Tunisia

Introduction

Holding an audit of Tunisia's mountain of debt was one of the main demands of the 2011 revolution. People had had enough of **unemployment, poverty** and lack of opportunity. They were tired of the **corruption** and of the policies that made ordinary people pay the price for debts they did not choose to be saddled with. More than two years on they are still fighting for many of those basic demands of 'bread, freedom and social justice'.

Origin of debt crisis

Tunisia is no stranger to the power of debt or the connection between debt and empire. In the second half of the 19th century, European banks lent large amounts of money to Tunisia to buy military and infrastructure exports from European countries. These loans came with high interest, and payments increased rapidly. In 1869, Tunisia defaulted on its debt, and European creditors, led by France, took over running the Tunisian economy. By 1881, France had claimed Tunisia as a colony. The French government ended attempts to develop Tunisian industries, limiting development to agriculture and minerals for export, and ensuring that Tunisia continued to buy manufactured goods from France and Europe.[89]

Government external debt:

- $17.2 billion
- 38% of GDP

Private external debt:

- $11.6 billion
- 26% of GDP

Government external annual debt payments:

- $2.3 billion
- 16% of revenue
- 10% of exports

After a struggle lasting many decades, independence was achieved in 1956, but the new state inherited the debt of the colonial regime. During the 1970s, the country's debt began to increase as high oil prices meant banks were awash with money, and looking to lend it to developing countries. At the start of the 1980s, debt payments increased with the rise in US interest rates, and the global economy contracted. As debt payments shot up, the Tunisian economy stalled. There were increasing protests against the economic situation, with bread riots in 1984, which were violently suppressed by then head of the security forces General Ben Ali.

By 1986, the government could no longer afford to pay its foreign-owed debts. The IMF agreed bailout loans to pay off the creditors, while insisting that the Tunisian government bring in a structural adjustment programme. In the midst of the economic crisis the un-elected President Habib Bourguiba was judged to be incapacitated and Ben Ali seized power.

Throughout Ben Ali's regime, repression increased to keep his hold on power. After several years of austerity and stagnation, in the mid-1990s the economy began to improve. In 1995, Tunisia became the first country in North Africa to sign a free trade agreement with the EU, which required Tunisia to open up to more trade from the EU for the decade up to 2008. In return, Tunisia received significant financial support.

Tunisia became seen as one of the success stories of Africa, with the country growing and on track to meet many of the millennium development goals. But under Ben Ali's western-supported free market economic policies, unemployment remained high, with youth unemployment stuck at 30%, despite increasing levels of education. Inequality increased. While the external debt fell as a proportion of GDP, it did so slowly, and by the start of the global financial crisis, the government still spent 10% of revenue on foreign debt payments (see Figure C9).

In December 2010, large-scale protests against unemployment, corruption and the Ben Ali regime erupted. The protests began after Mohammed Bouazizi, a street vendor, set himself on fire after having his goods confiscated and suffering harassment from a municipal official. On 14 January 2011, Ben Ali fled to Saudi Arabia, leaving behind a $15 billion

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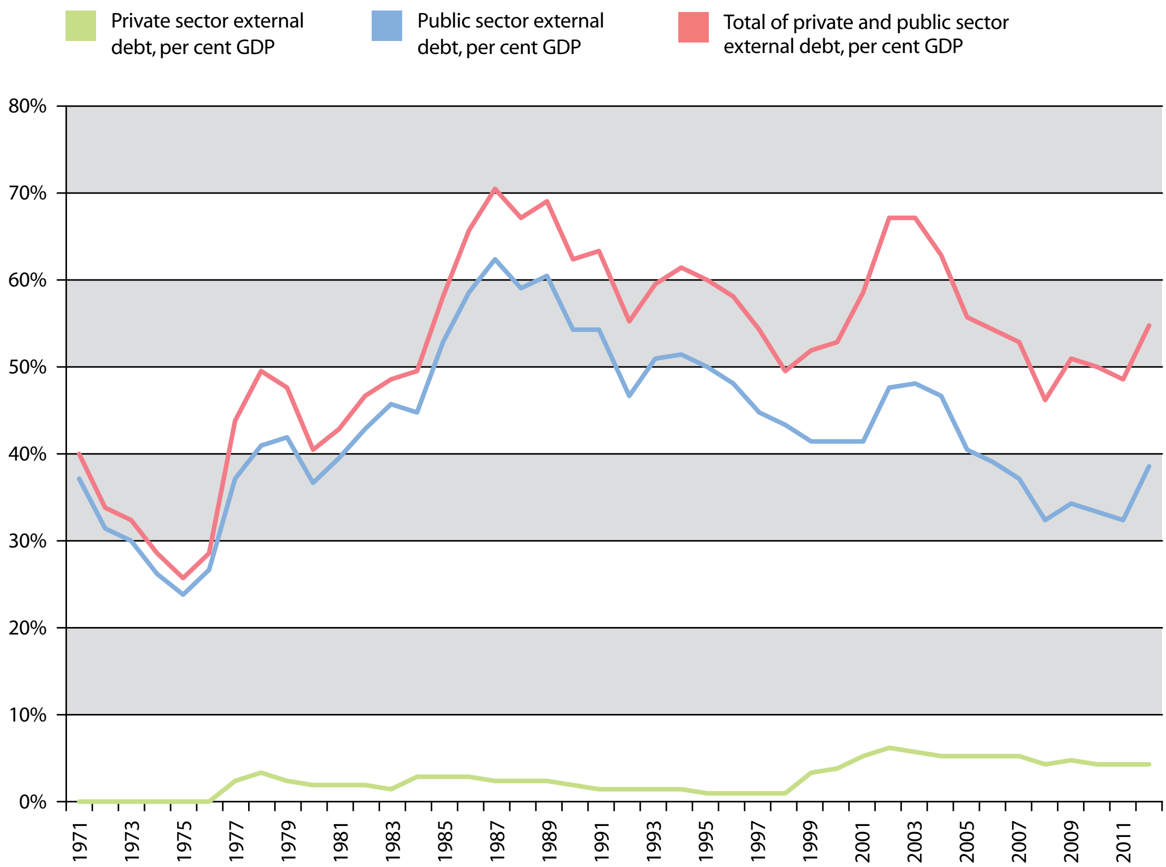

