

Tunisia's transformation –
Cooperating with the neighbours:
Europe, North Africa and the GCC

July 2015

Strategy paper

Contents

How can the European Neighbourhood Policy make a positive contribution to the consolidation of democracy and to economic development in Tunisia and North Africa?	4
Thèses concernant l'influence positive de la politique européenne de voisinage sur la consolidation de la démocratie et du développement économique en Tunisie et en Afrique du Nord.....	6
Key Conclusions Arabic version : مقترحات للتأثير الايجابي لسياسة الجوار الأوروبية على دمج الديمقراطية مع التطور الاقتصادي في تونس وشمال أفريقيا.....	8
Introduction: Tunisia, a democratic partner of the EU	10
How to reform the European Neighbourhood Policy for North Africa?	12
Improved integration of North African civil society	13
Working together with the business community and the unions	14
Streamlined ENP decision-making processes and stronger coordination	14
Making it easier to combine the ENP with other EU initiatives. Cooperation among partner countries.....	14
Enhanced combination of the ENP with an upgraded Common Foreign and Security Policy (CFSP).....	14
Common policies on humanitarian issues and refugees	15
Bearing in mind the interests of our neighbours' neighbours	15
Tunisia: The ENP can support democracy and make better use of human resources and the potential for growth	16
Consolidation of democracy under the rule of law in Tunisia.....	16
Support for new constitutional institutions.....	16
Strengths and weaknesses of the political parties	17
Progress and deficits in the areas of justice and human rights.....	17
Civil society, a stabilizing factor in the transformation process	17
Unavoidable cooperation in the area of security	18
Implementation of decentralization.....	18
How the ENP can consolidate democracy under the rule of law in Tunisia.....	18
Enhancing the potential for growth and attracting investment.....	20
Managing human resources and using them more effectively	23
Annex: Results of the most recent survey (spring 2015) of the German-Tunisian Chamber of Trade and Commerce among German Companies in Tunisia (summary)	25

How can the European Neighbourhood Policy make a positive contribution to the consolidation of democracy and to economic development in Tunisia and North Africa?¹

Key conclusions

Tunisia is a democratic partner of the EU in Europe's immediate southern neighbourhood. The societal and political developments in the country since 2011 have formed an encouraging exception in North Africa and the Arab world. In 2014, the country adopted a new constitution, and free and fair parliamentary and presidential elections took place. Since 5 February 2015, Tunisia has had a democratic government. Tunisia's export-oriented economy possesses an industrial base, infrastructure and a demographic segmentation which, when compared with other countries in the region, can lead to more growth and employment opportunities.

Given this potential and the various actors in the country who, wishing to introduce comprehensive reforms, are asking the EU for support and assistance, Tunisia, as far as European experts are concerned, provides numerous insights into how the European Neighbourhood Policy (ENP) can underpin reform in a partner country in a positive and effective manner. But Tunisia is also a good object lesson in the region because the EU, on the basis of the ENP framework, provided assistance in the recent past for the transformation of the country to a democracy, the rule of law and a social market economy. On the whole, this assistance has been substantial, flexible, and appropriate. However, there is room for improvement in these areas.

The ENP is clearly off to a good start in Tunisia, but the country needs more assistance when it comes to democratic consolidation. First and foremost this includes technical support for the newly elected parliament, for the other constitutional bodies, and for the political parties. In the area of justice and human rights it is important to incorporate the new constitutional standards into the legal code. All in all, the ENP should make greater use of the engagement and the specialist knowledge of civil society partners.

The recent terrorist attacks are tragic reminders that the ENP should focus even more on the issue of security. The ENP should expand its tools for dealing with political, civil-society, social and economic transformation to include the policy area of security. The goal should be to interlock the ENP with the options available to the Common Foreign and Security Policy (CFSP). However, the issue of security should not be upgraded at the expense of the respect for human rights.

In order to create dynamic growth and dynamic employment opportunities in the Tunisian economy and to attract foreign investment, the ENP, over and above the projects which have already got off the ground, should assist the new government to improve the framework conditions in various sectors of the economy (e.g. textiles, electronics, tourism), to make targeted investments in infrastructure and education, and to support new sectors. Further technical support and capacity-building on the part of the ENP are needed in order to modernize economically relevant areas of the bureaucracy such as customs formalities, taxation, and the banking sector. Greater integration of the business community and the unions can mobilize decisive

¹ For his invaluable substantial input we would like to thank Dirk Axtmann, freelance expert, Mahgreb-Expertise, Heidelberg. Alfred Clayton did a great job in translating the paper into English; we are grateful to Isabelle Caffier and Lana Odeh for translating the conclusions into French and Arabic respectively. Within their work in the Bertelsmann Stiftung project "Connecting Europe", Christian-Peter Hanelt, Thomas Kostera, Gabriele Schöler and Stefani Weiss also contributed to this paper.

competences in this development process and facilitate concerted action by the social partners. And finally, ENP assistance can provide a stimulus for the urgently needed reforms in the educational sector in general and in the field of vocational training in particular.

Tunisia's economy should be aligned even more closely with the EU's internal market. For Tunisia a further opening of the European market can lead to new sales opportunities for agricultural products. In order to shape a more open market on the Tunisian side that is both sensible and takes social issues into account, Tunisia and the EU should conclude asymmetrical agreements.

The organizational framework of the ENP would still be based on the principle of helping people to help themselves. Greater differentiation within the ENP means that the country context and the bilateral relations between the EU and the partner country concerned will determine the specific shape of incentive structures and the right blend of government and civil society project partners.

Over and above the bilateral focus of the ENP that has been the rule hitherto, more and more projects which involve several partner countries in North Africa should be initiated and assisted within the ENP framework. This approach seems to be particularly useful in the areas of economic policy and infrastructure networks. Business community and civil society actors should be given the opportunity to meet each other and to compare notes.

The Gulf States, Turkey, the Sahel countries, China, the US and Russia are all creating more and more economic and security policy links with North Africa. The EU should do more to take these developments into account as it shapes its relations with the governments and societies of the neighbouring countries in North Africa. For example, it might be worth looking in greater detail at the question of whether common projects could be carried out not only by the EU and North African countries. Based on well-grounded common interests and values, the neighbours of our neighbours, in general, and the Gulf States, in particular, may well participate in such projects. It certainly seems to be a good idea to mobilize capital from the Gulf for European industrial projects in North Africa. In this way the financial resources of the Gulf States could make a greater contribution to the creation of employment opportunities in North Africa.

The internal EU decision-making processes for ENP projects, initiatives and other measures should be simplified and streamlined. With the help of the ENP toolbox the EU ought to be in a position to react to demands quickly, flexibly and in accordance with the context of a partner country.

In the development of Europe's relations with its neighbours, Tunisia is a shining example of the positive role which the ENP has already been in a position to play with its financial engagement and partnership priorities. Further cooperation with Tunisia can in future provide insights into the extent to which the ENP can have a positive impact when it comes to providing better assistance to a country such as Tunisia in the implementation of its self-defined reform agenda, the consolidation of democracy under the rule of law, the more effective use of its growth potential, and the development of human resources.

Yet the success of Tunisia, supported by the ENP, cannot hide the fact that the envisaged review of the ENP as a whole is badly needed.

Thèses concernant l'influence positive de la politique européenne de voisinage sur la consolidation de la démocratie et du développement économique en Tunisie et en Afrique du Nord

La Tunisie est un partenaire démocratique de l'Union Européenne (UE) dans son voisinage méridional immédiat. Le développement social et politique de la Tunisie depuis 2011 constitue aujourd'hui une exception encourageante en Afrique du Nord et dans le monde arabe. Le pays peut ainsi se prévaloir de l'adoption d'une nouvelle constitution, d'élections législatives et présidentielles libres et régulières en 2014, ainsi que de la formation d'un gouvernement démocratique légitime le 5 février 2015. L'économie tunisienne dispose d'une base industrielle développée, axée sur les exportations, d'une infrastructure et d'une structure démographique susceptibles, au regard de la situation régionale, de produire une plus forte croissance et des potentiels en termes d'emploi.

