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Tunisia's old political system is dying - but economic reform is not in sight

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Three months after Kais Saied sacked the government and suspended parliament, an awkward truth has descended upon Tunisians. Repeated accusations of corruption and failed attempts to lower certain prices by fiat now pass for economic policy. The head of state has appointed Najla Bouden Romdhane to be prime minister but little in her career as a geologist suggests she has the political nous to face up to the state machinery, which is arguably more inclined to block attempts at reform. The irony is not lost on many Tunisians that another woman who is the president's chief of staff, Nadia Akasha, has more power than the new prime minister whose post has been stripped of many of its constitutional prerogatives.

Saied has tasked the new prime minister to "respond to the demands and dignity of Tunisians in all fields", a challenge that is as daunting as it is vague. A presidential decree published a week before Romdhane's appointment on 29 September 2021 gives Saied full legislative and executive power to rule by decree during an "exceptional" period with no set end date. The political system installed by the constitution of 2014 is being dismantled. The drift to a more presidential system – critics would say authoritarian rule - seems inevitable. As yet, there is no sign of an economic road map, despite the country's dire economic and financial conditions, made worse by the fallout from the Covid-19 pandemic.

In its annual report published on 6 October 2021, the central bank insisted on the need to send "clear

signals" to domestic and foreign investors who are desperate for an economic road map. Foreign sources of finance are drying up and investment in industry and services is at its lowest level since 2009. The report was handed to the president by the governor of the central bank, Marouane el Abassi, who is very much the eyes of the World Bank and the IMF in Tunis. To date, none of the warnings, be they from domestic or international actors, seem to have influenced Saied, who is quite ignorant of economic affairs and has no experience in the public or private economic sectors, let alone in managing the state machinery.

Some Tunisians are beginning to express concern at what they fear is the growing influence of the security services. An unknown number of Tunisians have been prevented from leaving the country since 26 July 2021 for unexplained reasons. Hundreds of laws have not been revised in compliance with the new constitution endorsed by the constituent assembly in 2014. The judicial system remains unreformed and is often biased in favour of the rich and well connected. The police meanwhile often treat protesters violently, especially if they come from poorer neighbourhoods. But so sick were the Tunisians of seeing their democracy die by a thousand cuts that they continued to give the president massive support. Political parties, not least the Islamist Nahda, helped block the formation of a Constitutional Court, which could have put the brakes on Saied's autocratic temptations. Those very parties fell into the trap they thought they had laid for him.



From stage one to stage three?

Many observers think Kais Saied sees himself as a saviour who can singlehandedly resurrect prosperity. Such a reading of his mind would not augur well for the restoration of democratic debate in Tunisia. Others believe he is following a carefully devised three-stage road map. The first stage was to suspend parliament and dismiss the government not for thirty days, according to the constitution, but for a year. Retired Admiral Kamel Akrouf, one of Tunisia's most senior officers and former security adviser to President Beji Caid Essebsi, had been calling for such a move since last year. In a surprise move on 25 July 2021, the president implemented the first stage of his plan and consolidated the support of the army, which is small, professional, and has senior officers trained in the US.

The second stage is to reform the political system. This includes switching to a presidential system, reducing the political role of the government, and redrafting the constituency boundaries and voting system so that constituencies can be represented, according to Kais Saied, by people who have the interests of their electors at heart, not the diktats of political parties. A former minister of justice of Ben Ali, Sadok Chaabane, who is close to the US, is actively promoting such ideas. The third stage will be reforming the economy, and the help of Mohammed Ghannouchi, who was prime minister from 1999

to 2011, is often mentioned. For now, the vast majority of Tunisians support the president because of their disgust at the corruption and constant political infighting which, in their eyes, has been paraded as a democracy since 2001. The trade union UGTT, very much part of the coalition that refused to reform Tunisia between 2011 and 2021, is increasingly unhappy with Saied. If prices continue to rise – inflation is currently at 6.2% annually – and no new jobs are created, UGTT predicts that dreams of a better future will vanish into thin air and the political mood might change.

