



# EXECUTIVE SUMMARY

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This report aims to present the economic and social challenges facing Tunisians since January 14, 2011, and to discuss the nature of the contribution of the international community, in particular the European Union, to this issue.

To do this, it is essential to gain a better awareness of the real state of the political economy of Tunisia. This requires firstly a deconstruction of the Tunisian 'economic miracle' and the country's 'stability' and, secondly, an analysis of the reconfigurations of power and the socio-economic issues of the period following 14 January.

### THE FICTION OF THE BEN ALI REGIME AS A 'MODEL STUDENT'

For years, the discourse of Tunisia's financial partners, primarily the World Bank and the International Monetary Fund, but also the European Union, helped spread the image of an economic 'miracle' performed by the Tunisian government.

The discourse on the economic 'miracle' highlighted the following elements: on the one hand, the extent of growth, economic diversification and the ability to create jobs, the increase in exports, the way the country could attract foreign investment and finance, and an improvement in the living standards and well-being of the population; on the other, the ability to reform and stabilise the country in macro-economic terms, to undertake liberalisation, as well as a variety of sector-based restructurings; and finally, the decision to envisage liberalism from the point of view of managing the social question. The centrality of 'stability' in the discourse on the economic 'miracle' was a major element that the Ben Ali regime skilfully used in its relationships with other countries, especially the Europeans.

The report identifies key processes in developing the fiction of the Ben Ali regime as a 'model student'.

A first procedure consisted of being cunning in one's choice of juxtapositions, drawing comparisons that were temporally and geographically incoherent. Although the Tunisian authorities regarded their country as an emerging economy, statistical surveys chose flattering benchmarks so as to highlight the prowess of the only 'Mediterranean dragon', by referring primarily to other countries of the African continent.

A second procedure involved various shifts: surreptitious modifications in the construction of the indicator, in the modes of measurement or in the assessment of a phenomenon must ensure that one could always point to improvements. For example, in order to show that émigrés were investing in the country and that a real dynamic momentum had been set up, investments that had actually been made and projects that had simply been approved were mixed up. Similarly,

companies licensed by the investment promotion agency (IPA) were recorded as fully existing enterprises.

The systematic forgetting of past performances constituted a third procedure whereby the economic discourse was developed. It is striking to note the amnesia of power, especially when it comes to the period before 1987.

The appropriation of social phenomena constituted a fourth procedure whereby a flattering portrait of the economic and social conditions of Tunisia was constructed. Dynamics specific to the society were re-appropriated directly by government officials through a discourse linking the positive developments to the government's economic policies.

A fifth technique consisted in selecting information in such a way as to conceal any which did not send out the 'right' message. The Tunisian authorities were forever emphasising the primacy of social over economic considerations, while, at the same time, a whole arsenal of economic policies that ran counter to the much-vaunted social objectives was minimised or even concealed.

A sixth technique was to present figures that were either shown or hidden, depending on their relevance to official discourse.

A final method was to make shifts in the meaning of words. This was the case with the term 'stability', whose meaning shifted imperceptibly from political stability to institutional stability and ended up covering economic stability. Thanks to these shifts in meaning, a set of causal relations was created between the political system and the economic situation, which was in turn deemed to promote political stability or even democratization.

Tunisia was able to take advantage of 'the diplomatico-strategic instrumentalisation of aid for development', whose main objective was now less to 'develop' than to 'stabilise'.

In all countries that receive aid and wish to attract external financing, official discourses aim at concealing a much more complex and problematic social reality. There is nothing specific about Tunisia in this regard, apart from the fact that the banning of all debate, including on economics, has prevented there from being any development of critiques of official rhetoric, any expression of discontent, and any alternative discourse.



## AN ALARMING SOCIO-ECONOMIC SITUATION

The social unrest of 2010 and 2011 brought into the open the economic and social difficulties, the inequalities, and the cracks in the Tunisian economic model. The most significant of these focused on unemployment and exclusion (especially among young people), on the gap between regions, on the loss of job security, on corruption and the growing interventionism of those in power in the economy.

Two decades of 'miracle' have certainly resulted in compliance with these balances and in good 'fundamentals', but at the cost of exponential unemployment and growing inequalities, particularly as regards access to employment and public services.

At present, it is still impossible to form any real estimate of unemployment and under-employment in Tunisia. However, more alarming figures were published after 14 January: the unemployment rate among young people from 18 to 29 almost rose to 30% in 2009, and soared to 45% in the case of higher education graduates, while the figures made public at the time claimed a figure of 22.5% for unemployed graduates.

