palgrave macmillan

Economic and Political Change in Tunisia

From Bourguiba to Ben Ali

Emma C. Murphy

ECONOMIC AND POLITICAL CHANGE IN TUNISIA

Also by Emma C. Murphy

ECONOMIC AND POLITICAL LIBERALIZATION IN THE MIDDLE EAST (*co-editor with Tim Niblock*)

Economic and Political Change in Tunisia

From Bourguiba to Ben Ali

Emma C. Murphy
Lecturer in Middle East Politics
University of Durham

in association with
University of Durham

First published in Great Britain 1999 by
MACMILLAN PRESS LTD
Houndmills, Basingstoke, Hampshire RG21 6XS and London
Companies and representatives throughout the world

A catalogue record for this book is available from the British Library.

ISBN 0–333–73500–5

First published in the United States of America 1999 by
ST. MARTIN'S PRESS, INC.,
Scholarly and Reference Division,
175 Fifth Avenue, New York, N.Y. 10010

ISBN 0–312–22142–8

Library of Congress Cataloging-in-Publication Data
Murphy, Emma.
Economic and political change in Tunisia : from Bourguiba to Ben Ali / Emma C. Murphy.
p. cm.
Includes bibliographical references and index.
ISBN 0–312–22142–8 (cloth)
1. Tunisia—Economic conditions—1956– 2. Tunisia—Economic policy. 3. Tunisia—Politics and government—1956– I. Title.
HC820.M87 1999
330.9611'05—dc21 98–33304
CIP

This book is printed on paper suitable for recycling and made from fully managed and sustained forest sources.

10 9 8 7 6 5 4 3 2 1
08 07 06 05 04 03 02 01 00 99

Printed and bound in Great Britain by
Antony Rowe Ltd, Chippenham, Wiltshire

For Anoush

‘It is not easy to replace a man like me . . . There is, between the Tunisian people and me, forty years of life passed together, of common hardships endured together, which will not exist with him who comes after me . . . I have created a nation largely around myself, around my person, and I wish to see that nation strengthen itself around the state, which should endure.’

Habib Bourguiba
12 January 1972

Contents

List of Tables viii
List of Abbreviations x
Acknowledgements xii

Introduction 1

1 Economic Liberalization and the State in the Developing World: From Corporatism to Authoritarianism 12

2 The Rise and Fall of the Corporatist State in Tunisia, 1956-1986 42

3 The Roots of Crisis: Economic Policy under Bourguiba, 1956-1987 80

4 Macroeconomic Stabilization and Early Economic Reform: The Seventh Development Plan, 1987-1991 103

5 The Consolidation of Structural Adjustment: The Eighth Development Plan, 1992-1996 132

6 The Politics of Reconciliation and Reform, 1987-1990 164

7 The Reassertion of the State, 1990-1997 193

8 The Disarticulation of Multi-Party Corporatism: State and Society under Ben Ali 221

Notes and References 245
Bibliography 267
Index 277

List of Tables

3.1 Net migration by region 1970–1975 (000s) 84
3.2 Long-term and short-term debt (US$ millions) 85
3.3 Volume and value of Tunisian petroleum and petroleum product exports 1970–1980 86
3.4 Food imports and exports 1970–1985 (percentage of total merchandise imports and exports) 87
3.5 Value and growth rates of imports and exports 1950–1980 (US$ millions) 88
3.6 Relative share of public and private sector investment in gross fixed capital formation in industry 1962–1980 (percentage of total) 89
3.7 Results of state enterprises by sector of activity 1983 (TD000s) 89
3.8 Labour supply and demand 91
3.9 Evolution of absolute poverty 1961–1980 91
3.10 External debt 1981–1987 (US$ millions) 94
3.11 International reserves (US$ millions and as number of months of imports) 95
4.1 Sectoral contributions to development during the Seventh Development Plan 121
4.2 Structure of production during the Seventh Development Plan (percentage of total production) 122
4.3 Trade balance in hydrocarbons during the Seventh Development Plan 122
4.4 Composition of exports during the Seventh Development Plan (percentages) 123
4.5 Composition of external debt by creditor during the Seventh Development Plan 124
4.6 Summary of investment during the Seventh Development Plan 125
4.7 Gross fixed investment by economic sector and financing during the Seventh Development Plan (TD million) 126
4.8 Structure of employment during the Seventh Development Plan 127

4.9 Development of social transfers (TD millions at current prices) 129
4.10 Price developments during the Seventh Development Plan (annual percentage change) 130
5.1 Energy indicators 1991–1994 136
5.2 Stock market indicators 145
5.3 Foreign trade 1991–94 (TD millions) 150
5.4 Tunisia's external debt profile 1992–1996 151
5.5 Consumer prices indices 1991–1995 155
5.6 Employment generation during the Eighth Development Plan 156
8.1 Annual average growth in GDP and population of selected MENA countries 238
8.2 Foreign direct investment flows to Mediterranean and GCC countries (US$ million) 238
8.3 Annual average growth in GDP and population of selected countries 239
8.4 Regional distribution of foreign direct investment to developing countries in 1995 (US$ millions) 240

List of Abbreviations

AFI	Agence Foncière Industrielle
APBT	Association Professionelle des Banques de Tunisie
API (Inv)	Agence de Promotion des Investissements
API (Ind)	Agence de Promotion Industrielle
APIE	Agence de Promotion de l'Industrie Extérieure
ASU	Arab Socialist Union
BCT	Banque Centrale de Tunisie
BMV	Bourse des Valeurs Mobilières
CAREPP	Commission d'Assainissement et de Restructuration des Entreprises à Participation Publique
CEPEX	Centre de Promotion des Exportations
CGC	Caisse Générale de Compensation
CGTT	Confédération Générale des Travailleurs Tunisiens
CNDPO	Comité National pour la Défense des Prisonniers d'Opinion
CSDHLF	Comité Supérieur des Droits de l'Homme et des Libertés Fondamentales
CSP	Conseil Supérieur du Plan
CTN	Compagnie Tunisienne de Navigation
EFF	Enhanced Fund Facility
EMT	Electro-Ménager de Tunisie
ETAP	Entreprise Tunisienne d'Activités Pétrolières
FIS	Front Islamique du Salut
FIT	Front Islamique Tunisien
FLN	Front de Libération Nationale
FODEC	Fonds pour le Développement de la Compétitivité Industrielle
FOPRODEX	Fonds de Promotion des Exportations
FOPROMAT	Fonds de Promotion et de Maîtrise de la Technologie
FSN	National Solidarity Fund
GCT	Groupe Chimique Tunisien
ICF	Industries Chimique du Flour
LTDH	Ligue Tunisienne des Droits de l'Homme
MDS	Mouvement des Démocrates Socialistes
MNC	Mediterranean Non-community Country
MTI	Mouvement de la Tendance Islamique

MUP	Mouvement de l'Unité Populaire
PDUI	Programme de Développement Urbain Integré
PERL	Public Enterprise Restructuring Loan
PLI	Parti de la Libération Islamique
PNAFN	National Programme for Assistance to Needy Families
POCT	Parti Ouvrier Communiste Tunisien
PSD	Parti Socialiste Destourien
PSP	Parti Social pour le Progrès
PUP	Parti d'Unité Populaire
QPS	Quranic Preservation Society
RCD	Rassemblement Constitutionnel Démocratique
RSP	Rassemblement Socialiste Progressistes
SAP	Structural Adjustment Programme
SIAPE	Société Industrielle d'Acide Phosphorique et des Engrais Phosphate et Azote
SICAF	Société d'Investissement à Capital Fixé
SICAV	Société d'Investissement à Capital Variable
SITER	Société des Industries Textiles Réunis
SMAG	Salaire Minimum Agricole Garanti
SMIG	Salaire Minimum Interprofessionnel Garanti
SNDP	Société Nationale de Distribution des Pétroles
STEG	Société Tunisienne de l'Eléctricité et du Gaz
STIL	Société Tunisienne de l'Industrie Laitière
TD	Tunisian dinars
TISSMOK	Société de Tissage de Moknine
UDU	Union des Démocrates Unionistes
UGAT	Union Générale des Agriculteurs Tunisiens
UGET	Union Générale des Etudiants Tunisiens
UGTE	Union Générale Tunisienne des Etudiants
UGTT	Union Générale des Travailleurs Tunisiens
UMA	Union du Maghreb Arabe
UNAT	Union Nationale des Agriculteurs Tunisiens
UNC	Union Nationale des Coopératives
UNECLA	United Nations Economic Commission for Latin America
UNFT	Union Nationale des Femmes Tunisiennes
UNTT	Union Nationale des Travailleurs Tunisiens
UTICA	Union Tunisienne de l'Industrie, du Commerce et de l'Artisanat

Acknowledgements

No book of this kind would be complete without an acknowledgement from the author of the assistance given in its lengthy preparation. In my case, the financial help of the British Academy through its Post-doctoral Fellowship scheme and a Small Personal Research Grant was invaluable. A further grant from the University of Durham facilitated much of the fieldwork. For their confidence in my work, and their generosity in supporting it, I am more than grateful. My thanks are also due to all those friends in Tunisia whose help was essential in the preparation of the book. Many were able to provide interviews and help in their professional capacities and some risked their personal safety in so doing. Also to the friends who sent packages of journals, newspaper clippings and magazine articles that stopped my enthusiasm from drying up at critical times, and to George Joffé and St John Gould who were kind enough to take me seriously and assist my work where they could. Tim Niblock and Ray Hinnebusch are owed thanks, the first for his moral support and confidence, the second for his invaluable help in refining ideas and commenting on drafts of the work.

Most especially, however, I am deeply conscious that this book would not exist if it had not been for the constant and loving support of my husband, Anoush. That this book is dedicated to him is a small return for all the work he has put into reading and commenting on drafts, picking up typing errors, collecting documentation and, when needed, pushing me to get on with it. No doubt he is as relieved as I am to see the project completed. No one but myself, however, is responsible for the arguments present in this booked or for its shortcomings.

EMMA C. MURPHY

The author and publishers are grateful to the following for permission to reproduce copyright material: Arab Banking Corporation for a table from the *Economic and Financial Quarterly* (December 1992); *Revue Tunisienne d'Economic* for tables from an article by A. Bsaies in Issue No. 5 (1994); I. William Zartman for tables from *Tunisia* (Boulder, Co.: Lynne Rienner, 1991). Every effort has been made to contact all the copyright-holders, but if any have been inadvertently omitted the publishers will be pleased to make the necessary arrangement at the earliest opportunity.

Introduction

The struggle to achieve economic development has been a defining preoccupation of the non-industrialized world since 1945. In the post-colonial era, newly independent states initially sought economic independence as a way of consolidating their new political status, most often resorting to *import substitution industrialization* (ISI) strategies. At the end of the twentieth century, however, the realities of the world capitalist system and the demise of the socialist alternative have left them struggling to come to terms with the idea that development strategies must allow for economic interdependence rather than independence. Thus they have bowed to a new wisdom which cites the success of the *export oriented industrialization* (EOI) strategies of the East Asian Tigers as the model for the future.

Concurrently, the inherent weaknesses of economic strategies which were overly reliant on the state as the principal engine for economic growth have become increasingly evident. Beliefs that the state could and should make the most appropriate investment, production and distribution decisions for national economic growth have been undermined by the overwhelming evidence of self-interested bureaucratization, politically motivated diversion, inefficiency and corruption which seem to accompany state-led development.

The convergence of these two realizations in the late 1970s led to the emergence and global spread of a revived and modified economic liberalism which asserted that economic growth and development at both the national and international levels would be best served by freely operating markets, the state taking only a minimalist regulatory role in economic production, distribution and management.[1] The debt crisis of the 1980s, precipitated by the failures of ISI and the over-extension of international credit,[2] forced the major international financial institutions to formulate new lending strategies around these ideas, which had by now assumed ideological proportions, and the industrialized world adopted this new orthodoxy, demanding its global application.[3] Consequently, the debtor states of the non-industrialized world had thrust or took upon themselves the task of applying the new principles of liberal economic management to what had formerly been largely centrally-planned, or at least state-centred, economies. The terminology of economic liberalization has subsequently proliferated and dominated at national and international levels, dominating both discourse and policy.

The transfer of (yet another) economic ideology from North to South unsurprisingly carried with it political appendages which were not always welcomed by the recipient states and populations. Not without some smugness, the liberal democracies of the industrialized North lectured the Third World on the inevitability and desirability of political reform accompanying the demise of the all-powerful state, asserting the supremacy of their own political models. As if to prove them right, the collapse of the communist bloc and the demise of the Soviet Union signalled the victory of capitalism and the triumph of democratic aspirations over tyranny. History had reached its 'end'! The language of structural adjustment, the method for implementing the economic reforms, became interwoven with that of political reform. As economic liberalization was adopted around the world as a strategy for development and growth, there appeared to be a simultaneous global surge of political liberalization and even democratization, encouraged not least by the imposition of political conditionalities on international borrowing and support for economic restructuring.

Less than a decade later, however, the early optimism engendered by this apparent process of simultaneous economic and political liberalization has begun to dissipate. In all too many cases, economic reforms have seemed to unleash social forces which threaten the political stability of countries in mid-transformation. Early attempts at political reform, whether through gradual liberalization of political space or through more profound introductions of multi-party competition, have been reversed as regimes have retreated into strategies aimed at ensuring their own survival and fending off challengers. The political powers of the state have been shored up even as regimes relinquish their economic control. On the surface it is apparent that, for some regime-types, progress in restructuring economies carries with it an ultimate reversion to authoritarian modes of rule. Nowhere is this trend more evident than in the Middle East and North Africa (MENA) region. Whether through formal withdrawal of participatory rights (such as the cancellation of multiparty elections in Algeria in 1991), or through direct attacks on civil and human rights (as in pretty well everywhere else), the MENA states' response to the increasingly diverse demands of civil society has, in the end, proved to be one which retreats from, rather than gives encouragement to, reform.

As those developing countries which have employed strategies of economic liberalization have begun to run into new and complex political crises, analysts have been forced to take a more critical look at the particular economic policies employed and their social and political effects. Typically, economic liberalization consists of two stages of policy; firstly macro-economic stabilization which seeks to restore financial balance to an economy and allow it to fend off imminent debt-repayment crises. Secondly, a more profound process of structural adjustment is initiated which seeks to transform the economy such that the market becomes the determining factor in investment, production and distribution rather than the state, and that production itself is geared towards generating hard currency earnings from abroad rather than satisfying domestic demand. Neither stage of liberalization is particularly pleasant. In the short term stabilization usually entails stringent austerity programmes which curtail the social and welfare provision to which populations have become accustomed. The public sector is a primary target for government spending cuts, resulting in lay-offs and wage restrictions as well as subsidy removals and price rises. Meanwhile structural adjustment forces the productive units of the country, be they publicly or privately owned, to accommodate themselves to competitive forces. The result is all too often the closure of uncompetitive plants, redundancies, removal of labour protection legislation, growing unemployment and falling income levels.

The emerging critiques of economic liberalization have highlighted this apparent propensity for reform to lead to an increasing income gap between rich and poor within states. Any ‘trickle-down’ effect is delayed and the structural adjustment programme meanwhile becomes associated with growing poverty and economic inequality. Not surprisingly, then, economic liberalization is rarely popular among the populations on which it is imposed.

Arguments against structural adjustment programmes have developed further, however, creating ever-greater pressures on regimes to justify their policies. Structuralists argue that developing countries are anyway engaged in an unfair international economic system in which the global market is not as free as neo-liberals would like to believe. Developing countries must face competition from an already more advanced ‘North’ even as they themselves carry the disadvantages of debt and interest repayment. The result, argue the structuralist theorists, of mass economic liberalization is likely to be a restructuring of the global division of labour, peripheralizing weaker economies and turning them into little more than sources of cheap labour and consumer markets for the finished products of the developed world. Globalization is viewed as the final victory of expansionist capitalism and the latest version of international dependency.

Further criticism of economic liberalization as a development strategy focuses on arguments that markets are not universal and that in many developing countries there are no existing markets on which to rely in the absence of state intervention. Others argue that the evidence that private is necessarily better than public sector activity is still inconclusive and that dogmatic adherence to what remains essentially an ideological position emanating from the developed world is not a sound strategy for developing states with different structural problems. The argument which draws the most immediate sympathy, however, remains the claim that economic liberalization has social costs resulting from increased poverty, unemployment and economic disempowerment. The IMF and the World Bank have admittedly adjusted their lending policies in recent years to take account of the need to maintain safety-net provision for the poorer sections of society in liberalizing economies. But the fact remains that the concept of development has moved on for most people from a simple desire for economic growth to a more sophisticated equation of economic, political and social change which is often at odds with market economics.

Disenchantment with the side-effects of economic reform inevitably leads to social resistance from those groups which stand to lose out, at least in the short-to-medium term. The form which this resistance takes reflects the prevailing political structures in any given country and, where regimes have come to power on the initial wave of a populist agenda, they are bound to find that liberalizing policies, and the associated side-effects, place them uncomfortably at odds with popular expectations and aspirations. Where formal political structures do not allow for the mobilization of opposition to policies of economic liberalization, social forces must find alternative means for the expression of resistance, forcing regimes into new political strategies to accompany their economic reforms.

Tunisia is a fascinating but often neglected example of this complex relationship between economic liberalization and political change. From formal independence in 1956 until a constitutional coup in 1987, Tunisia was ruled by a single political party, the Neo Destour (later the Parti Socialiste Destourien) and party-leader, Habib Bourguiba. Under his charismatic and progressive rule, the country underwent a process of rapid modernization and economic growth.

However, the initially corporatist political structures of the post-colonial state began to atrophy after a brief and failed attempt at socialist reforms. Early attempts at economic liberalization in the 1970s were confounded by the increasing centralization of the state, political immobilism and the all-powerful personality of Bourguiba himself. By the mid-1980s Tunisia was caught in a severe economic and political crisis. Although the economy was in urgent need of restructuring to counter a growing debt problem, the dominant social forces were unwilling to initiate changes that might diminish their own political control. The lynch-pin of the crisis was ironically Bourguiba himself. He had unwittingly undermined the corporatist harmony which he had himself struggled to build, determined to centralize power even as his own policies of modernization and development had inspired the growth of a nascent but nonetheless demanding civil society. In November 1987, Bourguiba was removed from power in a peaceful and constitutional coup led by his prime minister, Zine el Abidine Ben Ali. The new president committed Tunisia whole-heartedly to the process of economic reform while at the same time promising to usher in a new era of political liberalization.

In terms of macro-economic performance, Tunisia has since been cited as one of the MENA region's most successful liberalizers, regarded as a model of sound transformation by international creditors and investors alike. Through the course of two five-year development plans, the regime has managed to re-establish macro-economic stability, maintain solid if not outstanding growth rates, control inflation, diversify and increase exports, reorient production from the public to the private sector, attain a GNP per capita equal to that of Europe's own poorer periphery (at least in terms of purchasing-power parity) and restructure the country's debt to more manageable proportions. Less reassuring have been the continuing trade imbalances, endemic unemployment, and predictable social costs. Public services have all come under intense pressure as the government has sought to restrict spending and budget deficits, and the gap between rich and poor has increased, with conspicuous consumption appearing alongside visible poverty. Rationalizing production has led to redundancies and business failures, and the liberal trade regime has put pressure on domestic industries at the mercy of foreign competition. Not surprisingly, these pressures, which are by no means unique to Tunisia, have been articulated in public opposition to the government and its policies. In the late 1970s and early 1980s, it was the trade union movement which spoke out loudest against the regime, breaking out of the all-but-defunct corporatist system to challenge directly a regime which had abandoned the populist nationalist commitments of the post-independence era. The reward for such opposition was to be fiercely crushed by Bourguiba and, in the absence of a competitive party system, the banner of the challenge was taken up by political Islamists who offered an alternative model for political, economic and civil society. Ben Ali's initial efforts to introduce political liberalization were designed to internalize the political challenges once again, to incorporate them into a controlled and co-operative multi-party system which was to under-pin rather than undermine the position of the president. To do this, he was forced to exclude the Islamist movement from the competitive arena, relying on sound economic management, successful growth patterns and an essentially collaboratory secular opposition to draw support away from the Islamists who challenged both the regime and its strategies.

For the first few years of his rule, Ben Ali's strategy appeared superficially to be working. International observers applauded his efforts at political reform, both of the system itself and of his own party. Domestic opposition, including the Islamists, likewise welcomed the initial moves to lift restrictions on the press, to free political prisoners, to legalize (carefully approved) political parties and to introduce competition into the political system. The signing of the National Pact in 1988, which brought representatives of government, opposition, national organizations and interest groups together in collective commitments to democracy, equitable economic development and social justice, seemed to signal the beginning of a genuinely new era for Tunisia. By 1997, ten years after the coup, it was clear that such optimism had been premature at best. Reforms to the political system had ultimately been so restricted as to make genuine political competition impossible. The regime appeared unwilling to consider real power-sharing and the secular opposition had proved unable to present an effective challenge. The Islamist opposition, which had demonstrated its capacity to do so, had been not only excluded from official political space but had been subjected to a ruthless campaign of annihilation, along with leftist and trade union opposition to the regime and its policies. Ben Ali's government of technocrats had been increasingly infiltrated by the military and security service personnel, moves towards political liberalism had been reversed and the Tunisian government had become the target of international criticism for its deteriorating human rights record.

Critics of the Tunisian government are quick to label these events as evidence of the re-imposition by Ben Ali of the kind of authoritarianism demonstrated by Bourguiba in his later years. They argue that civil society is sufficiently well developed within Tunisia as to be unwilling to put up with brutal repressive measures indefinitely, and thus they await the resurrection of the Islamist challenge, or at least popular mass demonstrations against the president. For them, political instability is just over the horizon and any apparent stability established under Ben Ali's regime is merely a dangerous illusion which has deluded the international financial institutions. Others argue that Ben Ali has been right (tactically at least) to put economic progress before democratization. Only by putting the economy on a firm and sustainable footing can the government provide long-term stability. As the benefits of economic restructuring begin to filter through the population, existing feelings of alienation will be diffused and democratization can proceed in a less volatile and fragile political environment. Until that restructuring is complete, short-term economic interests or alternative political agendas must not be allowed to derail it, whether through party competition or through subversive political activity. Forces which seek to subvert the gradual process of modernization, economic and social development, must be eradicated.

In the eyes of Ben Ali's supporters, the Islamist movement represents a reactionary, anti-modernization force which, if allowed to take power, would only reverse the political, social and economic gains made by Tunisia since independence. Their argument has been weakened in recent years by the apparently arbitrary use of the state's monopoly of force in attacking all opposition, not simply the Islamists. Ben Ali's strategy cannot legitimize the use of torture in prisons, the countless arrests and jailing of even the mildest critics. But the opponents of fundamentalist Islamist movements, including many Tunisians, have no faith in the Islamists' commitment to democracy as anything other than a vehicle for attaining power, and are dependent upon the state to defend them from the ruthless zeal of those whom they perceive as wanting to turn the clock back a thousand years. For Ben Ali's supporters, the battle between secularism and Islamism is a zero-sum game.

This book seeks to unravel the complex relationship between economic and political change in Tunisia with particular reference to the impact of economic restructuring on a political system which had witnessed the decay of corporatism and the development of a single-party state. It begins in Chapter One with an analysis of theoretical approaches to relations between economic liberalization and its political correlates and implications. Inevitably, the state is the focus of this examination since it is both the initiator and the early victim of economic restructuring. Questioning the role of the state in the developing post-independence world leads the author to identify the growth of the populist/corporatist state, a formation deeply familiar to the Arab world. Using the concept of corporatism as a tool requires exploration of relations between the state and class, between the military and civil society, and between politics and culture. The abandonment of socialist models for economic development (using the term 'socialism' in its loosest sense) and the deepening of capitalist modes of production and exchange, alter these relationships and, in particular, the functions and mechanisms of single-party rule. Economic liberalization reinforces horizontal socio-economic stratification at the expense of the vertically stratified interest group articulation which provides the political structures of corporatism. The mediatory role of the single party becomes redundant, or at least ceases to function and, to broaden the base of support for the new economic policy, the regime is required to open new political opportunities for the bourgeois classes, initiating early political liberalization but remaining reluctant truly to share power. The party itself is torn by competing interests within its own structures and the state (personified in the presidency) increasingly pulls away from the party, achieving its own autonomy in order to force through implementation of its economically-formulated survival strategy. Full-scale economic liberalization heightens the resulting political tensions, even as it unleashes new socio-political forces which challenge both the state and the party. Initial extensions of liberalizing political strategies become unstuck when the state is forced to choose between its own survival and the emerging popular political demands. In the Arab world, the latter have increasingly been articulated in the form of political Islamism, while the state's response has ranged from limited concessions to outright suppression, depending on the state's perception of its own ability to withstand the challenge. State efforts to achieve a balance between limited political openings for its potential allies in economic reform on the one hand, and its desire to prevent challenges to its own supremacy on the other, result in a disarticulated (and in Tunisia's case a multi-party) form of corporatism that cannot be sustained indefinitely.

Chapters Two and Three provide an account of the political and economic development of Tunisia under Habib Bourguiba, providing the background to Ben Ali's assumption of power and strategies of simultaneous economic liberalization and political reform. Following a brief experiment with socialism in the 1960s, Bourguiba led Tunisia on a path of rapid modernization based on both public and private sector activity. His efforts to control and enhance the powers of the state, however, resulted in the public sector taking the lion's share of activity, strangling the private sector and depriving it of incentive and profit-making opportunities. Equally, his increasingly personal and presidential style of leadership, and the need to counter old-guard radical forces within the Neo-Destour (PSD), led to the decline of corporatist structures created in the wake of independence and the consolidation of a dominant single party wracked by immobilism and the struggle for succession. Efforts at limited political liberalization designed to reactivate political support for the regime were undermined by Bourguiba's own refusal to share power or allow genuine challenges that grew out of the developing economic crisis. His relentless persecution of Islamist opponents, deriving as much from senile paranoia as from any real threat, finally tipped the balance in favour of reformers and provided the catalyst for change in the form of the constitutional coup of November 1987.

In Chapters Four and Five the policy of economic liberalization subsequently carried out by Bourguiba's successor is studied. This has been the defining strategy of Ben Ali for retrieving Tunisia from the brink of disaster and setting the country on a path for successful growth into the twenty-first century. The chapters cover respectively the development plans of 1987–91 and 1992–6, examining the objectives, methods and achievements of economic liberalization. The Seventh Development Plan (1987–91) was principally concerned with macro-economic stabilization and putting in place the foundations of economic reform, but its achievements were somewhat offset by the repercussions of the Gulf War, regional instabilities and domestic droughts. It also witnessed the shock waves sent through the economy by the early structural reforms, including rising unemployment, increased poverty and generally falling living standards. The Eighth Development Plan (1992–6) was designed on the one hand to deepen and consolidate the process of structural reform, and on the other to ameliorate the negative social consequences of economic policy. With more emphasis on attracting foreign investment, accelerating privatization, developing the financial system and liberalizing trade and exchange, this plan completed a large part of the process of structural adjustment and was considered by many to have been a remarkable achievement over so short a period of time. An attempt is made here to assess the economic and social consequences of reform and to place them within the context of other factors affecting economic performance.

So profound a transformation must inevitably have equally substantial political implications. Moreover, it was incumbent upon the new president to break the political deadlock which had existed under his predecessor, to restore the legitimacy of the regime and to establish his own credibility as national and party leader. Chapters Six and Seven examine Ben Ali's political restructuring, as well as the growth and so-far failure of the political forces which have sought to challenge his regime. Chapter Six examines the early years of Ben Ali's rule, which were characterized by efforts at reconciliation and reform. In an effort to re-establish the corporatist consensus of the early Bourguibist state, and perhaps more importantly to be seen to be doing so, the new president set about reforming the constitution and drawing a broad swathe of society behind him in a National Pact which committed the government to political liberalization. Simultaneously Ben Ali reformed his own party, restoring to it mobilizatory functions even as he divested it of its own ideologically hegemonic capacity. In doing so, he tamed it to his own needs, despite internal opposition. Electoral reforms and subsequent elections seemed to promise a new era of competitive politics, although the results of the first multi-party national election only confirmed that the real opposition to Ben Ali lay in the Islamist movement. Chapter Seven examines his efforts thereafter to eradicate the Islamist challenge. His tactics and methods put great pressure on the National Pact alliance, with the secular opposition feeling uncomfortable in their position as government stooges and increasingly aware that a security beast was being unleashed which could yet be turned against themselves. The years from 1990 witnessed a downwards spiral of repression, beginning with the assault on the Islamists but including reassertion of the state over the media, the legal opposition, defenders of civil and human rights, the trade union movement and the student opposition. The chapter concludes with an assessment of the authoritarian character of Ben Ali's regime as it emerged in the 1990s.

In the concluding Chapter Eight, the reasons for this apparent reversal of political liberalization are examined. The pressures imposed by a developing civil society, the continuing role of patronage in the Tunisian political culture and the internal resistance of both state and party to power-sharing are all examined, as are the expectations and problems created by economic liberalization. The latter has indeed reinforced a horizontal stratification of society, even as Ben Ali's revived multi-party version of corporatism attempts to reconstruct controlled vertical social organization. The resulting contradictions are only reinforced by the contradictions inherent in the very idea of multi-party corporatism. The result is a three-way competition between state, single or dominant party, and civil society which the state can temporarily appear to win through its monopoly on the use of force – and its preparedness to use that force. In the longer term, however, the contradictions must be resolved or the state will collapse and society will be subject to instability and perhaps the virtual anarchy that currently washes over neighbouring Algeria.

Finally, this concluding chapter seeks to place the Tunisian case within its regional and global contexts. Ben Ali's government of soldiers and technocrats have taken on and, by and large, achieved an enormous task of economic transformation, one which is often underestimated by its critics and too often assessed only in terms of short-term results. Regionally, Tunisia is a strong performer, globally it is only just keeping its head above water (but bear in mind that much of the developing world is sinking fast). It faces specific regional obstacles to economic growth on top of those common to developing countries eager to catch up with the northern hemisphere.

The reform process in Tunisia has ultimately pitted economic liberals against their political counterparts, but while the former seem so far to have won the battle, the war is far from over. Whether the economic gains made so far will be undermined by either the economic traumas of integration with the rest of the Euro-Mediterranean basin, or the political tensions accumulating under the state's repressive hand, is an open question. Equally, it is impossible to be certain as to what extent political liberalization has been removed from the state's agenda or merely delayed until conditions are more propitious. The conclusion seeks to provide a balanced understanding of pressures and responses, of state–society relations and of dynamics for possible future change, the analysis of the Tunisian case providing both a model and a method which may usefully be used for the study of economic and political liberalization elsewhere.

1 Economic Liberalization and the State in the Developing World: From Corporatism to Authoritarianism

INTRODUCTION

> To each of the forms of economic development there corresponds a particular form of politics and form of state apparatus.

This was the conclusion reached by Ian Roxborough as he surveyed theories of underdevelopment.[1] He traced the development of the state in the Third World, demonstrating that the size and shape of a state apparatus, and the relations which it forges with various elements of political society, are determined by the stage of economic development reached, as much as by political history or economic resource base. If economic liberalization represents a new stage in the economics of the developing world – or at least the means and transitory phase of reaching that stage – then it stands to reason that the political composition of states must also be in transition to a new form.

Economic liberalization is all about the retreat of the state from areas of economic activity. As a set of corrective policies, it cannot be understood without reference to the political composition, dynamics and institutions of a country, and in particular without reference to the state itself. Any serious analysis must examine the political pressures for economic reform, as well as the political obstacles, within developing economies. Moreover, economic liberalization inevitably has political implications, which vary in their nature and expression for different sections of the population. The speed and form of its implementation will be shaped by the relative power and composition of political forces within society, representing these groups and their interests. The political history and culture of a country will have their impact on the reform process and in turn will respond to the new economic strategy and realities. Thus, the relationship between economic liberalization and political change can be seen from the twin perspectives of the political forces shaping economic change and vice versa. This chapter seeks to unravel the complex relationships between economic liberalization and political change, focusing on the state-form most relevant to the Tunisian case, that of the post-independence state where traditional dominant social forces have been overthrown by reformist/revolutionary[2] regimes employing populist policies. The framework developed here is most directly relevant to Middle Eastern and North African (MENA) states which have adopted this state form. Other state forms such as traditional monarchies have been by and large neglected here, but elements of the discussion are more generally applicable to the state in the developing world and can provide analytical tools for examinations of economic liberalization elsewhere.

THE CORPORATIST STATE IN THE DEVELOPING WORLD

For many countries, including some in the MENA region, independence brought with it the transfer of power from traditional (usually urban-based land-owning) elites to nationalist, populist regimes. It also brought moves towards ISI strategies for development designed to break away from dependence on exporting cash crops and commodities and to concentrate instead on domestic industrialization and production diversification. (Elsewhere, as in South America, it was not the process of winning independence from colonial masters that provided the stimulus to this change, but the political crisis which arose from the depression of the 1930s and the failure of traditional norms for engaging in international trade to ensure the economic prosperity of most or all social classes. Either way, ISI was seen as a way of breaking away from restrictive colonial economic systems.)

New regimes evolved from nationalist movements or groups which had led or participated actively in the struggle for independence (the FLN in Algeria, the Neo-Destour in Tunisia, the Republican People's Party in Turkey, the Free-Officers in Egypt and, ultimately, the Ba'ath in Syria and Iraq and the Arab Socialist Union in Libya). Claiming that they represented all socio-economic classes within the newly independent nation-state, they dismissed the relevance of class struggle, arguing instead that the process of state-building required collective effort and that the new state would serve the common need rather than that of any single socio-economic group. Their rhetoric and policies were populist, responding to demands common to most, if not all, socio-economic groups and drawing on 'the manipulation of historical memory and the collective mythology'[3] to assert the existence of a national consensus. The state assumed new responsibilities of provision and wealth distribution, as well as the moral burdens of creating a new vocabulary of national self-esteem and self-expression.

During this early phase of post-independence state-building, it was necessary to devise political structures which could articulate the national consensus and determine and articulate development goals. While some colonial regimes had left in place primitive forms of parliamentary democracy, these became decreasingly relevant as forums for political competition as the state grew stronger. As with cases where nationalist movements with populist agendas had swept away old colonial structures, new political structures developed to take their place. With class mobilization apparently 'deconstructed', and traditional elites either disempowered or de-linked from their former colonial partners, the party of national independence was considered all-encompassing. Alternative parties were considered as having nothing to offer and having no place in the new political system. The single, or dominant, party became the intermediary between the state and the people, as represented by *interest groups*. I refer here to functional groups within society such as agricultural producers, industrial producers, civil servants, women, and the military. Within each group would be members from different socio-economic backgrounds. Thus an organization for agricultural interests would include a poverty-stricken tenant farmer as well as a co-operative manager or a capitalist farmer. An organization for women might include women from professional backgrounds, housewives, students and factory workers. *Horizontal* class interests were thus fragmented and divided by *vertical* functional interests.

The higher echelons of interest-based organizations were interchangeable with, and even indistinguishable from, the organizational ranks of the single or dominant party which emerged from the nationalist struggle. Equally, the higher rungs of the party overlapped with the state itself. The state evolved from the personnel and mechanisms of the party, the two being fused together, much as the head is joined to the body. Individual advancement within the state required ladder-working through the party according to strict hierarchies. Equally, interest groups articulated their demands to the state through their representatives within the party, with a process of interest group – party, intra-party and party–state negotiation mediating the demands of all interest groups into a commonly acceptable formula for policy, which was then imposed by the state upon society. Interest groups were incorporated within the political system so long as they worked within established channels for demand articulation and mediation. By this method functional groups could air grievances within the structures of the political system, rather than by challenging the party or the system itself. Just as it was assumed that, in the interests of the common, nation-building good, all groups would be willing to settle for compromises negotiated with a state committed to the appropriate political and social values, it was also considered essential that the political structures should reflect constructive collaborative politics rather than destructive, class-based competition. The state claimed legitimacy by virtue of nationalist credentials; so when interest groups attempted to air their grievances outside this system, for example by challenging the dominance of the single party and its role as the source of the state, the regime could claim that they challenged the nation and the national interest and could crush them at will.

