Nobel Prize for civil society – an Arab country on the rocky road to democracy:

A fact check for Tunisia

A fitting decision, and yet, it remains a surprising one; by awarding the Nobel Peace Prize to the Tunisian National Dialogue Quartet in December 2015, the Nobel Committee honored the four main driving forces in Tunisian civil society: the employers’ association UTICA, the trade union federation UGTT, the Tunisian Human Rights League and the Tunisian Order of Lawyers. First of all, in 2013 and 2014, they succeeded in preventing Tunisia from sliding into political chaos, following the murder of two politicians. Secondly, the quartet has succeeded in bringing secular and Islamist parties to a consensus, resulting in a constitution which is a model for the Arab world and has made democratic parliamentary and presidential elections possible.

Then why the surprise? Because Europeans have become accustomed to a view of the Arab world overshadowed by chaos, flight and civil war, losing sight of beacons of democracy such as Tunisia. Of course, it is true that the country is facing immense challenges: perhaps before, but certainly since the attacks on tourists in March and June as well as the presidential guard in November, there has been a growing tension between the need to consolidate democracy and the need to guarantee security in a state in the process of transition. There is a lack of jobs and training – in particular for young Tunisians – and the country has absorbed hundreds of thousands of refugees from civil war in Libya, as well as migrants from West Africa.

Tunisia’s government has recognized that they have to meet these challenges by making comprehensive socioeconomic and security policy reforms. In order to achieve a broad consensus across society for such reforms, the government and parliament should launch a social dialogue involving key players in civil society, such as unions and employer associations.

The EU and its partners have provided Tunisia with the right kind of appropriate and comprehensive support. That said, so that Tunisia can implement coherent socioeconomic and security sector reforms, support needs to be better coordinated and the country assisted with implementing those reforms. After all, it is in Europe’s own interest to have countries in her neighborhood which guarantee their citizens’ political and economic rights and are eager to cooperate with the EU, its economy and civil society. Such factors will also encourage citizens of these countries to work together to build a future for their own.

Democratization

In both the parliamentary and presidential elections at the end of 2014, the secular coalition Nidaa Tounes garnered the majority of the vote. This meant that they won a relative majority of seats in parliament and appointed their founding chairman, Beji Caid Essebsi, as president. This party includes members of the elite under the old regime and along with the moderate Islamists, Ennahda, dominates Tunisia’s political landscape.
Although in the run-up to the election, Nidaa Tounes in particular – with its hardline rhetoric – fueled tensions along the secular-Islamist fault line, economic liberalism in both main parties offered a basis on which the politically independent prime minister Habib Essid could also appoint Ennahda members to his cabinet.

In fact, in autumn 2015, the relationships between the coalition parties are placing less strain on the political situation in Tunisia than the cracks which are opening up within the parties. The senior coalition partner Nidaa Tounes is at risk of a split with the left wing led by secretary general Mohsen Marzouk (31 members of parliament). He has accused Hafez Caid Essebsi (55 members of parliament), son of the reigning president, of having ambitions to take over party leadership, so as to found a dynasty. Whether the two wings of the party can reach agreement, or whether there is a risk of a permanent split remains to be seen; the same is true of how far this will impact upon the ability of the grand coalition, under prime minister Habib Essid, to govern the country. What is clear, however, is that the balance of power in parliament would shift in Ennahda’s favor.

This party political wrangling is in contrast to fundamentally positive developments in democratization in Tunisia. In free and fair parliamentary elections in 2014, women won some 31% of the seats, meaning that the proportion of women in the Tunisian parliament is actually higher than the OECD average, although women only rarely led party lists. Furthermore, the government aims to increase opportunities for citizen participation next year. Municipal elections are to be held for the first time, in what has traditionally been a heavily centralized political system. Turnout in the elections which have taken place has been high in regional terms. Up to 70% of those entitled to vote did so. That said, the level of participation varies a great deal according to age and geography. Turnout among Tunisia’s youth has been over-proportionally low in particular. They do not consider that the established elites dominating the decision-making process represent them.