A rescheduling of the country's foreign debt cannot be ruled out if Kais Saied and the government fail to come up with a convincing economic and financial program soon, but the sovereign debt profile does not suggest an imminent rescheduling. A rescheduling would place the IMF at risk of being demonised, all the more so because it renewed the loans it repeatedly extended to Tunisia since 2011 despite the unwillingness of successive governments to respect the Fund's conditionality. Many Tunisians interpret this behaviour as "complicity" with the ruling bureaucratic and capitalist elites whose power and ability to manipulate the system remained intact after the political changes that swept the country after 2011.

Tunisia's middle east partners such as Egypt, the UAE and Saudi Arabia remain supportive of Saied as they are happy to see Nahda, and its leader Rachid Ghannouchi cut down to size. The US government remains

supportive despite misgivings about democracy being “restored” any time soon as expressed in Congress. The IMF will no doubt do what the US asks it to do and, should the US not wish to support Tunisia financially, it can always ask its friends in the Arabian Peninsula to oblige. Algeria has also lent support to Tunisia and, where that country’s stability is concerned, Algiers and Washington are on the same wavelength.

The list of important US policymakers who have travelled to Tunisia these past three months contrasts with the absence of heavyweight French officials. The EU seems powerless to weigh in on the course of events, even more so as France appears to have no stomach to hold Kais Saied politically accountable. Three years ago, the EU ambassador, Patrice Bergamini, dared to criticise the country’s political leaders for what he saw as their wayward and corrupt governance. To the acute embarrassment of French diplomats in charge of economic affairs in Tunis, their ambassador refused to side with Mr Bergamini. When he visited Tunis on 10 September 2021, the EU High Representative on Foreign Affairs, Josep Borrell, was supportive of Kais Saied but emphatic about the need to preserve the “democratic foundations” of the country. If nothing else, the presidential decree that followed suggests these comments fell on deaf ears. The EU’s often proclaimed “normative powers” and promoting of democracy enshrined in its Neighbourhood Policy, look like so many paper tigers.

A modern guild system

The apparent absence of strategic economic thinking, which has been a feature of successive Tunisian presidents since 2011, has been compounded by the unwillingness or incapacity of successive heads of government to take stock of what Tunisia achieved since it gained independence in 1956. In the two decades before 2011, the country’s elite eagerly promoted the World Bank and Davos Forum’s promotion of their country as an economic model for Africa and the Middle East. In an unusually candid policy working paper, “All in the Family, State Capture in Tunisia”, published in 2014, the World Bank ate humble pie. The idea that the path to stronger growth and job creation would be easy once the corruption of the Ben Ali clan was rooted out was encouraged by successive prime ministers who knew it to be a lie.

Apart from some economists, few in Tunisia agreed with the conclusions of a MENA Development Report published by the World Bank in 2018, entitled “Privilege Resistant Policies in the Middle East and North Africa”. The report argued that industrial policies, in Tunisia (and elsewhere in the Arab world), were “captured by well-connected businesses that neither rewarded firms on performance nor safeguarded or promoted competition. These privileges insulated firms from domestic and international competition and subsidised their operations through

preferential and sometimes exclusive access to cheap inputs (electricity, land and so forth).” The report explained that policies pursued over decades created “artificially low costs for a larger number of firms and thus generated a larger than normal cost gap between them and other firms.”

State capture is a feature of autocratic regimes across the world. It explains why so many young Tunisians who are educated but do not hail from well-established family groups up sticks and leave the country. Capture, collusion, exclusion, discretionary treatment and anticompetitive practices in the marketplace have shaped policy for decades. Why is it that a given family holds the exclusive right to import Volvos or Renaults? Why is the system of how liquor licences are granted to restaurants so opaque? Why is it that there is still a state monopoly on the import of tea and sugar?