En raison de ces potentiels, de la structure différenciée des acteurs étatiques et sociaux souhaitant réaliser des réformes profondes et demander le soutien de l'UE à cet effet, la Tunisie illustre bien du point de vue des experts européens la façon dont une politique européenne de voisinage (PEV) modifiée est susceptible de soutenir efficacement des réformes dans un pays partenaire. Mais si la Tunisie joue un rôle de modèle dans la région, c'est aussi parce que l'UE a déjà apporté un soutien important, flexible et allant dans la bonne direction à la transformation du pays vers la démocratie, l'État de droit et une économie sociale de marché dans le cadre de la PEV au cours de ces dernières années. Ces priorités peuvent toutefois être encore mieux mises en œuvre.

Comme l'a déjà entrepris judicieusement la PEV en Tunisie, le pays a besoin de continuer d'être soutenue dans sa consolidation démocratique. Ceci englobe avant tout le soutien technique du parlement nouvellement élu, des autres instances constitutionnelles et des partis politiques. Dans le domaine de la justice et des droits humains, il convient de soutenir la mise en œuvre des nouveaux standards constitutionnels dans le droit actif. Globalement, la PEV devrait miser encore plus sur l'engagement et l'expertise des partenaires de la société civile.

Les attentats terroristes récents ont montré de façon tragique que la PEV devrait s'intéresser encore plus au thème de la sécurité. La PEV devrait étendre dans une plus large mesure son dispositif de transformation politique, de la société civile, sociale et économique à la politique sécuritaire. Il faudrait pour ce faire miser sur une imbrication plus étroite entre la PEV et les possibilités de la Politique étrangère et de sécurité commune (PESC). Dans le même temps, ce nouvel accent mis sur la sécurité ne doit pas s'effectuer au détriment des droits humains.

Pour redonner globalement à l'économie tunisienne un nouvel élan en matière de croissance, et donc d'emploi, et attirer les investissements étrangers, la PEV devrait soutenir le nouveau gouvernement, au-delà des projets déjà initiés, afin qu'il puisse améliorer les conditions générales dans différentes branches (le textile, l'électronique et le tourisme p. ex.), procéder à des investissements ciblés dans l'infrastructure et l'éducation et promouvoir de nouveaux secteurs. D'autres soutiens techniques et le renforcement des capacités de la PEV sont nécessaires afin de moderniser les secteurs administratifs ayant un impact sur le plan économique tels que le dédouanement et la perception des impôts ainsi que le secteur bancaire. Une plus forte intégration de l'économie et des syndicats peut apporter des compétences décisives dans ce processus de développement et faciliter une action concertée parmi les partenaires sociaux. Le

soutien de l'UE peut enfin donner un élan important aux réformes urgentes dans l'éducation en général, et dans le secteur de la formation professionnelle en particulier.

L'économie tunisienne devrait être encore plus étroitement liée au marché intérieur de l'UE. L'ouverture supplémentaire du marché européen peut offrir à la Tunisie de nouveaux débouchés, pour les produits agricoles notamment. Afin de concevoir une ouverture judicieuse du marché côté tunisien qui tienne compte de la dimension sociale, la Tunisie et l'UE devraient mettre en place des accords asymétriques.

En ce qui concerne le cadre organisationnel de la PEV, le principe de l'aide à l'autonomie devrait continuer de s'appliquer. Dans l'esprit d'une plus forte différenciation de la PEV, le contexte national et les relations bilatérales de l'UE avec le pays partenaire concerné devraient être décisifs dans l'élaboration des structures d'incitation et le juste équilibre entre les partenaires étatiques et de la société civile.

Au-delà de l'accent bilatéral de la PEV jusqu'à présent, il faudrait initier et soutenir dans le cadre de la PEV d'avantage de projets qui intègrent plusieurs pays partenaires d'Afrique du Nord. Cette approche semble particulièrement fructueuse dans le domaine de la mise en réseau de la politique économique et des infrastructures. Les acteurs économiques et de la société civile devraient se voir offrir de meilleures possibilités de rencontre et d'échange de leurs expériences.

Les États du Golfe, la Turquie, les États du Sahel, la Chine, les États-Unis et la Russie développent de plus en plus de relations dans le domaine économique et de la politique sécuritaire avec l'Afrique du Nord. L'UE devrait prendre cet aspect en considération dans la conduite de ses relations avec les gouvernements et sociétés des pays voisins d'Afrique du Nord. Les possibilités d'une transposition de projets communs non seulement entre l'UE et les pays d'Afrique du Nord mais également avec les « voisins des voisins » devraient ainsi être étudiées de manière plus approfondie. Mobiliser des capitaux des États du Golfe pour des projets industriels européens en Afrique du Nord semble en particulier très prometteur. La puissance financière des États du Golfe pourrait ainsi être intégrée dans la promotion de l'emploi en Afrique du Nord. Dans ce cadre, il est important de prendre en considération les intérêts communs tout comme les valeurs communes.

Au sein de l'UE, les processus de prise de décision concernant des initiatives de projets et mesures de PEV devraient être simplifiés et allégés. Il doit pouvoir être possible, avec le dispositif de la PEV, de réagir aux exigences rapidement, de manière flexible et en fonction du contexte respectif du pays partenaire.

Pour le développement du voisinage et du partenariat européens, la Tunisie fournit un exemple à suivre en ce qui concerne le rôle positif que la PEV a déjà joué par son engagement financier et les priorités du partenariat. La poursuite de la coopération avec la Tunisie peut toutefois nous fournir à l'avenir des informations permettant de juger dans quelle mesure la PEV est susceptible d'apporter une note positive pour mieux soutenir un pays comme la Tunisie dans la transposition du programme de réformes qu'elle s'est elle-même fixé, et ce dans l'optique d'une consolidation de la démocratie d'un État de droit, d'une utilisation plus efficace de ses potentiels de croissance et du développement des ressources humaines.

Cependant le succès observé en Tunisie grâce, entre autre, au soutien de la PEV, ne peut pas dissimuler le fait qu'une révision profonde de la PEV est nécessaire.

Key Conclusions Arabic version :

مقترحات للتأثير الإيجابي لسياسة الجوار الأوروبية على دمج الديمقراطية مع التطور الاقتصادي في تونس وشمال أفريقيا

تونس هي شريك ديمقراطي للاتحاد الأوروبي في حدوده الجنوبية المباشرة. يشكل التطور الاجتماعي والسياسي في تونس منذ العام 2011 الحالة الاستثنائية المشجعة في شمال أفريقيا والعالم العربي. هذا البلد باستطاعته الآن أن يشير إلى اعتماد دستور جديد، إلى انتخابات برلمانية ورئاسية حرة ونزيهة كما حدث في العام 2014، وكذلك إلى تشكيل حكومة شرعية في 5 فبراير 2015. للاقتصاد التونسي أرضية صناعية وتوجه نحو تصدير منتجاته إلى الخارج، وكذلك بنية تحتية وتوزيع ديموغرافي بقدرتهم جميعا تحقيق النمو وتوفير فرص العمل.

من خلفية هذه الامكانيات والهيكلية المتباينة للأطراف الفاعلة في البلد والتي ترغب في الاصلاحات الشاملة وتطلب بهذا الشأن الدعم من الاتحاد الاوروبي، توفر تونس من منظور الخبراء الأوروبيين مادة توضيحية عن كيفية دعم سياسة الجوار الأوروبية (ENP) للإصلاحات بشكل ايجابي وفعال في احدى دول الشراكة. وتحصل تونس أيضا على مكانة نموذجية في المنطقة لأن الاتحاد الأوروبي في ضمن اطار سياسة الجوار، دعم في السنوات الأخيرة التحول في تونس والديمقراطية وبناء دولة القانون واقتصاد السوق الاجتماعي بشكل كبير ومرن وبأساليب الصحيحة. ولكن مراكز الثقل هذه لا يزال من الممكن ترجمتها بشكل افضل.