One considerable challenge is how the new democratic institutions are able to cooperate with each other. The president and prime minister have to strike a balance of power, in keeping with the constitution. So far, Essebsi has demanded that the president should have a dominant role. Unless both sides can accommodate each other in a practical way, there is a risk that this will lead to the institutional arrangement of cohabitation familiar in France, whereby president and prime minister block each other if they are from different political parties.

Cooperation between institutions and between various political forces has to somehow be maintained despite the conflicting efforts towards democratization and the need to ensure security. Only recently has the Tunisian parliament passed an anti-terror law which enjoyed broad support and should enable the authorities to identify terrorists earlier and break up their organizations more effectively. However, human rights organizations both at home and abroad consider this law to be undemocratic and draconian, as it is based on a vague definition of terrorism and includes the death penalty as an option. Another highly divisive issue is the way crimes committed during Ben Ali’s dictatorship are being dealt with. Under the so-called “Reconciliation Act”, civil servants and companies who embezzled funds prior to the revolution are granted immunity if they voluntarily pay the money back. The majority of Tunisia’s civil society are critical of the draft law and organized a demonstration in Tunis in September 2015. In October, it was announced that parliament would consider this draft law later: at the beginning of 2016.

**Economic development**

Little has changed with respect to Tunisia’s economic structure. In particular, there are great disparities in terms of economic output
between the Tunisian Sahel, a coastal strip in the north-east of the country, and the interior. At present, the growth rate for the entire country is around 2%, but a growth rate of 5-6% would be needed in order to create enough jobs – in particular for graduates. At 31%, unemployment among this group is more than twice the national average. Also, women are only half as likely as men to have a job. The security situation in Tunisia - and even more so in neighboring Libya - is having a negative impact on foreign direct investment in particular. In 2014, the proportion of GDP represented by FDI shrunk by around 22% in terms of pre-revolution levels. Further reasons for economic problems are weak growth in demand in EU countries, and declines in tourism and the phosphate industry.

The Tunisian state is missing out on considerable amounts of income. One issue is that not all large companies pay tax, or they do so only to a very limited extent. Another is that according to estimates, around 40% of the workforce is part of the informal economy. In the economically disadvantaged border areas in particular, the local population earns money from cross-border smuggling with Algeria and Libya.

If Tunisia wishes to change this economic reality, there are still a number of obstacles to overcome. Around half of the formal economy is dominated by state-owned companies and is either shielded from open competition, or protected from potential competitors by high entry barriers. A narrow upper class creams off these monopolistic profits and a cumbersome bureaucracy provides manifold opportunities for corruption and favoritism. Small and medium-sized companies, which are important for creating new jobs, complain of restrictive practices in granting loans in both the private banking sector and at state-owned banks. In conjunction with the security situation, it is the inflexible bureaucracy in particular which presents an obstacle for foreign exporters. These were the findings of a survey by the German-Tunisian Chamber of Industry and Commerce of 99 German exporters and companies with equity investments in Tunisia in 2014-2015.

However, there are also some positive signals. Two thirds of companies surveyed said that they were satisfied with their financial year and more than half recorded an increase in revenue. Furthermore, with a new 5-year plan, Tunisia’s government has drawn up a large number of reform objectives to tackle the critical issues: state administration should be modernized, the banking sector restructured, legislation governing investments simplified and vocational training brought into line with business practice. The last point in particular tackles the issue that Tunisia’s higher education institutions have not sufficiently adapted the courses they offer to labor market needs. Furthermore, blanket energy and food subsidies are soon to be rolled back in favor of targeted welfare programs. A new policy for promoting public private partnerships (PPPs) is also intended to relieve the burden on the state budget in the medium term. The EU and its member states need to ensure that the Tunisian state has the necessary capacities and resources to actually implement reforms and maintain progress.

This is also of interest from the EU’s point of view because the European Commission and Tunisia began negotiations on a Deep and Comprehensive Free Trade Area (DCFTA) in October 2015. A free trade agreement of this kind would go far beyond the agreement struck between the EU and Tunisia in 1995. The existing association agreement most importantly led to the gradual reduction of custom duties on industrial products, which was completed in 2008. Now, there are also discussions going on for comprehensive trade liberalization in the services and agricultural sectors (which make up 63% and 9% of Tunisian GDP respectively). However, the main focus of the negotiations for a DCFTA is the harmonization of Tunisian standards with
European ones, in order to reduce non-tariff trade barriers.