Corporatism, for this is what the system amounted to, considers society to be organic, rather like a body with many parts functioning harmoniously together but having their separate tasks:

> The brain (the government) and the nervous system (the party) control these parts and make sure they work harmoniously together to achieve a desired end (once again the technological mission of the state and society). They *must* work harmoniously together; just as one's arms and legs cannot be at odds with one another if one is to walk, so too the functioning parts of the society must be co-ordinated for the body to live healthily.[4]

Thus, for example, while corporatism appeals to the lower-middle and working classes because it offers a route for upward mobility for those from poor backgrounds who can benefit from widely available educational opportunities and employment-creation strategies, it sees the existence of organized labour to promote working-class interests as threatening. While the regime may seek to organize and mobilize labour in order to co-opt it, it will equally seek to segment that mobilization (preferably along functional lines) to prevent a class-based challenge.

We may conclude then, that corporatism is based on two fundamental assumptions that are worked into the structures and institutions of the political system: firstly that society has reached a consensus about its collective goals and the method by which they can be achieved; secondly, that class identities and interests are not relevant in the society's relations with the state.

Versions of this state form became common throughout the MENA region in the post-independence era. Gamal Ab'dal Nasser's Egypt, the Ba'athist regimes of Syria and Iraq, Ga'afar Nimeiri's Sudan, Mu'ammar Gaddafi's Libya, Houari Boumedienne's Algeria, Habib Bourguiba's Tunisia, Kemal Ataturk's Turkey, Reza Shah's Iran and even David Ben Gurion's Israel,[5] all displayed to varying degrees an ideological and structural preference for this political model. The traditional monarchies of Morocco, Jordan and the Gulf also displayed an alternative form of corporatism, one that is more 'organic, solidaristic and communitarian',[6] but a form of corporatism all the same.

Before examining the impact of the failures of the ISI development strategy upon these states, there are two further ingredients to the recipe for corporatism in the Middle East and the Arab world which need to be mentioned: the role of the military and the influence of culture.

THE ROLE OF THE MILITARY IN THE MENA CORPORATIST STATE

In order to enforce its prohibition against conflict within, and to secure its own domination over, society, the regime must have the full force of the military at its disposal. The military therefore, while representing one vertically stratified functional group, is nonetheless given a privileged position, both distinguishing its members from other individuals with whom they might have shared common socio-economic, ethnic or cultural interests, and offering tangible rewards which aid in defending the armed forces from subversive infiltration. The military provide the regime with nationalist camouflage and, as in more overtly praetorian regimes, provide the 'order' necessary to allow economic development to take place.

The military in the Middle East and the Arab world has a particularly noticeable history of intervention in civilian life – indeed a strong military institution is one of the few historically continuous features of the region. The reformist regimes of Turkey, Iran and the Arab world all had their roots in military activities – either struggles for independence or military coups – and even Israel's military played a critical role in shaping the young state. Regime elites were in their early years deeply coloured by their military composition, not least because being often drawn from upwardly mobile lower-middle classes, the military were natural challengers to the old traditional and colonial orders. Once the state was established, however, and despite their continuing dependence on the military, the regimes increasingly subordinated the military to civilian rule. The military generally ultimately accepted this for a number of reasons. Firstly the regime ensured that the military benefited from the economic rewards of state management.[7] The armed forces were enlarged (in Egypt, for example, it grew from 80 000 men under arms in 1955 to 100 000 in 1960)[8], salaries were raised, officers were provided with privileged clubs, education, social welfare, and credit, and new, expensive military equipment became a budget priority. Ayubi has argued that 'In the Middle East at large, the military establishment is both larger and more costly than anywhere else in the Third World'.[9]

Secondly, the professionalization of the military, combined with the introduction of more formal types of organizational structuring, reduced the scope for independent military initiative. Thirdly, ruling regimes established counter-forces such as security services independent of the military to subvert counter-coups. Fourthly, poor military performances in some instances demystified the military and, finally, the infiltration of military personnel in civilian economic and political spheres ensured a common interest between the state and the military which underpinned the latter's support for the former. On the other hand, however, the military has over time become more sophisticated in its infiltration of civilian ruling circles. Hosni Mubarak, Hafez al-Assad and Zine el Abidine Ben Ali (Tunisia) are prime examples of ex-military men who have 'civilianized' their own images as they have acceded to power while retaining their army power-bases.

Nazih Ayubi has pointed out that the reliance of the state upon the military's coercive abilities indicates the weakness of the corporatist state in the Middle East, rather than the strength which is often mistakenly associated with sheer size and scope of state functions. The state, in his view,

> is not a natural growth of its own socio-economic history or its own cultural and intellectual tradition. It is a 'fierce' state that has frequently to resort to raw coercion in order to preserve itself, but it is not a 'strong' state because (a) it lacks – to varying degrees of course – the 'infrastructural power' that enables states to penetrate society effectively through mechanisms such as taxation for example;

and (b) it lacks ideological hegemony (in the Gramscian sense) that would enable it to forge a 'historic' social bloc that accepts the legitimacy of the ruling stratum.[10]

Thus a corporatist state with praetorian tendencies may have a relatively high degree of autonomy in terms of being immune to pressures exerted by class interests, and may be able to exert its own interests, but its power is still fragile and vulnerable to rapid social changes and economic crisis.[11] Where it appears strong, this is in part likely to be due to the comparative weakness of alternative organised social forces. The late integration of the Arab world into the capitalist European-dominated world, followed by the colonial experience, had ensured that classes were poorly developed and ineffective as mobilizatory poles of social organization.[12] Indeed, the political oppression that characterizes the corporatist state has frustrated any inclination of classes other than the bourgeoisie to organise and mobilize themselves.[13] It can be argued then, that the particular reliance of the corporatist state upon the monopoly of physical force represented by its alliance with the military is in tune with historical precedent in the Middle East and the Arab world, easing the introduction, acceptance and consolidation of corporatism in the early post-independence years.

CULTURE AND CORPORATISM

Ayubi raises another issue of particular pertinence to studies of the Middle East and Arab world, the notion that corporatism in the developing world is in part a result of cultural precedents. He argues that much of the Arab world has experienced historical centralized traditions, reinforced by colonial rule.[14] Christopher Clapham has argued that the modern Middle Eastern state inherited highly centralized colonial administrative systems which were designed to enable an elite to subjugate a majority. The monarchies which succeeded the colonial rulers adopted these same formations, in turn passing them on to their own successors.[15] Thus an expanded and apparently strong state is not alien to the existing culture. Others provide an alternative 'cultural' explanation for corporatism in the Middle East.[16] Bill and Leiden's argument is that the formal vertical institutional stratification of society comes naturally to Arab society, which is vertically stratified at informal levels. Informal groups are not corporate but exist in a diffuse and relatively unorganized manner. Such vertical differentiations include tribe, family, clan, regional affiliation, ethnic or religious background, cliques and factions. They are extremely important to social organization in the Arab world, with a corresponding impact upon political organization,[17] and to some degree the same can be said to be true of non-Arab Turkey, Iran and even the oriental majority of Israeli Jews. They also argue that institutional groups have traditionally held a more central position in Middle Eastern political history than have associational groups:

> although parliaments and political parties are recently established institutional groups, bureaucracies and armies are institutional groups of a more ancient vintage. While associations are generally twentieth-century phenomena in the Middle East, certain institutional groups have routes that extend back to pre-Islamic days.[18]

These institutional groups are nonetheless fraught with the complexities of personal cliques, family loyalties and regional factions. One is not surprised to note the existence of persistent and dominant clan supremacy within Arab state bureaucracies. Take, for example, the Takriti clan in Iraq, the Oudja clan in Algeria, the Hashemites in Jordan or the Alawite sect in Syria.

Just as these informal vertically differentiated groups persist within modernized state structures, so the same patterns of patronage and clientalism have characterized the operations of the corporatist states in the face of generally weak institutionalization. As widespread education enables more people to struggle for shares in the pie of wealth creamed off from the development process, but with power and rent distribution being determined from the top down, so these traditional patron–client linkages re-surface within the state bureaucracy and its allies. Patron–client relations which exist within informal vertical groups are replicated at the formal, institutional level, with the element of cultural authenticity providing an approximation of legitimacy for the consequent political system. Thus Weberian-style *patrimonialism* is rampant throughout the Middle East and Arab world,[19] evident in personalist leadership patterns, the relations between political leaders and the military forces and, in some instances, accompanied by religious rationalization.[20]

Waterbury[21] refers to the cultural antecedents of corporatism when he compares the role of the state in managing the collective interests of the Muslim *umma* with the Latin American predisposition to regard the state as infused with the values and responsibilities of the Catholic

Church. The resulting 'organic statism imbues the state with the purposeful role of achieving the common good in the name of all of the society but independent from any of its constituent parts'. The potential for this is made viable by the absence of any clearly dominant class. In a later work with Alan Richards, however, Waterbury goes on to argue that:

> Whatever historical and cultural predispositions there may be for the twentieth-century manifestations of corporatism, we argue that those manifestations must be seen as new and culturally neutral. They emerge as a function of state-building and market penetration in an age when no government can afford to condone wide disparities in the distribution of wealth.[22]

In this instance, only the additional feature of a prominent military in the Arab states is considered to represent a cultural component to modern corporatism, since the military itself is probably the most corporate form of organization of all. Thus, while the debate as to the cultural contribution to the modern state form in the Arab world still rages, it is less contentious to argue that there is no cultural *impediment* to corporatism.

THE GROWTH OF THE BUREAUCRATIC BOURGEOISIE

The legitimacy and smooth functioning of the corporatist political system in the Third World depends upon the conviction of functional groups that their interests are being adequately mediated so that each group receives an appropriate share of the wealth and advantage at the disposal of the state. Moreover, populist regimes are under pressure to provide economic growth, both as evidence of successful development and to satisfy growing aspirations fuelled by widespread education and political mobilization.

The reality, however, in the Middle East and Arab world (and indeed elsewhere) was that ISI strategies, with their emphasis on rapid catch-up industrialization to supply the domestic market, resulted in the growing importance of one particular socio-economic strata, the industrial bourgeoisie. In most cases, at the time of independence, the existing industrial bourgeoisie had been either weak and relatively unformed[23] or, in the case of previously colonized countries like Egypt, had largely included foreign bourgeois elements which left or were disappropriated with independence. Thus, the state was forced to assume the responsibility for planning and resource allocation in development, and later for production and distribution, becoming in effect the industrial bourgeoisie – or at least aligning itself with the existing, if weak, industrial bourgeoisie. Whether the industrial bourgeoisie was a partner, or a part, of the state, the state itself began to protect and promote its interests, developing its own bourgeois class characteristics.

Moreover, the growing role of the state in the planning and development of the economy necessitated its own growth as an institution, a characteristic accompanied by 'bureaucratization'. It absorbed within its ranks the product of new educational opportunities, a cadre of upwardly mobile bureaucrats with aspirations to move away from their working- and lower-middle-class roots. The civil and public sectors thus expanded rapidly and disproportionately to their real requirements, a process consolidated by political tactics designed to ensure the support of this group for the regime. Much as a snowball rolls down a hill gathering momentum and dimension, so the bureaucrats developed an interest in increasing their own ranks and privileges through consolidation and growth of the *bourgeois-bureaucratic* state apparatus.

The emerging class nature of the *bourgeois-bureaucratic* state had profound implications for its relations with the rest of the society over which it ruled. In the early populist phase, the state had drawn the existing but still weak working classes into its ranks in order to mobilize the human resources of the country behind its development strategies. In return for their support, the state offered the people education, health, welfare services and the supply of new consumer products (albeit domestically produced and without the caché of foreign goods).[24] As the process of industrialization and modernization took root, consuming the bulk of state finances, so it became harder to fulfil this bargain. The truth was that the regime needed to direct capital and resources into industrialization and modernization rather than wealth distribution and social justice. Thus the state was forced to extract itself from its populist contract with society. This could be disguised to some extent through the mechanisms of interest articulation – the functional organizations and institutions which fragmented any alternative class mobilization that might result. The reality, however, was that the state sought what has been termed 'relative autonomy', or an ability to act out its class interests without making compromises to, or representing, other socio-economic classes.[25]

The ability to disguise its own class interests, and to prevent the articulation of competing class interests, enabled regimes to continue to use the language and rhetoric of *socialism* even though their strategy was less a retreat from capitalism than a combination of *étatism* and welfarism. Middle East 'socialist' regimes came to power not by revolution but by military and palace coups. New ruling elites were not vanguards of mobilized masses but applied top-down interpretations of socialist structures and ideological concepts tailored to eliminate opposing power-bases rather than genuinely to transform society. Nasser's initial land reforms in Egypt were a classic example of this, as was the regime support for the *Histadrut* in Israel or the White Revolution in Pahlavi Iran.

The new ruling class was not in most cases, it is true, composed of the owners of the means of production and the bureaucrats could not therefore exert their patronage in the form of directly distributing capital. But they did *control* the means of production and could thus facilitate access to profit-making opportunities: trade licenses, credit lines, information, public sector contracts and employment opportunities. Thus, while the expansion of the state's economic role had initially been a matter of development strategy rather than ideology and, while the bureaucracy was formally committed to the notion of wealth distribution, it increasingly found ways of preventing that distribution in favour of channelling funds into either investment or its own self-enhancement. Even in the most apparently socialist of Arab countries, the private sector was never wholly excluded or dismantled. As the bureaucrats began to accumulate the spoils of their own power, they sought to multiply their own wealth through their alliances with the industrial bourgeoisie. This was not simply a case of individuals rent-seeking from lucrative deals (although there was undoubtedly an element of that); it was a question of sustaining the role, functioning and influence of the state (and their place within it) even as the funds to do so began to dry up. Ayubi discusses the problems that arise with the expansion of the bureaucracy when, as he puts it, 'the disfunctions of institutional growth start to outweigh its positive functions',[26] asserting that they have arisen so frequently in the Middle East partly because of a mistaken assumption that bureaucratization was a function of development.

When the initial ISI strategies began to falter, when growth declined and world recession highlighted the over-dependence on unearned oil-based incomes, the Arab regimes were among those which turned first to the international capital markets and then the private sector to introduce foreign capital as a substitute for dwindling national capacities to invest and produce. A new alliance was formed between the core of the bureaucracy, the industrial bourgeoisie and a growing commercial bourgeoisie composed of the traders who imported luxury goods and consumer items, who managed the export deals for the public producers or introduced and channelled the foreign investment capital. These middlemen were both sponsored by, and the beneficiaries of, the transformation of the bureaucracy into a bourgeois class in itself. Indeed, personnel interchanges were as common as between the industrial bourgeoisie and the bureaucracy. Together, the three elements gorged themselves on the profits of rent and speculation, the lower classes having to make do with black and 'lemon' markets.[27] Limited economic reforms were needed to provide the economic space for the private sector to revitalize itself, or to convince foreign investors of the potential for private economic activity, including the removal of restrictions on imports, foreign investment and private-sector activity. Thus we saw in the 1970s, for example, Sadat's *infitah*, the abandonment of socialism by Bourguiba in 1969, and Assad's liberal reforms in Syria.

Two final points should be made at this stage. Firstly, the bourgeois state could not disguise indefinitely the fact that it was inclining towards representing its own, and its class allies' interests rather than those of the nation. Although the lower-middle and working classes were unable to consolidate their own institutionalization and interest articulation through the political system, it was clear that the populist alliance had begun to dissolve. This became more noticeable as ISI was decreasingly able to deliver the promised rapid economic growth. Labour strikes, protests and demonstrations were met with authoritarian measures, as the state was forced to fall back on its monopoly of force. Voices of dissent and disillusion were quashed through censorship of the media, arrest and imprisonment of oppositionists and strict controls on political activity. Corporatism was overtaken by authoritarianism while the single party became the means for repression rather then interest articulation and mediation.

Secondly, while the above argument applies to the populist regimes like Egypt, Algeria, Tunisia, Syria and Iraq, much of it is also relevant to the oil-wealthy monarchies like Saudi Arabia and, until 1979, Iran. In such cases the appropriation by the state of the wealth of natural (oil) resources enabled the state to assert its autonomy and oppress its opponents. While the failures of ISI were subsequently not so noticeable, given the state's ability to continue distributing resources, the state itself was nonetheless drawn on to the same path of limited economic reform and alliance with the commercial bourgeoisie as its own accumulatory and expansionary tendencies developed along with the wealth. Wealth creates consumption and, given that ISI strategies could not provide the required quantity or quality of goods publicly required, it was inevitable that even in these states, perhaps especially within these states, the need to develop an importing commercial bourgeois class, engaged in international patterns of trade, should match the increasingly bourgeois characteristics of the inflated and clientalist bureaucracy.

EARLY POLITICAL LIBERALIZATION

The experiences of Middle Eastern states show that, in the absence of genuine structural reforms, the early economic openings encouraged speculation, profiteering and foreign imports, but did little to increase domestic production or national income. Under pressure to provide services and living standards in line with expectations, regimes increasingly turned to the international lending agencies and commercial banks to bail them out of their cash-flow problems. Massive surplus liquidity on the international capital markets and low interest rates, not to mention rapidly rising Arab aid flows, seemed like manna sent from heaven. In view of the failure to modernize through industrialization, the bureaucracy became increasingly reliant on the combination of deficit financing and the abilities of the commercial bourgeoisie to provide the *appearance* of economic success.

A problem now emerged for the bourgeois-bureaucratic state. As it allowed a limited degree of economic liberalization, the commercial bourgeoisie, and indeed those elements of the bureaucratic bourgeoisie who were pursuing their accumulatory interests, began demanding representation of their interests in political decision-making. Reassurance was needed that the state would not simply 'move back in', should it so choose. Moreover, it became clear that economic policy-making could no longer be determined solely by bureaucratic or power-holding considerations, but must be determined increasingly by the rationale of the market if profits were to be made. Thus, for both the functional reason of economic necessity, and as a result of the need for the liberalizing elements of the bureaucratic bourgeoisie to cement their alliance with their commercial counterparts, political liberalization – and what amounts to power-sharing – came on to the agenda.

This has been fiercely resisted by those elements of the bureaucratic bourgeoisie who believe that power-sharing represents power-loss and who are more interested in preserving their existing privileges than risking all for accumulatory possibilities.

The most threatened group of all in this situation are the core elements of the single party who recognise that political liberalization will result in multiplicity of parties and loss of their own monopoly on power. The bourgeois-bureaucratic state is therefore forced to assert its autonomy from the party, using its authoritarian structures to maintain control. The party risks becoming redundant and, in its efforts to restrain the pace of change, looses any remaining vestiges of reformism. Because the party and the state have been so intricately interwoven, this process is extremely complex and manifests itself in power struggles within the ruling elites. The state cannot afford simply to ditch the party, not only because the party represents the ideological source of regime legitimacy, but because the party has provided the route for co-opting society through its position as intermediary between state and corporate groups. Equally, the party cannot simply disassociate itself from the state. To do so would be to lose its access to power and, since the state is the product of the party in ideological and personnel terms, the party would be undermining its own credibility. The level of fusion between personnel in party and state further complicates matters. The head of state is usually the party leader as well, and his key personnel will almost certainly have risen through party ranks to achieve their position in the bureaucracy. Thus there is a certain element of conflicting interests within the state bureaucracy itself which weakens and destabilizes the regime. The state must therefore rise above itself, with authority and power being vested in a smaller number of hands and with personalities rising to influence over both the party and the bureaucracy (the emergence of so-called 'change management teams'[28]).

The Egyptian *infitah* is a case in point. The *infitah* of 1974 was accompanied by an apparent political opening. At first the single party, the Arab Socialist Union, simply evolved into three allowed factions, centre, left and right, which were later allowed to operate as distinct political parties, in 1977. The law allowed the formation of new political parties, so long as they were not religiously or class based, for such parties might be capable of mobilizing mass support. Instead, and against the wishes of those corporate organizations like the trade unions who benefited from the corporatist system, the dissolution of the ASU represented the fragmentation of the political party which could have stood in the way of Sadat's economic liberalization measures. As John Waterbury has said, 'Sadat, having destroyed the centres of power, now established the power of the centre'.[29] By ensuring that the president retained most of the powers normally vested in political parties, and that the opposition could not develop in a credible and forceful manner, his apparent move to a multi-party system did not mean a reduction in the power of the state. However, the commercial bourgeoisie were given new rights to organize and lobby, resulting in the establishment of clubs and organizations like the Egyptian–US Chamber of Commerce, the Egyptian Businessmen's Association and the Federation of Egyptian Industries to defend their interests:[30]

> President Sadat's re-modelled political system provided a number of spaces in which private-sector interests could use their influence to affect major policy decisions, notably through the specialized committees of the Peoples' Assembly and the public role assigned to major business groups like the important Egyptian Businessmen's Association with its three representatives on the board of the National Investment Authority.[31]

With their preferential access to the president and his coterie of pro-liberalization advisors and aides, they were able to advance the *infitah*.

Ironically, it was the labour unions and the working classes which opposed the apparent democratization, since the new economic policy was not apparently in their interests and since their only access to power was through the corporatist system headed by the ASU. Although the intention had not been to dismantle the corporatist system, the effect had been to decapitate the interest group organizations to prevent them from interfering with economic policy. Without the critical mediating connection between the interest groups and the state, the corporatist system appeared to remain intact but actually was unable to function properly. When the expression of interests was forced to take non-institutional forums, such as strikes, public demonstrations and so forth, the regime demonstrated its class character by suppressing it through the use of force.

A less drastic strategy was pursued by Chadli Ben Jedid in Algeria. During his first term of office from 1979 to 1984, Chadli introduced limited economic reforms which included encouragement of the private sector to assume a larger role. He proceeded slowly, using the time to remove prominent Boumedienne-ists who opposed restructuring, and transferring power away from the party to the presidential office. He slimmed down the FLN's Political Bureau – the party's highest organ – from 17 to 7 members, transferred some of its functions to himself, allowed a seriously limited political liberalization that disguised a real clamp down on Berber and Islamic opposition, and appointed sympathetic army commanders to sensitive posts. In effect, he used minor reforms and reductions in the power of the FLN to disguise the increase in his own presidential power, with which he could introduce a more radical economic package in his second development plan.[32]

Raymond Hinnebusch presents another version of this argument in his study of democratization in Syria. [33] Assad, upon coming to power, apparently liberalized the political system in the form of establishing the Progressive National Front and a multi-party parliament, even as he concentrated power in the hands of the presidency. The move was designed to accommodate the interests of the urban Sunni middle classes who, it was hoped, could revive the private sector sufficiently to take on some of the burden of economic growth from the ailing state, the latter being unable able to deliver economic rewards in return for political allegiances. Having been denied the opportunity to develop liberal political parties, and being cut off from the rural masses, the middle class represented no serious political challenge and was persuaded in effect to take minimal economic reforms and a reduction in the dominance of the party, in return for its participation in the new economic strategy.[34]

Given that, as the corporatist mechanisms are disempowered, the bourgeois-bureaucratic state relies ever more on the support of the military to sustain its domination, a critical factor in this equation must be the likely response from the military to any alterations in the balance of power. It may decide that it too has accumulatory interests which can benefit from a gradual liberalization (as in the case of Tunisia, Syria or Egypt) or, if chaos or a reduction in its own status seems to be the likely impact of political liberalization, it may choose to intervene to halt the process (as in Algeria or briefly in Turkey). Its freedom of manoeuvre will depend on the degree to which its interests have been harmonized with that the of ruling regime, the degree to which it has been de-politicized and the potential outcomes of any political liberalization.

A final point needs to be made regarding this initial move towards some political liberalization. Modernization theorists would argue that the process of economic development introduces its own dynamics for political liberalization. They argue that economic advancement (including technology and better communications, as well as consumerism) brings with it new values of rationality, the rule of law, achievement, long-term perspectives, tolerance and individuality. New political demands are made from populations which a regime must either suppress or fulfil. It is not necessarily the case that modernization will bring political democratization, but it is the case that it will increase demands for more participation and good and accountable government.[35] This approach has come under fire for its failure to grasp cultural or historical relativities, and by analysts like Paul Salem, who argue that democratization in the Middle East and North Africa has been an inter-elite phenomenon with developmental characteristics of non-elites being of only secondary importance to the process.[36] Nonetheless, it is important to bear in mind that the socio-political demands of societies are not static but responsive to awareness of alternatives and failures of existing scenarios.

One concept which can clarify the debate is that of *civil society*, which Eva Bellin has called 'an exquisitely ambiguous term'.[37] The use of the term within the Arab world (*al-mujtama' al-madani*) has become laden with its own political baggage. To speak of civil society is to imply the existence of a sophisticated level of public association which is aware of, and inspired by, the rights and obligations of both citizen and state. The correlates of modernization – urbanization, education, information and communication – have their own impact upon the individual citizen, transforming his or her perception of their relationship to, and expectations of, the state. These new perceptions are expressed through associations, institutions and a new discourse of civil rights that seeks to subordinate the power of the state to the rights of the people. To speak of civil society in the Middle East and the Arab world is, on the one hand, to recognise the social changes that have resulted from modernization and development and, on the other, to challenge the authoritarianism which so frequently characterizes the state. Thus, while the state may seek to control the formal institutions of public mobilization (through corporatist political structures or later through authoritarian measures), it cannot control the expectations and demands that evolve within society. Corporatist structures may initially be successful if they articulate popular aspirations at a given time, but the combination of evolving aspirations and political awareness, with a state which is itself undermining the corporatist system of interest articulation and mediation, is doomed to some form of disaster. Moreover, there is a fundamental contradiction between corporatist *solidarism*, which assumes common values and aspirations within society, and *civil society* itself which seeks the protection of individual liberty and to challenge the impositions of the state on social organization.

Within the Middle East and North Africa, corporatist regimes sought to suppress the sprouts of emerging civil society, with varying results. In general, however, the reluctance of regimes to allow the development of strong, independent political organizations and associations has been a common feature of the region, with the exceptions of Israel, and at times Turkey. One should not make the mistake, however, of assuming that the absence of a well-developed civil society in the Middle East and North Africa is evidence of an historical or cultural lack of liberal political norms. Patricia Springborg has argued that liberal political institutions, which included representative features, were alive and kicking in the ancient Middle East and the traditions have continued through institutions such as the *majlis* and *masjid*. Some writers have argued that Islamic principles of *shura* provide the channel for obligation and accountability on the part of rulers, although others have argued that Arab and/or Islamic values are basically incompatible with democratic practice, emphasising Islamic belief in divine rather than popular sovereignty for example.[38] They would argue that:

> there are many cultural obstacles to democratization in the region. The most significant among them are the primacy of faith over reason and tribal and ethnic loyalty over associational life and civil society. Thus essential elements of civil society – political tolerance, ideological pluralism, and power-sharing – lack deep roots in the political culture of the region.[39]

The argument that Islam and democracy are fundamentally incompatible is undoubtedly an over-simplification. Nazih Ayubi was probably closer to the truth when he concluded that: 'Islamic culture contains elements that can be both congenial and uncongenial towards democracy'.[40] The variation in interpretations of the correct route to, and form of, government across the Islamic world is evidence that historical circumstances, colonial experience and perceptions of imposed alien values are as important in defining an Islamist leader's assessment of democracy as is strictly theological discourse.

THE IMPACT OF ECONOMIC LIBERALIZATION ON POLITICAL STRUCTURES

It has been argued above that regimes introduce initial economic liberalization strategies, however limited, for reasons of regime survival given the failure of previous development strategies. Furthermore, early economic liberalization has produced pressures on regimes to introduce political reforms. The pressure comes not only from the revival or release of competing social forces, but also directly from the implications of economic liberalization itself. As Richards and Waterbury were to prophesy in 1990:

> Perhaps the most profound challenge to solidarism and corporatism will emerge in the general process of streamlining, if not reducing, the degree of state intervention in the economy. The political controls that corporatism affords various regimes will be difficult to maintain if the state begins to cede important economic resources to the private sector.[41]

It did not take long for observers of Latin America, East and South East Asia, Eastern Europe and even sub-Saharan Africa to notice that the process of economic liberalization appeared to occur simultaneously with a process of political liberalization and even democratization in authoritarian states. One must state from the start that these latter two concepts are not one and the same:

> *Political liberalization* involves the expansion of public space through the recognition and protection of civil and political liberties, particularly those bearing upon the ability of citizens to engage in free political discourse and to freely organise in pursuit of common interests. *Political democratization* entails an expansion of political participation in such a way as to provide citizens with a degree of real and meaningful collective control over public policy.[42]

Nowhere was this trend more evident than in the Middle East. Cynics were quick to point out that while this was often a case of *re-democratization* for states elsewhere in the world, which had experienced more liberal political traditions in the past, the Middle East did not have such a past to which it could return.[43] However, there did appear in the 1980s to be an apparent political opening in much of the Arab world and beyond. Electoral competition made its mark in the 1980s and

1990s – in Egypt, Algeria, Tunisia, Jordan, Morocco, Kuwait, Lebanon, Sudan, Yemen, Turkey and even revolutionary Iran. The discourse on political liberalism moved from the realms of academics and non-governmental organizations and appeared to infiltrate government policies in the form of new freedoms for the press, multiplicity of parties and pressure groups and often surprisingly free elections.[44]

However, and much as the cynics had suggested, no sooner had tentative moves towards democracy begun, than they appeared to be dissolving into reimposed and often reinforced authoritarianism. This reimposition has taken two forms: societies have witnessed on the one hand the withdrawal of formal participatory rights, such as the cancellation of multi-party elections in Algeria in 1991, on the other, civil and human rights have been under renewed attack by the military and security forces in efforts to crush the opposition which has emerged with political liberalization or social forces unleashed by the economic crisis and the policies of economic liberalization which have been undertaken to remedy it. Needless to say, the consultative councils which were established in the post-Gulf War Arabian Peninsula states (Saudi Arabia, Oman, Bahrain and the UAE) have proved to be little more than symbolic concessions to demands for democratization.

It may seem odd to reimpose authoritarian systems of government so soon after the sprouts of political liberalization were allowed to blossom. The reasons lie in two principal factors. Firstly, as we have seen, political liberalization was usually introduced as a strategy whereby economically liberalizing elements of the state could further advance their own interests against those of resisting elements; it was rarely if ever part of a genuine attempt to democratize political society (Jordan may be the closest to an exception here). Thus the strategy could be and was altered as objective circumstances – and regime survival – demanded. Secondly, that same process of economic liberalization unleashed social forces which challenged the state itself. With the 'deepening' of economic liberalization programmes in the wake of the debt crisis, in the absence of a well-developed civil society, and without established channels for the diffusion of explosions of popular angst, the regimes were faced with political chaos, instability and threat to themselves. For the sake of self-preservation – and to resist pressures to alter their economic policies – they used the most efficient means available to them, the security forces, to reimpose their authority.

It is useful to consider this process as a series of stages, although in practice it is difficult (if not impossible) to determine at exactly what point in time the country may pass from one stage to another. Initial limited economic refom leads to equally limited political liberalization, accompanied by authoritarian measures of control. As economic liberalization 'deepens' (as a result of debt crises, balance of payments and budget deficits, and external pressures), so political liberalization is also broadened, even as far as democratization. As society responds to economic liberalization, so the political reforms may have to be reassessed and possibly reversed.

An additional factor is that democratization has often been shaped, as Ayubi puts it, 'for the Yankees to see'.[45] In other words, it can be a cosmetic alteration in the structure of power-holding designed to please Western creditors and potential investors. The United States, for example, has made democratization and human rights a cornerstone of its foreign policy, at least as far as rhetoric goes.[46] As the terminology and polemics of economic liberalization have been 'borrowed' from the developed world, so too the vocabularies of democracy have been adopted by regimes to sweeten the pill of economic reforms. Just as Roger Owen points out the difficulties of measuring the real impact of external pressures and influences on economic reform programmes in developing states,[47] so it is impossible to quantify the real impact of democratic ideology on politically liberalizing states. One might as easily point to lessons learned by Middle Eastern and Arab leaders from the collapse of the totalitarian regimes of Eastern Europe (and the fate of leaders like Ceausescu), as to the impositions of foreign creditors or liberal political cultures.

DEMOCRATIZATION AS A STRATEGY FOR ENHANCING ELITE POWER

For the most part, the introduction of political liberalization and/or democratization is initiated by a president and his coterie of aides in order to disempower the existing single party relative to themselves. Only thus can they reduce structural resistance to policies which transfer economic management (and powers of patronage) from the state (and the political party which has dominated it for so long) to the private sector and their own interests within it.

Moves towards democratization are inevitably favoured by the population, giving the president and his elite a new degree of legitimacy in what is otherwise generally regarded as an ideologically bankrupt political environment precisely because the previously dominant single party has ceased to represent the 'national' interests of all classes and groups in society.[48] This process has been described as: 'a new ruling bargain by which popular acquiescence to difficult economic reform is obtained through the creation of a new democratic bargain'.[49]

A comparable and sometimes complementary strategy is to create the impression of popular consultation, formalizing democratic bargains through national pacts with potential opposition parties and interest groups.[50] In some instances of successor regimes, such as that of Chadli Ben Jedid of Algeria, Anwar al-Sadat of Egypt or Zine el Abidine Ben Ali of Tunisia, democratization is a political tool used to mark out new presidents from their authoritarian predecessors and to draw as broad a base of support as possible for alterations in policy direction – notably in favour of economic liberalization. This is also a process necessitated in some degree by the need to increase government revenues (as direct and indirect oil rents diminish) through increasing the breadth of the tax base and the efficiency with which it is taxed. Luciani has explained that:

> no Arab state, with the exception of Morocco and to a lesser extent Tunisia, has embarked on significant reform and expansion of its fiscal base for a period of over twenty years. The level of direct income tax collection is ludicrously low in most Arab states in which a personal income tax exists, and in a good number of them such a tax does not even exist.[51]

As economic liberalization has become formalized in structural adjustment programmes, the state has been required to improve its tax-derived resources. It may be easier to impose taxes on imports or indirectly, but these have the effect of distorting prices on the domestic market and undermining the very liberalization that the state is trying to enact. Thus regularizing and extending income tax is a crucial element of most structural adjustment programmes yet it is surely one of the most politically sensitive and difficult to impose. Income tax directly affects the pocket of the majority of citizens and thus is doomed to be unpopular. To legitimize this aspect of their reform programmes, regimes can only be tempted to spread the blame, as it were, and to seek legitimacy in the guise of 'taxation with representation'.

The strategy relies to a large extent on the weakness of organised political opposition. Decades of severe repression of opposition limits the ability of opposition parties to mobilize significant parts of the population behind their cause. Indeed, the governments of Syria, Tunisia, Algeria, Egypt and Jordan have been careful to legalize only those parties which offer no real challenge. Communist and leftist parties, abandoned early on in the independence years and often brutally suppressed thereafter, have little ideological credibility in the aftermath of the collapse of the Soviet Union and the submission of communist economies around the world to the capitalist wave. Political parties emanating from the bourgeoisie are unlikely to offer any platform significantly different from that of the dominant previously single party. Their interests will lie in the same policies of economic liberalization that the government (still officially represented by the former single party) is pursuing. In this case, the introduction of a degree of plurality provides the government with an increased number of people with whom to share the blame for the unpleasant effects of austerity and liberalization measures. Such bourgeois parties may contribute to the deepening of civil society and to restraining the still 'fierce' character of the state by emphasising the need to liberalize civil life. Ultimately, however, the fact that they share class interests with the bourgeois state makes them an ally of the state rather than genuine opposition.

An interesting angle to this appearance of liberal bourgeois parties is the fact that such parties are often the descendants of offshoots of the single party – liberal wings which split off in earlier days over either ideological or personality issues. Thus they are generically linked to the party of independence and their leaders have little credibility with the popular masses. Neither leftist nor bourgeois parties in this emerging democratic environment are mass-based parties with grass-roots support. They prove all too willing to cut deals with the regime so as to get a slice of the power pie and offer little or no genuine alternative to the regime. The same may be said of trade unions which, while they may attempt to mobilize popular opposition to certain aspects of the economic liberalization programme, are often tainted by their past collusion with the single party. They may indeed ultimately find that their interests lie in avoiding direct conflict with a regime prepared to use the military against the people if necessary.