كما بدأ التعامل بالشكل الصحيح من قبل سياسة الجوار الأوروبية، تحتاج تونس المزيد من الدعم في التوطيد الديمقراطي. يتضمن قبل كل شيء، الدعم التقني للبرلمان المنتخب الجديد للسلطات الدستورية الأخرى وللأحزاب السياسية. في مجال القضاء وحقوق الانسان ينبغي دعم تطبيق مقاييس الدستورية الجديدة وتحويلها الى قوانين فاعلة. بالمجمل يجب على سياسة الجوار الأوروبية أن تعتمد أكثر على اشراك شركاء من المجتمع المدني والاستفادة من خبرتهم.

الهجوم الارهابي الأخير أوضح بشكل مأساوي أنه يجب على سياسة الجوار الأوروبية أن تُعنى بقضية الأمن بشكل أقوى. عليها أن توسع نطاق عمل آلياتها للتحول السياسي والمدني والاجتماعي والاقتصادي لتشمل أيضا الحقل السياسي للأمن بشكل أقوى. هنا يجب أن تتماشى تلك السياسة بشكل أفضل مع امكانيات السياسة الخارجية وسياسة الأمن المشترك (CFSP). ولكن هذا التركيز على الأمن يجب أن لا يكون على حساب حقوق الانسان.

بشكل عام من أجل الحصول على دينامية جديدة في النمو الاقتصادي وفي سوق العمالة في الاقتصاد التونسي وبهذا جذب الاستثمارات الأجنبية، على سياسة الجوار الأوروبية من خلال المشاريع التي بدأت بها، أن تدعم الحكومة الجديدة في تحسين الظروف العامة في قطاعات متعددة (مثل النسيج، الالكترونيات، السياحة)، وفي العمل على الاستثمار الهادف في البنية التحتية والتعليم، وفي دعم قطاعات جديدة.

ان الدعم التقني الإضافي وبناء القدرات من قبل سياسة الجوار الأوروبية ضروري من أجل تحديث عدد من المجالات الادارية والمتعلقة بالاقتصاد مثل التخليص الجمركي ودفع الضرائب والقطاع المصرفي. ان دمج الاقتصاد والنقابات بشكل أقوى من شأنه أن يدخل خبرات حاسمة في عملية التطوير ويسهل اتخاذ الاجراءات المتضافرة في ما بين الأطراف المجتمعية. أخيراً قد يوفر دعم الاتحاد الاوروبي هنا قوة دافعة لتلك الاصلاحات الضرورية جدا في قطاع التعليم عموماً، وخصوصاً في مجال التعليم المهني.

ينبغي ربط الاقتصاد التونسي على نحو أوثق مع السوق الداخلية للاتحاد الأوروبي. ان انفتاح السوق الأوروبي بشكل أوسع قد يوفر لتونس فرص جديدة للتسويق مثلاً للمنتجات الزراعية. من أجل تهيئة

انفتاح الأسواق لدى الطرف التونسي بمراعاة الأمور المجتمعة، يجب على تونس وعلى الاتحاد الأوروبي إبرام اتفاقات غير متكافئة.

بما يتعلق بالشروط الأساسية التنظيمية لسياسة الجوار، لا بد من ابقاء مبدأ المساعدة من أجل المساعدة الذاتية قائم. من أجل دعم التمايز في تعامل سياسة الجوار يجب لا بد ان يكون للعلاقات الثنائية وللسياق القطري بين الاتحاد الأوروبي وكل من دول الشراكة دور أساسي في إيجاد الحوافز والمزيج الصحيح ما بين شركاء حكوميين وشركاء من القطاع المجتمعي.

علاوة على تركيز سياسة الجوار على التعاون الثنائي يجب ضمن هذا الإطار الشروع في ودعم مشاريع تضم عددا من دول الشراكة في شمال أفريقيا. يبدو أن هذا النهج مثمر بشكل مميز في مجالات التشابك في السياسة الاقتصادية وفي البنية التحتية. يجب توفير الامكانيات للأطراف الفاعلة في الاقتصاد والمجتمع المدني لكي يلتقوا ويتبادلون الأفكار والخبرات.

دول الخليج، تركيا، دول الساحل، الصين، الولايات المتحدة وروسيا تركز بشكل متزايد علاقات اقتصادية وأمنية مع شمال أفريقيا. على الاتحاد الأوروبي أن يبقي النظر قويا في هذا الأمر أثناء بناء علاقته مع حكومات ومجتمعات دول الجوار في شمال أفريقيا. مثلا بالإمكان تكثيف الاستطلاع ما اذا كان من الممكن القيام بمشاريع مشتركة ليس فقط ما بين الاتحاد الأوروبي ودول شمال افريقيا بل مع "جيران الجيران"، بشكل خاص دول الخليج العربي، ومن الممكن ان تكون هذه المشاريع فعالة، اذا كان هنالك توافق في الاهتمامات والقيم بين دول الخليج العربي وبين دول شمال افريقيا ودول الاتحاد الأوروبي. حشد رؤوس الأموال من دول الخليج قد يبدو أمر واعد بشكل خاص للمشاريع الصناعية الأوروبية في شمال أفريقيا. بهذا يمكن للقوة المالية لدول الخليج أن تلعب دور أقوى في دعم سوق العمالة.

داخل الاتحاد الأوروبي وما يتعلق بمبادرات المشاريع وإجراءات سياسة الجوار يجب تسهيل آلية اتخاذ القرار فيها. المطلوب هنا أن تتوفر لآليات سياسة الجوار امكانية الاستجابة السريعة والمرنة وفي السياق المحدد لمتطلبات دول الشراكة.

تقدم تونس بالنسبة لتطور مفهوم الجوار الأوروبي والشراكة مثال ايجابي للدور الايجابي الذي تمكنت سياسة الجوار هنا أن تلعبه من خلال التزامها المالي والتركيز على أهمية الشراكة. ولكن قد يوفر لنا الاستمرار في التعاون مع تونس مستقبلا استنتاجات عن مدى المؤشرات الايجابية الذي يمكن لسياسة الجوار الأوروبية أن تضعه من أجل مساندة بلد مثل تونس على نحو أفضل في تفعيل لائحة الإصلاحات التي وضعها لنفسه، مع ابقاء النظر على توطيد الديمقراطية الدستورية والاستفادة من إمكانياته للنمو الاقتصادي وتنمية الموارد البشرية.

بالرغم من نجاح سياسة دول الجوار الأوروبية (ENP) في تونس، الا انه لا يمكن اخفاء الحقيقة بان هنالك حاجة ملحة لإعادة النظر في سياسة دول الجوار الأوروبية من جديد.

Introduction: Tunisia, a democratic partner of the EU²

Time and again the upheavals in its immediate neighbourhood have forced the European Union to adapt and reshape its policies. Since 2004, the EU has offered neighbouring states (and currently there are 16 of them) which, at least for the time being, have not been given the prospect of membership, a privileged partnership on various levels. The goal of the EU is to work together with these countries for prosperity, development and security so that the area neighbouring on the EU will become a “ring of friends”. After the start of the *Arabellion* in 2011 the EU expanded the projects of the European Neighbourhood Policy (ENP), made them more flexible, and focused more on support for democracy under the rule of law and civil society.

In this context of tremendous regional changes, Tunisia has become a democratic partner of the EU in Europe's immediate southern neighbourhood. The societal and political developments in Tunisia since 2011 form an encouraging exception in North Africa and the Arab world. The transformation of Tunisia has hitherto been fairly peaceful and, as far as the societal actors are concerned, has been based on a fairly high consensus level. A new democratic constitution was adopted in 2014, and there were democratic parliamentary and presidential elections in late 2014. Since 5 February 2015 the country has had a democratic government. The current Bertelsmann Transformation Index (BTI)³ survey results for the Middle East and North Africa sub-region confirm Tunisia's leading position with regard to the transformation process leading to democracy under the rule of law.