Tunisia’s economy, which already exports up to 66% of its goods (figure for 2014) to the EU is confident that it has identified a number of gaps in the European market. Alternative energy, organic produce, medical tourism and a greater role as a supplier to the European automotive and aerospace industries should guarantee future growth. Despite inflexible bureaucracy and security concerns, Tunisia remains a relatively attractive location for European businesses. This is because of its proximity to Europe, low production costs, tax advantages and – in regional terms – well-trained workers.

The free trade agreement also represented a further significant step for the EU towards its explicitly stated objective of spreading the entire body of EU law (the *aquis communautaire*) beyond the EU’s borders. That said, the costs to Tunisia of harmonization should not be underestimated. For this reason, the EU should allow Tunisia to reach an asymmetrical agreement, with rights and responsibilities balanced in its favor while it is undergoing transition. That could mean for example that the country is granted more time to bring its legislation into line and that technical and financial support is provided.

While the DCFTA is being concluded, it is important to ensure that the harmonization process remains socially sustainable, among other reasons, because Tunisia’s largest association of unions, UGTT is already battling with the employers’ association UTICA and the government over the type and scope of economic and social policy reform. This is particularly clear from the fact that the number of working days lost to strikes has doubled in 2015, in comparison with last year. UTICA and the government criticize the unwillingness of the UGTT to compromise, as they see it, and warn that strikes may reduce the willingness of foreign companies to invest in Tunisia. By contrast, the UGTT is of the opinion that companies’ and the government’s priority should be to fight corruption and tax evasion. Salaries and wages need to increase across the board and welfare payments at least need to be maintained at their present level.

This means that Tunisia needs a social dialogue that involves not only the UGTT, UTICA and the government, but also the parliamentary committees which are responsible for economic development and social issues. There is no greater proof that Tunisia’s political and civil society institutions are capable of striking compromises and reaching a consensus than the award of the Nobel Peace Prize to the Tunisian National Dialogue Quartet.

**Internal and external security**

In order to successfully drive forward democratization and socioeconomic reforms, Tunisia needs security. This is being undermined above all by religious extremists, who have exploited the state’s initial weaknesses and the new democratic freedoms.

Violent Salafists have been organizing under the banner of “Ansar al-Sharia” Tunisia (AST) since 2011. The leaders of this movement have initially favored a two-track strategy. In Syria and Iraq, Tunisians are to struggle against the Shiite-dominated government through Jihad – understood as violent struggle – while Tunisia itself is to be conquered through non-violent, religious propaganda (*da’wa*). The government first sought to prevent further radicalization of Salafists by legalizing previously banned political parties. In this way, it was hoped to draw them into the transformation process.

However, during 2012 and 2013, levels of religiously motivated violence rose sharply. After the political murder of politicians, believed to have been carried out by Salafists, AST was banned in August 2013. After prime minister Mehdi Jomaâ and his technocratic cabinet took over (January 2014 to February 2015), the security forces succeeded in extending this ban until summer 2014,
breaking up all known structures and posting more police in areas where social strife was likely to arise.

However, they were not able to prevent some AST supporters from disappearing or moving to the border regions or to neighboring Libya. Once there, the majority of them joined al-Qaeda in the Islamic Maghreb (AQIM) or Islamic State (IS). AST supporters had already been fostering links with both organizations. The risk religiously motivated terrorists will continue to pose for democratization is clear from the attacks on the Bardo Museum in Tunis in March, on the beach at Sousse in June and the presidential guard in November 2015: these attacks have shaken the confidence of citizens in democracy and its potential to improve their lives; they have also led to a drop in tourism and a hardline response from the state, which is often at odds with free and democratic standards.