Each year about 140,000 people enter the labour market as against just 60,000 to 65,000 jobs being created, mainly localised in Greater Tunis and on the coastal regions.

The poverty rate - previously estimated at 3.8% - has now been reassessed at 10% at the national level. If the same rate applies to the gap between regions, it is likely that the Centre-West is experiencing a poverty level close to 30%.

Entire regions are without hospitals worthy of the name, because of under-equipment. People are thus forced to travel and spend resources that, for the most part, they do not possess. This is particularly true of the Centre West, the region of Kasserine and Thala, but also of Gafsa. Secondly, healthcare is no longer free, and the poorest simply no longer have the money to afford it.

The distribution of the business fabric between regions is very uneven and the discourse on the miracle has concealed the structural incapacity of the economy to create jobs in a context of spreading education among the masses and demographic pressure, and consequently the production of 'supernumeraries'.

The Tunisian model of development does in fact condemn those entering the jobs market to long periods of waiting and actually forces them into an economy of making do, the only opportunity for them to come up with the material resources for subsistence, or else encourages them to turn to emigration.

Finally, the discourse on the miracle has avoided the issue of corruption and predatory practices among the clans and their surreptitious practices of protectionism, going quite against their declared liberalism.

## THE LACK OF DEBATE ON THE BROAD LINES OF ECONOMIC AND SOCIAL POLICIES IN TUNISIA

The departure of Ben Ali and the broken silence might imaginably have enabled a debate on the 'economic miracle' to begin. However, the first interpretations of the situation and the first measures taken at Tunisian government level reveal inertia and conservatism in the economic and social spheres.

The transitional government seems to want to remain in the path previously followed, a path that has the advantage, firstly, of respecting the major macroeconomic balances and the norms defined by the major funding partners and, secondly, of not upsetting the balance of power within the political economy of Tunisia. For the different political parties as for the government, economic and social considerations are set out hazily, with general statements but without any analysis of the origin of this situation, systematic critiques of past options, or concrete proposals to address socio-economic demands in depth.

The issue of economic and social rights (especially in terms of the right to work, to 'fair' and 'favourable' working conditions, and the right to social security) appears to be secondary in the strategy documents of the Tunisian authorities.

Thus the economic and social dimension of the movement that produced the revolution is marginalized.

Faced with widespread unemployment, the government has taken a number of measures, starting with the recruitment of 20,000 people into the civil service and the integration of 200,000 young people in moves presented as mechanisms for an active employment policy. However, on closer inspection, nothing really new has actually been implemented.

The 'active employment policy' is close to previous policies that did not consist in really creating employment but in challenging the guaranteed employment enjoyed by some. Such policies erode workers' rights to the extent that priority is being given to improving competitiveness by more flexible employment and a lowering of the comparative cost of labour.

Aid to needy families and job seekers is still pathetic and does not in the slightest alter the situation of these populations; it remains mainly defined by the old paradigm of conditioning, control and waiting, unable to play a part in any recovery. The same is true of aid to firms deemed to favour hiring.

The Tunisian authorities have promised vague 'budget allocations' to 'locally activate the mechanisms of employment and social welfare' and have given themselves two extra months to proceed to a 'significant reallocation of spending on priority zones and regions in the light of the demands expressed by the regions'.



In public debate, the analysis of corruption is limited to clan participation in projects and domestic and foreign investment and to the products of these predatory activities, to the funds transferred abroad and committed to financial or property investments. This focus on clan predation prevents anyone from raising and discussing the problems of the Tunisian economy, the patronage system developed around the RCD (Rassemblement Constitutionnel Démocratique – Constitutional Democratic Rally) and the UGTT (Union Générale Tunisienne du Travail - General Union of Tunisian Workers), and the state of justice.

In fact, there is no questioning of the political economy of Tunisia, or of the arrangements that lay behind the formation of a 'credit bourgeoisie', the extent of tax evasion, the illicit enrichment and the abuse or even repression in the world of work and wages.

The question of justice is also rarely discussed, even though the political instrumentalization of the world of judges, lawyers and more generally of all professions involved in the legal world has been fundamental in the exercise of domination.

Finally, the fact that emigration is a central element in managing the supernumerary population and the blockages in the Tunisian economic model is still ignored.