Since 2011 Tunisia has received substantial support through loans from the International Monetary Fund (IMF) and the World Bank. In the context of the IMF loan programme in 2013 Tunisia committed itself to economic reforms. The Tunisian government is currently preparing a 5-year development plan for the period 2016-2020, which is to be presented during a series of consultations with national and international partners later in 2015. The fact that the Tunisian authorities and civil society seem prepared to introduce reforms will also facilitate the impact of the initiatives and projects of the European Neighbourhood Policy. European and North African analysts and policymakers believe that Tunisia needs additional assistance in order to bolster up its democratic system, and in particular it needs support for the new democratic institutions, the political parties and the incorporation of constitutional provisions into the legal code. Recent terrorist attacks were a tragic reminder of the fact that Tunisia

² This strategy paper was initially discussed, and subsequently amended, at the Bertelsmann Stiftung's European Neighbourhood conference “Tunisia's transformation – Cooperating with the Neighbours: Europe, North Africa and the GCC”, held in Tunis, 28-30 April 2015. This conference was supported by the Tunisian-German Chamber of Industry and Commerce, the Gulf Research Center and the Center for Mediterranean and International Studies.

³ Since 2002, the Bertelsmann Stiftung's Transformation Index (BTI) www.bti-project.org has analysed and evaluated the quality of democracy, social market economy and political management in 129 developing and transition countries. In-depth country reports by 250 experts from top universities and think tanks worldwide provide the qualitative data used to assess these countries' development status and challenges, and to evaluate the ability of policymakers to carry out consistent and targeted reforms. The BTI is the first cross-national comparative index that uses self-collected data to measure the quality of governance and provide a comprehensive analysis of countries' policymaking success during the process of transition. At the above-mentioned conference the BTI team presented up-to-date facts and data about the Middle East-North Africa region.

needs more security. However, this must not be achieved at the expense of democracy and human rights. Finally, external support can help the country to stimulate growth and create employment opportunities.

The situation in the surrounding Arab countries is a difficult one. Since 2011 the elites in these states have reacted in a variety of ways to the demonstrations, rebellions and conflicts. In the oil- and gas-rich countries the elites have, if anything, adhered to their autocratic decision-making structures and have pacified sections of the population by distributing financial largesse. In order to do this they were able to make use of an upbeat economy.

The Arab countries without natural resources and with difficult socio-economic conditions include the Moroccan and Jordanian monarchies, which have initiated a cautious policy of greater openness and partial reforms. So far the elites in Egypt and Bahrain have opted for the status quo ante and the suppression of opposition groups and civil society organizations.

After democratic elections in 2012 a number of different interest groups are now in control in Libya, partly fighting each other, and in Yemen a promising constitutional process has been followed by a civil war. The governmental structures have collapsed in both of these countries. The disintegration of Syria and Iraq along ethnic and religious lines seems to be irrevocable. In some parts of these countries these lines have been the scene of civil wars.

The rise of jihadist groups such as the „Islamic State“ (IS) has led in many countries of the region to a strategy of fighting terrorism with the help of the armed forces and the police. It involves the suspension or reversal of political and societal progress. Confronted with extremism and terrorism, there is a danger that western governments will support authoritarian regimes as supposed guarantors of stability in the region as they did before 2011.

As a result, and with the notable exception of Tunisia, the preconditions for the promotion of democracy under the rule of law and social market economy have deteriorated. At the same time, the EU is facing other urgent matters such as energy security and (irregular) migration. And whereas an ambitious Tunisian partner has made good use of all the tools and instruments the ENP could provide, not all of the countries in the ENP range are interested to do so. The Commission has to deal with roughly four types of countries which differ in their willingness to cooperate: (1) those interested in accepting the entire *acquis communautaire* (e. g. Tunisia, Morocco), (2) countries such as Jordan considering alternative options (integration with the EU or the GCC), (3) countries seeking sector-by-sector partnership with the EU (e. g. Algeria and Egypt), (4) failing states (such as Syria and Libya).

Taking into account that the ENP as currently framed does not exploit the full potential of EU relationships with these partners, the EU has embarked on a fundamental review process of the principles on which the ENP policy is based as well as its scope and how instruments should be used. Going currently through a public and inclusive consultation both with partners in the neighbouring countries and with stakeholders across the EU, this review process is to be followed by a Communication setting out proposals for the future direction of the ENP.⁴

⁴ The Bertelsmann Stiftung recently published a paper on this subject entitled “The European neighbourhood in shambles. Some recommendations for a new European neighbourhood strategy.”

The present paper wishes to contribute to this dialogue. It examines measures adopted by the ENP in the past, and makes some suggestions for improvements in certain areas. How they will work in practice is shown with reference to Tunisia. This country forms an object lesson of how the ENP can underpin reform in a partner country in a positive and effective manner. Tunisia possesses a generally positive record when it comes to the transformation leading to a democracy under the rule of law and a social market economy. It has a variety of committed government and societal actors who are eager to implement reforms and are asking the EU to help them. And over the past few years the EU has provided assistance for the transformation process on the basis of the ENP framework.

However, there is room for improvement in these areas.

Speaking about the ENP in this paper, we are, of course, always aware that the ENP is not an independent acting body but a strategic instrument of the EU; its financial instrument, the European Neighbourhood Instrument (ENI), is managed by the European Commission. We hope that this strategy paper will promote an ongoing dialogue about the partnership between the EU and the governments, political parties, business communities and civil societies in North Africa.

How to reform the European Neighbourhood Policy for North Africa?

The aim of the ENP since its implementation in 2004 and its partial modification in 2011 is to establish a ring of stable and friendly states in the neighbourhood of the EU and thus to promote prosperity and security on the outer borders of the EU. Without extending the prospect of EU membership to partner countries, the ENP has hitherto offered them bilateral association agreements based on the values of democracy under the rule of law, a social market economy, good governance and sustainable development. However, these principles do not constitute a sufficiently coherent catalogue of ENP goals, nor one that is legally binding for all EU member states. On the basis of common structural features and challenges facing the countries of North Africa – and thus of EU interests – it is nonetheless a good idea to define the broad ENP goals for North Africa. The current country surveys for the Bertelsmann Transformation Index 2016 contain a series of suggestions for the ENP which are concerned with content priorities relating to North Africa. These have been and to some extent are already part of the ENP.

- 1) The shared need for security that is the result of the direct and massive threat emanating from jihadist groups shows that North African states require support in the areas of border security and training for the armed forces and security services. Whenever there is any kind of cooperation in the area of security it is imperative to ensure adherence to democratic standards and human rights.
- 2) By providing technical support and engaging in capacity-building in various bureaucratic areas (e.g. taxation, customs) the ENP can assist partner countries to establish the structures of a social market economy.

- 3) The simplification of trade between the EU and North Africa can act as a stimulus for exporters and make the region more attractive as an investment location.
- 4) In the case of partner countries which are implementing or have implemented democratic reforms, the consolidation of democracy under the rule of law should emphasize certain priorities (e.g. technical support for parliaments, parties, the judiciary).
- 5) There is a clear need to raise the quantity and quality primary and secondary schools, and tertiary and vocational education.

The priorities mentioned above should be fleshed out with a wide-ranging and flexible set of measures determined by the societal, political and economic framework and the various different things that the partner countries expect from the EU. In fact, the ENP should offer an even wider range of incentives for countries which are succeeding in the attempt to implement especially ambitious reform agendas. Incentives can be created by granting visas, by conferring “advanced status” (*statut avancé*) on countries which have concluded Association Agreements with the EU, and by assigning greater diplomatic significance to partner countries (for example, by organizing conferences on issues of common interest). At the same time the ENP needs to have comprehensible procedures for the revision of benefits that were granted at some point in the past.