In the border regions, religious extremists are causing a long-term problem to escalate. For decades now, cross-border smuggling has been part of daily life for people living in the economically, politically and socially marginalized areas in the west and south-east of the country. It is estimated that smuggling – given the lack of other opportunities – and trade in particular helps some 10,000 people to make a living. However, jihadists are increasingly infiltrating or squeezing out the established smuggling cartels. They are moving drugs, firearms and people into the country illegally, in the border areas with both Algeria and Libya. What is more, these people include fighters and returnees from countries where civil wars are raging such as Syria and Iraq who have been trained in Ansar al-Sharia or IS camps. Particularly in the Chaambi mountains on the border to Algeria, Tunisian forces clash with jihadists from Uqbah Ibn Nafi, the Tunisian brigade of AQIM, on an almost weekly basis.

This creates a dilemma for the Tunisian government. If they use the army to try to prevent smuggling, the locals will suffer a loss of income. If they leave the cartels be, the security of the country is at risk. After the recent attacks on the presidential guard, the Tunisian government seems to prioritize the first option: it imposed a curfew, closed down the border to Libya and continues working on erecting a fence which is going to stretch along most of the Tunisian-Libyan border. Some experts on the Middle East are calling for the Tunisian government to legalize the smuggling instead, so as to regain control over the flow of goods. In any event, given its size and equipment, the Tunisian army is not in a position to guard all sections of the fence.

In order to deal with the problem of Terrorism as a whole, Tunisia needs a national security strategy which reconciles security, democracy and development needs, as well as a functioning interior ministry, which is capable of implementing this strategy.

**External support**

As the most successful country undergoing transition following the Arab Spring, Tunisia has received a great deal of support from abroad. In this respect, the country has benefited from the fact that it has a high absorption capacity in comparison with the rest of the region, meaning it can invest significant sums in accordance with the agreed reform objectives. In terms of amounts actually paid, Germany was the fourth most important donor in 2012/13 after EU institutions, France and the Arab League.

Germany is supporting Tunisia through a transformation partnership, which is overseen by the Foreign Office and implemented by the Federal Ministry for Economic Development and Cooperation and their respective partner institutions. As part of this transformation partnership, projects are supported in the areas of democratization, rule of law, decentralization and vocational training. Some €110 million was made available for these purposes in 2012/13, through extra funding
and by restructuring Tunisia’s debt. So far in the new budgetary period for 2014–17, it is expected that 110 projects worth €27 million will be implemented. The Federal Ministry for International Cooperation and Development is focusing on rural development and job creation. For these purposes, funds of €150 million were approved in 2013 and 2014. Additionally, since 2014 Tunisia has benefited from the Ministry of Cooperation and Development’s special initiative “Stability and Development in North Africa and the Middle East”. For example in Tunisia, as part of this initiative, investments are made in cooperatives made up of small farmers, companies are advised on the processing and marketing of agricultural products and support is provided for SMEs working together in the agricultural sector.

The EU’s support is intended to create inclusive growth, improve Tunisia’s competitiveness, strengthen democracy and civil society, and promote sustainable development at regional and local levels. The EU’s main financial instrument for this task is the European Neighborhood and Partnership Instrument (ENPI). From 2011 to 2013, the EU made €450 million available via this budget line, thus doubling the amount of money allocated to Tunisia. In the new budgetary period from 2014–2020, further funds of up to €886 million could be made available. These sums are allocated to medium-term action plans, but the EU also provided immediate help from 2011 to 2013 to soften the direct financial impact of the transition process. Via the SPRING Program (Support to Partnership, Reform and Inclusive Growth), Tunisia has received €155 million. Besides this, double-figure millions of euro have been paid from funds of funds, sums which are tied to reforms. As part of the “Deauville Partnership”, the G7, other donor countries and international financial institutions are also working to support the transition process in several Arab countries. In Tunisia, they are financing 13 projects with a total volume of $37 million.

Besides direct payments and those allocated to projects, Tunisia also has access to special credit lines. The KfW development bank and the European Investment Bank (EIB) promote SMEs in particular, which are important for job creation, but in Tunisia find it difficult to get access to credit. The International Monetary Fund has reached a stand-by arrangement (SBA) with Tunisia. Under this arrangement, credit tranches are released in step with progress on reforms agreed with the Tunisian government. Since signing this agreement, around $1.4 billion out of a maximum of $1.7 billion has been loaned under it.