Thus appears one of the paradoxes of this strategy of political democratization: without a strong single party to negotiate their interests through existing corporate structures, and without credible party-based alternatives replacing the dominance of the single party as a means for articulating dissent from government policies, the people of the country find government more, not less, inaccessible. Interests are less mediated and more directly expressed, through criticism of the government in the media, through civil disobedience and demonstrations and eventually even through violent action. The regime, which initiated the strategy of political democratization as a means of defensive self-preservation, must now either face the challenge and alter those of its policies which incite the resistance, or suppress it. The experience of the Arab world has so far been overwhelmingly one of suppression. Political liberalization is reversed – the media is more heavily censored, the police and security services are given more freedom (to the detriment of civil and human rights), political activities are limited or banned and the preceding democratization is revealed as the illusion it always was. One may fairly say that the 'fierce' character of the Arab state is revealed, as are the weaknesses of its institutional and ideological base. Political democratization does not necessarily lead to, or correlate with, political liberalization, although it has been argued that even this limited tactical process of democratization may have a residual and long-term effect on emerging civil society.

THE SOCIO-POLITICAL CONSEQUENCES OF ECONOMIC LIBERALIZATION

The heart of the dilemma for liberalizing regimes is that the effects of economic liberalization are felt disproportionately among the population. While there may be popular consensus over the need for reform, there is decreasingly so over the strategy of economic liberalization, and particularly IMF-negotiated structural adjustment programmes, the benefits of which are usually 'deferred, uncertain, and diffused'.[52] Initial austerity measures result in the cutting of government funds and subsidies. While there is no reason why such cuts should automatically be targeted at the poorer sections of society (Arab governments could go a great deal further in cutting military budgets for example), the reality has been that: 'specific austerity measures tied to structural adjustment can be linked to particular eruptions of mass protest'.[53]

David Seddon has demonstrated that the phenomenon of austerity protests has dogged the Middle East and Arab world since the early economic liberalization programmes of Morocco and Egypt in the 1970s. Moreover, in the absence of effective ways for protesters to influence government policy-making, protests were increasingly directed towards demanding political liberalization as well as a halt to the more acute austerity measures. In 1977 Sadat's introduction of sudden and dramatic price increases led to a series of riots, an experience repeated (although less violently) in 1984. Morocco, which had experienced widespread opposition to its 1978 three-year stabilization programme, suffered severe social unrest in 1980, 1981 and 1984 in response to attempts to cut government expenditure. The pattern was repeated elsewhere in the Arab world: in Tunisia in 1984, in Sudan in 1985, Algeria in 1988, and Jordan in 1989 and 1996.

Seddon argues that over the past 20 years, the major shifts in macroeconomic policy represented by structural adjustment have generated or sharpened structural contradictions and the potential for social conflict. His 'comparative anatomy of protest' illustrates that the scale of the riots, demonstrations, strikes and marches which have rocked the Middle East has been so large as to make it impossible for regimes to ignore them. Sparked off initially by food price rises, the more violent riots invoked the language of hunger and poverty. Meanwhile, trade unions would mark their opposition to government policy with strikes and marches, and organized interest groups would lobby through marches and petitions. Opposition to government policies has been widespread throughout both country and population, rather than being confined simply to one element or urban area. The offices of the single party or local government were frequent targets for attack, and in many instances the role of the IMF and World Bank in pushing unpopular policies was explicitly referred to by protesters. Protests are not the result of specific organizations, although leftist and Islamic groups both participate and claim to lead them. In sum, they have been at least semi-spontaneous and mass expressions of popular concern over the impact of structural adjustment upon ordinary lives:[54]

> Popular protest is not merely a response to economic and social adversity, it is also a demand for social justice and for renewal of the social contract between state and civil society, in which the role of the state is to ensure the economic and social welfare of all in society.[55]

Regimes are faced with a stark choice: to heed the voice of the protesters and slow down or halt the pace of economic liberalization, or to repress the demonstrations of discontent. In the case of Bourguiba in Tunisia in 1984, he revoked the price rises which had sparked the riots, although this was as much a tactic of internal regime politics as of concern over popular feeling. Likewise, Sadat and Mubarak of

Egypt have responded to large-scale demonstrations by allowing them to slow the pace of reform. Egyptian liberalization has been a zigzag of stops and starts, dictated by the leaders' unwillingness or inability to impose faster changes and sustain stability simultaneously. The Jordanian monarchy was eager in 1989 and 1996 to demonstrate its concern over public discontent and to appear to be listening to complaints. Yet, while regimes may be prepared – or forced – to take account of popular dissatisfaction with the negative impact of economic liberalization programmes, and even to allow it to dictate the speed of reform, they have not reversed the overall direction of policies and have acted to restrict the space within which genuine opposition can operate. Regimes cannot afford to ignore protest, but nor can they allow it to challenge the state or their own interests; thus a retraction of liberalization measures in the political sphere becomes evident.

THE DISARTICULATION OF THE CORPORATIST STATE

Daniel Brumberg has stated that Arab states have, by virtue of the reimposition of their authoritarian characters, ultimately excluded themselves from the general trend of transition pacts towards democratization.[56] In most of Latin America, and despite the fragility of such pacts, democratic norms are gradually taking root as the military is increasingly forced back into the barracks. In Eastern Europe and the former Soviet Union, and despite the reassertion of leftist and nationalist forces, political challenges are directed against policy directions rather than against democracy itself. In the Arab world, however, democratic developments are rapidly proving to be illusory and political liberalism is actually in retreat. Apparent democratization has not reflected a sincere commitment to power-sharing, merely a tactical restructuring of mechanisms for control.

In the case of corporatist bourgeois-bureaucratic states, such as Egypt, Algeria, Syria and Tunisia, this is unsurprising. Economic liberalization creates a restructuring of interests. The nature of the capitalist market is one which distinguishes between the owner of the means of production and the means of production itself (including labour). In other words, the position of one citizen *vis-à-vis* another, and of the citizen *vis-à-vis* the state, is determined by his or her relations to capital and, to the means of production, and ultimately by source and extent of income. When the nation's productive resources are concentrated increasingly in the hands of the private sector, as opposed to the public sector, income distribution and standard of living are determined less by social justice and principles of equitable distribution than by status in the hierarchy of capital. Social stratification is increasingly horizontal. Citizens identify less with functional differentiation than with socio-economic differentiation – especially since the process of economic liberalization affects different socio-economic strata to different extents. Put simply, previously weak and fragmented class interests begin to deepen and consolidate.

Such class interests are not immediately evident, since the citizen initially will seek to improve his lot relative to others and in absolute terms through the established vertical structures for interest mediation, that is through his functional interest group structure. However, these structures become decreasingly efficient for two reasons. Firstly, the interest group itself begins to fragment. A wealthy land-owning member of an agriculturists organization will have less in common with a landless tenant farmer or an agricultural trade union worker as he becomes more interested in new opportunities for profit, new possibilities for exporting overseas and reducing costs through removal of labour protection laws. An industrialist will cease to see his interests as lying in the same organization as his factory workers when the loss of subsidies forces him to make redundancies. Women who find themselves channelled into low-paid factory work will have less in common with middle-class professional women.

Secondly, as we have seen, the state increasingly transfers its functions and powers away from the single party, either through the centralization of powers and/or through partial democratization. It may even decentralize administrative elements of power, away from central party organisms to weaken party control as opposed to its own. The single party loses its intermediary function and no longer operates effectively to channel interests through to the state mechanisms. No other intermediary replaces the party, since newly legalized political parties are neither mass representative parties nor entirely distinct from the state and former single party. Opposition to state policy on behalf of interest groups is now expressed more directly, through criticism of the state, through demonstrations, strikes, protests and even riots. Although the state may take heed of grievances and allow them to slow the process of economic change, it will not deviate from the overall direction of that change since it is that direction that its own (bourgeois) interests and survival lie. Thus it has little option but to re-exert its authoritarian features and repress popular opposition. Opposition which takes place outside the sphere of the supposedly legitimate competitive party system is declared illegitimate, disruptive and detrimental to the security and stability of the country.

The social groups which suffer most from economic liberalization in the short term, the working and lower-middle classes who face growing unemployment, rising prices, new tax impositions and reduced social and welfare provisions, are alienated and excluded from the political system indicating the disarticulation of the corporatist model. If the legal political parties fail to develop into genuinely representative bodies in a functioning democracy, and with the redundancy of the previously dominant single party and interest group structures, there remains a vacuum in terms of viable political structures which is filled increasingly by political chaos and a government response of authoritarianism.

CREATING SPACE FOR POLITICAL ISLAM

One final feature of the disarticulation of corporatism in the Middle East and North Africa is the tendency of political Islam to fill the vacuum described above. In the Muslim MENA region, the secular state's inability to overcome the endemic crisis prevalent in society has produced its own anti-thesis: protest in the form of political Islam.[57] Islam offers an inclusive community for those who not only find their interests threatened by economic liberalization but find political structures increasingly inadequate for the expression of their fears. Even as formal vertical political structures become increasingly ineffective, so traditional informal social structures also come under threat from the intrusive cultural impact of Western companies and their brand names, Western models of organization, management and progress indices, and unfamiliar divisive forces that arise from economic competition. Capitalist production bombards and eventually socially and economically fractures supportive extended family units, so vital to the renewal of Muslim cultural values.

Islamic political movements offer a cultural familiarity that resounds with local authenticity and which offers membership in a classless, national social movement, stressing the virtues of social justice (not so different from the early populist state). Islamic political movements have used the language of their opposition to the so-called 'Coca Cola culture' syndrome to voice the protest of those disempowered by authoritarianism and economically disadvantaged by economic liberalization and thus to challenge the regimes of the Middle East. They differentiate themselves from both state and co-opted secular opposition parties alike by asserting a religious mandate which places economic considerations second to social preservation and which offers an entirely alternative but historically familiar form of political organization to one which is perceived by many to have so drastically failed. In an era when externally-derived political ideologies have apparently become redundant, Islam can provide a philosophical, spiritual and literal blueprint for the revitalization of Arab society.

Moreover, Islamist organizations have stepped in to fill many of the gaps in social provision created by the retraction of the state's economic activities. Schools, kindergartens, hospitals, clinics, food relief, credit – all have been provided by expanding Islamic organizations and associations. At a day-to-day level, individuals and families are seeing the mosque as being the last bastion of moral and economic support for society.

Where they have been able to, the established regimes of the Middle East and Arab world have turned the full weight of their security apparatuses against the Islamists, fiercely defending themselves from the greatest challenge to their dominance so far. The question remains, however, as to how much longer they can hold out against 'strengthened and emboldened opposition'. Optimists might argue, as Augustus Richard Norton does,[58] that prospects are not universally bleak, given that 'the new language of politics in the Middle East speaks of participation, cultural authenticity, freedom and even democracy' and that, with new technology and economic openness, regimes can no longer isolate their populations from the trends and desires of peoples elsewhere.

SUMMARY

A state which can make economic liberalization work sufficiently speedily as to supply a general increase in living standards to offset negative side-effects may be able to contain opposition within a competitive political system without facing real challenges to itself. Middle Eastern and other Arab states, however, have largely been unable to cast off their rentier and/or statist characteristics and have been slow to see the benefits of economic reform. They have simultaneously been unwilling and unable to introduce genuine competitive democratic political structures. Thus they have fallen back on authoritarian responses to the breakdown of the corporatist system under the pressure of economic change. Even in cases where economic liberalization has put down deep roots, the process of transformation to market economy remains a painful one, with the agonies unevenly distributed. The resulting political head of steam, which can be both fuelled by and expressed in terms of political Islam, is unlikely to be contained in the long-term by repressive measures alone. Regimes must come to terms with the fact that political systems must evolve or collapse into the kind of violent chaos which has bedevilled Algeria in recent years. The strategy of economic liberalization as a means for regime survival, as the state consolidates its bourgeois class interests, clearly carries with it major political risks as well as opportunities. It requires a complex political and economic balancing act, as well as the confident support of the military and the successful subordination of both the former single party and any new parties to the state.

It would seem then that for the moment the deterministic view of those who argue that economic and political liberalism are joined at the hip has proved premature. Paul Starr was more correctly prophetic when he concluded that:

> Even those of us who take satisfaction in the remarkable rebirth of civil society in the East and revitalization of the liberal state in the West ought to know that this is only another season of our passions and not history's last stop.[59]

2 The Rise and Fall of the Corporatist State in Tunisia, 1956–1986

INTRODUCTION

Modern Tunisia is often regarded as having been the creation of one man, its charismatic first President, Habib Bourguiba. Having emerged as a national leader through the struggle for independence from French colonial rule, Bourguiba was the driving force behind the creation of a corporatist political system dominated by his own Neo-Destour party. After a brief experiment with socialism, and despite maintaining a bureaucratic and interventionist state, Bourguiba led Tunisia on a path of gradual and limited economic liberalization. The accompanying demands for a corresponding political liberalization could not be accommodated within his own vision of the relative roles of state and society, and his final years in power were characterized by political crisis. Ultimately, his own preference for personalized rule, combined with the pressures of economic development and a burgeoning civil society, had forced him to choose between political pluralism and single-party authoritarianism.

This chapter examines the establishment of a corporatist political system within the newly independent Tunisian state, tracing the relations between state and society as they developed through the Neo-Destour party, the trade unions, the national organizations and ultimately the creation of new political parties. It follows the struggle within Tunisia to find a strategy for economic development that could incorporate and satisfy the demands of all these elements, as well as Bourguiba's own need to play the part of national patriarch. The chapter proceeds to uncover the dilemmas that contributed to the unravelling of the corporatist system, and its gradual replacement with a stagnant single-party system and increasingly authoritarian state.

THE COLONIAL ERA

A brief period of direct Ottoman rule in the sixteenth century had been followed by what was to all intents and purposes independence, although the Tunisian Beys still gave nominal deference to the suzerainty of the Ottoman Sultan. In the eighteenth century, however, this independence of action came under threat from two quarters. As European naval power grew in the Mediterranean, Britain, France and Italy competed for control over the eastern and southern shorelines. At the same time, financial crisis gripped the rule of the Beys and forced them to turn to the European powers for economic assistance – which came with burdensome strings attached. In 1869 the Bey, Muhammad as-Sadiq, was forced to accept French, British and Italian financial control over his affairs and in 1881 France used the prospect of imminent financial collapse as an excuse to land its troops. In 1883 the Treaty of Mersa allowed them formally to establish a French protectorate.

Pierre Rossi has termed French rule an era of absolute monarchy.[1] European settlers moved in (although never in the kind of numbers familiar to neighbouring Algeria),[2] French administrators predominated and French legislative and administrative reforms were introduced. Rather than recreating the democratic characteristics of the Republic at home, they took over the structures of the antiquated Beydom and 'reformed' them to their own requirements. The French continued to recognise the *grandes familles* of Tunis as having a part to play in administration, offering them a role in the *Grand Conseil* established in 1907. However, this had only marginal political competence and the Beydom itself was reduced to an essentially symbolic role. Unlike their Algerian conquest, the territory was never officially considered by the French to be an integral part of France and rule was a curious mixture of direct and indirect management.

Asma Larif-Béatrix[3] has argued that one impact of French colonialism was the consolidation of traditions of patrimonial rule already evident in Tunisia under the Beys: elites were divided, their access to resources and power controlled; attempts at internal solidarity were frustrated; and lines of economic and cultural patronage cultivated. At the highest level, power was centralized and monopolized. However, she also points out that improved communications and efficient administration served to erode tribal structures and to trigger the development of national associational formations, like trade unions and political parties. Thus one might say that the colonial experience contributed to the development of neo-patrimonialist government by transferring the mechanisms of patrimonialism from the informal chains of patronage belonging to the Bey, to the state itself, even as it sustained the traditions and culture of clientalism.

In general, the Tunisian response to French colonial rule was also somewhat different from that of Algeria, or indeed from the Arab populations under British and French rule elsewhere. Tunisian society was even then peculiarly homogeneous. With the exception of a well integrated, localized Jewish community and a largely Arabized Berber-speaking minority, most Tunisians were Malikite Sunni Muslims sharing a common Arab identity. The Beylical elite were of Turkish or Circassian origin but remained isolated from the majority of the population in an accommodation of mutual habit and the Arabic language had penetrated virtually the entire country. But, while national homogeneity was considered a Tunisian characteristic, national solidarity was still some way off. The beating heart of Tunisia lay in the *sahel*, the fertile coastal plains where, as Clement Henry Moore explained,[4] a middle class had developed around olive oil production and the communal village unit. Tunis city itself was small and fragmented, with the *grandes familles* living lives distinct from those of the merchants and heads of handicraft guilds (*baldi*), although the latter did mix to some degree with the *ulama* families. The city and the village were linked via the larger provincial families, the *maghzen*, appointed to be the provincial administrative officials of the Bey's rule, but they rarely mixed socially with city elites and were known at times to launch tribal revolts against beylical rule.

French rule inevitably interrupted this fragmented but essentially peaceful traditional social organization. The introduction of settlers and their demands for a formalized system of registered private land ownership led to the establishment of new conceptions of property and legal procedure. The economy boomed as the French developed the mines, agricultural output, transport, foreign trade and infrastructure. Much of the wealth generated inevitably remained in French or European hands, and the Tunisians were deeply affected by landlessness, urbanization, unemployment and the burden of newly efficient and reformed taxation.[5]

Many Tunisians were nonetheless surprisingly favourable towards the French administration. They considered that France was introducing the values and techniques of modernization. Drawn from the provincial *maghzan*, many young men were able to benefit from the expansion of education offered by the French. Tunisia was not unused to concepts of modernization and reform – in the nineteenth century the modernist prime minister, Khaireddine Pasha (1873–7), had done much to reform education (establishing the Sadiki College), to modernize the army and institute land and tax reforms. Although many of his reforms had fallen by the way due to the mismanagement and corruption of others, he had left a tradition which argued that modernization was not incompatible with indigenous culture and religious beliefs. Tunisian city and provincial society absorbed French culture and ideas like a sponge, with the lynch-pin of the cultural synthesis being the Sadiki College from which many of Tunisia's future leaders were to graduate. One element of this cultural transfer was the notion of formal institutionalization, or associationalism, which cut across rural–urban, tribal or regional fragmentation and thus contributed to the social changes discussed by Larif-Béatrix.

Clement Henry Moore has identified three stages of the 'colonial dialectic'. The first stage was represented by the *Young Tunisians*, a political party formed in 1907, modelled on the Young Turks and drawn from the young, Western-educated members of Tunis-based prominent families. These were modernists who combined liberal thought imported from Europe with a sprouting Tunisian nationalism. Since French colonization had been a relatively bloodless affair, their rejection of occupation was a placid and almost apolitical notion, as they acknowledged the educational, cultural and economic benefits which adopting European values might bring. In practice, they used the combination of *grandes familles* background with European education to reach for the highest administrative posts in the regime which non-Europeans might be allowed to fill. Thus it could be said of the Young Tunisians that:

> Some even welcomed the French as allies in their struggle to modernize and reform traditional institutions and practices. Primarily an intellectual movement, it never commanded mass support.[6]

The second stage was brought about by the First World War, during which some 10 000 Tunisians were killed and 30 000 Tunisian workers sent to France. Drawing on the same ideas of self-determination which were inspiring Arab nationalist movements elsewhere, a second group created a new political party, the *Destour* (meaning 'constitution' in Arabic), in 1920. The party included those members of the traditional Mamluk elite who were unable to benefit from new educational opportunities for advancement and found themselves excluded from any position of effective power. They recognized the superficial nature of the institutions through which the French allowed them to act (such as the *Grand Conseil*), and the fact that they had been disempowered by French colonial rule. Other elements included the *baldi* city bourgeoisie, excluded from the capitalist economic developments, and the *ulama*. Despite careful French efforts to seem to be respectful of the social standing of the religious elite, cultural modernization was considered to be undermining the status of the latter, while the introduction of formalized secular property law was reducing their influence in the countryside.

Destour nationalism led from the top, mobilizing masses in its name but not being a product of those masses or including them in its membership. The focus of the party was the intellectual elite of the Zaytouna mosque, who rejected modernization as a foreign imposition and argued that the protectorate brought only servitude and humiliation, aspiring instead to an Islamic renaissance. The party was by nature conservative and lacking in any substantive ideological foundations and, because of its traditional base, was unable to mount any effective challenge in the rapidly changing world within which it operated. For example, the Destour failed significantly to support Tunisia's first indigenous trade union, the *Confédération Générale des Travailleurs Tunisiens* (CGTT), against forcible dissolution by the French in 1925. Despite the nationalist significance of the efforts of the union, its composition and ideology were in stark contrast to the interests of those of the Destour.

A new force now pushed its way on to the political scene, calling itself the *Neo-Destour*. Founded in 1934, this party, composed of well-educated young men, broke away from the traditional social base of the Destour, aiming to mobilize the masses by drawing them directly into the nationalist struggle. They used the language and modernism of the occupier to challenge French rule, advocating a new political style of confrontation modelled on the French socialists. The Neo-Destour marked the arrival of a new elite which was not drawn from the *grandes familles* of Tunis, but from the sahel. Most, having initially been educated at the Sadiki College, had a university education gained in France and had returned to Tunisia as lawyers, doctors and other professionals. Unlike their older Destour counterparts, they aspired to a new model of society, a new nation. They did not advocate a Marxist model, which was considered to be irrelevant to the cultural and historical specifics of Tunisia, but adopted concepts of universal equality, the people being the source of legitimacy, and national solidarity taking precedence over social or economic status. Religion was rejected as a basis for political management but its symbols were manipulated as a method for mobilizing the people. In an era of world economic depression and regional drought, the Neo-Destour emphasised economic issues as a cause for political solidarity and concentrated on educating and disciplining their followers. Thus they were as committed to economic development as they were to national independence.

The Neo-Destour emphasised the importance of organization and structure from the outset, modelling itself partly on the French Socialist Party. Local committees were formed across the sahel, as well as in the cities, and members were welcomed from all walks of life. Students flooded to join, artisans deserted the trade guilds to join the party, financial support came from business connections, bedouin tribes were lobbied and for the first time the notables were challenged for position in the political sphere by peasants and nomads. The party gained a reputation for including rather than excluding the fragmentary sections of society, and thus for being a democratic force. When the Destour was revived in 1937 by the return of its charismatic leader after ten years abroad, its attempts to reabsorb the Neo-Destour were defeated by the organizational supremacy of the younger party and by its willingness to mobilize all sections of the population as opposed to simply old traditional elites.

Unlike the Destour, the Neo-Destour supported organized labour, in particular the establishment of the *Union Générale des Travailleurs Tunisiens* (UGTT) in 1946 by Farhat Hached. Admittedly, this was more a tactical response to the dominance of the Tunisian Communist Party over the existing *Confédération Générale des Travailleurs* (CGT). As Claude Liauzu has put it: ‘This period saw a struggle in which two sides, the French and the nationalists, struggled to assume control of the labour movement’.[7] Subsequently, and with the victory of the nationalists through attainment of independence, the UGTT became infused with prominent party members and vice versa. The UGTT became in effect a union arm of the party, with many of its labour principles being sacrificed in times of crisis to the needs of the nationalist struggle. Despite this, it rapidly attracted the majority of Tunisian workers away from the European-dominated CGT and provided the strongest illustration of Neo-Destour commitments to social justice. The popular nationalists joined forces with, and ultimately dominated the union, as a way of harnessing the latter’s unique ability to mobilize the workers, in the knowledge that even the Neo-Destour itself could not achieve the critical mass of popular nationalist sentiment which could be generated and harnessed by the UGTT.

The party built on this organizational success by establishing more directly other national organizations such as the *Union Tunisienne des Artisans et Commerçants* (UTAC), the *Union Générale des Agriculteurs Tunisiens* (UGAT), the *Union Générale des Etudiants Tunisiens* (UGET) and the Neo-Destour Youth. Other organizations such as the Muslim Scouts and Graduates of Sadiki were little more than fronts for party activities, while party leaders energetically engaged the variety of guilds, social clubs and religious organizations in political dialogue. Bourguiba recognised at an early stage the value of mobilizing mass support through participation in structured and controlled organizations. His task was made easier by that very cultural homogeneity that characterized Tunisian society. Unlike those Arab countries in which sectarian, tribal or ethnic cleavages obstructed efforts at mass organization, Tunisians already shared a common sense of political unity through their history of 200 years of virtual independence, through the relatively advanced system of widespread education, and through the shared Arab Sunni identity. It was hardly surprising then, that the Tunisian masses responded well to the abandonment of *salon* politics and the adoption instead of populist, nationalist themes articulated through organizations in which they were positively welcomed to participate.[8] In the absence of a strong and effective Bey, Bourguiba and his fellow Neo-Destour leaders became the hub of a national consensus, as well as the co-ordinating hands behind a newly developing political society. By combining a forceful articulation of nationalist demands, with a pragmatic ability to compromise with the French government when it was expedient to do so, Bourguiba was able by and large to contain the nationalist struggle within the bounds of his own party's relations with the colonial regime. Thus:

> By the time the Neo-Destour attained self-government, its synthesis seemed relatively complete. The party had imposed upon the naturally homogeneous society a new modernist consensus of a Western-educated elite. The consensus not only survived the challenges of the traditionalists and the Communists; the long struggle with France also ensured that the consensus penetrated through the party to the society as a whole. Divisions, of course, remained: traditional modes of thought still permeated the uneducated population, and economic problems of underdevelopment were unsolved. The modernist intellectuals had devised no permanent solution to the problem of Islam

> in the modern world, and Tunisia still lacked a coherent cultural identity. However, perhaps more than in any other emerging nation, the colonial situation in Tunisia had set up the conditions for stable and permissive single-party rule after independence.[9]

Although the nationalist struggle was not without its violent aspects, the final stages were negotiated rather than won at the point of a gun, and for Tunisians it is believed that a fundamental feature of their political development has since been a tendency to political moderation and peaceful problem-solving. In particular they often distinguish themselves from their Algerian neighbours, whom they believed to have been collectively traumatized by a lengthy and extremely painful war for independence.

The French government began a relaxation of political restrictions after World War Two. With Bourguiba intermittently in exile, the Neo-Destour party negotiated a gradual passing of political power into their own hands. Following a series of political reforms and despite a brief interlude of violence (the result of settler anguish and Tunisian strikes and demonstrations in return), a scheme for internal autonomy was announced in 1952. The scheme met with Neo-Destour opposition as being far too inadequate and they took their case to the United Nations. New French proposals for internal autonomy were accepted in 1954 as an alternative to civil war and in September 1955 the first all-Tunisian cabinet was formed under the prime ministership of Tahar Ben Ammar, the Neo-Destour holding six out of the twelve posts. In February 1956, Bourguiba led a delegation to Paris to negotiate independence, which was formally recognized by France in a protocol signed on 20 March. On 25 March elections were held for a new Constituent Assembly in which all 98 seats were won by candidates professing allegiance to the Neo-Destour and leading to the appointment of Habib Bourguiba as prime minister on 11 April. Sixteen of the seventeen cabinet members were of his own party. In July 1957 the Constituent Assembly voted to abolish the monarchy and Tunisia became a republic, Bourguiba being invested with the powers of a head of state and elected president for a five-year term, thrice renewable.

THE FIRST YEARS OF INDEPENDENCE

In the general election of 1959 the Neo-Destour party unsurprisingly won all 90 seats in the new National Assembly and a constitution was promulgated which made the Neo-Destour 'solely responsible for rule and order in the country'. Tunisia had thus become effectively a one-party state. That party was not, however, monolithic or entirely behind Bourguiba. During the negotiations with France, Salah Ben Youssuf, his chief lieutenant and the party's general-secretary, had opposed the autonomy agreement. He had declared that the deal represented a step backwards and that the party should demand full independence immediately. With the majority of the party behind him, as well as the power of the UGTT, Bourguiba persuaded the party to expel Ben Youssuf. However, the latter then launched a campaign to be recognized as the legitimate head of the Neo-Destour, appealing to the old Destour for support and resorting to violent guerrilla tactics. Bourguiba faced not only this challenge, but also the demands by party faithful for rewards now that they had achieved power: jobs, incomes and privileges. Bourguiba was himself to say:

> The object was neither more nor less than to set up a Destourian feudal system which would dictate its wishes to the central and local authorities. What is more, it was chiefly due to good people who had taken part in armed resistance and who, once independence was won, got it into their heads that the only thing that remained for them was to share out the spoils.[10]

Bourguiba was faced with much the same dilemma as many nationalist post-independence regimes in the Arab world: the struggle for independence, while containing not a small commitment to ideals of social justice and political reform, had not had any more profound ideological foundations. Bourguiba's priority was then to create a basis of national feeling, a sense of belonging to a new nation-state which could be articulated through the party and his person. Thus the party's position was bolstered by the electoral system, wherein a built in bias of majority list voting inevitably favoured the Neo-Destour-led 'National Front' given its hold on political organizations around the country. The principle was established that the Neo-Destour list was drawn up to include a specific number of notables, twice that number of nominees from the trade union, and the rest from the various affiliated political organizations. In the 1957 local elections, women were included in the national consensus through extension of the right to vote for the first time, and through the formation of the *Union Nationale des Femmes Tunisiennes* (UNFT). In order to counter conservative forces, and rather than attacking the bastions of Islam with a secular state, Bourguiba introduced a constitution which proclaimed Tunisia to be an Islamic state, then set about reforming the nature and influence of that Islam. He also embarked upon a massive educational reform programme to extend education throughout the country, modernize the syllabus and reduce religious influence. The administrative system underwent a process of 'Tunisification', replacing French civil servants, teachers and police personnel with Tunisian counterparts, usually drawn from party youth and trade organizations. This whole process was designed to include as many Tunisians as possible in the functioning of the new state, to make them feel a part of it and to undermine potential opposition. It was the combination of these policies which created the base of party support which allowed Bourguiba to 'prevail in the bitter and personal confrontation'[11] with Ben Youssuf. In doing so, he established the victory of the 'sahelian, pro-Western and secular elite over a conservative, Islamist opposition'.

PRESIDENT, PARTY AND NATIONAL ORGANIZATIONS

Bourguiba was convinced that the secret of his effectiveness lay in his control of a strong, disciplined party. Through such discipline, he had been able to guide the masses through the compromises necessary to bring them to independence. Bourguiba thereafter preserved and reinforced the party apparatus, using its numerous cells across the country to reach the masses beyond Tunis and to sustain his widespread popular support base. He himself remained president of the party, keeping in close touch with ranking party cadres and used them to propagate a personality cult around himself. The party was used to service his own political agenda, while the state apparatus serviced that of the nation. It provided both Bourguiba and his government with legitimacy and mass support, with the main consequence being that the relationship between party and government became increasingly ambiguous.

This was especially true after a 1958 reorganization gave party members in government greater powers over the party itself. The 1958 reforms restructured the party to have a parallel organizational hierarchy to the government, nominally increasing cohesion and efficiency but actually reducing the distinction between the party and the state. Moreover, the frequency of national party congresses was reduced to one every three years, provincial party federations were suppressed and the political bureau consulted less and less with either the Neo-Destour National Council or the National Assembly. A second reorganization in 1963–4 was intended conversely to democratize the party and give the party faithful more influence on government although it made little difference when, in the absence of a scientific ideology, it was interests and personalities that were competing for power rather than political principles. Despite the hundreds of party cells around the country and an elaborate hierarchy of branches, federations, permanent commissions, congresses, national council and political bureau, the party was more centralized than democratic and its high-ranking personnel so interwoven with that of government that influence was in reality confined to a relatively small regime elite.

Factions that emerged within the party were continuously dissolved through Bourguiba's deliberate policy of moving people around within the functional mechanisms of the party, bringing them into favour and just as quickly out, and playing prominent colleagues off against each other. One illustration of this, and of the way in which Bourguiba sought to diffuse challenges to his own personal status in the party emanating from ideological currents, was his treatment of Ahmed Ben Salah. A dynamic and popular leader of the UGTT, Ben Salah exchanged support for Bourguiba against Youssuf in 1955 for Neo-Destour commitments to social justice and to the introduction of a new progressive labour code. In 1956 he began to demand a fusion between the UGTT and the party, with UGTT socialist doctrines to become the guiding strategy of both party and state. Bourguiba sought to reduce Ben Salah's influence by encouraging another ambitious veteran unionist, Habib Achour, to split the UGTT and offer reconciliation only on condition of Ben Salah's removal. Bourguiba supported Achour on the grounds that Ben Salah's heady and demanding socialism threatened national unity. In spite of that, within a few months an only slightly humbled Ben Salah was back in favour as Minister of Public Health and, in 1961, as Minister of Planning and Finance. He had been brought to heel but not excluded.[12]

A similar tactic was used when the agricultural union, the UGAT, began agitating against Neo-Destour intellectualism in November 1955. Its reward was Bourguiba's support for a new pro-Neo-Destour *Union Nationale des Agriculteurs Tunisiens* (UNAT) and the dissolution by the government of the UGAT. The affair illustrated that national organizations could defend the interests of their constituencies only from within the limits of party loyalty and that labour unions could not take the initiative of political or social revolution but must follow the precedents set by the party. In 1957, in an effort to define its role, the

UGTT itself demanded that ministers and government officials give up trade union posts and responsibilities. However, party influence was evident at all levels throughout the unions, just as party elites frequently came from union backgrounds.[13] The UGTT itself continued to hold political positions on the issue of the day, but those positions mirrored closely those of the party's political bureau. Together with the two other main trade unions and the employers federation , the UGTT joined the Neo-Destour to form the National Front in the 1956 and 1959 National Assembly elections, demonstrating that, in fact, their political position was indistinguishable from that of the party.

Controlling the UGTT was of particular importance for Bourguiba in the early years of independence. The union was a source of leftist ideological pressure upon the regime but, more importantly, it possessed the organizational capacity and political credibility to mobilize the masses, if need be even against the party. Thus its subordination to the party was essential, even as the party had to accommodate sufficient of the union's demands as to keep it within the party's extended family of associated structures. Christopher Alexander has explained this as a need to reconcile two competing imperatives:

> It [the state] has tried to maintain the support of a union whose cooperation has been vital to the country's economic development and to the government's stability. At the same time, however, it has tried to keep the UGTT from threatening the party's political monopoly or the government's development strategy. . . .The institutions that regulate state-labour-capital relations in Tunisia have long reflected the tension between these competing demands.[14]

One way of suppressing the radical ambitions of the union was to sustain its character as a national organization in constant dialogue with the party. Disputes at plant or regional level could be diffused by a national union leadership which was wholly co-opted and incorporated into the hierarchy of party and state. Potentially progressive legislation was offset by organization structures which denied plant-level organization, financing and ultimately labour protection. When this resulted in localized labour protests in 1969–72, the government introduced a new 'contract of progress' which had the effect of consolidating the status of the union at the national level, and the *Convention Collective Cadre* which allowed the union to engage in wage-bargaining with the UTICA (employers federation), providing a short-term fillip to both public and private sector wages. The negative impact of these measures in the long-term were to be two-fold: on the one hand they reinforced class identification within the UGTT, which increasingly saw itself in confrontation with the state and the employers federation over negotiating workers' rewards; on the other, it appeared to increase the propensity of workers to use the strike as a weapon for advancing wage claims. Having a legal right to challenge employers, including the state itself, provided political ground for the UGTT distinct from that of the party itself, radicalizing, politicizing and ultimately professionalizing the union within a philosophical framework that accepted the legitimacy of conflict and confrontation.