Improved integration of North African civil society

The countries of North Africa, where, in recent years, democratization or intermittent bouts of liberalization have created new opportunities for political participation, have witnessed the emergence of numerous civil society organizations for human rights activists, journalists, lawyers, representatives of women's associations, minorities and youth organizations. In terms of political impact, credibility and backing within the population these organizations are often in direct competition with the political parties. Furthermore, when it was a question of confronting policymakers with societal demands, they have frequently been more effective than political parties on account of their human resources (HR), technical and financial resources and their societal roots.

However, the European Commission as chief negotiator finds itself in a dilemma in partner countries in which cooperation between the government, political parties and civil society is hindered: despite wishing an active role of civil society in order successfully to stabilize democratic institutions, public welfare and economic growth, the Commission negotiates, in the first place, with governments. And this brings in civil society from inside the EU-28, which has to take on an even more active role and a responsibility to take part in this process.

Yet the ENP could help to integrate civil society organizations as partners – both from the EU-28 and the partner countries themselves – into the process, e.g. by pushing through a legal and safe financial and administrative framework for civil society organisations to carry out their activities.

Working together with the business community and the unions

The ENP should place special emphasis on cooperation with the business community and its self-governing bodies, and with the unions, and make use of their skills in order to strengthen market economy and to establish social partnership structures. In addition to bilateral Association Agreements it may well be possible to set up a special fund designed to assist SMEs. Furthermore, the ENP should make more effective use of potential investments by and the local knowledge of North Africans who are temporarily resident in Europe in order to stimulate sluggish or dormant economic growth.

Streamlined ENP decision-making processes and stronger coordination

The EU should simplify and streamline the decision-making processes relating to ENP project initiatives and similar measures first within and among the directorates general of the European Commission responsible for trade, agriculture, development and migration. In the context of the Common Foreign and Security Policy (CFSP) coordination with member states and partner countries should be enhanced. What is at stake is the ENP toolbox and the ability to react to requests quickly, flexibly and in accordance with the situation within a partner country. In addition, the EU might coordinate projects more effectively with international development agencies and donors in order to generate more synergy effects.

Making it easier to combine the ENP with other EU initiatives. Cooperation among partner countries

The structure of ENP projects derives from bilateral Association Agreements. However, it should be possible to combine its regional instruments such as Union for the Mediterranean (UfM) and Eastern Partnership (EaP) with pan-European initiatives (e.g. the Energy Union) and agreements (e.g. bilateral science and technology accords). This would facilitate cross-border projects in the areas of transport, energy infrastructure and research. Since this has rarely been the case, the ENP should encourage the relatively homogeneous partner countries in North Africa to embark on greater cooperation among themselves. In addition to the area of security this might perhaps be possible with regard to policy on refugees, water management, afforestation, transport infrastructure, greater economic integration and the development of regions close to the border.

Enhanced combination of the ENP with an upgraded Common Foreign and Security Policy (CFSP)

Political and ideological conflicts and wars in North Africa have made it difficult to implement the ENP in the region. In order to protect its projects the ENP should be linked more closely with an upgraded Common Foreign and Security Policy (CFSP). Thus the High Representative of the Union for Foreign and Security Policy and the EU Commissioner for European Neighbourhood Policy and Enlargement should work together more closely. Greater interaction between the ENP and the CFSP will enable the EU to act in a more visible and effective manner in the region, especially when it comes to active mediation, peace-making and security. It may be possible to persuade one or more ENP partner countries to participate in projects within the framework of the

Common Security and Defence Policy. In such a framework, for example, there could be cooperation between the EU and groups of ENP partner states in the areas of border security, security training, disaster management, and humanitarian operations. Still, it has to be borne in mind that an enhanced combination as a new essential is limited by the fact that the ENP and the EU as such are not (yet) made and prepared for hard security action.

Common policies on humanitarian issues and refugees

North Africa has developed into an important staging ground for refugees from Sub-Saharan Africa and the Middle East. In addition to this, every year also sees North Africans themselves trying to reach the northern shore of the Mediterranean, often putting their lives at risk in the process. In conjunction with the CFSP, an “EU-Africa Dialogue” could also establish a forum to develop a more comprehensive joint European-North African strategy on how to deal with the refugee issue. This should take into account the interests of European, North African and African states and, at the same time, do justice to the humanitarian dimension of the problem.

Bearing in mind the interests of our neighbours' neighbours

The Gulf States, Turkey, the Sahel countries, China, the US and Russia are all creating more and more economic and security policy links with North Africa. The EU should do more to take these developments into account as it shapes its relations with the governments and societies of the neighbouring countries in North Africa. Since the EU has only limited financial resources, more thought should be given to the idea of implementing joint projects that involve not only the EU and North African countries. Based on well-grounded common interests and values, the neighbours of our neighbours in general, and the Gulf States in particular, may well participate in such projects. More specifically, European participation might persuade investors from the Gulf States to invest in the manufacturing sector, which would be one way of channelling the financial resources of the Gulf States into the creation of employment opportunities in North Africa.

Tunisia: The ENP can support democracy and make better use of human resources and the potential for growth

What are the current challenges and prospects in Tunisia in the context of the consolidation of democracy under the rule of law and the effective use of human resources and the potential for growth? What can the ENP do to provide better support for this transformation on the basis of the approaches described above?

In recent years the partnership between the EU and Tunisia has deepened. In 2014 the EU and Tunisia sealed a political agreement on the long envisioned privileged partnership in the framework of the new political Action Plan for the years to come. In 2014 preparations for negotiating a Deep and Comprehensive Free Trade Area (DCFTA) also advanced, and a mobility partnership was concluded in March 2014.

Financial assistance on the whole has been substantial, flexible, and appropriate.⁵ Tunisia received €800 million in grants through different ENP instruments between 2011 and 2014. This has made Tunisia the number one beneficiary of the “more for more approach” in the region every year since 2011. In keeping with the Tunisian government's new priorities, most of the aid and assistance shifted to the stabilization of the economic and social situation, and was used to support the process of political change. For the years 2014 to 2020 a maximum of €886 million in bilateral assistance has been earmarked with the same priorities for Tunisia within the framework of the ENI. This bilateral assistance is adjusted in Annual Action Plans to what is actually needed, and in accordance with the availability of projects and partners.⁶

Consolidation of democracy under the rule of law in Tunisia

Support for new constitutional institutions

Tunisia is the positive exception in the region when it comes to establishing a democracy under the rule of law. On 26 January 2014 the country adopted a new democratic constitution and thus established a model democratic and constitutional framework, the significance of which transcends the regional context. There have been free and fair elections. A parliament was elected on 26 October 2014, and a new president on 23 November and 21 December. Since 5 February 2015 the country has had a new and democratic government. The constitution gives the unicameral parliament considerable powers in legislation and government control. The effectiveness and efficiency of parliamentary work can, of course, not be divorced from the ongoing strengthening of the parliament as an institution and of the individual deputies.

The constitution provides for the establishment of several independent authorities that have their own financial resources. The Independent High Authority for Elections (ISIE) and the Independent High Authority for Audio-Visual Communication (HAICA) already

⁵ For instance, taking into account Tunisia's difficult economic and social situation, the EU supported Tunisia's transition effort by approving a macro-financial assistance loan for a total amount of €300 million in May 2014. The first tranche of €100 million was disbursed in April 2015.

⁶ For more information about the recent progresses realized in the context of ENP with Tunisia cf. the Joint Document of the High Representative of the Union for Foreign Affairs and Security Policy and the European Commission: http://eeas.europa.eu/enp/pdf/2015/tunisie-enp-report-2015_en.pdf.

played a positive role during the 2014 elections. The authorities which will protect human rights, work for sustainable development and fight corruption have not as yet materialized. In the years to come these bodies will be performing a special function as independent initiators and supervisors of the ongoing democratization process.