Due to the fact that the first post-Arab Spring governments were in power for such a short period, they did not succeed in putting forward a comprehensive program of reforms. This meant that initially, guidance was provided to the various cabinets by the measures agreed with donor countries and international financial institutions. The present Essid government is now facing up to the challenge of crafting the many, various reform objectives into a coherent program.

Tunisia should not be left to negotiate this path alone. For one thing, this means that help which has already been promised should not be withdrawn. In this respect, escrow accounts and funds could represent a useful approach. These guarantee that the funds promised are actually made available, but at the same time they are only paid out if the promised reforms are implemented.

For another, Tunisia should be helped to implement reforms. In particular with respect to democratic consolidation, the country needs technical support and help with capacity. This concerns the parliament, the courts, political parties, civil society and constitutional bodies (electoral commissions, media authorities) and last but not least, security forces. As part of security sector reforms (SSRs), European authorities could share investigative techniques with Tunisian officers – techniques which are in keeping with free and democratic
standards – as well as providing equipment and training in how to use it. In order to be able to implement far-reaching socioeconomic reforms, the capabilities of the state administration have to be considerably improved across the board; regional differences need to be addressed, and tendencies towards corruption and nepotism drastically reduced.

**Flight and migration**

The issue of flight and migration is three-dimensional. Tunisia is a destination for Libyan refugees and West African migrants, large numbers of Tunisians want for their part to emigrate to Europe, and an over-proportional number of young people join the terror militia al-Nusra and IS in Syria and Iraq.

Due to a convention dating back to 1973, Libyan refugees can enter Tunisia without a visa and in theory work there too. According to estimates, since the outbreak of armed conflict between the two rival governments, around 1 million people have left Libya and sought refuge in Tunisia. This means that Libyans make up roughly 10% of the total population in Tunisia. This presents Tunisia with a twofold challenge. One of these is that Libyan refugees’ impact in economic terms is a double-edged sword. On average, they have a high level of purchasing power, which stimulates the economy, but in some places has caused increases in the price of food and accommodation. This makes a difficult situation even worse for unemployed and poor Tunisians.

Secondly, the many Libyan refugees could become contentious in the debate over national identity. With the Arab Spring of 2011, the various groups in Tunisian society began to renegotiate what Tunisian identity consists of and on what historical foundations it should rest. In this regard, the 2014 constitution reflects the consensus achieved so far between the various parties. The process of negotiating this, however, has not yet been completed, which is illustrated in particular by the vague wording in some parts of the constitution – in particular with respect to the relationship between religion and the state. Should the majority of the Libyan refugees remain in Tunisia permanently, Tunisian society will also have to address the question of how far these Libyans should be allowed to have a say in fundamental questions about national identity.

Furthermore, with the outbreak of armed conflict in Libya, the majority of Tunisians working there returned home. Remittances from these workers had been worth around 0.6% of GDP. In turn, immigrants from French-speaking Africa come to Tunisia to study or to work in the low-wage sector. Tunisia’s unemployed graduates mostly refuse these jobs as they would do almost nothing, or very little, to improve their socioeconomic situation.

This is why graduates make up one group in Tunisia who want to leave for Europe. In the meantime, only a few of them are still choosing illegal entry across the Mediterranean. Short-term stays in the EU should be made easier in the future, because a mobility partnership signed between Tunisia and 10 EU member states (including Germany) in spring 2014 includes negotiations over ways to facilitate applications for Schengen Visas. In return, Tunisia has to commit to combating illegal migration effectively, including the ratification of a readmission agreement. Additionally, as part of the Erasmus Mundus and Tempus Program, academics can apply for visas and grants in order to stay in the EU to study or carry out research.

That said, visa agreements will not change the situation for Tunisians who wish to stay and work in the EU over the long term. One arrangement they may be able to benefit from is the German-Tunisian Mobility Pact. This program has been set up for 2014-2016 and is being implemented by the German Society for International Cooperation (GIZ); this program informs skilled Tunisians about working and living in Germany, provides language courses and places on work experience schemes,
advises the Tunisian employment office and is supposed to inform German business about the availability of skilled Tunisian workers.