This feature of the union movement was not to emerge fully until the late 1970s when the policies of the state and party began to create new social tensions to which the unions had to respond. In the meantime, Bourguiba remained convinced that the unions, and particularly the UGTT could, and should, be a junior partner in the state-party-national organization coalition. This was not initially as hard to do as it later became since, as in Algeria, Morocco and elsewhere in the developing world, the subordination of labour movements in the post-independence era had 'objective causes in the structure of the work force and of society in general. The weakness of the bourgeoisie and the absence of any group of entrepreneurs made the state the managing partner in an international division of labour and responsible for changes in social structure'.[15] Moreover, the principal trade union federation, having compromised ideology for nationalist gains in its initial alliance with the Neo-Destour, had abrogated many of the functions of a trade union to the party itself and was left adrift with little autonomy and an almost indistinguishable political base.

The national organizations and associations generally played a fundamental role in Bourguiba's vision of the new Tunisian nation. Usually either affiliated to the party, funded by the party, or including significant party members amongst their higher ranks, the national organizations brought together politically significant sections of society at a national level. Organizations for professionals, women, businessmen, farmers, students and youth, flourished, expanding on roots established in the pre-independence era. They too were warned, however, that they should refrain from excessive zeal in defending their own interests at the expense of national unity – in other words from challenging the authority of the party, which represented that unity. Through this consolidation of party control over the national organizations, potential political opposition was immobilized. Bourguiba proved to be a ruthless political operator, and his experience with

Ben Youssuf established his willingness to use authoritarian means to isolate and ultimately remove his challengers. Ben Youssuf was mysteriously assassinated in August 1961 in exile, having been tried in absentia in 1958 along with many who had held political status under the *ancien régime*. Charges which included collaboration with the French and misuse of public funds were utilized to remove former prime ministers such as Tahar Ben Ammar and Salaheddine Baccouche from any position from which they might threaten Bourguiba. With his own supremacy within the party taken care of, and by locating as much power as possible in the hands of what was in effect a presidential monarchy, Bourguiba dominated an inclusivist, corporatist Tunisian political system.

THE SOCIALIST YEARS AND THE ROLE OF THE STATE IN THE ECONOMY

Having established and consolidated their own grasp on power, and under pressure to expound an ideological foundation for the state, as well as an economic blueprint for 'la lutte contre le sous-développement', Bourguiba and the Neo-Destour became increasingly committed to 'Tunisian Socialism'. Indeed the party changed its name in 1964 to reflect this, becoming the Parti Socialiste Destourien, or PSD. Bourguiba and his party elite enthusiastically embarked upon nationalization, import substitution industrialization and agricultural collectivization.

Collectivization, the flagship of the socialist era in Tunisia, was carried out under the supervision of Ahmed Ben Salah, Minister of Finance and Planning. Ben Salah had greater things in mind, however, than simply a rearrangement of agriculture. His reforms of the economy were to encompass regulation of industry, commerce, prices, credit and the administration. Ashford has noted that 'development and politicization are inseparable in a nation energetically devoted to social change'[16] and this proved to be all too true for Ben Salah. Influential members of the party elite grew jealous of the influence which Ben Salah was able to exercize over the economy and it was this, more than any objection to state intervention in the economy, which was to lead to Ben Salah's downfall. Ben Salah had, among other things, benefited from a new commercial code giving his own ministry the right to issue regulations for each commercial sector, determining what structure was appropriate for each sector and placing the organization of commerce under new regional and provincial councils. The Ministry of Planning could now define the requirements for development across sectors, reducing the influence of other ministries – and ministers.

Inevitably, significant sections of society, represented through UTICA and UNAT, resisted the diminishment of private property and demanded free competition between state, co-operative and private enterprise, forcing Ben Salah to go through a lengthy process of negotiation and consultation before his recommendations were accepted and placing the collectivization programme under tremendous political pressure (not least since the PSD had imposed the policy from the top-down rather than it having being the result of mass social demands). When the World Bank refused to provide aid for the programme in 1969 (and considering that foreign aid had previously funded up to one third of the investment finance for the programme), it was possible for the party to turn against Ben Salah. The programme had not been without profound faults,[17] but Ben Salah's real sin had been to dare to continue to push forward with it in the face of opposition from within the party at both rural provincial and elite levels. In doing so, he indicated that he believed his power-base to be so strong that he could act independently of the party when he so wished. The alarm caused to the party elite had been exacerbated when Ben Salah attempted to accelerate his programme with a new agrarian reform law enhancing his own powers, with the establishment in January 1969 of the *Union Nationale des Coopératives* (UNC), the placing of sub-provincial officials under the Ministry of Planning's direct control (bypassing the influence of party elders at local levels) and with the announcement of plans to establish new co-operatives (leading to an uprising of farmers in Ouardenine).

Over the summer of 1969 the old guard of the party elite made clear their fears to Bourguiba who, fearful both of Ben Salah's own ambitions and the threat to party unity, reacted by demoting Ben Salah in a cabinet reshuffle. The party tried to disguise its internal rifts by initially allowing Ben Salah to retain lower offices and to stand again for election to the National Assembly. The whole event, however, was regarded as evidence that the socialist development strategy had been a mistake – the agrarian reform law was completely revised to acknowledge the right to private ownership and exploitation of land and the status of co-operatives was revised to allow farmers a greater degree of freedom on crop production and farm management. The PSD had learned that it could not impose enormous social change at a rapid pace from the top without a mass constituency for change at the bottom and at the same time retain its incorporative and homogeneous character. More importantly, it was clear that Ben Salah had used the development process as his vehicle for challenging for the succession.[18] The difficulty now was to explain the demise of Ben Salah and the repudiation of many of the policies for which he had been responsible, without undermining the party's own claims to the correct developmental ideology and the state's claim to be guardian of the national interest. Thus the liberalization which resulted from reversing many of Ben Salah's policies had to be given a context that was reconcilable with Neo-Destourian socialism and the party's right to retain a monopoly over the state functions and mechanisms. It was also now clear to the party that the Ben Salah problem had arisen out of Bourguiba's unrestrained powers and patronage. Any would-be successor would have to have distinctly less autonomy from the party if such an incident was to be prevented from recurring.[19]

EARLY LIBERALIZATION, 1970–1980

The removal of Ben Salah was therefore accompanied by the revival of the office of prime minister. Its first incumbent was Bahi Ladgham, a cautious and conservative man who extended the reversal of agrarian reform to include encouragement of the private sector in industry, the reduction of various controls across the economy and a limited degree of privatization in the form of sales of some state owned enterprises (SOEs). Ladgham used these measures as a way of attacking Ben Salah (whose rise to power had earlier eclipsed Ladgham's own ambitions) and vindicating the party. One observer remarked at the time that 'it seems that these moves are justified by political rather than economic factors, although the policy of collectivization did cause some worry among Tunisia's international creditors'.[20] In other words limited economic liberalization was not the result of a considered development strategy so much as a reaction to an existing development strategy and its architect. Iliya Harik has pointed out that this liberalization did not mean a withdrawal of the state from the business sphere or any form of reduction in the size of the public sector.[21] Indeed, state support for the public sector increased throughout the 1970s, from TD13.5 million in 1971 to TD248.3 million in 1982, 'disbursed as loans, as maintenance subsidies, and for new investments. In addition, subsidies paid by the state to public sector industrial firms to keep prices low rose from TD3.9 million to TD169.2 million in the same period.'[22] At this early stage of the liberalization process, it is fair to say that what did occur was an effort to disengage the state from the activities in which Ben Salah had encouraged its intervention, primarily the dismantling of the co-operatives, the sale of some nationalized once-colonial lands and the removal of the regulatory element introduced by Ben Salah's ministry into the economy. In doing so, the party dismantled a potentially competing power-base (Ben Salah's co-operative movement), as well as attempting in the meantime to slow down the tendency of both the state and the UGTT to disengage themselves from the party and display evidence of autonomy.

Ironically, with the socialist experiment effectively over, Tunisia was able to proceed with development without many of the ideological encumbrances typical of many post-colonial states. Acknowledgement of the role of the private sector opened the door to favourable consideration of foreign investment, although the latter continued to suffer from bureaucratic obstructions. Foreign investors and international creditors began to look upon the country with increasing favour as it was perceived to be politically stable, in possession of oil and mineral deposits, had government policies favourable to the private sector and foreign investment, had a generally controlled rate of population growth, had an increasingly sophisticated but still cheap labour force and showed considerable potential for growth.

Tensions within the political hierarchy began to re-emerge, however, as it became clear that the Ben Salah episode had exposed divisions not only within the party but between the national organizations and the interests that they represented. The party struggled to contain the competing interests of the UGTT on the one hand, and the UTICA on the other, the latter being eager to capitalize on the economic reforms being made by the state. Those among the party elite who had rejected the collectivist socialism of Ben Salah, because it threatened the party's monopoly over power, were now equally concerned that the liberal reaction would also undermine their own positions. Simultaneously, a liberal wing of the party emerged to protest at the slow pace of liberalization. In November 1970 Bourguiba replaced Ladgham, who had made his liberalist preferences clear, with Hedi Nouira, an appointment that was considered to be a victory for stability over too fast a rate of change. Calls for political liberalization, not least in response to Bourguiba's increasingly autocratic style, resulted in further tensions. Despite having established a commission in the wake of Ben Salah's eviction, with the purported intention of drafting revisions for the structures of both party and state, as well as reducing the powers of the president relative to the National Assembly, Bourguiba was, at his own instigation, made President for Life in 1975. Thus he consolidated and centralized rather than reduced his power. Opposition to Bourguiba's government was pushed outside of the party, with the creation of unofficial movements such as Ben Salah's *Mouvement de l'Unité Populaire* (MUP), which he led from exile in Europe, and Ahmad Mestiri's *Mouvement des Démocrates Socialistes* (MDS).

In the absence of promised political liberalization, the corporatist character of the state was diminishing. The party held considerably more bargaining power than the national organizations and was thus more able to retain its input into the state, as well as its ability to extract from the state. Indeed, the party was still fused with the state in ideological, administrative and personnel terms, creating what Dirk Vandewalle called 'a modern administrative dictatorship'.[23] Alternatively Lisa Anderson has termed it 'a single party mobilizational state'.[24] Either way, one can identify the immediate post-Ben Salah era, and the regime's attempts to cope with the fallout from his socialist experiment, as the turning point after which Tunisian corporatism began its decline into political atrophy, centralization, authoritarianism and corruption. The exclusion of progressive, leftist and democratic tendencies from the party left it weakened in 'an increasingly heterogeneous and conflict-ridden political environment'.[25] As the party became more ideologically and politically monolithic, it became decreasingly effective as a tool for mobilizing popular support. Grass roots activities were given less priority by elites already determined on their course of action and uninterested in opinions expressed from below. Thus: 'as efforts to foster popular awareness and participation virtually ceased, most local PSD committees did little more than dispense patronage in order to retain the support of area notables.'[26]

Meanwhile, 1976 was an economic turning point as Tunisia became the first Arab state to sign an association agreement with the EEC, providing it with duty-free access to most European markets and granting it a share of European development funds. This agreement indicated that Tunisia was now set on a course of export-led development, and a new 1977–82 five-year plan balanced required massive international borrowing to fund its ambitious intention that the Tunisian economy should aim for 'take-off' in 1981. Internal finance was expected to cover just 71 per cent of expenditure in the new plan, as opposed to the 83.7 per cent covered in the preceding 1973–6 plan.

The government thus began a campaign to raise the finance from international banks and finance agencies.

In view of Tunisia's need to project an image of political stability that would attract foreign finance, Bourguiba was inclined to deal with any sign that the party was losing its grip on society by tightening up on public political control. In 1977, 33 members of the MUP were arrested and put on trial as a demonstration that the government would not tolerate organized opposition. More disturbing still was growing evidence that the UGTT – traditionally at the heart of the PSD – was preparing to take on the government over the issues of unemployment, rising prices and deteriorating working conditions. Although the UGTT officially denounced a series of wildcat strikes of workers in the transport, tobacco and postal industries, as well as campus unrest in the name of a 'provisional university committee', the UGTT leader, Habib Achour and the UGTT newspaper, *Ach-Cha'ab,* were increasingly critical of the government. UGTT workers found that they could use wildcat strikes as a way of forcing Achour's agenda towards the political left, while Achour could use their threats as a bargaining chip in his discussions with the government.[27]

Those cabinet members who expressed sympathy with the union were promptly replaced by Bourguiba with party technocrats sympathetic to his own determination to crush any attempt at autonomy from the PSD by the UGTT. For a brief period it seemed that tensions could be defused when an agreement was signed between the government and the UGTT guaranteeing inflation-linked pay increases for the duration of the new plan and raising the minimum wage by 33 per cent, but they were revived when Achour resigned from the political bureau of the PSD under pressure from UGTT members who felt that he could not represent both sets of interests. Although he tried hard to indicate that this was not a personal rejection of the party itself, it was nonetheless interpreted by Bourguiba as a challenge to the existing political order, especially when the UGTT National Council expressed its dissatisfaction with the harsh measures taken to suppress strikes. When the UGTT called for a general strike on 26 January 1978, the first open confrontation between the UGTT and the government, the government responded by sending in the troops. Riots in Tunis were fiercely curbed, resulting in 51 deaths and hundreds of injuries and arrests.[28] A state of emergency was declared and Achour and 30 of his UGTT colleagues were arrested, tried and condemned to harsh sentences. The UGTT itself was forced to repent and resume co-operation with the government, under the new leadership of Tajani Abid.[29]

The 1978 riots and the government response to them provided clear evidence that the party had lost a good deal of its influence on some of the social forces which it had previously bound to its side. Indeed, Dirk Vandewalle has pointed out that it was the very forces unleashed by Bourguiba's 'New State', which had now developed their own dynamics and turned upon him.[30] Disruption in the universities had demonstrated the intellectual support for political liberalization of the regime, manifested in the illegal opposition parties. The UGTT demands had included strong criticism of the government's social and economic policy showing that the economically liberalizing elements of the party elite who dominated the state had become divorced from the needs and desires of the working masses previously mobilized in defence of the party by the union. The PSD had become so protective of its own continued dominance that it had lost touch with popular concerns. Never having truly been a mass party, it had lost its grip without having really noticed the process taking place. It was clear that the party's image needed considerable reworking if it was to reabsorb the now-hostile social forces. The mechanism chosen was a limited political liberalization that might solve domestic worries while reassuring international finance that Tunisia was both stable and responsible. Thus, the National Assembly in 1979 amended the electoral code so that, for the first time, the number of candidates in legislative elections could exceed (by twice) the number of seats available. Choice, if limited to within the PSD, was to become a feature of elections. Since opposition parties were still illegal, however, and since they had in any case declared that they would boycott rather than participate in any elections under the existing system, the PSD retained its absolute monopoly within the National Assembly.

BOURGUIBA AND THE ISSUE OF SUCCESSION

Any discussion of Bourguiba's rule of Tunisia, and the policies pursued during that era, must take into account the primacy of the issue of succession. Bourguiba was in his late fifties when he came to the presidency[31] and throughout his thirty-year rule he grew progressively more senile and unwell. He repeatedly appointed designated successors, only to undermine their political stature later and to replace them with a competitor. This issue is critical to understanding the political immobilism which characterized Tunisia during the late seventies and eighties, and the continual struggle between conservative and liberalizing forces within the government elite.

Tunisia's early programme of economic liberalization was not popular with two wings of the party, the socialists and the conservative party hard-liners. While the socialists saw reforms as removing some of the protection given to specific social interests, such as the workers of the UGTT, the conservatives believed that the subsequent generation of political discontent, combined with the new freedoms given to the private sector, threatened to undermine the power of the party. When that discontent boiled up into riots and demands for political reform a third wing, the liberals, sought a degree of political liberalization, believing it would defuse the opposition. The socialist and conservative wings, now ironically united, fought back with pressure for a hard-line response to political unrest. Over all of this, Bourguiba presided as ultimate arbiter and as a check on the political fortunes of personalities from any one camp. His continued interference in terms of the promotion or dismissal of ministers and prime ministers can be interpreted in several ways. Either his concern for stability and a controlled pace of change led him to prevent the ascendance of any one personality who might have sufficient an independent power-base as to effect dramatic and destabilizing change, or he was simply preventing the emergence of a serious challenge to his own position. Derek Hopwood would have us believe that the latter was closer to the truth. He describes Bourguiba as being unable to distinguish where the man ended and the state began, as being determined to create a personalized state under the benevolent and wise direction of a 'supreme combatant', namely himself. Certainly, Bourguiba's successful efforts to get elected as president for life in 1974, his eagerness for the nation to develop a personality cult around himself and his willingness to create scapegoats of his ministers when policies failed, would all indicate his reluctance to relinquish any of his power.[32]

However, Bourguiba was also known throughout his career for his preference for moderacy in policy-making, for his progressive approach to many issues and for his willingness to abandon ideological dogma in favour of realistic acknowledgement of circumstances. It is quite possible that the apparently whimsical manner in which he wooed and wasted his ministers was justified to himself in terms of maintaining stability and preventing excess in policy-making. Either way, the impact was to instil a fear in ambitious party politicians of making mistakes. They preferred to prevaricate and avoid falling into disfavour rather than to take determined steps in policy-making. Those who survived were weakened by their containment. Thus as Bourguiba's rule appeared increasingly dictatorial to his equally increasingly educated and sophisticated population, and as those who were ejected from the party for their independence made ever louder calls from outside the party for reform, the party itself began to seem uncertain of the direction in which it – and the country – was going.

The initial attempts in the early 1960s to determine the succession had established that the successor should be chosen by a party central committee and later approved by the National Assembly. Subsequent reforms in 1966 narrowed the circle of those who could chose a successor to members of the cabinet and the party's political bureau (in total less than 30 individuals), representing state interests as much as those of the party.[33] One result of the Ben Salah episode was the clarification of the succession issue in so far as the prime minister was designated automatically to succeed the president on the latter's death. While this apparently resolved the technicalities of the issue, it did not satisfy either the individuals who were wary of Bourguiba's own arbitrary appointment and demotion procedures, or the party hardliners who would have liked the matter to be one of internal party competition.

1980–1987: MZALI AND THE ERA OF CHANGE

In 1980 Nouira was forced by ill health to resign his office and the prime ministership passed to Muhammad Mzali, one of the ministers who had resigned from the cabinet out of sympathy with UGTT strikers in 1977. In an effort at national reconciliation, his cabinet included three other ministers who had resigned with Mzali as well a member of the MDS. Mzali's appointment ushered in a new more liberal regime and hopes were raised that real political reform would be forthcoming. The new political tolerance extended as far as the official end of the one-party system with the promise from Bourguiba himself that any group achieving at least 5 per cent of the vote in the November 1981 elections would officially be recognized as a legal party. In fact the *Front National* – comprising the PSD and the UGTT – won 94.6 per cent of the vote (attributed by many to a rigged election) and none of the opposition parties reached the required 5 per cent.[34] In 1982, however, the *Parti Communiste Tunisien* (PCT) was recognised as a party since, having existed previous to the banning of other political parties in 1963, it was still eligible for that status.

Change seemed more tangible in the release of UGTT members convicted after the 1978 riots. The release was timed to win UGTT support for the 1981 election front, although those released were not actually allowed to stand in the elections since the terms of their release did not include recovering their civil rights. A compromise was reached whereby the much-disliked Tajani Abid was asked to stand down while Achour's supporters agreed not to push for his re-election. A commission was established instead with nine members from each 'side' of the union.[35] The government also granted permission to opposition groups to publish periodicals and political amnesties were granted to opposition figures, including MUP members but with the notable exception of Ben Salah himself.

The new approach to political expression was in part a gambit designed to counter the increasingly influential *Mouvement de la Tendance Islamique* (MTI), which had emerged as a force to be reckoned with and which drew on the inspiration of the Islamic control of the revolution in Iran. By apparently offering to include the secular opposition in the legitimate political processes, the PSD hoped to isolate the Islamist movement and undermine any potential it might have had for building alliances with secular democratic parties. The moves made towards the MDS and MUP were therefore accompanied by a clampdown on Islamist political activity – with as many as 50 leaders being arrested and imprisoned in September 1981. The Tunisian government was eager to disassociate itself from what it peceived to be the Iranian brand of Islam, which it considered to offer no solutions to the economic development needs of the Middle East. Bourguiba had fostered a reputation among the West as having responsible and moderate foreign policies and a rational, realistic and disciplined domestic economic policy. He was determined that Tunisia should not be tarred with the same brush as Iran and thereby lose international confidence and financial aid. After Islamist-inspired disturbances in Tunis, Sfax, Sousse, Bizerta and Monastir in November 1983 took place, Bourguiba authorized formal recognition of the MDS and MUP II – a less radical element which had seceded from Ben Salah's party – in order to diffuse the grievances of secular opposition elements and to draw them into a legal political process which could exclude the Islamists.

Domestic unrest was not so easily quelled, however. As prices continued to rise (not least because of the decision in 1981 to allow prices of a large number of commodities to be determined freely by the market rather than being subsidized by the *Caisse Générale de Compensation* (CGC)),[36] as the trade deficit grew, as agriculture failed to develop fast enough to make any impact on the food imports bill, as emigration opportunities were reduced by world recession, as unemployment built up and as foreign debt began to loom large over the annual budgets, so unrest began to manifest itself in protests and stoppages. In 1980 more than a quarter of Tunisian households were below the official poverty line of TD80 a year. The gap between rich and poor was increasing and the CGC had itself gone deep into debt, threatening the government's continued ability to susidize essentials like meat, bread, sugar, oil and coffee.[37]

In January 1982, Habib Achour was pardoned by the government and resumed his place as president of the UGTT. Although this threatened to reintroduce a militant aspect to the UGTT relations with the PSD, it also meant that worker resentments against the government could be contained within the UGTT rather than going elsewhere for structural and organizational support. In a concession to the UGTT the government agreed to the convocation of three committees to revise labour conventions and statutes and to review the cost of living index. Thus, at a time when the economy was beginning to prove truly troublesome and in light of the demands for democracy being made by the opposition, the PSD sought to rebind the UGTT to its side by carrots as well as sticks. At the end of 1983, the UGTT demonstrated that it still identified itself with the PSD when it expelled 7 of the 14 members of its own executive bureau who were considered to be 'dissidents'. The expelled UGTT members established a rival union, the *Union Nationale des Travailleurs Tunisien* (UNTT), under the secretary-generalship of Abdelaziz Bouraoui. With a divided trade union movement, the government was able to feel more confident that it would not face serious opposition from that quarter.

Its confidence was to be short-lived. In the face of declining tourist revenues and new difficulties in raising foreign capital, the government felt forced to redraft its 1984 budget. A preference for raising taxes against the previously under-taxed middle and upper classes was being blocked by vested interests inside the PSD itself, but without budgetary injections the CGC could no longer sustain the existing level of subsidies. The cost of CGC subsidies was expected to increase by 40 per cent during 1984 due to a rise in the value of the dollar and the rise in the inflation rate. Meanwhile the fund's revenues, derived from petrol, oil and gas duties, alcohol duties and import levies, had stagnated. Already the fund faced an accumulated debt of TD143 million.[38] Prompted by the IMF and the World Bank, the government decided to cut wheat and cereal product subsidies to the extent that bread prices virtually doubled overnight. The Tunisians, who had been used to bread prices being almost unchanged for 15 years, expressed their anger with a week of rioting nation-wide. Unlike the 1978 riots these disturbances were spontaneous outbursts of general popular discontent, focusing not simply on the rise in bread prices but on a government programme which was seen as increasing inequality throughout the country by favouring the middle classes over workers and farmers. When the government brought in the army to quell the riots, the third time in six years that it had used the army against the people, the PSD elite demonstrated the gap between their own interests and those of the masses. The secular opposition again felt the need to distance themselves from the government, although the Islamist opposition was the only opposition group actively to participate in the riots, and Mzali himself was seen to be dependent more upon the army and the police than upon his own civilian bureaucracy for political support. To some extent, this was inevitable, given the prime minister's efforts to isolate PSD hardliners and promote party liberalizers,[39] thus dividing the party and weakening his own ability to rely on a united party behind him.

Bourguiba used the opportunity to reassert himself by personally intervening on 6 January to cancel the price rises, demanding that the government produce a new budget within six months which would instead increase taxes levied on luxury goods, international travel and alcohol – in other words indirect taxes aimed at the middle and wealthier classes – to cover the fund's deficit. In reversing the price rises, Bourguiba distanced himself from the decision to take such an unpopular measure, passing the blame on to his prime minister. He benefited from an enormous wave of popular approval for his intervention and undercut the Islamist opposition's position that not only his government but he himself had to go.

Mzali adeptly passed the blame down the line to Driss Guiga, the Minister of the Interior. Guiga had been aligned with Bourguiba's wife in opposing Mzali's automatic succession to the presidency. Suspecting Guiga of not using the full force of the police to contain the riots in order to increase pressure on his own premiership, Mzali accused Guiga of incompetence and persuaded Bourguiba to dismiss Guiga. He then proceeded himself to use the riots as an excuse to purge the cabinet and security forces of personalities unallied to himself. In short, he used the wake of the riots to consolidate his own power. One key appointment, that of Zine el Abidine Ben Ali to the post of Secretary of State for National Security, demonstrated that the experiment with political liberalization was effectively over. Ben Ali, as Director General of the Sûreté, had been in charge of the police in 1978 and was known to take a tough line on security, being held responsible by many for the shooting of demonstrators on that occasion. Mzali himself kept the interior ministry portfolio so that, with Ben Ali controlling the security forces on his behalf, he was assured of a strong hand. By March the new tough line was evident in the banning of some opposition newspapers and the arrest of some opposition leaders. A National Defence Council was activated and regional governorates were reshuffled to extend Mzali's personal influence into the countryside.

The 1984 riots were something of a disaster for the UGTT. Achour had reached an agreement with the government after threatening a general strike in response to the price rises. In return for a government promise to rescind the price increases, the UGTT had promised to back the government's general position and to refrain from joining the active opposition during the riots. The result was that the UGTT itself came under attack from the rioters, especially in Gabes, where the UGTT office actually needed police protection at one stage. Achour went further, announcing that the UGTT would not defend those whom the police had arrested in the riots and would bring disciplinary proceedings itself against union members involved in unauthorised strikes. He did, however, strongly oppose the appointment of Ben Ali, whom he blamed for the heavy-handedness of government measures in 1978. Achour's behaviour might be attributed to the need to maintain the UGTT's preferential status with the PSD in the face of the new competition from the UNTT, as well as to an acknowledgement that operating outside of the system would only bring repression, not credible results. Thus in April 1984 a UGTT–government accord was signed which guaranteed that the UGTT would only support strikes authorized by its own executive committee in return for government guarantees that it would deal only with the UGTT and not the UNTT, and that salary negotiations would be started before the end of the year on the basis of improved purchasing power in return for output and productivity increases. This agreement did little to improve the UGTT's popular support and was anyway to be short-lived. By early 1985 Achour recognized that the government had made no tangible progress on its commitments and he declared that he was ready to sanction strikes. His re-election to the position of Secretary-General of the UGTT enabled him to begin reasserting the UGTT profile with suggestions that the UGTT form a political party to give it independence from the PSD and to bypass government controls upon its activities. Not surprisingly, by the end of 1985 Achour was once again under arrest. During the following year he was joined in prison by most of the leadership of the union. Bourguiba was particularly unimpressed by the firm support expressed by Rachid Ghannouchi of the MTI for the position of the union on issues of equity and social justice and, fearing the potential of an Islamist-UGTT alliance, he embarked on 'a vast operation to break up the unionist structures. It combined direct police action with the manipulation of positions of intra-union power'.[40]

Bourguiba had by now also come to recognize that his position was threatened by the increased personal power of Mzali. He therefore installed Mohamed Sayah, previously the powerful Director of the PSD, in the post of Minister for Public Works and Housing. Sayah was known to be hostile to Mzali's economic liberalization measures, as well as to any political liberalization which could reduce the influence of the PSD. He had the support of Habib Bourguiba Junior, the champion of entrenched PSD interests, and was viewed as a direct competitor for the succession. Thus two competing wings of the party were set against one another through their respective champions, taking the heat off the president himself.

Sayah's appointment came at a critical time in terms of economic decision-making within the government. The World Bank and the IMF were expressing their belief that a sharp devaluation was needed to avoid a major foreign reserve crisis. The fall in tourist, oil, phosphate and gas revenues had coincided with increased food import bills (after a series of droughts and floods had devastated agriculture). Foreign reserves had been eaten up and it was considered imperative that export revenues be boosted and imports be restrained to reduce the widening trade gap and to conserve foreign currency. Opponents to economic reform within the government argued that the country's main exports, oil and phosphates, were valued in dollars and would be unaffected by any devaluation, while imported food prices would rise, putting pressure on wages and the CGC. Any reduction in import duties might counteract the impact of a devaluation on import prices, but it would also reduce the government's revenues and ability to subsidise. The World Bank and IMF also pressed for increased income taxes and domestic interest rates to increase savings and preserve the budget but the government was well aware of how politically difficult all of these measures would be. Subsidies were to be gradually cut anyway via reductions in the CGC (the gradualism being a lesson learned from the 1984 riots) and there were great fears that any sudden economic crisis could ignite festering political unrest. Thus, the 1985 budget, which recommended increased foreign borrowing as an alternative way to avoid immediate economic difficulties, demonstrated that preserving calm had ultimately won out over reform.

A dispute with Libya, which resulted in over 30 000 migrant workers being sent home to Tunisia in 1985, did not improve the situation. In fact, as the dispute became a crisis when Bourguiba accused Libya of over-flying Tunisian airspace and reacted with closures of the Libyan press office and cultural centre in Tunis, Mzali used it to attack his opponents in the UGTT. Fearing that Achour would directly challenge him for the presidency when Bourguiba died, Mzali accused the UGTT of being manipulated from abroad, and encouraged PSD militia attacks on UGTT offices. In October 1985 the police closed the UGTT headquarters, claiming that weapons had been found. Achour faced house arrest and the UGTT called for a general strike.

At this point, a World Bank report containing unprecedented criticism of Tunisian economic policy was leaked to the press. The report dismissed government claims that its balance of payments crisis was due to international factors such as the decline in oil prices, the entry of Spain and Portugal into the EC, weak world prices for phosphates and an increasingly protectionist world economy. The World Bank insisted that a 10 per cent devaluation was needed urgently, as were reductions in import restrictions, cuts in government expenditure, wage freezes and the abandonment of price controls. The government was suspected of leaking the report itself to justify its refusal to make concessions to the UGTT and to prepare the population for a 1986 budget which was to make serious attempts at cutting government spending. Import restrictions were introduced and the dinar was allowed to slide down in value by between 6 and 10 per cent. Shortages were soon being felt in both raw materials and food and the government made a request to the UN Food and Agriculture Organisation (FAO) for emergency food aid to help feed over 90 000 families.

Bourguiba tried to improve the government's public standing in the light of these problems by starting a drive against corruption and by trying to prevent any destabilization of the party elite that might occur from an imbalance in its component members. In January 1986 he removed his own son, Habib Bourguiba Junior, from his post as a special presidential advisor and expelled his manipulative wife (who had been pursuing her own policies of patronage in preparation for the succession) from the palace. To compensate for having effectively strengthened Mzali's hand by removing two strong and hostile forces from the political scene, he courted a new protégé, Mansour Skhiri, appointing him Director and Co-ordinator of Development Projects. In April, Skhiri was promoted to Minister of the Civil Service and Ben Ali was given the interior portfolio – held by Mzali since 1984.

Meanwhile, the opposition was gathering forces by creating a committee of solidarity which included the PCT, the MDS and PUP as well as the MTI and the *Rassemblement Socialiste Progressiste* (RSP). Mzali's heavy-handed tactics against the UGTT had backfired by uniting the opposition around the common cause of defence of civil and human rights. The MTI and another Islamist party, the *Parti de la Libération Islamique* (PLI), had been steadily gaining popular support. They were well organized as opposed to the fragmented UGTT, and drew strength from the anti-American feelings aroused by the bombing of Libya, Benghazi and Tripoli in 1986.

THE EMERGING ISLAMIST OPPOSITION

Any study of this period would be incomplete without a more substantial explanation of the emerging Islamist phenomenon. A politicized Islamic movement had existed since the 1960s, evolving in part at least in response to the 'intrusive secular state'[41] of Bourguiba. The president had equated religion with all that was backward, and the rejection by Islamists of the Code of Personal Status represented to him above all their desire to destroy the secular state and all its efforts to improve the condition of human life:

> While the Islamists did not dispute the ultimate value of progress *per se*, they challenged Bourguiba's cherished belief that the modern state alone could furnish the moral basis for Tunisian welfare and so refused to interpret prosperity in purely secular terms.[42]

Despite the president's reservations, a cultural association called the Quranic Preservation Society (QPS) was allowed to form itself at the Zaytouna mosque in 1970, holding its first congress in 1971. It grew rapidly during the 1970s, with the distinct groupings emerging within it together forming the loosely knit *Movement for Islamic Renewal*. Towards the end of the 1970s, however, the political elements became dominant over the more progressive intellectuals due to a combination of factors. The Tunisian sociologist, M.E. Hermassi, has identified three: the intensification of economic crisis, the fierce political confrontation between the state and the UGTT, and the impact of the Iranian revolution.[43] Fred Halliday adds the impact of widespread education and urbanization to the list of causal factors[44] while Susan Waltz[45] contributes a political thesis identifying a reaction to the lack of routes for political expression, and a psycho-social explanation centred on ideological alienation among the young and the failure of 'imported' ideologies to provide answers and values appropriate to a time of rapid economic and social change. Whatever the cause, 'the feelings of dislocation and alienation among Tunisia's Muslims gradually turned the essentially apolitical group into an activist organization. By the end of the 1970s the Islamists had emerged as a vocal group with distinctly political goals'.[46] With their more militant leaders being harassed and imprisoned by the regime, the developing movement was decreasingly willing to tolerate critics from within its ranks and the progressive elements were marginalized, eventually breaking away to form their own club which stressed the development of a 'Tunisian Islam' with an identity quite distinct from the Muslim Brotherhood or wider Islamist projects.[47]

The main Islamist movement, however, formally re-constructed itself in 1981 as *al-Harakat al-Ittijâh al-Islâmî*, or the *Mouvement de la Tendance Islamique* (MTI). The central figure of the MTI was Rachid Ghannouchi, a graduate of the Zaytouna *madrasa* in Tunis and later the University of Damascus. Like many of his generation, he was initially drawn to Arab nationalism, absorbing the intellectual currents of anti-imperialism, socialism and even Marxism.[48] After a brief spell in France, where he witnessed the 1968 student uprisings, he returned to Tunisia and joined the QPS, along with co-leader Abdelfattah Mourou. He was by now one of a number of ardent disciples of Hassan al-Banna and Sayyid Qutb within the movement who became increasingly radicalized by the brutal suppression of the general strike in 1978 and the Iranian Revolution of 1979.

As the state closed in on religious expression, the response was a transfer of Islamist preoccupation away from issues of personal faith and morality towards support for programmes of social justice and resistance to Western influence. Ghannouchi himself describes this as the development of two axis for action; identity and civil liberties. Both have roots in the reformist Islamic heritage of Tunisia (personified by Taher Haddad and the Zaytouna *madrasa*), and emerged from the natural coincidence of resistance to foreign cultural impositions that accompanied modernization and opposition to the absolute control of the state over society.[49] The prosecution of a campaign to assert the principles of freedom, equality and civil liberties was not incompatible with democratization – indeed, for Ghannouchi, democratization represented an acceptable path towards reconciling Islam with political society.[50]

The political manifestation of Islam was abhorrent to Bourguiba, not least because it proved an attractive locus around which opposition could be rallied. Islamist activists became increasingly visible within student and professional unions, and proved willing to work with secular oppositionists to advance their cause. Cynics claimed that the MTI was simply using the opposition to help to overthrow the secular system of government but others identified the loose alliance as evidence that the MTI was a reformist rather than a revolutionary movement. The president was unmoved by Ghannouchi's protestations of commitment to working within the law to achieve Islamists ends, justified by theories of reconciling faith with reality. Thus leaders and activists were rounded up and arrested,[51] although temporary reconciliations were achieved around common frustrations. In 1984 Mzali met with Ghannouchi and his colleague, Abdelfattah Mourou, as part of a move to restrain the mass outrage resulting from the Israeli raid on the PLO headquarters in Tunis. Likewise, in 1985 the MTI was allowed to form its own 'cultural society' although recognition as a legal political party was still denied. To some extent, the apparent but temporary rapprochement between the government and MTI was an attempt by Ghannouchi to assert his control over the more militant and potentially violent elements within the MTI. For Mzali, it was part of a more complex system of checks and balances. Recognizing the appeal of Islamism to the traditional constituencies of the left, the UGTT and the student campuses, he counted on their re-entry into the political arena, albeit a superficial one, as a way to undermine the leftist challenge then coming from the UGTT. Not surprisingly, while the Islamists sought an alliance with the leftists in the name of democracy, the leftists saw the Islamists as challenging them for their own hard-fought turf.