The Tunisian government's external debt increased rapidly in the 1970s and 1980s. It remained high throughout Ben Ali's dictatorship; a large debt which is now being imposed on the Tunisian people.

The African Development Bank summarises that: "Despite the country's comparative economic success, key social and development challenges had not been addressed. The combination of youth graduate unemployment, conspicuous and predatory corruption as well as political and economic disenfranchisement had created an untenable condition of discontent among Tunisians."[91]

Figure C9: Tunisia external debt (per cent of GDP)[90]

government foreign-owed debt. Since the revolution, the government has been using up foreign currency reserves to pay the debt inherited from Ben Ali. In June 2013, the IMF agreed a bailout loan, of $1.75 billion over two years, to help Tunisia to keep making debt payments, with austerity and liberalisation conditions attached. Just as in the 19th Century, debt threatens to take away Tunisians' rights to make decisions over their economic future.

Life and debt in Tunisia

Despite the initial success of the revolution, excessive debt continues to have an impact on the chances of improving the lives of ordinary Tunisians. The Tunisian government spent $2.3 billion on foreign debt payments in 2011, the equivalent of 16% of government revenue. In comparison, the Tunisian government spends $2.8 billion on public education (19% of government revenue) and $1.5 billion on public health (10% of government revenue).

Public services suffer from a **lack of investment**, the **tax system** remains unjust, inadequate and full of loopholes, standards of living are dropping, **inflation** is rising and the cost of essential goods like fuel and milk are going up and up.

One of the most profound sources of discontent for Tunisians is **unemployment**, especially for skilled labour, which remained high even in times of relatively healthy growth before the global financial crisis. Around 17% of Tunisians are currently out of work nationally, with the rate climbing to 30% or

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more among young people and in some of the more neglected interior regions such as Kasserine and Gafsa.

Disillusioned young people, who are out of work and poor, are often risking their lives to get out of Tunisia and find work abroad, including thousands who have taken boats to the Italian island of Lampedusa – a perilous crossing during which an estimated 20,000 migrants have died in the last two decades, including 500 in 2012 and more than 40 this year.[92]

In the year after the revolution there was a reported five-fold increase in the number of people – mostly unemployed young men – setting fire to themselves in desperation.[93] Many had complained to local authorities about corruption or the lack of work, in cases similar to the suicide of Mohammed Bouazizi.

Walid Trabelsi told the BBC that he had taken a boat to Lampedusa, in Italy, to find work illegally. He stayed for a year, working in agriculture, before being arrested and sent back to Tunisia because he had no papers. "I'm now unemployed. I need to find about 1,000 Tunisian dinars so I can go again. I'm not afraid. I'm already dead here."[94]

Debt campaigner Fathi Chamkhi, spokesperson for RAID-ATTAC and CADTM (Committee for the Abolition of Third World Debt), said debt was the single-most damaging aspect of life in Tunisia. Calling for the suspension of the repayment of external public debts, shortly after the revolution, he said: *"Tunisia urgently needs to marshal all of its financial resources to meet immediate needs, including extreme poverty, benefits for the unemployed and improving workers' material conditions."*

Meanwhile, the revolution in Tunisia is seen by international financial institutions as an opportunity to further open the country up to foreign business and finance. A key way of doing this is through the **privatisation** of Tunisian public utilities and projects. So-called public-private partnerships (PPPs) may bring a degree of private capital into a country, but the public lose control of basic services and elements of the economy essential to development. What's more, PPPs have left a legacy of debt for countries that have utilised them (notably the UK).