But could the emigration of Tunisian academics and skilled workers lead to a brain drain? A study by the Bertelsmann Stiftung published in August 2015 reached the conclusion that Tunisia can to a great extent be viewed as a country for which sustainable migration is possible. Although highly qualified citizens are leaving, generally speaking Tunisia itself, the destination country and the migrants themselves all benefit. In the engineering and health sectors, Tunisia’s labor market cannot create enough jobs to absorb the skilled workers available and nor is it expected to be able to do so in the future. In addition to this, the Tunisian employment service has some solid competence in the area of labor migration and has struck many bilateral agreements on the issue, like that with Germany.

While many young, highly qualified Tunisians set off for Europe in the hope of a better economic future, young, radicalized Tunisians, and especially those without any prospects, are turning to armed conflict. It is estimated that around 3,000 Tunisians are fighting in the civil wars in Syria and Iraq. This means that Tunisians make up one of the largest contingents of foreign fighters. According to the Tunisian authorities’ own figures, a further 9,000 have been stopped trying to leave the country for Syria or Iraq. The vast majority of Tunisians who have made it across the border have either joined the al-Nusra Front, which is allied with al-Qaeda, or joined their rivals, IS. The reasons why recruitment levels are so over-proportionally high in this small country undergoing transition are several.

Firstly, during the 1990s and the first decade of the new millennium, moderate Tunisian Islamism was the object of persecution and repression by the regime. Given the lack of Islamic authority at home, those young Tunisians who were open to Islamist ideas grew up with the significantly more radical neo-fundamentalism fostered by al-Qaeda and others. The spread of this ideology was also spurred on by the sharp drop in the price of satellite television and later, by the Internet, which enabled radical preachers to circumvent state repression.

Secondly, in the course of the general amnesty for political prisoners in 2011, hundreds of extremists were freed. Among them were experienced and well-connected jihadists, such as Abu Iyadh, who had fought alongside Osama bin Laden in Afghanistan, before being arrested in Turkey and extradited to Tunisia. Once he was set free, he took advantage of the new leeway under the consolidating democracy and founded AST, which was able to recruit approximately 10,000 members within two years.

Thirdly, many young people are disillusioned with the way the revolution has turned out. In their view, the political elite who have taken over power have not met their demands for redistribution, new job opportunities and greater participation in society. By contrast, organizations like AST offer young people a quick route to positions with influence and prestige. AST’s initial two-pronged strategy – religious propaganda in Tunisia, Jihad abroad – is a further reason why a majority of particularly radicalized, violent youths have left for Syria and Iraq instead of staying in Tunisia.

All-in-all, the core challenges in the transformation process are Tunisia’s internal and external security, high youth unemployment and the need for economic reforms, including effective measures against corruption, as well as the stabilization of democratic institutions. It is on these issues that the international community has to continue to support Tunisia, in a coordinated manner. Because the brighter Tunisia shines as a beacon of economic strength and democracy in the region, the more likely it is that other Arab states will decide to follow in the footsteps of the Tunisian model for development.
Further reading:
Bertelsmann Stiftung strategy paper on Tunisia’s transformation

Tunisia country reports for the Bertelsmann Transformation Index (BTI) 2016
https://www.bertelsmann-stiftung.de/index.php?id=22&no_cache=1&tx_rsmbstpublications_pi2%5bitemuid%5d=4558

Bertelsmann Stiftung study on sustainable migration of skilled workers from developing and emerging countries

Bertelsmann Stiftung strategy paper with reform proposals for the new European Neighborhood Policy (ENP)
http://www.bertelsmann-stiftung.de/de/publikationen/publikation/did/the-eu-neighbourhood-in-shambles/

Survey by the German-Tunisian Chamber of Industry and Commerce of 99 German companies and companies with capital investments in Tunisia

Bertelsmann-Stiftung Spotlight, presenting various pathways to development in Europe’s Arab neighborhood

Contacts:
Christian-Peter Hanelt, Midde East expert
Tel.: ++49 – 5241 81 81 187
christian.hanelt@bertelsmann-stiftung.de

Dr. Hauke Hartmann, transition expert
Tel.: ++49 – 5241 81 81 389
hauke.hartmann@bertelsmann-stiftung.de