Strengths and weaknesses of the political parties

After 2011 there was an impressive pluralization of political life. In the new parliament there are more than ten parties from various parts of the political spectrum. The governing coalition under Head of Government Habib Essid, is supported by Nidaa Tounes, which emerged from the 2014 elections as the largest party, by Ennahda, the second-largest party, and by two other coalition partners, Afek Tounes and UPL. However, on the whole the political landscape is fragmented and as yet not particularly stable. Many of the parties are insufficiently equipped in terms of financial, technical and human resources to perform their functions, which are of crucial importance for representative democracy.

Progress and deficits in the areas of justice and human rights

The constitution of 2014 provides for the strengthening and independence of the judiciary. A new Constitutional Court still to be established will have far-reaching supervisory powers, and if asked to do so by the parliament, can review the constitutionality of laws. The independence of the judiciary is strengthened by the upgrading of the self-governing bodies in general, and of the High Judicial Council in particular. The new constitution guarantees human rights and civic freedoms, and assumes that there is gender equality.

This upgrading of the judiciary and of human rights has not as yet been signed into law. Furthermore, the importance of the independence of the judiciary and respect for human rights will become apparent in everyday life. National and international human rights organizations continue to deplore the existence of torture during pre-trial detention, cases in which civilians have been sentenced by military courts, and attempts to curtail the media's freedom of opinion. One of the central challenges in the area of human rights is to uphold these rights in the context of an intensifying battle against terrorism.

Civil society, a stabilizing factor in the transformation process

Thousands of civil society groups were founded or legalized after the revolution. Today these groups are a more accurate expression of societal pluralism than under the previous regime. Political parties are, of course, irreplaceable on account of their role in representative democracy, but Tunisian civil society is very important for the ongoing consolidation of democracy and the rule of law. In the course of the constituent process it proved to be a critical commentator and at the same time a stabilizing factor. Today it plays a central role in the societal acquisition of democratic forms of argument and debate, and in the supervision of crucial stages of the democratization process (elections, parliamentary work, monitoring the human rights situation).

Unavoidable cooperation in the area of security

As a result of the emergence of jihadist groups in Tunisia and the porous nature of the borders with Algeria and Libya, the security situation in Tunisia is currently rather tense. It hardly needs to be said that the estimated 3,000 Tunisians who are fighting for the “Islamic State” in the Middle East will constitute a considerable threat after they have returned to Tunisia. Improving security and the fight against terrorism is a common interest of central importance to both Europe and Tunisia. It constitutes a basic precondition for the consolidation of Tunisian democracy, for the inflow of foreign investment, for a revival of tourism, and thus for economic recovery.

Implementation of decentralization

Tunisia has traditionally been a centralized country. Under the old regime this centralist tradition entered into an unholy alliance with the prevalent autocratic structures. Despite the country's impressive achievements, it proved impossible to overcome the differences between the prosperous coastal regions and the interior. The constitution of 2014 addresses the need for a just and regionally balanced kind of development by providing for the establishment of autonomous regional bodies with their own financial resources, and by strengthening self-administration and the local authorities. Local and regional elections are due to be held in 2016. However, the legal preconditions for decentralization and the local elections have not been finalized. It is of crucial importance to secure a credible transfer of powers from the national to the regional and local levels without endangering national cohesion or the maintenance of national standards, for example in the areas of healthcare, education and security.

How the ENP can consolidate democracy under the rule of law in Tunisia

Although the ENP has provided substantial assistance and the appropriate strategic alignment for the consolidation of democracy under the rule of law in Tunisia, it would be a good idea to intensify and fine-tune ENP assistance in the following fields:

- Underpin the work of the newly elected and genuinely democratic *parliament* by providing logistical, technical and financial assistance. Ensure the independence of the individual deputies by providing technical assistance (e.g. an office, a computer) and capacity-building.
- Support the *political parties* by providing technical assistance and capacity-building so that they are in a much better position to perform the function of aggregating and articulating societal interests, which is of crucial importance in a representative democracy. Special attention should be given to enhancing parties' capability to attract young Tunisians into politics thus serving as platforms for future decision-makers.
- Building on the assistance already given to the constitutional authorities ISIE and HAICA in the run-up to the 2014 elections: more technical and capacity-building assistance should be given to these as well as other constitutional authorities (in the fields of human rights, anti-corruption, sustainable development) that have not as yet materialized. Support should be extended to the “Truth and Dignity Commission” created in late 2014 as a major instrument of “transitional justice”. Enshrined in the 2014 constitution, the principle of

transitional justice is supposed to shed light on past political, social and economic crimes and human rights violations.

- Taking into account the serious deficits in the quality of the Tunisian media sector, the ENP should help the sector to better embrace standards of an investigative and differentiated journalism.
- The reform of the Tunisian judiciary is already a major ENP concern. Within this framework it will be especially important to assist the new Constitutional Court and the High Judicial Council, the self-governing body of the judges. Greater EU involvement in the areas of judges' education and training and the provision of international professional exchange programmes for Tunisian lawyers also seems to be a good idea. ENP measures should be closely coordinated with financing from other thematic instruments, for example, activities within the framework of the European Instrument for Democracy and Human Rights (EIDHR).
- The ENP should provide technical assistance and capacity-building for the legislative implementation of *decentralization*. This applies to both the legal preconditions for the new regional bodies, the upgrading of local councils, and the electoral law for the forthcoming local elections.
- *Civil society*. Since the revolution the ENP has treated Tunisian civil society as an important contact on account of its organizational abilities, its specialist knowledge in a large number of areas, and its roots in the electorate. In addition to cooperation with the political parties, the EU should continue quite systematically to treat civil society as an important partner in Tunisian society, and to support it by providing technical and capacity-building assistance. The incorporation of civil society groups is of fundamental importance for virtually all of the proposed action areas, e.g. civil society monitoring of the parliament, the human rights situation, the position of women or the issue of transitional justice. ENP measures pertaining to civil society should be closely coordinated with financing from other thematic instruments, e.g. activities within the framework of the European Instrument for Democracy and Human Rights (EIDHR).

The EU already supports Tunisia in the shape of comprehensive *cooperation in the area of security*, e.g. Security Sector Reform (SSR). This involvement is on the increase. Immediately after the attack on the Bardo Museum on March 18 the European Union announced that it was giving the Tunisian Interior Ministry €25 million for the fight against terrorism. On account of the across-the-board significance of security for the consolidation of democracy under the rule of law in Tunisia it would be worth thinking about turning security policy into an integral component of the ENP toolbox. In order to support Tunisian efforts to fight terrorism it would be of crucial importance to provide military training for the Tunisian army and security forces, and to teach them to respect democratic standards. At the same time the ENP should interlock more closely with the CFSP and make it possible to take multilateral action involving Tunisia, the EU and the neighbouring states, e.g. in the areas of border security and border control management in order to fight terrorism more effectively.

However, the importance that is now being attached to security should not lead once again to an erosion of civic rights in Tunisia. A revision of the 2003 anti-

terrorism law, which is not in line with international human rights standards, has been on the agenda since 2013. A new draft law has been on the Parliament's agenda since April 2015 has raised concerns by Tunisian journalists and lawyers as well as international human rights organizations.

Enhancing the potential for growth and attracting investment

The current figures of the Bertelsmann Transformation Index 2016 confirm that Tunisia, like the other countries in the region, has paid a price, at least in the short term, for the political transformation since 2011 in the shape of lower levels of economic and social development. The political insecurity in Tunisia and in the neighbouring states and the ensuing internal and external lack of confidence, the crisis of tourism and in the phosphate sector, and weak demand in the important European export markets has led to a situation where in recent years the economy has seen only minimal levels of growth (2011: -1.9%, 2012: 3.7%; 2013: 2.4%, 2014: 2.8%, 2015: 3.7% (forecast); Source: German Trade and Invest). However, in the long term there is a need for 5-6% economic growth in order to reduce the level of unemployment. Officially this rose from 13% to 17% after the revolution, and then went down slowly to reach the official figure of 15.2% at the beginning of 2015. The social impact of unemployment is exacerbated by a rising cost of living. The creation of more dynamic growth is also of central importance when it comes to improving acceptance of the new democratic institutions.