The Islamists drew their support from across society, although their leadership cadres were from educated, middle-class professional backgrounds. Once the mosques had been closed to fundamentalist Imams after 1981, the activist elements appeared concentrated on the university campuses where youths of rural backgrounds combined their upward mobility with an effort to preserve their cultural roots.[52] Mohamed Hermassi has defined the typical MTI member as being: a 'young person of over twenty years, born in one of the provincial towns, of a popular background and having received a high level of education without the upward mobility which might lead him to repudiate his origins'.[53] By the time the bread- riots of 1984 took place, however, the MTI was articulating the grievances of a more widespread cross-section of the populace, with its agenda of civil and human rights, democratization and social justice attracting the support of secular opposition parties as much as individuals who felt betrayed by the PSD. The defence of the MTI from the arbitrary ruthlessness of the regime became a cause for regime opponents, often despite their distaste for the Islamist character of the movement itself. At the same time, economic pressures on the middle classes had a profound affect. Rachid Ghannouchi said in 1993:

> At a popular level the government are saying that the measures they have taken are improving the situation of the people, but the people don't feel that this is the case. The cost of living has gone up and the middle class are, according to Tunisian experts, on the decline. It is just a real minority that have benefited . . . . The thing is, it is not only poor people that have become Islamists.[54]

The internal politics of the movement itself, however, were not entirely harmonious. Although it had survived the defection of the 'progressives' at the decade's start, it was more deeply threatened by the division between pro-democracy moderates and hard-line devotees of the Islamic state. The openly anti-democratic wing surfaced while Ghannouchi was imprisoned (although he was thought by some to have hidden sympathies with the group). When he was granted an amnesty in 1984 and returned to lead the movement, he reasserted the democratic goals of the MTI, but the hardliners remained an uncomfortable and at times hard-to-control element within the movement. Not surprisingly, this made the MTI anathema to 'a class of Tunisian elites who have comfortably integrated selected Western norms into their lives and for whom Islam is little more than a code of ethics'.[55] For these people, all Ghannouchi's statements favouring the democratic route to power and a commitment to retain democratic structures should he gain that power, rang hollow in the face of the potential menace represented by Islam with an Iranian face. Their fears were not eased by the decisions made at a 1986 MTI convention. A harder, more centralized party line was adopted,[56] as was a more militant strategy which entailed calling for a one-year strike at the universities, disruption of the baccalauréat exams and a day of civil disobedience. An offshoot of this hardening, although not one necessarily sanctioned by the leadership, was the bombing in Monastir in August 1986 which triggered Bourguiba's most vicious response, and the development of a plan for the military overthrow of the regime which Ghannouchi was later to say would have been 'as embarrassing for President Ben Ali as for us'.[57] Ghannouchi was himself not exempt from public and official suspicion since it was under his leadership that a secret MTI meeting in 1984 had established a clandestine organizational structure which operated in tandem with the public movement.[58] Thus for all his declarations of commitment to the democratic route to power, his sincerity was continually under question.

THE REMOVAL OF MZALI, ECONOMIC STABILIZATION AND THE IMF STAND-BY AGREEMENT

In July 1986, Bourguiba suddenly removed Mzali from his post as prime minister, installing Rachid Sfar, a finance specialist, in his place. Mzali was blamed for the failure of economic policy and a number of his supporters were removed from office as a gesture that new policies were needed with new personnel to implement them.[59] Clearly Bourguiba was deeply concerned that popular discontent was not being dealt with, either by economic improvements or by forceful security measures. It is possible that, in taking a more assertive line, and in stressing the importance of preserving security, Bourguiba was preparing for the popular reaction which seemed would inevitably follow the needed austerity measures. In view of the essentially hostile relations existing between the government and PSD on the one hand, and the opposition, unions and students on the other, it was reasonable to assume that further economic reform measures would lead to renewed disturbances. In an unprecedented move he personally appointed the PSD central committee and political bureau, bypassing democratic norms.

In October it became clear that for the first time in its history, Tunisia was resorting to an IMF bailout programme which effectively exchanged credit for economic reform. The IMF and World Bank provided two loans each, in return for which a structural adjustment programme (SAP) required that economic reforms should be extended. Although the IMF and World Bank were generally pleased with the tough austerity measures already imposed, they wanted further progress in many areas, in particular in trade liberalization, diversity of non-oil exports, the restraining of public expenditure, increased efforts at attracting foreign investment, restriction of domestic demand and the removal of subsidies. Sfar was forced to reduce food subsidies once again. Aware that this policy had led to the riots of 1984, he was careful to disguise the reduction as far as possible, reducing the weight of a subsidized loaf of bread rather than raising the price of the existing sized loaf, and providing a compensatory fund for the poorest families. The 1987 budget made it clear that subsidies on consumer goods were to be phased out altogether by 1991. Sfar adopted a gradualist approach, targeting one sector at a time for price increases. Policies aiming at job creation for youth were emphasized as government efforts to reduce inefficiency in the public sector inevitably meant closures and increased unemployment. The government was well aware that large numbers of unemployed youth with few prospects were a breeding ground for militant opposition.

Political tensions had been heightened by the opposition parties having boycotted the November 1986 elections. Not only did they claim that the elections would not be fair, but they were further protesting against the increasingly harsh restrictions on their activities. Censorship, arrests and reliance by the government on the security apparatus to maintain control had indicated that Sfar's priority was to restore international confidence rather than to reassure domestic voters. Trade unionists were brought into line by the virtually forced reunification of the UGTT and UNTT under the presidency of Abdelaziz Bouraoui, ending any possibilities for autonomy from the PSD. The students were likewise contained by a reform of the university system which strengthened administrative control after two disastrous baccalauréat sessions had resulted in protests against the government in 1986.

The removal of Mzali and his replacement by Sfar raised again the succession issue. Sfar was considered to be a grey, technocratic character with no popular appeal and little party muscle-power, while Mzali – who had been considered a possible successor – was just the last in a line of powerful figures who had been personally removed by Bourguiba. In the absence of any viable, legitimate successor figure, there was a growing concern in Tunisia that the army might feel compelled to step into the breach. Fingers pointed at the figure of Zine el Abidine Ben Ali, the general responsible as Minister for the Interior for implementing the government's drive for law and order and its oppressive policies towards the opposition parties. Fears of military solutions to the impending economic and political crisis were raised when, in March and April of 1987, and at the instruction of Bourguiba, Ben Ali initiated a campaign against the Islamist movements, making over 300 arrests and detaining over 155 people.[60] Several executions, the arrest of Rachid Ghannouchi and a series of press closures prompted Islamist student riots in Tunis. After bomb attacks on the tourist resorts of Monastir and Sousse in August, a further 90 Islamic fundamentalists were arrested and tried for threatening state security and trying to overthrow the government. Despite a statement by Islamic Jihad that it had been responsible for the bombs, MTI was blamed by the government, and the prosecution at the trial demanded that all 90 defendants receive the death penalty. When only seven such sentances were handed out, Bourguiba, who considered the attacks on his home city of Monastir to be a personal affront, was outraged at what he considered to be the leniency of the sentences. He demanded of his prime minister and interior minister that the defendants be given harsher sentences, but his ministers – believing that such a move would undermine any remaining public confidence in the justice system and enrage militant Islamists – argued that the sentences should stand. Bourguiba was deeply shocked by his inability to force his ministers to take a harder line:

> The events of the summer and the aftermath of the trial weighed heavily on what was left of Bourguiba's consciousness. He could no longer enforce his will and for the leader that was intolerable. He reacted with insults to his ministers, uttered in a frenzy and in the most hurtful manner.[61]

A cabinet reshuffle in April, and further cabinet changes in May and June, were an attempt by Bourguiba to remind his ministers that their positions were dependent upon his will only, but merely emphasised further the lack of an elite coalition with the power and image to push through unpopular reforms uncontested. Another effort by Bourguiba to maintain leverage over his ministers was the forceful anti-corruption campaign conducted in late 1986 and early 1987, which forced ministers and senior civil servants to declare their assets publicly and to moderate the evidence of decadent living. In both these campaigns, Ben Ali was seen to be a rising star but Bourguiba celebrated his 84th year with a gruelling tour of the south of the country to remind everybody that he was still vital and in charge. In fact, Ben Ali has recounted how 'the great warrior's' mental strength was rapidly diminishing:

> I had the feeling that Bourguiba was no longer in full possession of all his faculties. I would see him every morning and during our interviews he would forget decisions taken the previous day, be surprised at nominations for which he had taken the initiative, go back on arrangements already put into operation.[62]

While it obviously suited his own ambitions that Bourguiba should be removed from office, there is little doubt that Ben Ali was right in thinking that the president was becoming a liability for Tunisia. At a time when economic reforms demanded stable and consistent policy making, the government was being undermined by frequent dismissals and appointments. Meanwhile, as political tensions built up and the security forces became more repressive, popular frustration was forced to seek more extreme and militant outlets. Ben Ali recognized that Bourguiba's determination to persecute the MTI activists literally 'to the death' could unleash an uncontrollable reaction against the government, forcing an accommodation with the opposition and a reversal of economic reforms.

In early October Bourguiba suddenly dismissed Sfar from the prime ministership and replaced him with Ben Ali, who retained the interior portfolio and became Secretary General of the PSD. Ben Ali was now in virtual control of the party, the army and the government and quickly realized that this provided a unique opportunity to depose Bourguiba. Supported by other ministers, who were heartily tired of Bourguiba's erratic behaviour, he sought provisions in the constitution which would allow for the president's compulsory retirement. He was forced to an early decision by Bourguiba himself, who refused to approve Ben Ali's chosen government appointments. Although the president later approved the choices, it was clear that he now had suspicions regarding Ben Ali's intentions. Ben Ali, concerned that Bourguiba would seek to dismiss him as so many of his predecessors had been dismissed, moved quickly. On the night of 6 November 1987 he launched the now famous November 7 coup:

> The palace at Carthage would be surrounded at night by loyal troops, telephones cut, leading supporters of Bourguiba arrested, the presidential guard neutralised and the palace occupied.[63]

While Bourguiba slept unaware of events, Ben Ali brought doctors to sign a medical certificate that Bourguiba was no longer capable of performing the functions of office, thereby making his removal constitutionally acceptable. When Bourguiba awoke on 7 November 1987, Ben Ali was president and he himself was out of a job.

SUMMARY

Bourguiba led Tunisia upon the corporatist route yet his own preference for authoritarian personalized rule ultimately undermined corporatist structures. In the early years of statehood, national organizations, under the tutelage of the single party, were able to articulate and negotiate interests within the National Assembly. The state would then effect policies. Bourguiba's headship of both party and state, mirrored by the fusion of personnel between party, state and national organizations, represented the organic nature of the whole. The problems arose first as it became clear that the interests of national organizations inevitably collided under the impact of economic development and modernization. The party, far from being able to mediate these interests, developed its own priorities of maintaining power and promoting itself. It was itself, however, divided along ideological and personal lines. Economic policy aligned factions in the party with national organizations and, as the personalities heading factions sought to increase their own relative influence within the party, Bourguiba sought to reduce any potential challenge to his own power by centralizing authority and power within the state itself and around himself in particular. In doing so, Bourguiba deprived the ageing leadership of the party of its proper authority and frustrated the younger elements. In 1984, Richard Parker wrote:

> the party has lost touch with the youth of the country and membership in it has become a matter of self-interest for people looking for favours or advancement, not a matter of political conviction. The party hierarchy, which was a dynamic cadre 25 years ago, is now largely middle-aged and there are few young people within the party who are being groomed for eventual accession to power. The party is still governing the country, but it is dying at the roots.[64]

With his own power-base in the party, Bourguiba's state could never become truly autonomous and his habit of building up and then knocking back political figures led to immobilism and weakness within the party. National organizations were increasingly forced to toe Bourguiba's line as the party was unable to accommodate their conflicting interests, the growing gaps between which were exacerbated by the switch from early policies of socialism, to economic liberalism. With the party defensively protecting its own essentially middle-class interests, and with the national organizations fiercely suppressed, political opposition movements began sprouting outside the PSD sphere. The secular parties which derived from former PSD circles were tolerated in an effort to co-opt them, although Bourguiba and his close aides could not bring themselves to allow anything but token participation in government by the opposition, or to introduce in any meaningful way the long-promised multi-party system. Islamist opposition, which expressed the frustrations of masses either unrepresented by secular parties or suppressed within the national organizations, was not to be tolerated at all.

By the end of Bourguiba's rule, the corporatist structures had clearly begun to crumble, with neither the party nor the national organizations being able to fulfil the roles originally assigned to them. The party had proved unable to mobilize popular support behind its economic policy as austerity and liberalization became inevitable. Moreover, the state's inability to act autonomously of the party left it weak (although fierce) and unable to pursue its policies in a concerted manner. The constant resort to repressive authoritarian measures was necessitated by the ineffective balancing act of continual compromise between state, party and national organization, each recognizing its inability to operate independently for lack of legitimacy, power and strength to resist respectively. It was into this crisis-ridden political mayhem that Ben Ali came to power.

3 The Roots of Crisis: Economic Policy under Bourguiba, 1956–1987

INTRODUCTION: EARLY STRATEGIES FOR ECONOMIC DEVELOPMENT

Like many of his nationalist contemporaries in the Arab World, Bourguiba did not come to power with a comprehensive economic strategy for the development of Tunisia, and for the period of his rule economic policy was essentially reactive. Four stages can be identified in the country's post-independence economic life under Bourguiba: an initial stage of attempted economic decolonization; an ideological but ultimately disastrous stage of socialist transformation; an attempt at state-managed, private-sector-funded industrialization; and finally the stabilization programme of the mid-1980s. The first of these stages represented a reaction to the exploitative economic policy of the colonial French government, the second a response to internal political demands for an ideologically motivated economic strategy in tune with both domestic concerns for social justice and the general wave of Arab socialism of that era. The third stage involved development of policy around external factors of Western oil demand and high prices for that commodity, European and Arab demands for migrant labour, the availability of low-interest international finance, the search by private foreign capital for investment opportunities in labour-rich countries, and finally the establishment of EEC tariff and customs unity. The fourth stage was the early but inadequate response to a rapidly deepening economic crisis.

ECONOMIC DECOLONIZATION

Bourguiba's immediate priority was to decolonize the economy which had been shaped to service French rather than Tunisian needs. While agriculture and mineral extraction had been encouraged as the foci for investment, industry had been (with a brief exception during and immediately after the Second World War) largely neglected. In 1952 there were as few as 48 000 Tunisians employed in industry in the entire country and even then virtually all the industrial and service sector management personnel were French.[1] For the most part agriculture and mining were also dominated by French-owned firms, entrepreneurs and managers – a feature which extended to the civil service. The first few years after independence were therefore characterized by the process of *Tunisification.* At the administrative level, this entailed replacing 12 000 French *fonctionnaires* with Tunisians (and where this was not possible accepting French aid in the form of technical experts).

Unsurprisingly – given their previously colonial management, not to mention the prevailing popularity of Nasser's activities in Egypt – the main public utilities were quickly nationalized, although debate still raged within the elite as to whether the state or the private sector was to be the main engine for development. Bourguiba worked hard to combine the strategic need to establish state control over some aspects of the economy with his desire to maintain a liberal economic policy towards the West, in particular France and America, in the hope of encouraging foreign investment and trade. During the first five years of independence, the state offered a number of tax and credit incentives to try to encourage the domestic private sector to take a strong role in investment, but with little success. The industrial bourgeoisie proved to be profoundly weak and thus public ownership evolved in critical industrial sectors such as phosphates, petroleum and sugar refining more by default than design. In order to embark upon industrialization, the state recognized that it had to take a leading role in stimulating the sector, not least by initiating massive educational programmes which could provide the skilled and literate labour base necessary. In the first year of independence, 19 per cent of government spending was allocated to the education budget alone.[2]

THE SOCIALIST EXPERIMENT

In 1961, recognizing the weakness of the private sector, the economic objectives of the state were formalized in the Ten Year Perspective Plan of Development. This plan comprised a number of short-term programmes, beginning with the 1962–5 Three Year Plan which initiated a major expansion of the role of government. The objectives listed were: (1) continued economic decolonization; (2) reform of economic structures, including industrialization; (3) human development; and (4) the generation of internal investment designed to lessen the dependence on foreign assistance. The results of the plan were two fundamental achievements combined with accompanying problems:

> First, a remarkable investment effort was achieved, but at the cost of increased dependence on foreign financing with its heavy burden of debt-servicing. Second, an infrastructural base and an import-substituting manufacturing base were put in place, but at the cost of poor capital productiveness and inadequate labour absorption.[3]

The Ben Salahist elites proclaimed that the economy would be the joint realm of three sectors: public, private and co-operative. As the state sought to promote private-sector interests through tax holidays and credit facilities, it still expanded its own role by taking charge of international trade, regulating imports and exports and supervising wholesale and retail networks. It also became increasingly directly involved in supporting the productive sectors. Collectivization was applied not only to agriculture but also to handicrafts, retail and wholesale trade, manufacturing, transport, restaurants – in fact just about everything. Even when collectivization was abandoned the state retained many of these structures, the number of SOEs rising from less than 25 in 1960 to 185 in 1970, with their share of gross investment growing correspondingly from 1.8 per cent to 33.7 per cent.

Despite the commitment to socialism which was characterized by Ben Salah himself, the expansion of the public sector and the spread of its tentacles across the economy should not be confused with an attack on the private sector *per se*. Rather, as Eva Bellin has argued:

> The state's goal was to chase propertied but speculative Tunisians out of the commercial sector and into more productive activities like industry. In fact, the process was less successful than had been hoped.... Nonetheless, it showed that the state, even at its most intrusive, was still at heart committed to the creation of a private industrial bourgeoisie.[4]

The programme for agriculture, the first priority of the socialist state, focused on the collectivization plan, ultimately leading to the creation of over 700 collective agricultural units or cooperatives. The units would, in theory at least, be able to replace traditional farming techniques with modern technology funded through subsidized credit available from a state agricultural bank. The objective of the modernization of the agricultural sector was not to come into conflict with a revival of the communal traditions of the peasantry which had been undermined by French appropriation of the land and abuse of rural labour. Indeed, agricultural reform and the passing of over one million hectares [5]of previously French-held land over to the peasantry, were to facilitate the 'regrouping of traditional farms to help them adopt modern techniques'.[6] Collectivization was not voluntary, with government planners and the *Secretariat d'État à l'Agriculture* deciding on the optimum size of collectives and the number of participatory farmers. By August 1968, some 38 per cent of the nation's cultivated land was in the hands of the cooperatives.

The experiment was termed a failure for a number of reasons. Not only did the real incomes of the peasantry decline,[7] but the top-down organization and management resulted ultimately in gross inefficiency, a lack of motivation for increased productivity and a disheartening amount of corruption. Collectivization failed to stem the rural exodus to the cities, to increase agricultural employment or to significantly reduce Tunisia's food import bill. Indeed, agricultural production levels actually fell during the 1960s. Moreover, the project came under attack from the remaining large and small-scale land-owners alike. While the former complained that the system was biased against their interests, the latter complained that the constraints on small-scale private production were too great and inhibited profits. When the system collapsed many small farmers found that they were left stranded. If they were able to rescue their small parcels of land from the cooperative, they would often find themselves caught in a mode of production which required cash inputs that they simply did not have. The result was either that they sold their property to large farmers or became embroiled in the exploitative *métayage* system of loans which equated to sharecropping for the same large farmers. In the end, traditional farming was devastated and there followed a mass rural exodus. The population of Tunis' *bidonvilles* alone rose from 160 000 in 1966 to 275 000 in 1975, the majority coming from the already disadvantaged north-west. Regional disparities in income and standard of living were exacerbated, with the north-east and coastal areas benefiting at the expense of the west and south (see Table 3.1).

Industry likewise failed to live up to the socialists' plans. The government concentrated its investment in existing industrial projects, in particular phosphate treatment and processing plants, cement and steel works and, after the discovery of oil in 1966, in a new oil refinery

Table 3.1 Net migration by region 1970–1975 (000s)

North-East	+29 850	North-West	–31 790
Centre-East	+6 110	Centre-West	–3 470
South-East	+1 830	South-West	–2 530
LITTORAL	+37 790	INTERIOR	–37 790

Source: Figures adapted from République de Tunisie, Premier Ministère, *Rappport du Comité de Reflexion sur l'Aménagement du Territoire et la Décentralisation Industrielle* (Tunis, 1979) by E. Moudoud in *Modernisation, the State and Regional Disparity in Developing Countries* (Boulder Co.: Westview Press, 1989), p.151.

at Bizerte. Tunisian mineral deposits were not able to compete, however, with new, higher-grade deposits found elsewhere in the world and the combination of new and expanded old plants were unable to absorb the labour entering the industrial market. By the end of the 1960s, unemployment was a persistent feature of city life. The state did attempt to encourage and facilitate investment in establishing some labour-intensive, import-substitution industries such as textiles and food products in order to boost employment. These suffered badly, however, from three general weaknesses: firstly, the weakness of domestic demand given the stagnation of agricultural wages and the growing unemployment problem; secondly, the new industries failed to create the kind of mass employment necessary to stimulate economic growth. The recourse to foreign investment brought with it capital- rather than labour-intensive manufacturing techniques which were anyway favoured by the techno-bureaucrats determined on modernization. Finally, the capital imports necessary to establish and run these industries themselves created balance of payments difficulties.[8] Planners had proved to be over-optimistic as to the domestic capacity to fund the high levels of investment planned and had, without any great relish, turned increasingly to international creditors or to deficit financing which carried its own long-term problems.

FINDING THE FUNDS TO PAY

With the socialist experiment concluded in 1969, Bourguiba devised a new strategy which relied on both public and private sector activity and was reoriented towards market forces. Although the country subsequently experienced a period of apparently encouraging economic growth (GDP growth averaging over 7 per cent a year during the

1970s) and social development, the particular strategy utilized by Bourguiba and his governments was ultimately to lead, in the mid-1980s, to profound economic crisis due to an over-reliance on oil-export revenues and international finance as the engine for investment.

Although foreign investment was encouraged through the introduction in 1972 of the Foreign Investment Law 72–38 (offering tax concessions and exemptions to foreign investors) and the establishment of the API (Inv) in 1973, foreign borrowing proved to be a far more lucrative source of investment capital. In the space of ten years, total external debt increased seven-fold, the vast majority of it being long-term finance borrowed by either central government or SOEs. The country's record for political stability, openness to the West, economic moderacy and reliable oil revenues ensured its credit-worthiness and the 1977–81 Five Year Development Plan indicated that foreign borrowing was intended to provide the investment resources for 'take off' in 1981 (see Table 3.2).

Oil revenues provided the essential accompanying bonanza although they took a little time to come on stream. In 1971 oil accounted for about 5 per cent of GDP, 15 per cent of total exports and 8 per cent of total government revenues. By 1981 these figures had altered to 11 per cent, 38 per cent and 19 per cent respectively. Tunisia had become the twelfth largest Arab oil producer, producing 5.6 million tons of crude petroleum a year[9] (see Table 3.3).

Table 3.2 Long-term and short-term debt (US$ millions)

	1970	1975	1980	1985
External Debt (total)	554.7	1 027.8	3 526.9	4 880.5
Long-term debt (total)	554.7	1 027.8	3 390.6	4 698.6
Central Bank (incl. IMF)	68.1	51.9	251.5	366.0
Central Government	360.7	743.1	1 717.9	2 611.3
Non-financial public enterprise	112.5	226.5	1 075.0	1 319.3
Private sector (incl. non-guaranteed)	13.4	6.3	346.2	402.0
Short-term debt	00.0	0.0	136.3	634.2
Debt service bill	–	135.0	523.0	814.0
Long-term debt as % GNP	–	25.2	40.3	61.8
Debt service as % exports	–	10.2	15.6	30.0

Source: UNCTAD, *World Tables 1992* and *Handbook of International Trade and Development Statistics 1987 Supplement* (New York, 1988).

Table 3.3 Volume and value of Tunisian petroleum and petroleum product exports 1970–1980

	Volume (000 tons)	Value (000 TDs)	Exchange rate (TDs per US$)
1970	3 407	26 081	0.523
1972	3 856	40 751	0.477
1974	3 863	142 802	0.410
1976	3 792	143 271	0.429
1978	4 846	180 294	0.408
1980	4 829	474 825	0.418

Source: Banque Centrale de Tunisie, *Statistiques Financières* (Tunis, 1981).

A final element of national income which developed in the seventies was that of migrant labour remittances due to demand from expanding Western European economies. The largest number of Tunisians went to France, peaking at over 200 000 by the end of the decade.[10] Although the subsequent European recession reduced the demand for Maghrebi labour, the development of Arab (particularly Libyan) hydro-carbon industries provided a welcome substitute market.

With such resources at its disposal, the country launched an ambitious drive towards development, concentrating on its human resources. Massive investment in education and family welfare showed impressive results. Indeed, perhaps the greatest achievement of this decade was in this realm, resulting in a labour force which was considered to be one of the most sophisticated in its region. Infant mortality was more than halved from almost 160 to 60 per thousand and adult literacy rates increased from 15 to 62 per cent from the early 1960s to 1985.

However, the performance of most non-oil-export sectors continued to be relatively poor. This initially excluded textiles but the 1977 EEC restrictions on textile imports damaged even this sector. Indeed, the development and growth of the European Economic Community and its imposition of common trade barriers and tariffs proved to be extremely problematic for the Tunisian economy, which was heavily geared towards exporting to Europe. This was particularly true for agricultural food exports. Good climatic conditions allowed for bumper harvests in the 1970–5 period, with cereal producers doing particularly well and encouraging private and foreign investment in the sector. Poor weather in the last years of the decade, combined with the threat to Tunisian markets in Europe posed by likely Spanish and

Table 3.4 Food imports and exports 1970–1985 (percentage of total merchandise imports and exports)

	1970	1975	1980	1985
Food imports (% of total imports)	27.86	18.72	13.68	14.1
Food exports (% of total exports)	29.9	19.21	7.2	9.7

Source: The World Bank, *World Tables 1976* (Washington DC: Johns Hopkins University Press, 1976) and UNCTAD, *Handbook of International Trade Statistics 1987 Supplement* (New York, 1988).

Greek accession, led to a decline thereafter. While agricultural production over the decade as a whole improved its performance, it was ultimately unable to keep up with the variety and extent of domestic food demands and after 1975 the value of food imports consistently exceeded exports (see Table 3.4).

Analysts differ in their assessments of the achievements of this period. Some point out that the tax concessions offered to foreign investors meant that the still relatively small manufacturing base that developed was essentially export-oriented but not income generating. Others, like Eva Bellin, consider industrial growth in the 1970s to have been 'spectacular', with the private sector taking advantage of a whole range of new government incentives to exceed the share of the public sector in industrial growth after 1972.[11] Analysts also differ on their summary of the benefits for Tunisia. *The Middle East Economic Digest* claims that by 1981 there were around 250 small and medium-size foreign companies operating in Tunisia, although they were concentrated in just a few industries (in particular the textile industry), and had created only 25 000 new jobs.[12] Allan Findlay gives a figure of 523 foreign firms established between 1973 and 1978, creating 86 500 new jobs. He points out, however, that in industries such as textiles, the majority of new jobs created were filled by women while the unemployment problem at the time was centred around the need to find jobs for males. Moreover, over 45 000 of the new jobs were created in Tunis and the north-east, and another 22 000 in the sahal area, demonstrating the regionally uneven distribution of the benefits of industrial policy. Pierre Signoles quotes *Institut National de Statistique* figures as indicating that over 1205 firms employing more than 10 persons existed in Tunisia in 1978[13] and that private-sector activity grew in almost every branch of industry, coming to dominate in some (such as textiles, metalwork and mechanics).

In general, industrial development remained over-concentrated in some areas of production, notably clothes, textiles and leather goods (87 per cent of employment created between 1973 and 1977) at the expense of others. (Mechanical and light engineering jobs increased by just 4 per cent and agricultural and food processing jobs by just 1 per cent.) Since a great deal of the new industry was targeting Europe for its exports, it was severely hit by the 1977 EEC tariff barriers and many new factories closed as a result.

The concentration of new industrial firms in the coastal city areas exacerbated regional inequalities, although the government attempted to offer incentives for a more equitable regional balance of industry towards the end of the decade. Such firms did contribute notably to Tunisia's export profile but, while exports as a whole showed some improvement during the decade, especially in diversification towards manufactured and processed goods and away from unprocessed raw materials and primary produce, 'on average between 1970 and 1979 exports only covered 61.2 per cent of the cost of imports and had it not been for oil the imbalance would have been much greater'[14] (see Table 3.5).

A burgeoning tourist sector helped relieve the balance of trade, earning over 200 million dinars a year by the end of the decade. It proved equally fragile to external events, however, declining in years of greater European recession and dependent on imports for the furnishing and maintenance of facilities.

Another lingering problem for the economy was the dominance of the state's own participation. Although the non-oil sectors of the

Table 3.5 Value and growth rates of imports and exports 1950–1980 (US$ millions)

	1950	1960	1970	1975	1980
Exports (f.o.b.)	113	120	182	856	2 235
Imports (c.i.f.)	147	189	306	1 424	3 527

Annual average growth rates of imports and exports (percentages)

	1950–60	1960–70	1970–80
Exports (f.o.b.)	2.5	4.7	27.0
Imports (c.i.f.)	0.1	3.4	28.4

Source: UNCTAD, *Handbook of International Trade and Development Statistics 1987 Supplement* (New York, 1988).

Table 3.6 Relative share of public and private sector investment in gross fixed capital formation in industry 1962–1980 (percentage of total)

	1962–9		1970–6		1977–80	
	Public	Private	Public	Private	Public	Private
Agroalimentary	72	28	30	70	38	62
Construction materials	93	7	69	31	79	21
Electromechanics/metal	92	8	54	46	46	54
Chemicals	62	38	70	30	91	9
Textiles	83	17	18	82	13	87
Diverse	79	21	23	77	18	82
Total	84	16	47	53	61	39

Source: Table taken from E. Bellin, 'Tunisian Industrialists and the State' in I.W. Zartman (ed.), *Tunisia: The Political Economy of Reform* (Boulder, Co.: Lynne Rienner, 1991). Originally taken from Pierre Signoles, *L'espace tunisien: Capitale et état-region* (Tours: Fascicule de Recherches,1985), 2 vols.

Table 3.7 Results of state enterprises by sector of activity 1983 (TD000s)

Sector	Profits	Losses	Net profits or losses
Agriculture	377	−5 242	−4 865
Food processing	3 588	−4 322	−734
Building materials	3 076	−16 299	−13 223
Electrical/mechanical	1 053	−8 272	−7 219
Chemical industries	3 987	−25 489	−21 502
Textiles	639	−2 470	−1 831
Paper/furniture	622	−3 238	−2 616
Mining	68	−28 700	−28 632
Petroleum	54 728	–	+54 728
Electricity	–	−7 463	−7 463
Water	1 412	–	+1 412
Construction	1 427	−558	−131
Wholesale trade	6 441	−15 102	−8 661
Retail trade	4 523	−1 889	+2 634
Transport	20 652	−51 131	−30 479
Tourism	1 181	−5 286	−105
Others	5 226	−1 539	+3 697
Total	**109 000**	**−178 000**	**−69 000**

Source: INS, quotes in A. Grissa, 'The Tunisian State Enterprises and Privatization Policy', in I. W. Zartman (ed.), *Tunisia: The Political Economy of Reform* (Boulder, Co.: Lynne Rienner, 1991), p.117.

economy were increasingly neglected by the government in terms of direct investment (see Table 3.6), where the government did get involved in production, it proved desperately inefficient (see Table 3.7). Injections of government cash support for unproductive loss-making SOEs could not disguise the failures of the public sector. The state nonetheless continued to expand its role in production, the number of SOEs rising from 185 in 1970 to nearly 300 by 1982. Government capital transfers to SOEs in relation to total outlays rose accordingly, from 8 per cent in 1972 to 17.5 per cent in 1984. By 1980 state capital and subsidy transfers accounted for 52.4 per cent of total investment in the SOE sector.[15]

The government also indulged in extensive price subsidization through the *Caisse Générale de Compensation* (CGC), established in 1970. The total sum of these subsidies grew from 10 million dinars in 1973 to a total of over 80 million dinars in 1986. The subsidies were meant to improve the lot of the poorest sections of Tunisian society, making basic food and household goods affordable to all, especially the unemployed and rural populations.[16]

Both the investment and subsidization aspects of government expenditure were in large part the result of the persistent problem of unemployment. As labour migrated to the cities – where development was concentrated – and as the labour force grew by an annual average of 2.7 per cent, urban unemployment hovered around the 11 per cent mark. Rural unemployment was not so great a problem, despite the lack of rural development initiatives, due largely to urban migration. Indeed the agricultural sector was characterized by seasonal under-employment throughout the decade (see Table 3.8).

In general, however, improved living standards, lower infant mortality rates and the extension of life expectancy, plus a population growth rate that hovered around 2 per cent per annum, all contributed towards an increasing gap between the quantity of new labour entering the market each year and the demand generated for that labour. With the private sector unable to respond sufficiently, the state was forced both to provide employment opportunities by expanding its own functions, and to compensate the growing ranks of the unemployed through subsidies and price controls.

Added problems resulted from the increase in wages determined by oil income. As oil-sector wages rose faster than other production costs, so petroleum revenues allowed the government to increase public-sector wages, leading to wage pressure in other sectors without a corresponding pressure for improved productivity. The profits of rising exports were absorbed by rising wages rather than rising employment. Rising wages, as well as the inflow of migrant wages, in turn led to the rapid

Table 3.8 Labour supply and demand

	1962–1971 (I, II and III Plans)	1972–1981 (IV and V Plans)	1982–1986 (VI Plan)
Additional supply			
Total	357 000	469 000	327 000
Annual average	35 700	46 900	65 400
Additional demand			
Total	132 000	398 000	200 000
Annual average	13 200	39 800	40 000
Total deficit	225 000	71 000	127 000
Annual av. deficit	22 500	7 100	25 400

Source: R. Ferchiou, 'The Social Pressure on Economic Development in Tunisia', in I.W. Zartman (ed.), *Tunisia: The Political Economy of Reform* (Boulder, Co.: Lynne Rienner, 1991), p.106.

increase in imports (only partially disguised by oil-export revenues and increasing from the equivalent of 28 per cent of GDP in 1971 to 40 per cent in 1981). As wages rose, so too did the need for the government to subsidize basic food, transport and consumer items, or at least to control prices by subsidizing producers, in a way which also made them affordable to the unemployed and rural poor. The subsidy bill grew accordingly, adding further pressure to the current account.

Table 3.9 Evolution of absolute poverty 1961–1980

Year	Population in poverty (% of total population)	Official poverty line
1961	73	50 TD (1961 prices)
1971	42	–
1980	22.5	100 TD (1980 prices)

Source: Quoted from *VIème Plan de Développement Économique et Social (1982–86)* in E. Moudoud, *Modernisation, the State and Regional Disparity in Developing Countries* (Boulder Co.: Westview, 1989), p.67.

By the end of the decade, Tunisia had become overly dependent on oil revenues, had over-extended its foreign borrowings and, despite its impressive investment efforts, had been unable to develop a domestic productive base that could either absorb the labour base or export a diverse and competitive range of goods. On the positive side, massive investments in education, combined with high government spending on welfare and price subsidies, had substantially reduced poverty in the country and improved both the quality and standard of living (see Table 3.9).