"The IMF is dictating economic policy and people are unhappy because there is no social justice, freedom or jobs."

MOHAMED SGHAIER, UGTT UNION FEDERATION, TUNISIA, SPEAKING AT THE WORLD SOCIAL FORUM IN TUNISIA, MARCH 2013.

Holding on to water

Campaigners fear new IMF loan conditions will result in further privatisations, among them Tunisia's water and sanitation company.

"Until the revolution, the International Monetary Fund had promoted the authoritarian state as a structural adjustment poster child. When the revolution erupted, Ben Ali, who had already privatised 160 state-owned enterprises since the late 80s, was about to start selling off the country's water and sanitation services, SONEDE.

"Now, it appears that what Ben Ali failed to achieve, Ennahda will pursue. Despite the well-documented evidence about the negative impacts of water privatisation, the Tunisian government appears to be pursuing the privatization of the water and sanitation utility. Fourti Ridha a representative of SONEDE claims the public utility is one of the country's few success stories, providing drinking water to 100% of those living in urban areas and more than 90% of rural Tunisia achieving the highest access rate in the entire MENA region. As a result, it is coveted by multinational water companies who would be able to walk in and claim the market with little investment. It appears that Tunisia's economic policies continue to be written by bankers rather than for the Mohammed Bouazizis of the world."

Water rights campaigner Meera Karunananthan, April 2013

Currently, the World Bank, the European Investment Bank and the African Development Bank (AfDB) are supporting – or imposing – new legislation in Tunisia to create "a legal and institutional framework favourable to public-private partnerships". During the initial discussion of this legislation one Tunisian MP suggested the legislation had been entirely drafted by foreign institutions, saying: "This draft bill is a translation, it is incomprehensible." For the international community, in the reported words of an African Development Bank official "Tunisia = business".[95]

Resistance and the demands of activists

The revolution gave Tunisian people the confidence to fight for what they deserve. Under the banner *'we don't owe, we don't pay'*, activists continually challenge the current debt regime with proposed exit strategies from the 'straitjacket of debt'. A **debt audit** would begin to assess the origins and legitimacy of the debt.

In July 2012, a proposed bill for a debt audit was submitted to the National Constituent Assembly, and the president later said an audit would be held to determine if any of the loans were stolen through corrupt activities during Ben Ali's regime. That same year, Tunisia sought advice from Ecuador on how to audit debts.

But for now the debts are still being paid. Under pressure from foreign governments and institutions, the government has stalled any further progress through parliament of the debt audit bill.

Trade unions and civil society groups have frequently come together to protest against the government's failure to prioritise joblessness and lack of investment in services for the people. Different groups, representing the unemployed, women, students and lawyers, have become involved and new unions have been formed.

Several regional general **strikes** as well as sector and industry-based stoppages have been staged, as well as **protests**, sit-ins, road-**blocks and rallies** against unemployment and gaping regional inequalities. During a protest in the deprived town of Siliana in December 2012, some 300 people were injured when the police used shotguns and tear gas against demonstrators who were calling for investment in the region.

Many hundreds of strikes have been held since 2011, including by teachers, government staff and post office workers, as well as workers in the oil and energy industries, mining, ports and transport. In January 2013 a regional general strike shut down the majority of industry and businesses in the governate of El Kef. In the same month oil workers went on strike for three days in Tataouine.

A national strike by school teachers in April 2013 – the latest in a series of walkouts – was massively supported. The strikers were protesting at poor conditions and pay that has been devalued by rampant inflation, as well as increases in working hours and class sizes – which are reaching 60–70 in the public sector. A major issue for the unions is the growing **privatisation of education** and the creation of a two-tier system.

Last year hundreds of unemployed protesters from the phosphate mining region of Gafsa – where unemployment is more than double the national average – marched in Tunis to demand jobs. Two men from the mining town of Om Larayes tried to kill themselves during the demonstration, said Mohamed Sghaier Saihi of the union federation UGTT.

Many of the strikes are co-ordinated by UGTT, which took an active role in the revolution and continues to push for change – both for an improvement in the lives of workers and the unemployed, and for a truly democratic transition in Tunisia.

References – Case study nine

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90 Calculated from World Bank, World Development Indicators database. Bizarrely, the World Bank does not differentiate short-term debt into public and private. The figures for private debt are far lower than those reported recently by Tunisia to a separate World Bank database.

91 AfDB. (2011). The revolution in Tunisia: Economic challenges and prospects. *AfDB Economic Brief*. 11/03/11.

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93 http://www.bbc.co.uk/news/world-africa-16526462

94 *'Tunisia's unemployed revolutionaries head to Europe'*, Louise Sherwood, BBC News website, 8 Oct 2012

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