With regard to growth, the difficult economic situation has revealed the existence of a structural crisis. Apart from some phosphate deposits and not particularly large oil reserves, the country has few natural resources. Growth in the decades after independence was based primarily on burgeoning exports of industrial goods and on services (tourism), and Tunisia made a name for itself as an outsourcing destination in the textile, electronics and automotive supply sectors. For a variety of reasons this growth model has become less dynamic since the 1990s.

The good news is that, when it comes down to it, Tunisia continues to be an attractive industrial destination for foreign investors. According to the most recent results of the survey that the German-Tunisian Chamber of Industry and Commerce conducts annually among German companies in Tunisia,⁷ at least 55% of the companies interviewed for the poll witnessed a slight increase in turnover last year. For the year ahead 53% believe that there will be an increase in turnover, and 45% of the companies believe that there will be an increase in the level of investment. In 2014 40% of the companies added to the workforce. In 2015 30% of the companies expect another small increase in the number of employees.

However, in order to create new dynamic growth in the Tunisian economy, the new government, acting in conjunction with the business community, will have to improve

⁷ Of the 99 companies whose responses contributed to the results, 81% had the special status of a "100% export" entity, which means that the company in question does not have to pay import duties, though there are certain restrictions if it wishes to sell its products on the local market. 87.6% of the companies with a special customs status are industrial enterprises from the textile, electronics and automotive supply sectors. Most of them are located along the coast and in the north and the east of the country. At the conference the team of the German-Tunisian Chamber of Industry and Commerce presented data and facts from its survey.

the framework conditions in various sectors (e.g. textiles, electronics, tourism), invest in infrastructure and education, and provide support for new sectors (e.g. renewable energy). Nor should agriculture be neglected, especially in the light of its employment intensity, its significance for certain structurally weak areas in the interior, and its potential importance for the export market. In general the benefits of economic growth must be weighed up against the environmental risks. The forthcoming economic and social reforms need to strike a balance between the government's indispensable leadership role and entrepreneurial initiative.

Fewer barriers in trade with the EU can provide Tunisia with new trading opportunities in the industrial and agricultural sectors and make the country more attractive for foreign investment. However, it is also important to open up the markets in Tunisia even more in order to make it easier to import semi-finished products and fixed asset investments. An important step in this direction was taken in June 2014, when the EU and Tunisia embarked on the preparations for the negotiations on a Deep and Comprehensive Free Trade Agreement (DCFTA) which envisages greater integration of the Tunisian economy into the European market. Within this framework the conclusion of asymmetrical agreements can shape the advent of more open markets in a way which makes sense for Tunisia and simultaneously takes into account the social factors. While negotiating with the EU Commission Tunisian experts can learn from the experiences of countries like Moldova and Georgia which have already concluded DCFTAs, and Turkey which is linked to the EU by a free trade agreement and customs union progressively installed since 1995.

International comparative analyses, e.g. the World Bank report "Tunisia's unfinished revolution" (2014), the latest economic outlook report of the International Monetary Fund (December 2014), the latest Global Competitiveness Index of the World Economic Forum and the data provided by the BTI 2016 all emphasize the need for more economic reforms. Beyond the abstract demand for a new "culture of entrepreneurship" among Tunisians (which are often keen to seek posts in public administration), such reforms are pre-requisites for Tunisia to attain a new dynamism in economic and employment terms. Over and above its current activities the ENP should provide Tunisia with technical and capacity-building assistance as it embarks on the following reforms:

- Taking into account the crucial role which small and medium-sized Enterprises (SMEs) play in creating jobs, the conditions under which they operate should be improved. The EU should consider admitting Tunisia to its COSME programme (EU programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises) once Tunisia has expressed its interest to join this programme.
- The efficiency of the Tunisian bureaucracy needs to be improved in order to make the economy more dynamic and the country more attractive for foreign investors. In the German-Tunisian Chamber of Industry and Commerce survey mentioned earlier 51% of the participating companies in Tunisia cite the "inflexible bureaucracy" as one of the central disadvantages when it comes to doing business in the country.
- The taxation system needs to be overhauled in order to put the Tunisian budget on a sound financial footing and to ensure that the cost of government investments falls more fairly than hitherto on the shoulders of the taxpayers.
- Subsidies for basic foodstuffs and sources of energy constitute a growing burden for the Tunisian budget. Due to persistently high inflation rates (2014: 5.5%) and

the important influx of Libyan migrants, subsidies' share in the budget doubled between 2010 and 2013 from 13.3% to 26.1%. Hitherto the effect of these subsidies has been rather imprecise, since wealthier people also benefit from them. Tunisia has now started to reduce the level of subsidies. At the same time the whole system needs to be reorganized in order to ensure that people in need are given the help they require.

- Competition in the Tunisian economy should be strengthened by the uniform and transparent application of rules for both internal and external market participants. This applies especially to sectors such as transport, tourism, communication, education, the retail trade, and the banking sector. In this context the battle against corruption is of paramount importance.
- In order to implement the impending reforms in an effective and socially acceptable manner (and in order to reduce the number of wild strikes), Tunisia should think about setting up a kind of social partnership between companies, unions and the government. The preconditions for concerted action of this kind are better in Tunisia than in other countries in the region on account of the existence of strong and responsible social partners who are accustomed to playing a political role. Where possible, incentives for the media should be found (for instance by government's commitment to a regular and transparent flow of information) to cover reform efforts in a critical, yet responsible, differentiated and constructive way. Urging for such a constructive media behaviour can under no circumstances form an excuse for attempts to curtail media freedom.
- A number of new laws should be enacted in order to make Tunisia more attractive to foreign investors, such as a new investment law (making, for instance, a point of simplifying foreign exchange regulations) and a law on public private partnerships (PPP).
- There should be far-reaching reforms in the undercapitalized and fragmented banking sector in order to strengthen the willingness and ability of the banks to provide loans especially to SMEs.
- As an export-oriented country which benefits above all from its proximity to the European markets, Tunisia should press ahead with the modernization of its customs formalities.
- For many years Tunisia, both within a regional framework and in bilateral and multilateral agreements (e.g. Agadir Agreement, 2004), has quite rightly been in favour of greater economic integration in the region. For this reason Tunisia, which has the support of the ENP, should try to secure greater economic integration in North Africa. More trade between Algeria, Tunisia and Morocco can lead to dynamic growth for an estimated 75 million people, and make the region more attractive as an investment destination.
- Capital-intensive cross-border infrastructure projects (e.g. the construction of motorways and railways, water management, afforestation and support for regions close to the border) can help to unleash a new economic dynamism in the region. The question arises of whether the ENP or complementary instruments (e.g. the Neighbourhood Investment Facility (NIF)) or the European

Investment Bank already provide sufficient support for such activities.⁸ Cross-border projects need an easier and quicker implementation on the ground.

- The Tunisian government, Tunisian and European companies, and actors from the Gulf States should ascertain whether it might be possible to implement joint projects, especially in the industrial sector, in Tunisia. For example, the ENP could initiate joint economic forums for companies from Europe, the Gulf States and Tunisia. Managing human resources and using them more effectively

Managing human resources and using them more effectively

Compared to other countries in the region Tunisia has few natural resources, but continues to benefit to this day from the fact that after it became independent, it bet heavily on building up and nurturing its human resources. Illiteracy has receded in recent years, and virtually 100% of all the girls and boys attend a school. More Tunisians than their ancestors now have access to institutions of higher education.

Despite the impressive (quantitative) increase in education in Tunisia in recent decades, standards have declined steadily since the 1980s. Furthermore, the quality of school and university education varies considerably from region to region. The educational system is underfinanced, and quite often learning is restricted to reproducing what is on the curriculum, instead of working in an independent and creative manner.