## A LACK OF SELF-CRITICISM AT THE EUROPEAN LEVEL IN THE MATTER OF ECONOMIC AND SOCIAL POLICIES

Contrary to the economic and social realities of the country, which the social unrest has laid bare, the very positive and optimistic diagnosis drawn up over many years has been generally shared by experts and officials of the European Union. Thus, in the National Indicative Program 2011-2013, we read that 'the economic and social policies of the Tunisian State have achieved positive results in the social sphere,' and the same applies to the economic assessment of the country. Other documents also highlight the gradual reduction in the unemployment rate, based on official Tunisian figures.

Partnership and the European Neighbourhood Policy reflect a very liberal ideology: this is evidenced by the centrality, in the institutional set-up, of the free trade zones between each partner in the South and the European Union, the adoption of structural adjustment programs and more generally the support for the processes of economic liberalization, and the primacy of economic and commercial logics over social logics and development logics. This is also clear from the distribution of European funds that primarily go into these economic programs: industrial upgrading and more generally support for development and competitiveness, improving the employability of workers, and economic reforms aimed at harmonization with European standards.

The strategy of intervening primarily in the form of budgetary support, following the reforms set out by the states in collaboration with the Bretton Woods institutions and controlling this aid by relatively loose indicators, means leaving a lot of room for manoeuvre to the Tunisian authorities and thereby guiding European aid according to the political logics of the regimes in power.

By giving primacy to management, community institutions have given support, de facto, to authoritarian regimes. Tunisia has been the classic example, given its status as an economic model student: since the government can negotiate, projects go ahead properly in terms of deadlines and administrative management, and macroeconomic results are better than in other countries in the region, payments have followed at the pace of this positive feedback, without any real account being taken of the political dimension, however theoretically present it may be in the Partnership.

Independent of any economic and social performance, Tunisia has, in fact, been an excellent risk, since it always pays back (on time, too), has never defaulted on a payment, manages its debt sensibly, and has an efficient bureaucracy when it comes to the administration of international relations. Furthermore, the geopolitical factor has played in its favour, since the country is 'squashed' between 'violent Algeria' and 'unpredictable Libya', straddling the zone of 'Africa' and the zone of 'the Maghreb-Middle-East' or the 'developing' and 'emergent countries'.

After January 14, the situation on the European side started to look more uncertain. The desire for change, demonstrated by overt support for the process of democratic transition, has been stated by all European authorities and reflects a determination to turn the page of unconditional support for authoritarian regimes.

On 14 April, Catherine Ashton, the High Representative of the European Union, announced a financial commitment on the part of Europe to providing Tunisia with 258 million euros between now and 2013, with 17 million being released 'immediately' and the growing involvement of the EIB, with the result that the rate of aid to Tunisia is increasing significantly. On 31 March, Stefan Füle, the Commissioner for Enlargement and European Neighbourhood Policy, promised to double the financial aid provided by the European Commission, with the particular aim of reinforcing civil society, promoting the development of underprivileged regions, and developing micro-credit. The status of advanced partner should be granted 'once the country has established the rule of law and a democratic system that respects human rights', which should make it possible to lure in European investors, modernise the Tunisian administration and thereby increase the competitiveness and the economic advantages of Tunisia. Negotiations on free trade agreements should also be speeded up.

This haste to make promises and define priorities, even though no assessment has been made of the strategies pursued hitherto, demonstrates a certain confusion among European institutions when confronted with the new situation. More worryingly, it seems that there is a drift to a mere continuation of the policies already being pursued, with a few day-by-day adjustments to cope with future eventualities; and that many of the announcements presented as support for the 'new Tunisia' are in actual fact the (new) presentation of previous commitments already ratified.

90% of funds available to the European Commission pass through bilateral cooperation, through projects and support for public policy enshrined in the National Indicative Programs (NIPs). These programs take an extremely long time to set up, requiring at least a year or a year and a



half between conceptualization and the first pay-out. In the present context, the NIP will not be questioned and there is no possibility for the Europeans of starting from scratch.

In a vision that separates economic and social rights from civil and political rights, there is no in-depth critique of the overall direction of public policies supported in Tunisia, no self-criticism, particularly at the operational level.

On the European side, politics and economics continue to be dealt separately reckoning that *'fine work has been done in the economic sphere'* but that *'problems lay mainly in governance, human rights and justice.'* The business climate, improving conditions of employability, improving the regulatory framework, and deepening liberalization are still on the agenda, as is emphasized by the European experts directly involved in the conceptualization of cooperation: *'the major structural reforms that enable the framework for development to be built are still the same'*.