THE 1982–6 DEVELOPMENT PLAN: RESPONDING TO CRISIS

In the early 1980s the extent of Tunisia's real problems became clear as growth slowed and the prospect of Tunisia becoming a net energy importer began to loom. Oil extraction and world prices were both falling and the government was being forced to restrain its expenditure and to take greater care in its international borrowing. A rethinking of the development strategy was called for but at this stage the government concentrated on attempting to control its budgetary and balance of trade deficits. In 1981 the government made preparation for the 1982–6 Sixth Five Year Development Plan by reducing its payments to the CGC (initiating the removal of subsidies on some goods) and, in June 1981, modifying the investment laws to encourage greater industrial decentralization towards the poorer interior of the country and in favour of higher value-added industries. Law 81–56 (1981) extended incentives to foreign investors in the tertiary sector in the hope that multinational companies would use Tunisia as a central location for regional activities.

The major theme for the 1982–6 plan was to be the tackling of unemployment, which had reached an official level of nearly 14 per cent by early 1982.[17] Nearly two-thirds of those unemployed were under 24 years old, representing a considerable, and potentially hostile, social force. The plan envisaged creating 65 000 new jobs a year with an average annual GDP growth rate of 6.6 per cent. Investment would be directed towards non-oil industries, especially electrical and mechanical light engineering and agricultural production. This, it was hoped, would cut the imports bill (especially food imports) and bolster non-oil exports. The private sector was to be encouraged to assume a greater burden of the investment. 'It must be admitted, without agonising over it, that Tunisian socialism should make a large place for the private sector and should encourage it', said the plan.[18] Another major boost for investments was to come from new joint-venture investment banks, initially set up with Saudi Arabia, Kuwait and Algeria. New concessions were provided for foreign banks in 1981, allowing them to receive deposits from, and lend to, non-resident companies and societies. Meanwhile, the joint investment banks were expected to enjoy the best of both worlds, to have the same freedom on foreign transactions as off-shore banks but also to be unrestricted in local operations much as Tunisian banks were.

The ratio of public investment to GDP was to be cut from 34 per cent in the previous plan to 31 per cent. Agriculture and manufacturing industry would receive 18.9 per cent and 19.5 per cent of investment funds respectively (as opposed to 12.9 and 18 per cent under the previous plan). Investment in services (but not tourism) was to be cut on the assumption that the private sector could more easily assume the investment burden of that sector. Tourism, which was now considered to be a key sector for the country's future, was to increase its share of the investment budget from 2.6 to 5.5 per cent.[19]

The plan also envisaged increasing national savings by reducing the growth in consumption. One way of doing this was by restricting import rises to just 4 per cent a year, while exports were planned to rise at an annual 6.6 per cent. While this would maintain a manageable balance of payments deficit, it was still considered necessary to raise international borrowing levels at a time when rising interest rates in the world market were making borrowing more expensive. It was hoped that foreign debt could be maintained at the 1981 level of 36.2 per cent of GDP, with a debt service ratio of 16.7 per cent.[20] At the time Tunisia's credit worthiness, although damaged by high unemployment rates and the prospect of becoming a net oil importer, was considered reasonable in light of its apparent good housekeeping measures, its potential for improved phosphate and downstream products exports and its recent moves towards political liberalization. Consumption was also to be restrained through policies affecting private consumption such as wage policies, reduced social programmes and cuts in food subsidies. In fact, the commitment to reducing consumption failed to prove itself and domestic demand accelerated as a result of real wage increases and government subsidies to households and enterprises. Domestic savings declined and, between 1980 and 1984, the budget deficit more than doubled as a percentage of GDP.[21]

From 1983, successive annual budgets tried to impose austerity measures, including import restrictions, severe limits on government expenditures and the tightening of subsidies. There was a heavy emphasis on increasing export competitiveness and diversity. However, the balance of payments did not follow the predicted line, with the trade deficit exceeding $1000 million for much of the period from 1980 to 1987, although it was reduced in 1985 to $894 million through the imposition of the severe limits on imports. In 1985 and 1986, however, exports also decreased, putting pressure on the balance of payments in spite of import controls which included the cancellation of traders' annual certificates of import, and the limiting by the Central Bank of foreign exchange transfers. By December 1985 these restrictions had led to shortages of essential capital goods.

Oil exports were still by far the largest source of export revenues, worth a total of TD620 million ($856 million) in 1984 – or 44 per cent of total sales.[22] However, in 1983 Finance and Planning Minister, Mansour Moalla, pointed out that every $1 fall in the price of a barrel of oil cost the Tunisian budget TD5 million ($7.9 million) in receipts. Budget deficits were therefore financed by domestic and external borrowing. By the end of the plan, total external debt had increased to about $5 billion, or 59 per cent of GDP, with a debt service ratio of 26 per cent (see Table 3.10). The 1985 budget statement declared that: 'The aspect [of the economy] which requires the most attention in the immediate future remains the problem of external debt'.[23]

The 1982–6 Plan was in essence a failure. Economic planners had been unable to forecast the dramatic downturn in oil prices, reduced labour migration opportunities, the severe droughts of 1982 and 1986 or the regional security problems which adversely affected tourism. All sectors of the economy grew by less than the target amount during the span of the plan. Even manufacturing, which did best, achieved only 5.8 per cent average annual growth, led by the phosphate and electro-mechanical industries. Agriculture struggled through the two droughts to achieve just 3.6 per cent average annual growth as against a prediction of 6.3 per cent. Tourism suffered badly, growing at just 1.4 per cent per annum on average instead of the hoped for 5.6 per cent. The figures for average annual growth in the manufacturing, agricultural

Table 3.10 External debt 1981–1987 (US$ millions)

	1981	1982	1983	1984	1985	1986	1987
Total	3 608	3 772	4 059	4 095	4 880	5 896	6 758
Long-term Debt	3 474	3 635	3 928	3 926	4 699	5 669	6504
Central Bank (inc. IMF credit)	227	220	245	243	366	598	760
Central govt.	1 793	1 913	2 099	2 140	2 611	3 153	3 660
Non-financial Public enterprises	1 100	1 204	1 238	1 134	1 319	1 499	1 657
Private sector	354	299	346	408	402	420	425
Short-term Debt	133	136	131	169	182	227	255

Source: UNCTAD, *World Tables* (New York, 1992).

figures for average annual growth in the manufacturing, agricultural and tourist sectors under the previous plan had been 9.7 per cent, 6.1 per cent and 8.7 per cent respectively, giving some idea of the general malaise of production affecting the economy.

The most immediate negative impact of this restrained growth was felt in the employment figures. Officially unemployment rose only marginally but the World Bank provided estimates that the real rate, including youths excluded from government figures, was now nearly 15 per cent. Only 67 per cent of jobs predicted were actually created during the plan and only 48 per cent of those were in the directly productive sectors. This was due not only to the generally lower than predicted growth but also to investment being concentrated in capital- rather than labour-intensive projects. Investment actually exceeded that predicted, but while targets were overrun in housing, petroleum exploration and electricity projects (where the government was under pressure to provide), there were shortfalls in agriculture and manufacturing where private capital had been expected to play a strong part and from whence the majority of new jobs were to come.

Overall GNP growth did reach a respectable 5.5 per cent in 1984 although average GDP growth for the period of the plan was 3.6 per cent compared to the 6.3 per cent per annum anticipated. Moreover, much of this was due more to domestic consumption than to export growth.

The austerity measures imposed to try to reduce government expenditure and restrain consumption had led to political problems for the government, not least UGTT opposition to continued wage freezes in the public sector and commitments to subsidy reductions. Clearly a new strategy was needed which could at once alleviate the pressures of the mounting debt burden and restructure the economy to deal with the post-oil era. Yet it was clear that drastic reform of the economy carried significant political risks. The aid of the World Bank and the

Table 3.11 International reserves (US$ millions and as number of months of imports)

	1975	1980	1981	1982	1983	1984	1985	1986
Total reserves	385.1	598.4	543.7	613.7	574.1	412.7	239.9	313.3
Months of imports	3.1	2.0	1.8	2.3	2.2	1.7	1.0	–

Source: UNCTAD, *Handbook of International Trade and Development Statistics, 1987 Supplement* (New York, 1988).

IMF would probably be needed and their strategies of imposed conditionality for lending smacked to many politicians (not to say the population) of an infringement on sovereignty. Moreover, while the IMF and World Bank were eagerly promoting export-led development strategies and structural adjustment programmes to make such development possible, all the controversies surrounding these strategies were contributing to domestic dissent within the PSD and the government.

STABILIZATION AND THE IMF STAND-BY AGREEMENT OF 1986

The 1986 budget was clearly an austerity budget, introducing the macroeconomic stabilization measures which the World Bank and the IMF had been advocating for several years. In retrospect one might conclude that the Tunisian government was preparing itself for negotiating a finance package with those agencies by pre-empting many of their demands. A foreign-exchange crisis during the summer, during which reserves had fallen to dangerously low levels (at one point to just four days cover of imports), had jolted the government into the reforms for which many had been arguing. Both investment and food subsidies were scheduled to be decreased by 18 per cent from 1985 levels, with an overall 15 per cent cut in the budget (moves warmly welcomed by a visiting IMF team in October 1985).[24] The problem remained, though, that while the quantity of investments was cut, the quality of those remaining frequently appeared dubious. A government decision to freeze some of the more extravagant projects, such as the planned Tabarka international airport and a light railway system for the sahel, was not translated into action and many of the least viable projects continued apace.

Shortages of capital goods indicated to the government that the drastic cut in imports could not be sustained (although it had contributed to a 40 per cent fall in dollar terms in the trade deficit for 1985) and thus a return to foreign borrowing was going to be likely in 1986 to pay for imports. The government's intention in the 1986 budget was to stabilize both foreign debt (at about 50 per cent of GDP) and the budget deficit (at around TD450 million or $592 million). Thus serious cuts in other areas of spending were necessary, in particular adherence to the now two-year-old wage freeze on public sector workers, just at the politically difficult time of an impending election. With strong

UGTT opposition to its austerity policies, the government faced a difficult dilemma. The chances were that the opposition would unify around the twin causes of demands for further political liberalization and calls for measures to sustain the standard of living for workers. Some foreign analysts were predicting that the government would use the 1986 election to 'buy off' dissent against its economic policies with political liberalization measures.[25] It was assumed that this could also restore the confidence of international lenders in the country's political stability. The alternative for the government was to restrict public opposition to its economic policies by imposing a clamp-down on the activities of the opposition – in effect a reversal of political liberalization. Government fears were realized when, in February 1986, the UGTT and five opposition parties including the unofficial MTI, united to form a Solidarity Committee.

In July 1986 a revised budget for the year was presented by the new prime minister, Rachid Sfar, to a cabinet meeting. The budget, which took account of a sharp fall in government oil revenues, had been worked out in co-operation with the IMF and World Bank, a clear indication that a structural adjustment programme, partially funded by the latter, was being devised. In particular the revised budget cut investment spending and subsidies of loss-making public sector companies by 14 per cent.[26] Increases in minimum wages were introduced for the first time in three years but failed to keep in line with inflation as demanded by the UGTT. Sfar also announced the further devaluation of the dinar by 10 per cent (after a steady devaluation of about 13 per cent during the previous year) to keep agricultural and industrial exports competitive with other Mediterranean competitors.[27]

The budget debate centred around long-term reform of the economy which would bring it in line with IMF and World Bank preferences. In view of the fact that the debate on economic policy inside Tunisia was now basically revolving around such projected reforms, the 1986 World Bank Annual Report concluded that for Tunisia: 'it is expected that, as the set of programmed reforms is implemented, the economy will witness steady growth, with manageable deficits'.[28] In fact, Sfar did manage to begin implementing many of the proposed reforms. The stiff import restrictions imposed in 1985 were lifted for companies exporting over 25 per cent of their output in late 1986, and such companies were promised free access to foreign exchange for importing materials and spare parts. This was to be extended in early 1987 to firms exporting 15 per cent or more of their output.[29] New laws were drawn up to encourage foreign investment, particularly in industry. Proposals put to cabinet in early 1987 were intended to unify and simplify the investment laws of 1972 and 1981 to bring the country in line with other Mediterranean rivals like Portugal and Morocco. Tax holidays were to be lengthened, the number of foreign supervisory staff allowed increased, incentives offered for companies setting up in the less-developed regions of the country and state control over firms expanding into the domestic market would be relaxed. In particular state approval would no longer be needed for new investments, export profits would be exempt from tax and subsidies would be available for private companies which generated additional employment or invested in information technology. The reforms were made law in July 1987, supported by the $150 million World Bank loan to industry. At the same time the three industrial support agencies[30] were merged into a single *Agence de Promotion de l'Industrie* (API Ind) in an effort to streamline and simplify industrial policy.

In September 1986 the deregulation of prices of many manufactured goods was announced, including construction materials, textiles, vehicle parts, canned produce, leather goods and shoes. Food prices on staples like bread, pasta and couscous were also raised by between 10 and 15 per cent, although in the case of bread this was somewhat disguised by the re-weighing of a standard baguette or *gros pain* so that one bought less for the same price. This represented the third price rise in three years and the government was careful to prepare the population for the increases well in advance with a media campaign explaining the economic crisis. In November the same price rises were applied to cooking oil and sugar, the first time that their prices had increased since 1980. Petroleum and pharmaceutical product prices were likewise increased through the removal of subsidies, although cheese imports were banned to increase demand for domestically produced cheese.

Government plans were announced for the privatization of all non-strategic public companies as part of a larger programme for the reform of SOEs and were approved by Bourguiba on 2 August. Several SOEs were immediately closed, including the lead mine at Sidi Bouaouane and parts of the automotive industry. (The liberalization of interest rates in January 1987 led to a credit squeeze which caused further problems in the latter industry.) Parastatal enterprises still dominated the economy, accounting for 20 per cent of GDP, 60 per cent of exports, 33 per cent of all wages and 10 per cent of employment.[31] The sector by now included over 400 companies, over 300 of which could be categorised as non-strategic and could thus be privatized. In fact, privatization had been government policy since 1985 but little had been achieved due to labour and opposition resistance. The new programme encouraged foreign capital to take over public companies as well as offering tax incentives to domestic private investors to be more active in the stockmarket. It was hoped that revenue from the sale of the most inefficient companies could be used to restructure the remaining enterprises. In February 1987 further reform of loss-making public sector companies was announced, particularly in the pharmaceutical and transport sectors.

Employment was an especially difficult issue for the government to deal with. The cuts in government spending were expected to lead eventually to increased unemployment, with unofficial estimates predicting levels of close to 25 per cent of the labour force. The government was keen to make sure that any government spending on employment generation was directed to most urgent cases and thus implemented selective job creation, especially of the young, the number of whom entering the market each year outstripped the total number of new jobs. The high and growing level of unemployment, together with cuts in social service provision (including the removing of guarantees of free medical care to all but the poorest families) incited political tension. A law making it illegal to work for the public sector after the age of 60 was passed on 3 March 1987.

In late October 1986 details came to light of an IMF stand-by agreement to fund an 18-month economic recovery programme. The Tunisian government would have access to SDR114 million ($137 million) of a compensatory finance facility and stand-by credit of SDR82.9 million ($101 million). The agreement, which committed the government to further policies to reduce its budget deficits and to restrain growth in the money supply, had been negotiated during a September 1986 IMF visit to Tunis and was expected to be followed by further agreements on financial help from the World Bank, France and Italy. Financial protocols were signed with France, West Germany and Belgium before the end of the year and in January 1987 details emerged of the discussions with the World Bank over a loan of at least $150 million to reform industrial policy. A similar credit arrangement for the agricultural sector was hoped for, and won, by the government.

A Paris meeting in February 1987 was convened by the World Bank and included representatives of key donor countries like France, Italy and the US, brought together to discuss how the finance gap could be closed for Tunisia for 1987. Without a commitment on this, the IMF was reluctant to proceed with the next stage of its programme for Tunisia. France, Italy, West Germany, Spain and the Netherlands had already committed extra finance in 1986 and were reluctant to contribute more in 1987. Other possibilities discussed were help from Arab banks, the US budget and a financial arrangement with commercial banks or a straight Euromarkets transaction. In the event, donors indicated that $250 million of the $450 million needed in concessionary finance would be forthcoming through faster disbursement of loans already agreed plus some fresh lending. A further $50 million was expected to come from Japan and Saudi Arabia, with the Euromarkets having to provide the rest. The World Bank itself considered that its own two structural adjustment loans for industry and agriculture were a sufficient contribution. The World Bank loans for $150 million to support industrial and trade reform in favour of the private sector and non-oil exports and for $150 million for a similar agricultural programme which would support adjustments to the pricing and trade regimes, were for 17 years, including four years grace, with a variable interest rate link to the cost of the bank's borrowing – then 7.9 per cent annually. They also carried an annual commitment charge of 0.75 per cent on the balance after two-thirds had been disbursed as the reforms came into effect. In an effort to encourage international banks to commit to the Euroloan needed, the government prepared a briefing on its planned and already managed economic reforms.[32] This was drawn from the 1987–91 Seventh Development Plan, which was essentially the blueprint for structural adjustment.

SUMMARY

The period from 1984 to 1987 was one in which political immobilism prevented an appropriate response to economic crisis. The regime was unable to respond effectively to the developing economic crisis because of a number of inter-related factors: the president's own unwillingness to be held accountable for unpopular stabilization or adjustment measures; the absence of any autonomous bourgeoisie with an interest in pushing unreservedly for change; the unwillingness of members of the political elite to take firm policy lines regarding the economy for fear of being either seen as too strong (by a president only too willing to pull the carpet out from under the feet of perceived competitors) or too autonomous from the PSD; and perhaps most of all the fear of rocking an already profoundly unstable political boat.

The riots of 1984, and the subsequent government purges of Islamist and leftist or labour-based opposition, had created a reaction among the opposition parties, mobilizing them against the government and leading them to demand significant political reforms that would challenge the supremacy of the state/party alliance. At a time when the state apparatus was nervous about its own ability to contain political challenges, it was certainly not prepared to relinquish other forms of control, especially not its extensive economic powers. Thus, despite a recognition from within the regime that economic restructuring was vital and urgent, the resistance to such reform was to be found within the state itself, as well as its party base, the PSD. Piecemeal policy alterations could only patch up the ailing economy for so long; eventually, however, the cracks became too wide to disguise with austerity budgets and tinkering with the legal framework for investment and exports. The irony was that the longer the regime delayed the essential reforms, the deeper the economic crisis became and the more forcefully the political challenges were articulated. Thus, caught in a downward spiral of crisis, it was only a matter of time before some element within the regime either had to collapse or break free.

Crucial to this equation was the fact that the corporatist structures of interest articulation and mediation had all but collapsed. This had been inevitable given the attempts at liberal economic policies since 1969–70. Not only had established interest groups found their political space under pressure as the state apparatus continued to expand in both size and influence (the UGTT being a case in point), but the efforts to promote and develop simultaneously the private sector's contribution to the economy had also challenged the economic interests of many such groups. The concentration of power in Bourguiba's own hands, and those of his *étatiste* elite, at the expense of the PSD, had fundamentally reduced the latter's bargaining power in representing the mediated interests of various economic groups to the state. Thus the 'organic' linkages, or channels of communication, of the corporatist system dissolved and economic policy was increasingly determined less in response to upward pressures from society, or even in response to the altering domestic and international economic environment, and more in response to the patrimonial interests of the state bureaucracy.

Full engagement in the international economy, and the abandonment of ISI, created new forces within the politico-economic make-up of the country. The UGTT, for example, began to perceive itself as a class-based organization, representing the toiling masses against the employers (UTICA). The concentration of foreign investment in the coastal areas exacerbated regional disparities and dissatisfactions. The development of export industries increased low-wage employment opportunities for women at the expense of ‘real jobs’ for men. The corporatist system could not comfortably accommodate such contradictory interests, especially when the party was stagnating under its own ideological barrenness and the state was seeking to act independently of both party and national organizations. The personalized, centralized rule of Bourguiba that gradually replaced corporatism could play the different groups off against one another in a delicate balancing game aimed ultimately at its own self-preservation. It could not, however, bring itself to resolve the basic structural problems, forcing economic necessity to play second fiddle to political expediency. The continual compromises to vested interests, the unwillingness to trade economic power for economic success, and ultimately the inability to reform the state itself, only added to the basic failures of the economy and increased the urgency for action to avoid disaster.

4 Macroeconomic Stabilization and Early Economic Reform: The Seventh Development Plan, 1987–1991

INTRODUCTION

The replacement of Bourguiba was in many ways the essential precondition for structural reform of the economy. The new president, Zine el Abidine Ben Ali, was able to begin the reformulation of political structures, removing obstacles to reform literally from the top down and building on the early, but limited, implementation of the 1986 Stand-by agreement. A strategy had already been devised which was subsequently to be carried out under two major development plans, those of 1987–91 and 1992–6. The first was intended on the one hand to achieve macro-economic stability, and on the other to introduce the initial measures of structural liberalization, particularly in terms of sectoral (including public sector), financial and trade reform. The second phase of liberalization, which would take place during the subsequent plan, would consolidate these measures, with legislative arrangements to encourage foreign investment, accelerate privatization, develop the stock market, and deepen integration with overseas, particularly European, markets. In sum, within the space of ten years, it was intended that the economy should be transformed into a market economy with only a marginal role for the state in production, distribution and exchange.

The details of the Seventh Development Plan were worked out in negotiations with the IMF and the World Bank after they had reached agreement over the November 1986 stand-by agreement. The international financial organizations insisted that major structural reform was vital if the economy was to show real annual growth rates of at least 2.5 per cent – the rate at which the population was growing. The strategy agreed upon aimed at improving resource allocation through encouraging market-orientation, and allowing for export-led growth which would compensate for the small size of the domestic market. In return, the IMF was to conclude a new agreement with Tunisia in August 1988 which would provide a three-year extended fund facility and allow Tunisia to draw up to 50 per cent of its fund quota on less stringent terms than those of the 1986 agreement.

The reform process would necessarily have to take account of three additional factors. Firstly, it was essential that the development plan should allow for the creation of employment opportunities. The demand for jobs was expected to rise to 345 000 during the period of the plan (from 324 000 during the 1982–6 plan). The government target of 246 000 new jobs to be created under the new plan was thus considered a minimum. Secondly, it was vital that the plan should address the issue of developing rural areas and halting urban drift. This would ease population and housing pressures in the coastal and major city areas. Thirdly, the plan was committed to stabilizing and ultimately reducing both overall external debt and debt-servicing payments.

REDUCING BUDGET DEFICITS

The most immediate problem to be dealt with, however, and despite the stabilization of late 1986, was still the need to control budget deficits. The plan envisaged a reduction in government spending deficits from 5.3 per cent of GDP in 1986 to just 1.5 per cent in 1991, an improvement which depended on immediate action in a number of areas.

It was considered essential first to reduce the government's role in investment, from 55.2 per cent of total investment in 1987 to 49.3 per cent by 1991.[1] Public investment was to be reduced from 25 per cent of GDP to 21 per cent. Investment policy thus had the basic goal of encouraging the private sector to take on a greater part of the cost burden, which was set to increase by 17 per cent in total under the 1987–91 plan. The government sought to encourage diversification of the sectoral spread of private investment by liberalizing the laws governing investments and by rationalizing the system of subsidies and incentives to improve competition and productivity.

A significant step was taken when a new law was introduced in April 1987 which offered incentives and encouragement for foreign firms to take a stronger role in hydrocarbon exploration, releasing the state from what had been one of its primary investment tasks.[2] Public investment funds would henceforth be redirected towards less-developed regions of the country, into reducing the food import bill and into increasing non-oil exports. Inevitably, this meant greater priority being given in public investment plans to agriculture. That sector's share of total investment was predicted to rise from 16 per cent in the previous programme, to 20 per cent in the new, with the depressed west and south receiving 46 per cent of the total compared to 29 per cent in the previous plan. Agricultural reforms supported by IMF and World Bank loans were intended to increase productivity by an ambitious 6 per cent per annum and to help facilitate this, the government increased public investment in provision of fertilizers, herbicides, pesticides, all the technical paraphernalia needed for modernization. It also designed, together with help from the United Nations World Food Programme, a major programme for irrigation and prevention of soil erosion and desertification (which would benefit the poorer southern region in particular). Twenty-one dams, 2100 hill lakes and 1 800 deep wells would help irrigate some 280 000 new hectares of land. Finally, the removal of price controls would help increase the profitability of farming while incentives and tax exemptions would increase private sector investment.

The programme to rationalize incentives for private investment in industry built on the revised law of 2 August 1987, which unified the laws of 1972 and 1981[3] governing industrial investment and which specifically provided incentives for export-oriented, job-creating or regionally targeted investments.[4] The law, which was supported by a $150-million World Bank loan, was accompanied by another new law (Law 87–50 of 2 August 1987) establishing the new *Agence de Promotion de l'Industrie*, API (Ind.), whose task it would be to co-ordinate industrial policy,[5] to decide which projects were eligible for fiscal and financial incentives, to organize industrial training and to establish new industrial zones.[6]

In subsequent years, the investment codes covering agriculture, fishing and tourism were similarly updated, and new codes were adopted for the service industry, trading activities and housing investments. Fiscal incentives included total or partial exemptions from taxes and registration duties, suspension or repayment of VAT and customs duties, credits at preferential interest rates and direct capital grants. Law 88–110 of August 1988, for example, allowed foreign-led enterprises intending to export their products to set up as off-shore companies free from virtually all taxes.[7]

A second expenditure area which could be reduced was that of price subsidies. Policy for the duration of the plan was to reduce consumer subsidies gradually (having learned from previous experience the dangers of abrupt removal), phasing them out entirely by 1991 and concentrating initially on less basic necessities. Remaining subsidies would be targeted more specifically towards the lowest-income groups. While the period from 1985–1987 had seen the removal of many food subsidies and a corresponding drop in the bill from 4 per cent of GDP in 1984 to just 2.3 per cent in 1987, the bill actually rose in 1988 to 3.6 per cent of GDP due to domestic agricultural droughts and increased cereal import prices. The president expressed the government's resulting nervousness over the growing subsidy bill saying that subsidies 'already absorb a quarter of the state's current spending . . . enough to build 150 secondary schools or eight dams a year'.[8] A new round of price rises (and a further decrease in the weight of a loaf of bread) was complemented by new welfare payments to help poorer families to adjust to subsidy removal. In 1990 the government reduced still further the number of subsidized products, again providing direct income support for the poorest in society,[9] introducing more rapid price adjustment for less essential items and trying to introduce more efficiency into the subsidy scheme itself. Expenditure subsequently began to decline, totalling 1.8 per cent of GDP by 1992.

One major area of public sector expenditure which remained was the subsidization of the public sector. This was a somewhat amorphous body in Tunisia due to the government's tendency over the years to redefine its component parts. In 1985 a company was considered to be in the public sector if it was 10 per cent state owned. This was changed to 34 per cent and then to 50 per cent in 1989, reducing the number of 'public' companies from around 500 to about 190.[10] Whatever the definition of a public company, the sector as a whole dominated production and distribution, accounting for approximately a quarter of GDP, a quarter of non-agricultural wage-earners and 37 per cent of investment.[11] The cost to the government of subsidizing the public sector was estimated to be over TD2 billion during the Sixth Plan alone.[12] The 1987–91 plan envisaged a reduction in public company subsidies of 5 per cent per annum as well as a major effort at privatization and reform of remaining public enterprises.

Law 87–47 of 1987 established an initial list of about 30 companies to be restructured, as well as defining state guarantees for privatizations and determining measures to make the domestic stock market more dynamic.[13] In fact, the highly structured system of reviewing privatizations proved to be too unwieldy to implement, leading to the creation of a new ministerial National Commission for the Restructuring of Private Enterprises (CAREP)[14] which reviewed recommendations for privatization made by a technical committee of high-ranking civil servants.[15] A second law designed to simplify the legislative framework for privatizations was passed in February 1989. This redefined public enterprises as having a non-administrative character in which the state was owner of 50 per cent or more of the capital. Where the state owned more than 34 per cent of the capital but less than 50 per cent, it would maintain a supervisory role but would reduce its direct involvement in the internal decision-making processes and limit its representation on boards of directors. The intention was to increase the managerial autonomy of public enterprises and the importance of performance as a criterion for decision-making. Three-year performance contracts were introduced, specifying obligations of enterprises as well as targets for production and profit, and obligations for the state in terms of pricing and other supports. The law specified the process for determining the sale or exchange of shares, including the advantages to be offered to employees or ex-employees wishing to purchase shares, the fiscal and financial incentives to be offered to share-purchasers, tax exemptions to be made available to newly-privatized firms and provisions for debt forgiveness. On the basis of this law, the World Bank extended a Public Enterprise Restructuring Loan (PERL) in July 1989. Ismail Khelil made it clear, however, that although the 1989 law represented an acceleration of the privatization process, with the aim of reducing the state's share of the economy to 40 per cent by 1991, the process was to be carried out in a way which did not aggravate unemployment.[16]

The privatization process was initially confined to small and medium-sized enterprises with relatively sound financial records. The first privatizations were thus to be of hotels, textile mills and small banking subsidiaries.[17]At a later stage the large, loss-making enterprises would be tackled, although in the meantime the latter were subject to substantive rationalization and internal reform. By 1993, when the second phase was due to start, some 40 public enterprises had been sold, 28 through the sale of assets and the rest through floatations.[18] Although the privatization process proved slower than had been hoped, due to the complexity of both selling assets and mobilizing resources to buy them, it had made a solid start.

For the remaining public sector companies performance was expected to improve despite rising costs and a growing stock of short-term debt. Performance contracts were introduced to seven major public enterprises in transportation, mining and construction materials[19] and competition from the private sector was introduced in some fields of activity such as maritime transport. Reforms were also implemented to rationalize administrative structures (such as the division of the dairy monopoly – *Société Tunisienne d'Industrie Laitière* (STIL) – into three companies according to functions in mid-1988).

One area in which the government was not so successful in cutting its expenditure was that of public sector wage bills. By 1987, public sector wages had already been frozen for three years. However, the growing number of public sector employees (2 per cent per annum) was alone sufficient to cause an upward drift in the wage bill. Under pressure, the government allowed small productivity-related wage increases in January and October 1988 and, in early 1989, a public-sector pay rise of 5 per cent reversed the tendency for wages to decline as a proportion of GDP. In 1990 the government negotiated a public sector pay rise of 27 per cent spread over three years and comparable salary rises of between 7 and 12 per cent over three years for the private sector. Moreover, in January 1990, Ben Ali increased the minimum wage by around 10 per cent, with the intention of protecting the poorest of the population from the impact of budgetary austerity.[20] The rounds of increases, which kept wages just in line with inflation, were something of a risk but served to pre-empt strikes and social unrest. The government insisted that output and productivity now had to reach similar levels of growth if the country was not to be caught in a vicious wage–price spiral. Moreover, UTICA warned that the extensive labour protection laws were reducing the competitiveness of Tunisian wages and the attractiveness of Tunisian labour and urged legislative reform.

STRUCTURAL REFORM

The second part of the equation for the Seventh Development Plan was structural reform, which was applied in a number of areas of the economy. The general intention was to remove inbuilt administrative or distortionary resistance to the workings of the market.

For a start, the tax system was clearly in difficulties. It was riddled with administrative complexities, was burdened with indiscriminate and overly-generous exemptions and incentives from the past, and was subject to rank evasion by private and corporate tax payers alike. Objectives for its reform were (1) to enhance the elasticity of the tax system; (2) to improve tax equity and administrative efficiency; (3) to streamline tax incentives to the private sector, and (4) to eliminate distortions created by the large number of rates.[21]

In 1987 an amnesty was offered to tax-evaders who had salted their savings away in foreign accounts. In July 1988 the real reform process began when the existing three turnover taxes were replaced with a Value Added Tax applied at three rates; 17 per cent on most goods and services, 6 per cent on basic consumer goods and services and 29 per cent on luxury goods. In October 1989, VATwas extended to wholesale trade activities (but not the food sector). The 1989 budget included the announcement of a new tax code, which became effective in 1990 and which concentrated on income tax. Reforms included a reduction in the maximum rate of tax (from 65 per cent to 35 per cent), introduction of a single personal income tax and a reduction in the number of tax brackets, the phasing out of the 10 per cent solidarity tax, a raised threshold for tax exemption, and revision of the corporate tax structure in favour of foreign companies. Meanwhile the number of exemptions and deductions was reduced to expand the tax base. While the reforms were not initially geared towards revenue generation, some measures were taken to increase taxes on alcohol, tobacco, services and petroleum and it was not until 1992 that the surcharge on income tax was finally abolished. Throughout the period, the tax administration system was strengthened and rationalized, and gains in efficiency and performance were demonstrated.

The government was also committed to the removal of price controls. A number of price systems existed in 1986, ranging from a fixed price system covering a limited number of essential food staples and some public utilities to a variety of cost-plus systems under which enterprises submitted information to allow the authorities to establish appropriate prices.[22] Agricultural food items were the most free, with 75 per cent of production being sold at either market prices or for export following a series of control removals in the mid-1980s. The most notable exception to this was cereals prices, which were fixed at the producer end by the government and regularly adjusted above inflation to encourage domestic production. In 1988, even this price was reset according to a new formulation which equated prices with those of unsubsidized imports. All remaining agricultural prices, excepting meat and milk, were freed from controls. The 1987–91 plan projected the removal of price controls from industrial products by the end of the plan, with the exception of some strategic and essential items such as fuel, edible oils and cereal derivatives. Between 1986 and 1991, controls on manufacturing producer prices were lifted for products representing some 80 per cent of manufacturing production. The pace of liberalization of industrial producer prices, however, slowed somewhat in 1989–91 while it waited for legislation to catch up. Likewise, removal of price controls at the distribution stage, which started in mid-1988, was forced to await deregulation of the distribution sector and liberalization of imports.

One area which was rather riper for reform was that of finance. Monetary management in pre-1986 Tunisia had essentially consisted of controls on the volume and composition of credit, and management of interest rates. The adjustments initiated in 1986 and implemented the following year aimed to reduce the growth of credit and the money supply while redirecting the remaining financial resources in the economy towards the private sector. Ismail Khelil (the governor of the Central Bank) and his technocratic allies in various ministries sought to avoid increasing the political stakes in the uncertain period that followed Ben Ali's accession to power and thus chose an indirect path to reform – based on what he termed 'four essential pillars': (1) reducing restrictions on the normal functioning of the financial market; (2) demarcating the domains of activity of the various institutions of the financial market and allowing/encouraging their integration; (3) developing the stock exchange as the principal forum for mobilizing savings and financing investments; and (4) liberalization of foreign exchange and capital controls.

Inevitably reform initially centred around the banks since they could implement reforms gradually and in a manner only indirectly felt by general consumers. As Clement Henry Moore so aptly puts it:

> Restructuring financial markets is a silent, technical process. If money, in the end, talks, the paths of influence are too obscure to be controversial, at least in the short run.[23]

The strategy embarked upon in early 1987 began with the partial deregulation of interest rates, relaxation of reserve requirements and the elimination of conditions for Central Bank approval for new loans. As far as interest rates were concerned, there was concern that the high levels of internal debt of the productive sector would compromise the success of what amounted to a high interest rates policy, especially when the costs of borrowing exceeded the returns on investment. Thus the government did not fully withdraw itself from rate setting. Banks were meanwhile directed to diversify their portfolios, to increase their competitiveness with one another and to rein in their debtors – particularly public-sector enterprises. Khelil declared that the measures: 'will encourage economic agents, and notably the banks, to make better choices of financial opportunities and above all to refrain from excessively risky operations'.[24] In 1988 and 1989 the Central Bank withdrew its discounting facilities from the banks (curtailing excess liquidity in the system), with the exception of certain loans to priority sectors. Banks were forced to turn to a reorganized money market where the Central Bank maintained only a partial role in setting interest rates. The idea was to make the banks more cautious in their lending, more motivated by the return on the loan and less inclined to risk their deposits on uncompetitive projects. Commercial banks were given the discretion to set their own rates on lending and savings, although loans for farming and small business, especially export-oriented, continued to have their interest rates set centrally to encourage their investments.