A large number of young Tunisians with a degree or a diploma enter the labour market every year, and are confronted with the fact that there are not enough offers of employment which call for the formal qualifications that many of the people who are looking for work actually possess. Among graduates from institutions of higher education the unemployment rate is over 30%. However, there is a mismatch between formal education and the needs of the business community. In the survey conducted by the German-Tunisian Chamber of Industry and Commerce, 30% of responding companies single out the lack of skilled workers as one of Tunisia's main business location disadvantages. More than three quarters of them train their skilled workers themselves, and 44% of the companies would like to train even more. The companies primarily adduce the lack of suitable applicants and difficulties in cooperating with existing training centres when it comes to spelling out the factors which have hitherto stood in the way of greater engagement in the area of training. Thus Tunisia has a lot to gain from greater support for all areas of education, and that includes vocational training.

In the area of education the ENP in Tunisia, on the basis of what it has done hitherto,⁹ should concentrate especially on:

- Technical support and capacity-building designed to improve the primary and secondary levels (and university education), and in particular in order to empower schoolchildren and students to work on an independent basis.
- In the case of university education more should be done to involve the business community and its self-governing bodies.

⁸ However, the European Investment Bank has channelled €1.6 billion since 2010 of loans to different investment projects in Tunisia (mainly in infrastructure and the energy sector). For more information refer to <http://www.eib.org/projects/loans/regions/mediterranean-countries/tn.htm>.

⁹ For instance, the Mobility Partnership (MP) between the EU and Tunisia concluded in March 2014 provides for enhanced mobility especially for Tunisian citizens.

- A central feature of the creation of employment opportunities and of the strengthening of Tunisia as an industrial business location is the upgrading of, and increase in, vocational training. This should interlock more closely than has hitherto been the case with the business community, for example in the shape of internships and by making it easier for trainees to establish a relationship with a company.
- Creation of new perspectives for young Tunisians who drop out of schools and universities without any formal grade.
- The more systematic inclusion of Tunisia in European educational programmes, such as Tempus and Erasmus+, will make it easier for Tunisian students and apprentices to come to Europe. In January 2015 Tunisia officially asked for inclusion in the research programme Horizon 2020.

Annex: Results of the most recent survey (spring 2015) of the German-Tunisian Chamber of Trade and Commerce among German Companies in Tunisia (summary)

Basic facts

The German-Tunisian Chamber of Industry and Commerce (AHK Tunesien) conducts an annual survey among German companies in Tunisia on the business climate and prospects for the future. German companies are the third-largest group of foreign investors in Tunisia after French and Italian enterprises. There are 192 companies with German equity participation in the country, and they employ more than 50,000 people. This year 99 German companies completed the questionnaire. 25% of the companies have fewer than 100 employees, 36% have 100-300 employees, 14% between 300-500 employees, and 24% have more than 500 employees.

81 of the 99 companies which took part in the survey have the special status of a “100% export” entity, i.e. they do not have to pay import duties and are not permitted to sell their goods on the local market. Hence, these companies (which are referred to as “export companies” in what follows) are in economic terms not actually part of the country, but benefit from the low wages in Tunisia. 86.7% of the 81 export companies are from the textile, electronics and automotive supply sectors. The majority are located along the coast in the north and the east of the country.

Thus the responses of German enterprises are representative of a specific group of companies in Tunisia. These are:

- Foreign medium-sized industrial enterprises (especially textiles, electronics and automotive supply) which operate in Tunisia on the basis of a special customs status (“100% export”).
- Apart from its importance for the local labour market, this group is very good at assessing changes in the local conditions. Some of these companies have been in Tunisia for many years. The target group is keenly aware of difficulties such as those encountered in the area of customs formalities.
- It is particularly interested in the availability of dedicated *skilled workers* (but is not as interested in university graduates) on the local labour market.
- The low wages are of paramount importance for these companies and their operations in Tunisia.

Core statements of the survey in more detail:

- **German companies believe that since 2012, which was a difficult year, the situation in Tunisia has become increasingly stable.** 65% of the 81 export companies that participated in the survey think that business in 2014 was “fairly satisfactory” or “satisfactory” (2013: 61%, 2012: 46%, 2011: 55%). 28% of the companies think it was “rather unsatisfactory” or “unsatisfactory” (2013: 38%, 2012: 51%, 2011: 45%).
- 55% of the German companies which completed the questionnaire (export and non-export companies) were able to notch up at least a small increase in turnover last year. Moreover, in the coming year 53% believe that there is going

to be an increase in turnover. In contrast to 35% in last year's survey, 45% of the companies now expect to see rising investment levels next year.

- **With regard to employment levels, there is an ongoing tendency to recruit more staff.** This comes after the crisis of 2012, when for a brief period downsizing and recruitment were almost on a par. When all is said and done, in 2014 40% of the companies in question recruited additional staff (42.4% were unchanged, whereas downsizing amounted to 17%). In 2015 30% of the companies believe that there will be a slight increase in staffing levels in 2015 (42.4% unchanged; 19% have downsizing plans). Thus German companies have been a stabilizing factor on the labour market, since they have remained in Tunisia even in times of crisis.
- When asked to describe the location advantages, German export and non-export companies put the “geographical proximity to Europe” at the top of the list (multiple response question, 83% response), followed by “competitive manufacturing costs” (50% response), “good educational level” (34% response) and tax advantages (32% response).
- Among the perceived location disadvantages in 2014, the super election year, and in the light of social unrest, export and non-export companies put “**political and social unrest**” at the top of the list (67% response). It was followed from second to fifth place by the “inflexible bureaucracy” (51% response), “low productivity” (45% response), “high manufacturing costs” (32% response) and a “lack of suitable staff” (31% response).
- **The lack of “suitable staff” that 31% of the companies deplore and the relatively high educational level (at least in formal terms) of job applicants on the Tunisian labour market are a reflection of the fact that tertiary and vocational education to some extent ignore the needs of the business community.** This is corroborated by the fact that more than three-quarters of the companies which took part in the survey train their skilled workers themselves. 44% would like to train even more people. The factors which prevent companies from becoming more involved in vocational training include (multiple response question) the lack of suitable applicants (27% response) and difficulties encountered when cooperating with existing training centres (21% response).
- German companies hope that – and there was a broad range of responses here – the new government will “**guarantee security**” and “**fight corruption**” (both 16% responses, multiple response questions). These come at the top of the list, followed by the initiation of a social dialogue between employers and employees, the increased efficiency of the bureaucracy (14.5% responses), and the improvement of the infrastructure (12.9%)
- When companies were asked about possible **EU support for the transformation in Tunisia, a large majority hoped there would be support in the area of security (67% response) and in the area of the rule of law/fighting corruption (67% response), which preceded “making it easier for Tunisian businessmen to procure visas” (65%).** EU support for vocational training (52% response) is more important as far as German companies are concerned than greater access to the European market for Tunisian products (46% response), which as a rule is not the principal problem of German enterprises in Tunisia. 37% of German companies think that EU technical assistance in the area of customs formalities is an important issue.
- Cooperation with the other Maghreb states is not an important factor in the business model of companies participating in the AHK survey. **However, in**

general terms 44% of the survey respondents believe that increased economic integration of the Maghreb states can help Tunisia to achieve greater economic dynamism. Furthermore, a third of the survey respondents believe that such integration can also make Tunisia more attractive as an investment destination.

- **27% of the survey respondents** believe that there could very well be cooperation on projects in Tunisia between companies from Germany and companies from the Gulf States. Such ideas have not as yet played a great role in the business model of German of German companies in Tunisia.

Address | contact

Bertelsmann Stiftung
Carl-Bertelsmann-Straße 256
33311 Gütersloh

Phone +49 5241 81-0
Fax +49 5241 81-81999
www.bertelsmann-stiftung.de

Christian-Peter Hanelt
Senior Expert "Europe and the Middle East"
Programme The Future of Europe
christian.hanelt@bertelsmann-stiftung.de
Phone +49 5241 81-81 187

www.bertelsmann-stiftung.de