedly, failing to observe transparency in exploiting natural resources, especially gold and fisheries; the consequence is an immense injustice towards the state that doesn't receive, in this case, the full financial rights resulting from granting excavation and exploitation permits thereafter. As soon as it stabilized following the 2008 coup, the current regime began limiting the issuing all production-division contracts in combustible materials to the executive branch, whereas the legislative branch would only approve them prior to their conclusion."

So that gas has a better fate

Mauritania is about to experience a massive gas boom, whose exports would commence in 2021 and 2022, starting from the gas well in Tortue Ahmeyim – a shared field between Mauritania and Senegal, through the British Petroleum Company and Kosmos. The British Company estimates the reserves of that area to have more than 450 m2, as a new well, not too far from the capital, Nouakchott, has also been discovered, within Mauritania's territorial waters. This field's reserves have more than 60 trillion m2 of gas. It brought up much discussion on the importance of gas not having the same fate as its predecessors, of which Mauritania did not benefit.

Oueld el-Aabed says: "The country is about to experience a boom of exploiting important resources. Notably, until now, the Mauritanian government hasn't provided the national public opinion with sufficient information about the subject. The Senegalese government, however, has assigned a few days of consultancy regarding the most ideal ways to benefit from the expected financial boom."

Conclusion

The contradiction between the digital data available on the natural resources in Mauritania and the reality of the state and its people unveils the flawed management of its wealth. Changing this approach would necessitate adopting approaches based on transparency and committing to a management that reduces corruption opportunities. This, then, cannot happen in the shadow of a system accused of and involved in corruption, lacking in the management of its wealth and public affairs.
According to the 2018 Corruption Perception Index published by Transparency Global, corruption affects the management of the country – as it is ranks 144 out of 180 states, and has received 27 out of 100 points.

1) *"Mismanagement and debts have weighed down on the Mauritanian economic giant, SNIM. An investigative report published in the Mauritanian Alakhbar newspaper in November 2018.*

2) *According to a statement that the Minister of Minerals made before the deputies of the national assembly on December 5th, 2016.*

3) *In an interview with the excavator conducted on April 2nd, 2019.*

4) *"The Lost Decade", a study by Mauritanian economist Moussa Fall, published in instalments in the Mauritanian Al-Akhbar, starting July 30th, 2018.*

5) *A statement that the minister made for Rai Al-Youm in February 2019.*

6) *"Contribution to understand the reality of the fishing sector in Mauritania", by researcher Al-Heiba Oueld Sid el-Kheir, published in Al-Qalam newspaper on February 5th, 2016.*

7) *Ibid.*

8) *In an interview held on April 3rd, 2019.*

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2018

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- الهجرات: العالم يسيل - قصص العالقين في دول العبور
- الهجرات: العالم يسيل – قصص الحرّاقة
- اليسار في المنطقة العربية وسؤال مكامن العطب - دراسة حالات

2019

- مسألة الأرض - مصر، السودان، تونس، الجزائر والمغرب
- إدارة الموارد الطبيعية: نهب وتبديد وزبائنية وقلة كفاءة - مصر، الجزائر، تونس، المغرب، السودان وموريتانيا
- إشكاليات في مقاربة دراسة العشوائيات - مصر، الجزائر، السودان، اليمن، تونس، المغرب والعراق
- تأنيث العمل الهش - مصر، الجزائر، السودان، المغرب وتونس

2020

- 2019: انتفاضات مبتورة النتائج، السودان، العراق، الجزائر ولبنان
- انتفاضات 2019: ابداع تأسيسي

2021

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- التفاوت: مكانة النساء بين "الاعتقاد" الشائع والسائد، وبين الواقع والوقائع

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- Vaccines: Between Blunt Ostentation and Shameful Injustice
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The methods adopted in managing natural resources reveal the economic choices and the social criteria dominant in the countries of our study. They also reveal the structures and policies of the existing authorities, how they run their countries, how they continue to consolidate their place in power, and the reasons for their hostility towards the principle of devolution of power, together with their desperate endeavors to remain in power!

These texts provide a survey of the wealth and the resources that actually exist in these countries, their volumes, and the revenues they generate. They address the visions that govern the policies of resource management, the approaches, the paths of the achieved profits, their fates, and their functions within the general structure of the various countries' political economy, as well as the identity of the beneficiaries and their relationships with the ruling authorities.

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