While the banking sector had been dominated prior to 1987 by publicly-owned banks (holding 62 per cent of deposits in that year), these were now forced into the same competitive market as the private banks. The reforms allowed new banks to enter the market, including foreign (mostly Arab) and off-shore banks, encouraged by liberalized exchange regulations introduced in 1988. Domestic banks, for the most part, although they did improve their competitiveness over the period and benefit from more autonomous decision-making, showed mixed performance results. Most were too under-capitalized to compete effectively, but even then were able to survive only through a cartel operation under the auspices of the *Association Professionnelle des Banques de Tunisie* (APBT) which halted competitive bidding on interest rates. To a limited extent, the publicly-owned banks did relinquish a fraction of their market share to private banks and in general they performed markedly less well than their private counterparts.

The policy of credit control by and large achieved its goal, with average growth in the money supply being kept to less than average growth of GDP in the 1986–92 period. Initially a rise in interest rates checked the growth in domestic credit and currency in circulation (M1). In a second phase, marked by the government's introduction of treasury bills in late 1989, net credit to the government was also reduced, the growth of the broad money supply (M2) was restrained and a greater proportion of credit was directed towards the private sector.[25]

The reform of the financial sector was boosted by the introduction of new financial instruments and 'goods'. In 1988 commercial paper issued by non-financial institutions and certificates of deposit issued by commercial banks were introduced. The treasury bills introduced in 1989 were followed by the establishment of the first Tunisian unit trust

(SICAV) in December 1990 and by the introduction of investment trusts, priority shares and equity loans in 1992. To eliminate distortions resulting from the different treatment of various such instruments, the government eliminated the multiple taxation of equity financing by exempting distributed dividends from corporate taxation. It also cancelled the difference in tax treatment between bonds held to maturity and those traded on the secondary market.

Trade was also targetted for significant reform. Prior to 1986, Tunisian trade had been marked by an extensive and complex system of import tariffs and quotas. Despite the natural fears of many that Tunisian industry could not stand up to foreign competition in the domestic market, the reformers were concerned to reduce the price of industrial inputs by removing the import tariffs and to stimulate competitive domestic production by exposing it to liberalized imports. Thus they set about dismantling a regime which imposed tariffs of between 5 and 236 per cent on 82 per cent of total imports, with the intention of liberalizing all but luxury imports by 1991. In a first stage, lasting from 1986 to 1988, certain goods were added to the list of free imports, while others were made free for certain users, notably export-oriented producers. Firms exporting at least 25 per cent of their products (an offer later extended to the full value of a firm's exports) could take advantage of such free imports. Quantitative restrictions had already been lifted for imports for the industrial sector. Now they were removed for imports for hospitals, agriculture, pharmaceuticals and the service sectors (except in instances where a domestically-produced equivalent was available). In January 1988 imports of raw materials, spare-parts, semi-finished and capital goods were liberalized, except in a few instances where again an infant domestic producer could supply the market. By 1990 70 per cent of total imports were no longer subject to restrictions.

Tariffs were also reformed, with an initial two-stage reduction of maximum duty rates to just 36 per cent, with other lower rates being likewise reduced. Only the lowest rate was raised, from 5 per cent to 10 per cent to reduce the distortion created by a wide tariff gap, while two additional duties (the customs formality tax of 5 per cent and the special imports tax of 2 per cent) were abolished in 1988. Tariffs were adjusted thereafter rising somewhat to include a maximum rate of 43 per cent and an average of 27 per cent. This nonetheless represented a major reform of imports and the pace slowed thereafter as domestic industries were given time to adjust to the new competitive conditions. The task was not as hard as it may have seemed, since those imports which had been liberalized, including raw materials, intermediate products, capital and consumer goods, were not necessarily domestically produced anyway. Despite two further stages of quantitative restriction removals in September 1989 and October 1990 for additional categories of goods, only 26 per cent of domestic production was subject to import competition.[26] A further aspect of reform was the decision in 1988 to open foreign trade to private businesses in the form of international trading companies, ending the state monopoly. In April 1990, Tunisia formally joined the General Agreement on Tariffs and Trade (GATT), agreeing to fix more than 900 tariff duties on industrial and agricultural imports at levels ranging from 17 to 52 per cent, and to abolish import licenses and other restrictions on a wide range of goods.

Encouragement of exports was the task of the *Fonds de Promotion des Exportations* (FOPRODEX), created in the mid-1980s, which intervened with subisidies for the transport and promotion of exports. The initial activities of FOPRODEX were modest since its budget allocation was restricted but by 1992 it was making a solid contribution to improving export performance.[27]

A final area for projected reform was that of exchange rates. The Seventh Development Plan intended that the Tunisian dinar should become fully convertible by 1991. As a first step new exchange allocations for invisible transfers were made available, for example for students abroad, for tourism and for business travel.[28] Current account transactions were also liberalized, although the pace was gradual and the major work was in the end left for the next plan. Firms exporting all their production were allowed to make foreign currency transactions freely and banks had controls on managing their foreign currency positions relaxed. After the approximate devaluation of 10 per cent in 1986, the dinar itself was tied to a basket of major currencies. By 1988, Ismail Khelil was putting the date of convertibility back to the mid-1990s, saying that the economic liberalization process would be complete by 1991 and that currency reform and the abolition of foreign exchange controls would take place thereafter.[29]

ANNUAL BUDGETS AND PROBLEMS OF PERFORMANCE

Throughout the term of the Seventh Development Plan, the government used its annual budgets to reconcile economic fluctuations with its wider goals, implementing a policy of tight demand management with the prime objective of lowering the budget deficit relative to GDP.

1987 was considered to be the first year in which the fruits of reform were really to be felt. Hassine Bouzid, director general of the CEPEX, claimed a dramatic improvement in the balance of payments had been achieved (the equivalent of about 1 per cent of GDP), due to a recovery in oil prices, tight government controls on spending, restrained domestic demand and government stimuli to exports and private investment. Claiming an overall increase in GDP of 5.8 per cent and a fall in the budget deficit from 6.6 per cent of GDP in 1986 to 5.8 per cent in 1988, he said: 'The results of 1987 fortify our belief that our adjustment programme is right and that we should continue with it'.[30] The annual report of the Central Bank pointed out, however, that while recovery in 1987 was impressive, it was based more on a favourable external climate than on domestic strength.[31] Indeed, the non-manufacturing industries had actually experienced negative growth, with a 3.1 per cent drop in output, and oil production dropped by 5 per cent. Nonetheless, many observers were optimistic:

> As the economy picks up, analysts believe the effects of a stronger balance of payments will feed into everyday life, easing problems such as high prices, a lack of jobs and a shortage of housing.[32]

In the 1988 budget, the prime minister, Hedi Baccouche, declared that the priority was to be given to meeting debt repayments, the total external debt having risen to TD4 200 million ($5 274 million) in 1987. That this could be managed at the same time as an increase in overall government spending of 6.1, despite the maintenance of a general policy of austerity, was due to an expected significant rise in tax yields. In the event, the year was less than a total success. Agricultural output was frustrated by droughts and locust plagues, leading to increased food imports (by a third in 1987) and a widened current account deficit.[33] Tourism, textiles and manufactured exports did perform well and buoyed GDP growth to around 1 to 1.4 per cent for the year.[34] The year's greatest failure was the automotive industry, which collapsed after the closure of the Sousse plant in January,[35] while public discontent focused on unemployment and inflation. The latter had an official rate of 6.4 per cent but unofficial estimates put the figure as high as 15 per cent, reflecting the removal of price controls and subsidies. The greatest successes were a dramatic increase in exports[36]and a spectacular increase in workers' remittances and tourist receipts.[37]

The 1989 budget continued the theme of austerity. A marginal increase in investment spending was envisaged, as well as public-sector pay rises and 9000 new civil service jobs. Those measures alone would create an increased budget deficit of TD3330 m ($3860), up 12.5 per cent on 1988, and to be made up with concessionary credit. Despite some excitement over new proposals for making Zarzis (and possibly Bizerte and Tunis at a later stage) into a privately-managed tax-free port,[38] and intense negotiations with Algeria, Morocco, Libya and Mauritania over Maghreb Unity, the economy continued to be plagued by the impact of the previous year's bad harvest as well as growing unemployment. Hedi Baccouche began to suggest a revision of the structural adjustment plan to include measures specifically designed to ease the debt burden, and help stem the tide of unemployment.[39] His preference for more gradual implementation of economic reforms, and an easing of austerity conditions, in contrast to the determination of Ismail Khelil and Mohammed Ghannouchi (Planning and Finance Minister), led to his removal from office in September – a clear indication of the direction of government policy.

The first budget of his replacement, former Justice Minister, Hamed Karoui, thus provided few surprises. The government expressed deep concern, however, over the approaching date of full European union set for 1992 – which promised new complications for Tunisian exports to Europe. Moreover, while austerity had brought the budget deficit under control, investment was still not reaching the targets necessary to produce compensatory benefits for the economy. Indeed, there was clear evidence of the accelerating social impact of reduced subsidies, made worse by the destructive powers of unprecedented January floods.

Any plans for the year were also severely disrupted by the Iraqi invasion of Kuwait in August 1990 and the subsequent US-led military action to expel the Iraqi forces. Popular Tunisian sentiments were undoubtedly on the Iraqi side once the US became involved. When Ismail Khelil criticised Ben Ali's support for Iraq against foreign intervention he was replaced by the pro-Ba'athist Habib Boulares. The latter's statements were considered by Gulf investors to be little better than traitorous and the president himself began to back-track on his early pro-Saddam line when the implications for Tunisia began to be felt. As well as an immediate loss of export markets in Kuwait and Iraq (affecting over 200 Tunisian firms), Tunisia suffered a massive loss of investment funds (TD150 million, or $182 million) from Kuwait, a reduction in tourist receipts and a freezing of US aid. Direct losses in 1990 alone were estimated to be around TD140 million ($170 million), while TD360 million of funds from the Kuwait Fund for Arab Economic Development and the Kuwait-based Arab Fund for Economic and Social Development were frozen.[40] Boulares began to appear to be something of a liability and was replaced by Habib Ben Yahia, who stated in a representation to the UN that the total cost for Tunisia of imposing sanctions on Iraq and Kuwait had amounted to $700 million by the end of 1990.[41]

Events in the Gulf, and a consequent forecast of zero growth over the year, inevitably shaped the 1991 budget, causing a revision in March 1991 which scaled down investment plans, delayed non-essential development projects, cut public-sector recruitment and imposed new income-generating levies on petrol, cigarettes and alcohol. A 5 per cent levy was imposed on imports for the rest of the year and a universal charge made on all salaries equivalent to five days' pay. In total, the government needed to urgently raise an additional TD120 million in taxes to compensate for losses. While the monies raised were directed towards supporting the budget and balance of payments during the crisis, and to assisting the poorest sections of the population, the liberalization of the economy was not allowed to falter and plans for further reforms were left intact.

In early 1991 Mohammed Ghannouchi announced that he had decided to seek another EFF loan from the IMF. He denied that it was needed to ease the crisis caused by the Gulf War, stating instead that the decision was based on a wish to 'involve the IMF (in the continued reform programme) as our links have been very positive up to now'.[42] Despite this claim, and the IMF's subsequent extension of the EFF for a further year (including restoration of the allocation to SDR207.3), the government did indeed appeal for $400 million worth of balance of payments support by the IMF and World Bank at their annual meeting in Bangkok. The World Bank responded with a pledge of $250 million for further economic and financial reform support, but made it clear that it thought the time had come for Tunisia to return to the international financial markets to finance its borrowing.

Despite the problems caused by the Gulf War, the economy began to pick up again in 1991, reassuring international financiers that continued reform in the face of adversity had been an appropriate strategy. Tourist receipts began to pick up, as did foreign and domestic private investment. Food production and exports rose sufficiently as to fuel claims of a food surplus and inflation appeared to be under control.

In sum, the budgets of 1987–91 had demonstrated a determination to sustain a rapid rate of reform come what may. The government sought to ameliorate the short-term negative consequences of liberalization through its efforts to support the poorest sections of the population and to generate new employment opportunities – preferably in the private sector.

THE ARAB MAGHREB UNION

In February 1989 Tunisia was one of five states to join a new regional economic and political organization, the Arab Maghreb Union (UMA).[43] The potential implications for Tunisia's economy were enormous and thus, despite its subsequent failure to live up to expectations, the UMA cannot be entirely neglected here.

Maghreb unity was not a new idea in the late 1980s. A number of bilateral and multi-lateral attempts at co-operation had been made since the 1950s with the most direct predecessor to the UMA being the Permanent Consultative Maghrebi Committee (formed in 1964 and including Libya, Tunisia, Morocco and Algeria). This organization had been subverted by a number of issues: first, Libya had moved increasingly into the Egyptian political orbit and away from its Maghrebi neighbours. Second, the remaining three states were of unequal politico-economic and strategic power. Tunisia, being the weaker of the three, was continually drawn to take sides in disputes between its two stronger partners. By the mid-1980s, and not least as a result of the Algerian–Moroccan dispute over the Western Sahara, the region was divided into, on the one hand, an Algerian-led but still (for Tunisia) uncomfortable Union of Concord and Fraternity (Algeria, Tunisia and Mauritania), and on the other, the Arab–African Union, which joined Morocco with Libya in a distinctly odd partnership of convenience.

This is not the place to examine in detail the circumstances and interests which led to a more concerted attempt by all regional players to create an harmonious regional organization in 1989. At the economic level, however, it was clear by then that there were distinctive common interests emerging which made the hour appropriate. In particular, Algeria, Tunisia and Morocco were all deeply engaged in extracting themselves from crisis via the process of economic liberalization and the deepening of their economic ties with Europe. The anticipation of European Union in 1992 and its impact on peripheral regions led to shared alarm and a common perception that this was the time to bury fratricidal hatchets and to seek instead to build on complementarity and possibilities for regional growth. Mauritania was likewise suffering from excessive debts and economic stagnation and was anxious not to be excluded from any prospects for regional prosperity.

The initial activities of the UMA were positively exciting for many Maghrebi citizens. Observers pointed to the perceived complementarity of the national economies:

> Algeria and Libya as hydrocarbon producers and Morocco and Libya as agricultural and industrial suppliers – while the market size, currently at over 60 million persons and soon to expand to around 100 million early in the twenty-first century, is above the minimum conventionally required for self-sustained growth and economic take-off.[44]

Immediately following the formal establishment of the Union, an extensive institutional structure for economic integration was created.[45] Further meetings, although bedevilled by political differences, managed in 1991 to lead to detailed proposals for two financial institutions: the Maghreb Bank for Foreign Investments and the Maghreb International Bank. Throughout 1990 and 1991 a series of co-operative agreements were reached on intra-UMA trade, common tariff reductions, a common identity card system, relaxation of travel restrictions and proposals for unified air, rail and motorway transport systems. By 1994 some 25 such multi-lateral agreements had been reached. The ultimate goal was to be the free movement of goods and persons throughout the Maghreb, accompanied by regional integration of professional, economic, and social institutions. More specifically, the UMA was to result in a free trade zone by 1992, a customs union by 1995, a full common market by the year 2000 and a monetary union some time after. Yet while a number of meetings have specified to some extent the technical details of the arrangements, no clear strategy has yet evolved as to how and exactly when they should be implemented.

Despite the early optimism, the UMA has not lived up to the grand expectations. Far from exhibiting complementarity, the economies have been hindered in their efforts at integration by the diversity of economic regimes,[46] the frailties of their own domestic bases, and perhaps most critically by the fact that the Mediterranean members are competing with each other for market share in Europe, offering essentially the same goods for sale and each desiring to win a monopoly over European investment capital in the Maghreb. Initially, the European Community was greatly supportive of the UMA, envisaging that it could act as an effective inter-regional partner for dialogue, but the establishment of the Mediterranean Partnership Programme has had a very different effect in practice. Recent relations between the EU on the one hand and individual Maghrebi states on the other have taken precedence over EU–UMA relations, dividing rather than unifying the sub-region. Regional states have competed with one another for European investment and markets, rather than concentrating on intra-regional investments and horizontal trade which could strengthen their collective hands in talks with their northern neighbours. While Morocco and Tunisia have been able to make use of their relative political stability and economic reforms to establish dynamic ties with Europe, Libya and civil-war torn Algeria are left behind. Algeria, indeed, is more immediately concerned with re-establishing the authority of central government, which requires that co-operation in security matters within the UMA takes precedence over economic developments. Libya has retreated to some extent into its previous strategy of linking in to the Egyptian political orbit, with its Maghrebi partners nervous of being tainted by Libya's own international pariah status. If the creation of the UMA was intended to help break the cycle of subordination of the Maghreb to European markets and investment finance, it has failed. Rather the UMA region is being fragmented under the combined pressure of European expansion, intra-state political disputes and internal political strife. UMA economic integration has virtually stalled to a halt with a large proportion of the agreements remaining on paper only. For Tunisia it currently offers rhetorical and political credibility far more than real material rewards. Tunisia has chosen instead a path firmly oriented towards Europe.[47] Its path has not been smoothed by a growing awareness that vital opportunities for Tunisian migrant labour in Europe are drying up as the wealthier north attempts to firm up its borders against the south.

One unanticipated result of moves towards UMA integration, specifically the opening of borders between member states, has been the growth of the informal sector, or the regional black market.[48] Tunisia has benefited in particular from the carriage of goods across the Libyan border in the south as the larger state has sought to overcome obstacles of externally imposed sanctions. While labour movement has been a concern for governments deeply conscious of the cross-border characteristics of Islamist movements, they have been reluctant to clamp down on economic activities which absorb a not-insignificant portion of the otherwise unemployed. It is unfortunate that formal intra-Maghrebi trade has not matched informal trade, leading Dirk Vandewalle to conclude that: ‘So far, there is little to suggest that the region’s second attempt at economic integration will be any more successful than its first’.[49] Charles Tripp states that trade amongst UMA member states accounted for about 4.5 per cent of their combined total trade in 1988.[50] Since then, the IMF estimates that official intra-UMA trade has grown by about 8 per cent annually, reaching a value of around $2 billion by 1992 and still representing only 4 per cent of total trade. Tunisia is the second largest exporter in terms of intra-regional exports, contributing around 23 per cent of the total, after Morocco (around 46 per cent). Tunisia imports around 20 per cent of all intra-regional imports. Tunisia thus has an intra-regional trade surplus of around $150–250 million per annum although this does not include informal sector trade.[51]

The UMA countries have not entirely given up. In early 1997 there were a number of joint commissions operating to try to revive and enhance Algerian, Tunisian, Libyan and Mauritanian economic ties, although Morocco appears to have all but unilaterally ‘defected’ to Europe. The abolition of visa requirements between member countries is encouraging some labour mobility and tourism, while populations are benefiting from improved telecommunications and transport systems. Promising areas for greater co-operation and trade are hydrocarbons and energy (building on exchange agreements reached in 1990), banking (after the establishment of a *Union des Banques Maghrebines* in December 1990), light industry joint-ventures and transport infrastructure.

ECONOMIC PERFORMANCE DURING THE SEVENTH DEVELOPMENT PLAN

Economic performance during the period of the plan was not consistent, due in particular to the vulnerability of agriculture to weather conditions and the impact of the Gulf War. In general, however, the Seventh Development Plan may be considered to have been a success. In July 1990, the deputy-chief of the IMF’s North Africa Division, Thomas K. Morrison, summed up progress in Tunisia thus:

> The large internal and external imbalances of the early 1980s have been brought under control, the external debt situation is manageable, the economy has significantly diversified, and a comprehensive package of structural reforms has laid the foundations for more efficient growth and employment creation in the 1990s.[52]

Revived growth was particularly important to justify the austerity measures. Overall, the economy managed to grow by an annual average of 4.3 per cent, surpassing the target of 4 per cent. This was due mainly to the expansion of the manufacturing and tourism sectors, which compensated for poor agricultural and oil-sector output (see Table 4.1). Manufacturing and industry proved competent in attracting foreign investment and contributed to some diversification in products and exports. Textiles, electrical, mechanical, soft-ware development and pharmaceuticals all did exceptionally well while food production was sufficient to provide a food surplus in 1991 for the first time since independence. It should be noted, however, that such progress was relative. While many new firms were established in the private sector, Iliya Harik has argued that they were not always grounded in sound financial sense and there was an endemic problem of excessive debt to capital ratios as firms took advantage of new sources of credit without sufficiently considering the potential markets or final costing of projects.[53]

Abdeljabar Bsaies has also pointed out that, despite the growing contribution to overall economic growth made by manufactures, the contribution of manufacturing to overall production remained virtually static (see Table 4.2). New jobs in manufacturing were created mostly

Table 4.1 Sectoral contributions to development during the Seventh Development Plan

	Annual average growth (%)	Contribution to overall growth (%)
Agriculture and fishing	4.02	15.6
Manufacturing industries	6.23	22.6
of which textiles	9.77	–
Non-manufacturing industries	–0.16	–4.8
Services	5.84	46.8
of which tourism	10.7	6.5

Source: A. Bsaies, 'Programme d'ajustement structurel et croissance en Tunisie', *Revue Tunisienne d'Economie* (Tunis, 1994), No.5, p.42.

Table 4.2 Structure of production during the Seventh Development Plan (percentage of total production)

	1986	1987	1988	1989	1990	1991	1992
Agriculture and fishing	17	19	15	15	16	20	20
Manufacturing industry	18	18	19	20	19	19	19
Non-man. industry	16	16	16	16	14	15	14
Services	27	27	30	30	29	27	29
Other	15	15	15	15	15	15	14

Source: A. Bsaies, 'Programme d'ajustement structurel et croissance en Tunisie', *Revue Tunisienne d'Economie* (Tunis, 1994), No.5, p. 81.

for unskilled labour, a fact reflected in the type of new products being made. Since the basis for competitiveness in the global economy rests more on technology, training and skills, he therefore calls into question whether the development of manufacturing industries was as promising as it may have at first appeared.[54]

Diversification of manufacturing industries did have a positive effect on exports, helping to compensate for declining production of petroleum and related product (see Tables 4.3 and 4.4). Overall, Tunisian exports grew at an average annual rate of 9 per cent during the 1986–90 period (compared with an average annual decline of 0.1 per cent in the 1982–5 period). The ratio of merchandise exports increased from 20 per cent in 1986 to around 27 per cent in 1991, while non-energy exports grew by an annual average of 10.3 per cent between 1986 and 1992. Manufactured products were the fastest growing component of exports, reaching average annual growth rates of 13.4 per cent.[55]

The down-side of export performance was that manufactured products demonstrated a high dependence on imported inputs. Import

Table 4.3 Trade balance in hydrocarbons during the Seventh Development Plan

	1986	1987	1988	1989	1990	1991
			(US$million)			
Exports*	341	431	341	544	521	464
Imports*	–197	–263	–183	–361	–342	–354
Balance	144	168	158	183	179	110

* Crude Oil, Refined Products and Gas
Source: S. Nsouli et al., *The Path to Convertibility and Growth: The Tunisian Experience* (Washington DC: International Monetary Fund, 1993), pp. 48, 62.

Table 4.4 Composition of exports during the Seventh Development Plan (percentages)

	1986	1991
Agriculture and fishing	28	14
Textiles and clothing	28	35
Petroleum products	24	14
Phosphates	18	12
Other manufactures	2	25

Source: Arab Banking Corporation, *Economic and Financial Quarterly* (December, 1992), No.22, p.4.

volumes during the plan grew by an annual average of 6.5 per cent, partly of course as a result of import liberalization but also due to the combined effects of a recovery in private-sector investment (requiring capital imports) and consumption. This was brought under control somewhat by 1991 through tight monetary policy and temporary administrative measures. Although the balance of payments in general showed cumulative increases in the overall trade deficit, this was accounted for to a large extent by deteriorating terms of trade and events (such as the Gulf War) which were beyond the control of the Tunisian government. International analysts concluded that:

> Although this analysis suggests that the balance of payments remained vulnerable to exogenous shocks, the vulnerability of the external sector to such shocks would have been even greater if Tunisia had not pursued an outward-looking strategy. The strategy, involving an appropriate exchange rate policy and a gradual liberalization of the trade system underpinned by prudent demand-management policies, resulted in a shift in resources away from inefficient import-substituting activities to the export sector, which expanded and became more diversified.[56]

One area of real concern over performance was external debt. As a proportion of GDP, external debt was reduced from 63 per cent in 1986 to less than 55 per cent in 1991, while the debt servicing ratio fell from 28 per cent of current receipts in 1986 to 25 per cent in 1991 and below 20 per cent in 1992. In terms of total debt, however, and despite the fact that its growth was decelerating during the plan, the total sum increased from $4.4 billion to $6.6 billion by 1991.[57] The situation was eased by the fact that the majority of debt was concessionary and

Table 4.5 Composition of external debt by creditor during the Seventh Development Plan

	1986	1987	1988	1989	1990	1991
	(TD millions at end of period)					
Multilateral organizations	743	800	998	1 370	1 610	1 944
of which World Bank	645	682	799	987	1 120	1 230
OECD countries	2 494	2 748	3 034	3 064	3 363	3 662
Arab countries and organisations	421	409	400	432	467	567
Other countries	96	87	109	87	100	88
Financial markets	501	425	435	397	270	140
Total medium and long-term	4 254	4 470	4 975	5 350	5 810	6 400
Arab Monetary Fund	16	28	19	8	3	–
IMF	154	210	249	245	147	223
Total external debt	4 424	4 709	5 243	5 603	5 960	6 622
(as percentage of GDP)	63.0	58.9	60.4	58.0	54.2	54.3

Source: S. Nsouli et al., *The Path to Convertibility and Growth: The Tunisian Experience* (Washington DC: International Monetary Fund, 1993). Figures provided by Tunisian Ministry of Planning and Regional Development.

scheduled for long-term repayment. Concessionary rates were obtained on a range of new loans from the World Bank, UNDP, Arab bodies such as the Arab Fund for Social and Economic Development, and the African and Islamic Development Banks. In contrast, debt to international commercial lenders, including bilateral Arab lenders, was reduced. Substantial military debts owed to the US were rescheduled, with Tunisia becoming the first country to sign a debt financing agreement for commercial participation in military debt rescheduling.[58] Through a combination of strong export performance and tight monetary policy, the government was able to make sure that Tunisia retained its record for prompt and satisfactory payment of interest and capital repayments, retaining its credit ratings.

Investment levels proved a problem in so much as private, and particularly foreign, investment proceeded at a more tentative pace than had been hoped for. Admittedly, this was reversed in 1991, during which year alone investment by local and international companies grew by 2 per cent. Salah Brik el-Hannachi, the chief executive of the API, attributed the turn-around to a tailing off of the effects of the Gulf War. Saudi Arabia and Oman were showing renewed interest and Italy, Belgium and France were leading the way for European investors.[59]

Table 4.6 Summary of investment during the Seventh Development Plan

	1986	1987	1988	1989	1990	1991
			(US$ millions)			
Foreign direct investment	–	91.0	63.0	74.0	77.0	122.0
Foreign portfolio investment	–	8.0	5.0	-6.0	2.0	21.0
	(% of GDP)					
Total investment	23.5	20.6	19.4	22.6	26.4	23.3
Gross fixed capital formation	24.0	20.3	19.3	20.7	22.9	22.4
Central govt investment	7.8	5.6	5.3	2.8	4.0	2.6
Non-central govt investment	17.9	16.6	14.2	18.4	21.8	17.5

Source: United Nations, *Statistical Yearbook Fortieth Issue* (New York, 1995). Also S. Nsouli et al., *The Path to Convertibility and Growth: The Tunisian Experience* (Washington, DC: International Monetary Fund,1993), p.35.

The initially slow rate had been due in part to alternative investment opportunities opening up in Eastern Europe, as well as companies having to wait for the passage of the 1989 Service Industries Code (in the wake of which 600 companies had been established by the end of 1990).[60] By the end of 1991, of 1225 exporting companies based in Tunisia, 637 were foreign owned[61] (see Table 4.6).

Meantime, and as had been predicted, investment by central government and public sector companies initially declined, the latter only picking up after foreign exchange controls had been relaxed but still being suppressed by the government's requests to multilateral creditors that they give preference to the private sector in their lending. Investment in agriculture remained public-sector led, although this should be seen in terms of the restructuring of agriculture and the necessity of making provision for private sector infrastructural needs. Manufacturing led the way in industrial investment, partly reflecting the deliberate withdrawal of central government funding from energy-sector investment in favour of foreign contributions, and partly reflecting the overall impact of successive austerity budgets (see Table 4.7).

While its efforts to reduce spending did adversely affect the savings performance of the government, it could proudly point out that austerity measures and increased revenues had resulted in a reduction of the budget deficit from 5.3 per cent of GDP in 1986 to 3.5 per cent in 1991, a reassuring sign that macro-economic stability was not impossible.

Table 4.7 Gross fixed investment by economic sector and financing during the Seventh Development Plan (TD million)

	1986	1987	1988	1989	1990	1991
Agriculture and fishing	275	261	280	347	389	459
Industry	583	522	487	592	725	797
Mining	29	17	26	31	33	33
Hydrocarbons	153	132	116	108	152	188
Electricity and water	111	99	79	83	106	107
Manufacturing	290	274	266	370	434	469
Construction and public infrastructure	544	570	571	624	738	821
Housing	391	390	365	390	455	500
Construction and public works	5	10	15	20	25	28
Public infrastructure	148	170	191	214	258	293
Services	283	267	343	437	663	651
Tourism	81	65	84	109	121	143
TOTAL	1 685	1 620	1 680	2 000	2 515	2 727
Central government	394	321	449	403	498	697
Other public sector	552	571	377	575	792	643
Private	739	728	854	1 022	1 225	1 387
Financing (inc. stocks)						
Gross national savings	1 089	1 566	1 768	1 867	2 316	2 301
Foreign resources	560	81	−83	315	580	535

Source: S. Nsouli et al., *The Path to Convertibility and Growth: The Tunisian Experience* (Washington, DC: International Monetary Fund, 1993), p.51. Figures provided by Ministry of Planning and Regional Development.

THE SOCIAL COSTS OF ADJUSTMENT

While the macroeconomic signs were good, the government nonetheless was forced to recognise that adjustment had entailed some serious social costs, one of which was the impact upon employment levels. The demand for jobs was expected to rise to 345 000 during the period of the plan (from 324 000 during the 1982–6 plan) and the government target of 246 000 new jobs to be created under the new plan was thus considered a minimum. In the event, 204 000 new jobs were created, 65 000 of which were in manufacturing industries and 120 000 in services other than tourism.[62] Agricultural employment fell as a proportion of total employment, as did industrial non-manufacturing (which included the problematic hydrocarbon sector); see Table 4.8.

Table 4.8 Structure of employment during the Seventh Development Plan

	1986	1991	No. new jobs
	(percentage of total employed)		created
Agriculture	29	26	6 500
Manufacturing industry	23	24	65 000
Non-manufacturing industry	12	10	250
Services, Administration, other	36	40	132 700

Source: A. Bsaies, 'Programme d'ajustement structurel et croissance en Tunisie', *Revue Tunisienne d'Economie* (Tunis, 1994), No.5, p.48. Also Ministère du Plan et de Developpement Régional, *Le VIIIè Plan en Bref* (Tunis, 1993), p. 35.

The government's policy to create jobs had four prongs: to promote economic growth; to reduce the population growth rate; to adapt the profile of the labour force to market requirements; and to remove labour-market rigidities. Specific projects included the introduction of the nine-year basic education system, the involvement of employers in training (supported by a World Bank Education and Training Sector Loan offered in 1989), the reduction of non-wage labour costs such as employer social security contributions, the creation of a Ministry of Vocational Training and Labour and a National Office for Professional Staff Employment, and gradual rationalization of labour codes and administration. Direct employment promotion took place through public works programmes, assistance to micro-enterprise development and graduate placement schemes, although these proved to be costly and not particularly effective. Indeed, in its summary of the achievements of the Seventh Plan, the government was hard-pushed to find positive things to say about employment.[63] For all its efforts, the government could not stem the tide of unemployment, which was increasingly blamed on the effects of structural adjustment as much as on demographic factors.

In the event, ILO figures for unemployment amounted to 15 per cent by the end of 1990.[64] The *Institut National de la Statistique* showed in 1989 that the structure of unemployment was also changing, with 31 per cent of the unemployed having secondary or higher education qualifications, compared with just 18.9 per cent in 1984.[65] Ezzeddine Larbi has pointed out that the root causes of the unemployment, which seemed endemic at this time, were to be found not in the structural adjustment plan but in the failings of previous economic policies and that it would be fairer to judge the impact of the SAP in terms of what the results would have been if adjustment had not been pursued, concluding that: 'the historical level of investment of 30 per cent would not have permitted the realization of full employment. It becomes evident therefore that the adoption of the SAP is a choice compelled by the absence of an alternative which can strongly generate investments and sufficiently absorb manpower'.[66] Moreover, Robert Rucker, an economist with US Aid, pointed out in 1993 that:

> One should not confuse the impact of the structural adjustment programme on employment with the adverse effects created by three years of drought, torrential rains and floods, hoof and mouth disease, the large numbers of workers returning from Libya, the closing of European and Middle East labour migration opportunities, the major decline in domestic petroleum revenues and related Middle East financial capital, or the Gulf crisis.[67]

All of these factors had adversely impacted on the Tunisian employment situation during the period of the Seventh Plan.

Unemployment inevitably had an impact on poverty levels and on standards of living in general. In 1992, the government released figures showing that relative poverty had increased as a result of the restructuring programme. In 1990, 544 000 people (80 000 families), equal to 6.7 per cent of households, were officially living in poverty,[68] the majority of whom lived in urban areas.[69] While this was a drop in absolute numbers of 10 000 since 1985, it signified a deceleration in previous trends towards the eradication of poverty. Particularly at risk were the unemployed, non-agricultural and agricultural labourers, the retired, and craftsmen and independent workers. The level of poverty was twice as high in the west as in coastal regions.

Unemployment, subsidy reductions, and the lifting of price controls were not offset by targeted social transfers, as the government intended, despite the fact that the total expenditure on such transfers was marginally increased as a percentage of GDP. Transfers included allowances and subsidies for transportation, housing, education, training and health, as well as compensation allowances to make up for lost basic price subsidies. (see Table 4.9)

In 1986 a National Programme for Assistance to Needy Families (PNAFN) had been established to provide direct financial assistance to families below the poverty line. The number of families benefiting from the programme, which was based primarily on family income, increased from 65 000 in 1986 to 101 000 in 1992. This proved insufficient, however, to compensate for the gap between inflation and wage

Table 4.9 Development of social transfers (TD millions at current prices)

	Vth Plan	VIth Plan	VIIth Plan	VIIIth Plan
Education and training	840	1 702	2 892	4 710
Health	329	754	1 076	1 770
Social allowance	480	1 082	2 031	2 800
Compensation expenses	452	1 089	1 487	1 190
Regional development	101	313	593	810
Other social expenditure	282	541	629	860
Total	2 484	5 481	8 708	12 140
% of GDP	16	17	18	18

Source: Ministry of Social Affairs, *The Tunisian Experience in the War on Poverty* (World Summit for Social Development, 1995), p.8.

increases. Contractionary monetary policies, helped by import liberalization, held inflation down to an annual average of 7.5 per cent, down from 9 per cent under the previous plan (see Table 4.10), quite an achievement given the easing of price controls and the lifting of subsidies.[70] Unfortunately, in the meantime, real average wages had fallen by an average of 1.5 per cent a year.[71]

The government was forced to initiate new direct transfers, extending the number of families eligible under the scheme and the sums received (from TD40 per beneficiary in 1986 to TD175 in 1990 and TD250 in 1992). There could be little doubt, however, that living standards were falling for lower-income groups and that poverty remained a real problem for the country.