State capture may be an understatement as it implies unlawful collusions and corruption. The truth is that an extensive legislative apparatus lawfully gives well-connected incumbents large and unchecked regulatory powers over the economic sectors in which they operate. The “Groupement Interprofessionnel des Dattes”, an interprofessional body created by the date sector, enjoys the power to authorise or forbid exports, to set prices and quality requirements, to gate-keep access to several trades, to allocate subsidies, etc. Furthermore, the law requires that the incumbents act as administrators of some of the largest state-owned monopolies. Two of the

largest distributors of coffee, who hold more than an 80% market share are administrators of the state-owned Office du Commerce de Tunisie that monopolises the import of coffee. Well-connected commercial interests are given exorbitant regulatory power that they use to set entry barriers and coordinate prices and market share while other interests are systematically ignored and excluded.

Wheat farmers are forced to sell their produce to a public monopoly with a discount of up to 25% compared to international prices, whereas flour mills and pasta producers are subsidised at different stages of production by the same state monopoly, on whose board they sit. Far from being exceptions, these are but a few examples of what amounts to a modern guild system. Tunisia is not so much suffering from state capture as it is a pre-market guild system akin to what existed in France before the revolution of 1789.

In need of an economic revolution

Ending this state of affairs will require a revolution. Contrary to the views of many western observers, the revolt of 2011 did not usher in a political revolution. The ruling Ben Ali clan was sacrificed but the deep state, the collusion between leading economic actors and the bureaucracy remained unchanged. The huge increase in the numbers of those employed in the civil service and parastatals increased the power of an overarching bureaucracy

adding layers of incompetence, which made the lives of honest civil servants increasingly difficult and spread petty corruption like gangrene. The more authorisations you need, the more bribes will be sought. Reform, if it comes one day, will be very painful. The per capita GDP has declined from \$4,257 in 2011 to \$3,323 in 2020. The salaries of civil servants now account for 17.8% of GDP. Investment in education, health and infrastructure has vanished. Never has there been a greater need for political courage, never has clear economic thinking been more necessary.

Populist outbursts against corruption do not amount to an economic blueprint but Kais Saied is playing his cards close to his chest. The US appears to be playing a far more active role in the way in which events are unfolding in Tunisia than in the EU. When set against the deep crisis in relations between Tunisia's neighbour Algeria and France, the former colonial power is fast losing influence in the Maghreb.

Two factors help to explain why no reforms followed the revolt of 2011. The governing Islamist party Nahda, and its peers in the broader Muslim Brotherhood, lack interest in reforms that address the challenges of a modern economy. Nahda willingly inserted itself into existing patterns of state capture after it came to power in 2012. It was more interested in provoking cultural wars and questioning the status of women – one of the best in the Arab world – than addressing economic issues. Critics would argue that for Nahda a fast-growing informal economy,

where operators pay no taxes, was a blessing as it helped cover the party's murky sources of financing. Whatever accountability free and fair elections might have offered electors was destroyed by state capture of the economy and transparency of political party funding.

The second factor was the unwillingness of UGTT to help build a broad coalition of left-wing forces, distinct from the second oldest trade union movement in Africa. Like so many institutions in Tunisia, it had been hollowed out under Ben Ali's rule. It has always defended the interests of employees of the state who enjoyed the immense privilege of having stable jobs for a lifetime. UGTT has never shown much interest in those who have seasonal jobs. Trades union leaders are very much part of state capture. The consequence is that UGTT and its allies articulate neither economic, class, or regional interests. A much poorer hinterland produces most of the wheat, water, phosphates and labour that the richer, better equipped and educated coast requires.

A more presidential system is the inevitable consequence of a dysfunctional constitution and system of government that has brought Tunisia to its knees economically. The ship of state showed increasing signs of sinking last winter and the mismanaged Covid-19 crisis claimed the lives of 20,000 people. Isolating himself among a tight coterie of family and advisers, and unwilling to be guided by anything but his sense of moral rectitude is unlikely

to solve the daunting challenges that confront Tunisia today. Is he a holy fool as many Tunisians profess to believe or a tight-lipped Machiavelli? The answer will become clearer over the coming months.

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