At a conference organized in Tunisia, and with reference to declining state provision in health, education, salaries and employment, as well as other macro-economic indicators, Abdeljelil Bedoui concluded:

> We can say that the Tunisian economy, with the adoption of the structural adjustment programme, is experiencing a process of deconstruction/ reconstruction which is sufficiently profound as to weaken the productive base of the economy and to develop the phenomenas of fragility, marginalization and exclusion which are inevitably leading towards reinforcement of social bipolarity. An alternative to the structural adjustment plan is thus indispensable.[72]

Table 4.10 Price developments during the Seventh Development Plan (annual percentage change)

	1986	1987	1988	1989	1990	1991
Consumer price index	6.2	8.2	7.2	7.7	6.5	7.8
Import prices	1.2	12.7	7.9	12.6	6.7	7.1
Av. annual wage change	2.4	2.5	5.1	8.6	5.6	9.9
Real av. annual wage change	–3.8	–5.7	–2.1	0.9	–0.9	2.3

Source: S. Nsouli et al., *The Path to Convertibility and Growth: The Tunisian Experience* (Washington, DC: International Monetary Fund, 1993), pp.36 and 51.

SUMMARY

The Seventh Development Plan undoubtedly resulted in major steps being taken to liberalize and reform the economy. The World Bank pointed out in particular the progress made in reducing the balance of payments deficit, some improvements in the debt situation, the reduction of budget deficits and successful government attempts to reduce the role of the public sector.[73] The IMF was even more enthusiastic, stating in 1993 that:

> Tunisia's progress in its structural and macroeconomic adjustment efforts during 1986–1992 provides a prime example of the successful transformation of an economy from one heavily regulated by government to one based on market orientation and from an inward-looking to an export-oriented one.[74]

However, due to a number a factors, including changes in the international environment, regional insecurities, and low domestic confidence, the response to the alterations in the legislative and regulatory framework by both foreign and Tunisian private investors had not been as speedy as had been hoped for by the enthusiastic masterminds of the plan and, as a consequence, there were significant negative results for the economy in terms of increasing unemployment and poverty. It was hoped that Tunisia's relatively large middle class could absorb much of the downward pressure on incomes caused by the reforms, without resorting to political forms of resistance. Nevertheless, the government was constantly aware of potential areas of negative impact and responded with programmes specifically targeting the problems of unemployment and poverty, seeking to sustain essential safety nets for provision.

A study, published in 1992, concluded that by the end of the Seventh Development Plan, Tunisia's economy was 40–50 per cent liberalized. Using a set of eight criteria for measuring a state's approach towards the threshold of Advanced Developing Country (ADC), a professor of economics and former World Bank economist concluded that Tunisia had demonstrated mixed performances in developing a market orientation, in approaching external competitiveness, in attracting foreign capital and in general economic performance. Areas of weakness included the still fragile private sector, the (lack of) quality and appropriateness in the human resource base, and the inefficiency and ineffectiveness of key institutions. The strength of the economy lay in the breadth of social provision and performance (measured by income, health, mortality, fertility and welfare measures). Even there, momentum was slowing down as income, wage growth and employment came under pressure. Concluding that the general direction of economic policy was positive, that 'the signs are good, the overall strategy directions are sound and the climate for reform is receptive', the author of the report suggested that the problem now was 'staying the course' and that key steps in liberalization remained to be taken in the Eighth Development Plan.[75]

5 The Consolidation of Structural Adjustment: The Eighth Development Plan, 1992–1996

THE CHANGING ENVIRONMENT FOR REFORM

By the time that the Eighth Development Plan was being drawn up, structural adjustment programmes had been implemented around the globe with varying results. Critiques of the programmes had emerged and international academic journals were full of commentary on the impact of the changing international environment on SAPs, their failures with regard to unemployment and poverty, and the importance of designing programmes with reference to the specificities of individual countries rather than imposing a blanket approach.

Tunisian academics were themselves writing far more prolifically on the subject, engaging the government in a more intense and informed debate on its policies. This was in part a result of the political opening which had taken place during the years of the Seventh Plan. Although the process of political reform had been more limited than many had hoped, it had enabled opposition parties and national organizations to be increasingly vocal in their denunciation of those elements of the SAP which had demonstrated negative social costs. The government was accordingly encouraged to design the second phase of its structural adjustment programme with due regard for these potential social and political consequences. This was immediately apparent in the content of the plan itself, which was drawn up in consultation with a wide range of independent organizations and opposition parties. It was clearly considered necessary to consult widely in order to show an awareness of popular reservations regarding structural adjustment itself and, ultimately, to spread the responsibility for the plan as a whole across the political spectrum. This was dressed up in the language of progress: economic modernization and development going hand in hand with democratization. The text of the plan[1] thus included a lengthy first chapter which detailed the relationship between increasing democracy and political participation on the one hand, and economic and social development on the other.

The World Bank itself also experienced alterations in its own priorities and policies, with new emphasis being given to issues of poverty eradication, human resources, water resource management and protection of the environment, all of which were to feature prominently in the Eighth Plan. Equally, the IMF was more susceptible to arguments favouring social safety net provision and sensitivity to domestic pressures. Thus the environment in which the adjustment measures were designed was generally more sensitive to social and political considerations than had previously been the case.

THE EIGHTH DEVELOPMENT PLAN

The principal orientation of the plan was the regeneration of efficiency and the promotion of market mechanisms, based on five principles: freedom of initiative and promotion of enterprises; economic opening to the exterior; development of human resources and the rehabilitation of work as a civilizational value; redistribution of activity between public and private sectors; and social and cultural acclimatization. These were to be pursued at both regional and sectoral levels. More specifically the plan aimed at the following ambitious targets:

(i) a GDP growth of 6 per cent per annum in real terms (generated by a growth in exports of 9.1 per cent and in consumption of 4 per cent);
(ii) a reduction in the rate of inflation to 4.8 per cent in 1996;
(iii) a reduction in the balance of payments deficit from 4.2 per cent of GDP in 1991 to only 2 per cent in 1996;
(iv) a reduction of external debt from 52 per cent of GNP in 1991 to 41 per cent in 1996, and with debt servicing decreasing from 22 per cent of total exports in 1991 to 16 per cent in 1996;
(v) a reduction in the rate of illiteracy of the 10–30 years-old group from 16 per cent in 1991 to less than 7 percent in 1996;[2]
(vi) the creation of 320 000 jobs, achieving for the first time full coverage of additional demands for employment and reducing

the unemployment rate from 15 per cent in 1991 to 13 per cent by 1996.

The keys to the achievement of these aims were to be reform and incentives. Reforms would enable the financial and trade sectors in particular to develop significantly, while incentives would encourage the full development of the private sector so that it could assume, for the first time, the major role in investment. The plan envisaged that the private sector should provide more than 52 per cent of total investment (TD17 billion or $19 billion for the 1992–6 period), with the public sector concentrating its own investment efforts on providing the infrastructure necessary for a favourable business environment and improving logistical support to the private sector. In total, the government planned to reduce its own expenditure from an annual average of 38 per cent of GDP during the previous plan to just 32 per cent of GDP.

This obviously left a large investment gap for the private sector to fill. It was assumed that private Tunisian capital would be unable to meet the challenge alone, and thus a further emphasis was laid on 'co-operation and partnership' with international capital, described as 'two powerful levers for the VIII Plan'.[3] Foreign capital was projected to play two roles, one in the form of new long-term loans at both the bilateral and multilateral levels, the other in the form of direct investment.

To support the programme of reforms, the Tunisian government sought immediate help in closing its balance of payments gap in 1992. It succeeded in raising $400 million in structural adjustment loans, the first $250 million of which came from a new World Bank loan. In the spring of 1992, Pieter Botellier, the head of the North Africa department of the World Bank, praised Tunisia's accomplishments in economic restructuring so far and expressed the Bank's confidence that full implementation of the SAP was expected to take place within the following two to three years. Announcing that the World Bank would be making record loans to Tunisia over the duration of the plan, amounting to a total of $460 million in 1992 alone, and $250–300 million per year thereafter unti 1996, he said that Tunisia was: 'an example of a country where the loans provided had been well invested'.[4] World Bank support would be only a part of a loan package from international donors agreed at a conference of donors in May 1993, amounting to over $4000 million.

PLANS FOR SECTORAL REFORM

Once short-term financial stability had been secured, the Eighth Development Plan provided for significant reform of all the major sectors of the economy. In agriculture, this was designed above all to achieve food security and to reduce the food import bill. Particular emphasis was given to production of durum wheat, barley, meats, milk and sugar. The sector required additional investments estimated to amount to TD2976 million during the plan (from a total of TD1842 million during the previous plan). To encourage the private sector to contribute more towards this investment, the sector would need to be further restructured, with the removal of remaining price regulation being as much of a requirement as the reorganization of its public elements. The restructuring of the public sector in this instance included the leasing of state-owned farms to private companies. By February 1994, 83 Tunisian and foreign companies had leased state-owned farms and were together investing TD120 million in private agribusiness.[5] To encourage private sector activity, the government began to dismantle state monopolies over exports, while finances of state-owned operations were reformed in an effort to reduce government subsidies. In some instances, such as that of the state-owned fishing fleet, assets were sold directly to private investors. By mid-1996, a strategic study commissioned by the government in preparation for the Ninth Development Plan was recommending that the state should withdraw from farming entirely, restricting its role to one of assistance, arbitration and orientation.[6]

In manufacturing, the plan focused on the dual needs of improving the public–private sector ratio of output and increasing Tunisia's export capacity. To do the latter it was necessary to strengthen the competitiveness of industrial firms and improve their access to external markets, while simultaneously protecting them from unfair foreign competition. Competitiveness could be stimulated through improving utilization of established capacity and reducing the costs of production. The state would meanwhile provide support with export promotion, assisting in the transfer of new technology, providing all the information necessary to facilitate identification of investment opportunities and creating the necessary infrastructure. Moreover, it would establish legislative structures for partnerships with foreign capital and in order to simplify investment incentives. Thus the plan envisaged the adoption of a new investment code based on the priorities of exporting goods and services, acquisition of technology, regional development and environmental protection. Early moves made to adjust the public structures which facilitated industrial production, trade and investment included, in 1992, an alteration in the structure of Chambers of Commerce, increasing the number of chambers from four to eight and giving them new legal capabilities to arbitrate disputes.[7]

In the mining and energy sector, the plan took into account the likelihood that Tunisia would soon become a net energy-importing country. It was predicted that consumption of energy would grow by 5.7 per cent by 1996 and that, in the absence of any significant new discoveries, Tunisia's energy surplus would be absorbed in the near future. Indeed, in 1993 Tunisia imported more oil than it exported for the first time in 20 years (see Table 5.1). A strategy for the improvement of hydrocarbon production and meeting the demand for energy focused on the following four axes:

(i) boosting research and prospecting activity;
(ii) developing national production of petrol products and gas;
(iii) rationalization of energy consumption;
(iv) development of refining and storage capacity.

In the event, 1992 produced a number of new, if still relatively small, discoveries of deposits, notably of natural gas. Production rose

Table 5.1 Energy indicators 1991–1994

(000 b/d equivalent)	1991	1992	1993	1994	1995
Energy consumption	89	98	101	103	119*
Oil	71	73	75	77	77*
Natural gas	15	23	22	31	40
Hydroelectricity	0.6	0.4	0.4	0.2	0.2
Coal	1.4	1.6	1.9	1.7	1.7
Oil production	104	100	93	88	87*
		Energy trade balance**			
(TD million)					
Exports	488.8	562.7	455.4	441.6	–
Imports	365.8	397.1	457.1	471.5	–
Balance	123.0	165.6	–1.7	–29.9	

* Organization of Arab Petroleum Exporting Countries, *Twenty-second Annual Report AH 1415–1416 / AD 1995.*
** Economist Intelligence Unit, *Tunisia: Country Profile 1995–96* (1996).
Source: Banque Central de Tunisie, *Statistiques Financières*, OAPEC, ETAP. Taken from Economist Intelligence Unit, *Tunisia: Country Report* (1996), No.1.

accordingly (by about 3 per cent in 1992), although it slumped back in 1993 as the Ezzaouia and Ashtart fields reduced output. American companies such as Marathon led the way with new exploration, closely followed by France's Elf Aquitaine, Kuwait's Kufpec, Shell subsidiary Tuninvest, Tunisia's own Entreprise Tunisienne d'Activités Pétrolières (ETAP), Finland's Neste and Australia's Ampolex. British Gas Tunisia launched the single biggest foreign investment in Tunisia when it announced its plans to spend $1200 million on oil and gas developments between 1993 and 1995. Around a half of this was to be spent on bringing the Miskar natural gas development on-stream and using it to supply energy to the Tunisian domestic market. It was by now clear that the hydrocarbons sector was benefiting from the combined legislation of 1985, 1987 and 1990, which together made small fields that would previously have been considered marginal in terms of profitability attractive to foreign investors. By the end of 1995, over 30 oil blocks had been allocated to foreign companies for exploration and development in 25 exploration agreements. A shift in policy has been taking place recently, however, which gives preference to exploration for gas and which was made evident in the 1996 efforts to update legal incentives for foreign investors in the gas sector. The government also drew up an energy conservation programme for 1994–2010 which aimed to save the equivalent of 900 000 tons of oil annually, or 10 per cent of forecast energy consumption.

In the mining sector, the plan proposed a series of measures designed to improve the quality of mined phosphates and to reduce the costs of exploitation. It was intended that efforts should be pursued to reconstruct and stabilize the companies operating in the sector in order to ensure the best use of their available resources and to develop their ability to export to foreign markets. The plan aimed at annual increases in production of non-ferrous metals of around 3 per cent and an early increase in phosphate production of 5 per cent in 1992 indicated the possibilities for the sector's future.

Plans were also drawn up for the reform and liberalization of the transport and communications sectors, which were considered vital to the success of investment and export plans. The plan's objectives were defined as being to improve the quality and availability of services, to reduce costs of production, to encourage technology upgrades, to iron out regional disparities and to encourage the participation of Tunisian private enterprises.

INSTRUMENTS FOR REFORM

Investment was considered to be a key element of the development plan, with annual growth rates anticipated of 9.6 per cent. Ben Ali himself announced the creation of a new Ministry of International Co-operation and Investment under the control of Mohammed Ghannouchi, the man who had overseen economic policy since the late 1980s. It rapidly expanded into a super-ministry, absorbing the functions of other departments and the whole of Agence Tunisienne de Coopération Technique (formerly part of the Ministry of Foreign Affairs). Subsequent efforts to woo international investment included investment protection agreements and expanded plans for privately run off-shore zones (including a new off-shore technology zone, to be managed by Tunisian Technology Investments and costing around $100 million). The latter reflected a trend evident from early 1992 of targeting foreign investment in high-tech areas as well as more traditional industries, and signified emphasis on environmentally friendly light industry being encouraged to take its place alongside high value-added services and tourism. The existing five industrial zones, two of which had been passed from the hands of the Agence Foncière Industrielle (AFI) to private operators, were to be increased in number to 15.[8]

The real advance in investment policy came with the introduction of a new unified investment code in 1993, fulfilling one of the conditions attached to the $250 million World Bank structural adjustment loan of 1992. Breaking with past practice, the code focused on national objectives rather than incentives to specific sectors. Taxation and incentives from various sectoral codes were unified, with 10-year tax holidays being offered to all new investments and additional tax-breaks for firms which promoted exports, introduced technology, encouraged research and development, included young entrepreneurs, promoted environmental development and based themselves in the less-developed regions. The employers' federation, UTICA, expressed the reservations of local producers who feared that foreign investors would benefit disproportionately under the new code as special incentives and tax breaks for local producers were abandoned. The government position, however, was that incentives for investment in export-oriented and regionally-spread industrial and agricultural development were not only complemented by incentives for non-traditional activities (such as environmental protection or technology) and by new emphasis on education, training and cultural development, but also expressed the national consensus for economic evolution 'in tune with profound alterations taking place around the world and satisfying the needs of sustainable development'.[9] The government's optimism was not in the end matched by reality. A 1993 study of industrial enterprises in Tunis found that the over-representation of non-high tech industries like textiles remained and reflected the disadvantageous submission of the economy to the global division of labour.[10]

The state remained committed to $2200 million worth of public investment in infrastructure which could contribute to the country's productive and exporting capacity. The public sector invested directly in some projects, such as the schemes to install 880 000 new telephone lines, to link Tunisia into the fibre-optic telecommunications link between Marseille and Singapore, to create a new link between Tunis and Palermo, and to upgrade telephone links with Asia. Other major investments were planned in environmental projects, including water treatment plants, sewage outflows and the rehabilitation of beaches and polluted waterways. The government also introduced new measures to encourage private investors to contribute to infrastructural investment. In June 1995, a series of projects including construction of a power plant, a number of major roads, a solid waste treatment plant, a water desalination plant and development zone facilities were unveiled and offered to the private sector. The Build-Operate-Transfer principle was adopted to encourage private capital to provide for the infrastructural needs of the country's future on the basis of future profit extraction. This was most immediately felt in the power-generation sector, where bids were invited for the building of new stations and where new legislation was introduced that formally scrapped the government monopoly.[11]

In late 1994, the government announced still more measures to encourage foreign investment, centring on the creation of a new *Agence de Promotion de l'Industrie Extérieure* (APIE), which would take over responsibility for industrial and service sector investment from the API (Ind) and for agriculture and tourism from their respective promotional agencies. The new body would for the first time bring export promotion of all sectors under one controlling body, under the ultimate authority of the Ministry for International Co-operation and Foreign Investment.

Overall, Mohammed Ghannouchi proved to be moderately successful in his drive to attract foreign investment, although he quotes figures which many regard as rather overstated.

> Since 1992, foreign direct investment in Tunisia has been averaging about $400 million per annum, more than double the annual figures for the years between 1987 (when Ben Ali came to power) and 1991.[12]

Even if one were to accept such positive figures, the spread of this investment has not been as diverse as was hoped for. In 1994, Ghannouchi admitted that 75 per cent of foreign investment attracted since 1990 had been in the energy sector, 8 per cent in tourism, 2.7 per cent in the financial sector, just 2.5 per cent in manufacturing and the rest in agriculture and services.[13] He claimed, nonetheless, that the trend was increasingly towards foreign investment in 'new' sectors such as electronics, aquaculture and services. Figures for 1994 showed an actual, if marginal, decline in FDI which has since picked up[14] but, while tourism, financial services, manufacturing and industry have improved their performance, the bulk of the FDI is still directed towards the energy sector (about 87 per cent).[15] On the positive side, the government happily points out that in 1995 private investment accounted for 48.5 per cent of total investments and that 75 per cent of investments were covered by savings.[16] What is needed now, they say, is better international marketing of Tunisia's assets as an FDI location, concentration on upgrading business-related infrastructure, and an ability to 'think big' to attract multinationals who can make more substantial investments.[17] Despite the incentives offered by the government, most investments – both foreign and domestic – remained small with a corresponding effect on the structure of industry. A 1995 survey found that 60 per cent of all enterprises in Tunisia employed less than 20 workers, with only 1.4 per cent employing 300 or more workers. Of the 8552 enterprises listed with the API (Ind), 53 per cent were capitalized at less than TD50 000 ($51685), 25 per cent at TD50 000–150 000, 14 per cent at TD150 000–500 000 and only 8 per cent at over TD500 000. Moreover, 36 per cent of firms were engaged in textile and leather industries, 23 per cent in agro-industries and 13 per cent in mechanical or electrical industries.[18] Although the government considers the growth of small and medium-sized businesses as the essential basis for industrial growth and employment creation, offering significant incentives to their development, the low capitalization and limited diversity of firms has been disappointing. The government states that during the period of the Ninth Development Plan (1997–2001) a further $200 million of foreign investment capital will need to be attracted every year to sectors other than energy if the country is to feel the benefits of its liberalization strategy.

Privatization has also been at the heart of the strategy for development. 1992 saw the re-launch of government plans to privatize seven cement plants, originally scheduled for the 1980s. The renewed determination to finally implement the process was considered to be evidence of the intentions of the Eighth Plan since it represented the largest industrial privatization to date.[19] With the aid of a $10 million grant from USAID to support further privatizations, the government launched a series of stock market floatations, selling tranches of shares in companies such as Tunis Air, Industries Chimiques du Fluor (ICF), Société des Stations Thermales et des Eaux Minérales (Sostem), the Compagnie Tunisienne de Navigation (CTN), and the Société Nationale de Distribution des Pétroles (SNDP, known commercially as Agip). In December 1993 responsibility for privatizations was passed to the Ministry for Planning and Regional Development and further transport, industrial and hotel companies were lined up for speedy privatization in an effort to increase the amount of share action taking place in the exchange. Economic Development Minister, Kamel Nabi, stated that the intention was to launch one public offer of government shares every month.[20] Complete privatization of strategic companies was still ruled out but public offerings of blocks of their shares was considered an effective way to force good management and scrutiny upon the companies. In many cases, an initial sale on the bourse of a minority tranche of shares[21] would be followed with a block sale to direct investors (for example, CTN and SNDP). Other companies, such as the Raffinerie Tunisienne de Soufre, the Société de Tissage de Moknine (TISSMOK) and the Société des Industries Textiles Réunies (SITER) were to be sold outright to single buyers or through sale of a majority share. The initial tenders were more often than not unsuccessful, however, failing to raise any bids. In some cases the terms of sale had to be revised indicating that speculative investments on the bourse were easier to attract than the long-term direct investment so urgently desired. By 1995 some 60 public enterprises had been wholly or partially privatized. However, by late 1996, the pace of successful privatizations was again seen to be flagging and the World Bank renewed pressure on the government to accelerate the process, making the disbursement of further loans to the financial sector and for the restructuring of the private sector conditional upon a combination of privatization commitments and further reforms to the financial sector itself. A new administrative unit was established in the Ministry for Economic Development which would design and submit proposals for further privatizations in an effort to speed up the process. Thus, in November 1996, a new 'phase' of privatization was announced, one which would re-focus attention away from the marginally performing industries such as hotels, textile factories and chemical manufacturers, towards a disengagement from industries within the mechanical manufacturing, agribusiness, tourism and transport industries.[22] Finally, the government announced in early 1997 that it would begin the privatization of municipal utilities, starting with waste collection and sanitation services.[23]

Public-sector reform meanwhile aimed at reducing SOE reliance on budgetary support. The two largest companies targeted for early reform were the Société Industrielle d'Acide Phosphorique et des Engrais Phosphate et Azote (SIAPE) and the Groupe Chimique Tunisien (GCT), elements of which would be closed if they appeared destined for long-term losses. In the event, the successful restructuring of the GCT resulted in a speedy move into the black, with profits of around $10.4 million in 1995. Also in 1995, the energy sector was opened for the first time to private companies, with the Société Tunisienne de l'Électricité et du Gaz (STEG) retaining the monopoly on energy sales but being permitted to buy its own supplies from independent generators. In early 1996, the telecommunications sector underwent a major reform as an independent telephone company, Télécoms Tunisie, was created out of the communications ministry in a trial run of future plans for the postal and television sectors. The new autonomous company was, however, to remain in the public sector and to continue to benefit from government commitments towards infrastructural development.

By mid-1996, SOEs still accounted for some 15 per cent of GDP.[24] However, the Tunisian government had put in place a number of well-accepted procedures which more or less satisfy international creditors as to the seriousness of intentions to complete public sector reform. The legal status of SOEs has been clarified, legal impediments to private competition with former public monopolies have been removed, mechanisms have been put in place for a variety of methods of sale or leasing of public enterprises and structures have been put in place to reform those SOEs that the state maintains and to improve their access to credit and investment funds. Not all restructuring has proved constructive. In mid-1996, the white goods manufacturer, Electro-Ménager de Tunisie (EMT) ceased production and laid off 480 workers. The firm, formerly known as Confort, had been privatized in

1990 and taken over by the local Tabrid group. Poor management and over-utilization of credit contributed to the severe financial problems that finally closed the company.

The stock market itself proved to be a central focus of reform. Despite reservations regarding the short-termism of portfolio investment interests, the government sought to respond to a wave of apparent interest in Middle Eastern and North African equity markets. In reality, these markets, which for the most part remained handicapped by a lack of capital market infrastructure, appropriately trained manpower, sufficient local liquidity and appropriate regulation, were still only, in the words of one analyst 'pre-emerging'.[25] Of the total sum of private capital flowing into the developing world in the 1989–93 period, only 3 per cent was invested in the Middle East and North Africa.[26]

The Tunisian stock market[27] was, however, becoming something of a star performer in regional terms, despite remaining relatively small. In 1991 there were only 16 companies trading on the bourse. The London office of Lehman Brothers, however, forecast a jump in listings and tradings, dynamized by the 430 or so expected privatizations and expected to attract both domestic savers and pioneering emerging market equity and portfolio funds. A 1995 report concluded that: 'Tunisia is ready to emerge: it should prove to be one of the most rewarding small markets'.[28]

It was hoped that prospects for financial liberalization throughout the region, as well as specific Tunisian efforts at reform, would encourage interest from both local and foreign investment sources. In particular, it was hoped that a thriving stock market would provide the mechanism for the mobilization of domestic savings for investment, but this required a boost in the availability of investment credit. In 1991, the existing Société d'Investissement à Capital Fixé (SICAF) was joined by the introduction of a new Société d'Investissement à Capital Variable (SICAV), adding a direct market to the indirect market. Thereafter, in December 1993 the World Bank provided a loan worth $120 million to seven local Tunisian banks and two leasing companies to pass on as loan resources for private investors at market rates of interest. The sum included $50 million for government use for on-lending and refinancing and represented a part of the World Bank's policy to build capacity in the local finance system. It further engaged its International Finance Corporation in joint actions with foreign and local finance companies to set up Tunis-based investment fund companies, such as the Tuninvest International Fund. IFC support was also forthcoming for a new merchant bank venture – one of the first in the Arab world – that of the Maghreb Finance Group (later named the International Maghreb Merchant Bank). The bank opened its doors on 1 January 1995, and has concentrated its efforts on providing equity financing for projects, raising funds for listed and pre-listed companies and making direct equity investments.

By late 1994, international investment companies were including Tunisia in regional funds as well as offering country-specific options. In October 1994, however, and in an effort to speed up the equity investment process and encourage potential transactions, the government circulated and then approved plans for the regulation of the stock market and the establishment of new institutions to facilitate its efficient functioning. The three main elements of the new law were: (a) the establishment of a Conseil du Marché Financier as an independent monitoring agency; (b) the conversion of the Bourse des Valeurs Mobilières (BVM), the body running the exchange, from a state entity to a private company; and (c) the establishment of a clearing company to speed up transactions. Together these changes were designed to accelerate transactions, make them cheaper and more efficient, and provide watchdog guarantees to investors, making the stock exchange a more attractive option for private companies seeking to raise investment funds, as well as a more efficient forum for privatizations.

By early 1995, following the successful floatation (and indeed oversubscription) of several companies, investors were voicing concerns that the market was overpriced and would be driven down when more privatizations increased the amount of stock available. In March 1995, the government introduced surprise new regulations restricting daily share movements to between one and three percent of value, apparently to prevent uncontrolled speculation. Nonetheless, a combination of fears over a potential crash and suspicion that brokers were manipulating the market combined to slow its development down in 1996 (see Table 5.2).

New privatizations still attract investors but early confidence in the bourse has yet to be translated into a solidly established and smoothly functioning international trading station. There remains a strong 'coffee house atmosphere' which has yet to be driven out of the bourse by the reforms, and although the problem is not comparable with elsewhere in the Arab world, the bourse does remain subject to the undue influence of government and major trading families. The introduction of legislation in June 1995 allowing foreign access to the stock market was considered by many to be long-overdue, if not a little too late. It

Table 5.2 Stock market indicators

	1990	1991	1992	1993	1994	1995	1996**
Stock market index*	127.8	170.6	199.4	251.0	507.2	634.7	617.38
% change	–	34	17	26	102	25	−2.7
Market capitalization (TD million)	448	610	790	1 000	2 525	3 967	4 073
No. listed companies	13	15	17	19	21	26	30

* The stock market was established in its present form in 1990, when the index was set at 100. These figures are for the figure at the end of year.
** At the end of August.
Source: Economist Intelligence Unit, *Tunisia Country Report* (1996), No.4, p.19.

was boosted somewhat in early 1997 by the easing of regulations on the proportion of foreign stock ownership of companies quoted on the exchange, from a maximum of 10 per cent to 49 per cent, although this is still considered unattractive for many potential investors. Foreign investment in the capital of companies not listed on the bourse was raised to 30 per cent.[29] Although the stock market has remained promising, investment consultants were in 1996 beginning to issue warnings over the over-pricing of stock and the misleading nature of privatization prospectuses.[30] Another source of warning came from international economists, who pointed out the potential problems associated with replacing international borrowing with foreign equity financing. After a dismal year, by late 1997 it seemed that the bourse had 'bottomed out' and that a recovery might be on the way, but foreign equity inflows remain unpredictable, subject to international conditions beyond the control of the host government and may be withdrawn at short notice.

In line with its policy of financial sector reform, the government had meanwhile, in 1994, introduced a new banking law which effectively completed the liberalization of that sector and allowed deposit money banks to expand the range of their activities to include new areas such as portfolio management, regular medium- and long-term lending and financial restructuring services. A new category of investment bank was created while existing development banks were given new powers to extend credit. In return, banks were required to undertake more prudent fiscal management measures, introducing new capital requirements for many. In general, the banks made concerted efforts to meet the requirements of the Bank of International Settlements' Cooke ratio and by the end of 1995 15 out of 20 had met the criteria of external auditors and international finance companies were showing an interest in assigning ratings to them.[31] The regulatory role of the Banque Central de Tunisie (BCT) was reinforced, but banks received more freedom to extend credit and take deposits. An interbank foreign exchange market was established in March 1994. Although the BCT continues to announce a central rate, the commercial and development banks can trade between themselves within a band of 1 per cent on either side.[32] The BCT retained control over the amounts of currency which could be exchanged and limited exchanges to business rather than capital transactions.[33]

The banks responded with a rush of activity, although the personnel interchange and interaction with the state bureaucracy remained strong, inhibiting some of the transparency required for the liberalization to take best effect, and the local market was still considered to be too small to support a large number of expanding operations. The stronger and more dynamic among them were able to take advantage of IFC loans and government credit lines to extend their lending into the private sector, and to engage in privatization and stock market activities (although there remained a strong tendency for banks to concentrate their efforts on particular market niches such as country-specific trade or real-estate finance). The World Bank Regional Director for the Maghreb and Iran, Daniel Ritchie, was to state in mid-1996 that the Tunisian banking sector was still too conservative and traditional in its outlook and needed a more aggressive and competitive approach to its operations.[34] The state remains over-represented and transparency is still a target rather than achievement for many.

A footnote to the study of the banking sector can be made. During the Eighth Development Plan, the banks hurried to participate in the credit card boom, although they were relatively late in international terms in so doing. Such a willingness to increase the credit holdings of individuals indicated a confidence in the domestic economy and began with the launch, in 1988, of the Biat-Mastercard, soon to be followed by the Biat-Visa. As other banks adopted the Mastercard, Visa, Diners Card and Amex, the number of credit cards in circulation rose from just 7000 in 1990 to over 60 000 in 1994 (accounting for over 700 000 transactions through 6 000 commercial outlets).[35] The introduction of credit cards, the computerization of all bank transactions and the installation of automatic cash dispensers are visible indicators of the modernization and competitive development of the Tunisian banking sector.[36]

No reform package would have been complete without serious attention being paid to trade. A 1994 GATT report on Tunisia concluded that, while recent liberalizations would favour the Tunisian economy considerably, it should be careful to avoid over-dependence on trade with Europe (which comprised around 70 per cent of total Tunisian trade at the time). The report expressed concern that over reliance on joining a European–Maghreb free trade area was leading to neglect of multilateral trade ties and liberalization. The absence of neutrality in the trade regime meant that, while Tunisian products might be competitive within Europe, they were not necessarily competitive elsewhere.[37] Global competitiveness was a must given the fact that Tunisia was soon to be a member of the newly-created World Trade Organization. While this would introduce a range of new pressures on regimes to reform their economic structures to enforce competitiveness upon their producers, Tunisia was expected to be a beneficiary overall if it could complete its liberalization process in time. Textile and clothing producers would benefit from new and enlarged markets such as the United States, while manufactures were likely to compete well with East European competition. Under the General Agreement on Trades and Services (GATS), the Tunisian tourist and transport sectors would be opened more broadly to foreign competition, but equally to the investment they sought, while the issue of reduced agricultural subsidies promised some upheaval in both exports and food imports. The race was on for the region as a whole to comply with WTO regulations by 1 January 2005 and Tunisia eagerly sought to keep ahead of its own regional competitors in the liberalization process. In 1995, a ministerial reshuffle provided the opportunity for a new Ministry of Trade to be created, led by Mr Salaheddine Ben M'barek, emphasising the importance attached by the government to an appropriate application of the GATT Agreement.[38]

The government did not deviate, however, from plans for free trade with Europe. The European Union sought to replace the existing structure of five-yearly trade protocols with the so-called Mediterranean Non-community Countries (MNCs) with a new package of trade agreements, financial assistance and political and social initiatives which would tie the Mediterranean littoral states to the European Union in a free trade zone. It offered new finance and markets for Tunisia in return for commitments to implement further reforms and establish full convertibility of the dinar during the Ninth Development Plan (1997–2001). Tunisia became the first Arab MNC to initial such an association agreement, in July 1995, Turkey and Israel being close on its heels. The southern member states of the European Union were particularly keen to promote the programme in the face of Germany's preference for Eastern Europe. They were, however, reluctant to extend the free competition to agriculture, in which they competed most directly with MNC products and for which some quotas (most notably on olive oil exports) were retained until negotiations for their removal began in the year 2000. The principal realm for trade would remain industrial manufactures and there was a real concern that Tunisian industry would not manage to compete. One study carried out for the EU forecast 2000 Tunisian businesses going bankrupt and a further 2000 being at risk.[39] The opening of the Tunisian market to European industrial products, tariff-free, was thus scheduled to take place over a period of 12 years, giving local companies at least some time to adjust and modernize and allowing for technical co-operation and financial aid to soften the blow. The goal of reaching EEA-competitive standards within that time was termed *mise à niveau*, reaching the level or making the grade. It is promoted by a number of government bodies established to help local companies to modernize their management and technology, including the Fonds de Promotion et de Maîtrise de la Technologie Industrielle (FOPROMAT) created in 1992, the Fonds pour le Développement de la Compétitivité Industrielle (FODEC) created in 1994, and the EU-financed EURO-Tunisian Business Centre,[40] and is funded by EU and World Bank aid[41] to the tune of $2.5 billion during the period 1996–2000.[42] In the initial phase, 109 enterprises from a cross-section of economic activities were selected and subject to a diagnostic analysis by specialist teams which draw up plans for the restructuring of the enterprise and for its development and sales strategy. Any costs of this restructuring are formulated, and a portion of the sum is provided by COPIL, a government agency attached to the Mise à Niveau Office of the Ministry of Industry, itself funded by the EU and World Bank. In the second phase of the process, which will take place during the Ninth Development Plan, a further 4 000 firms will be subject to such restructuring. Meanwhile, assessments of firms during the first phase have shown them to display characteristic weaknesses such as undercapitalization, lack of international sales and marketing skills, and feeble management and information systems. In their favour, many were surprisingly profitable and almost all were led by managers appropriately aware of the challenges facing them and receptive to government assistance in meeting them.[43]

Tunisian businesses, especially small and medium-sized family-owned concerns, have undoubtedly suffered from the liberalization measures. In 1994, a French weekly trade journal stated that around 1000 such companies were in trouble directly as a result of an inability to adjust to the new economic conditions, putting an estimated 25 000 jobs at risk. The figure included firms producing a range of goods including food, ceramics, glass, electrical goods, manufactures, textiles and construction goods. The government response has been the establishment of three commissions whose jobs are respectively to establish which companies were in financial difficulties and which can be saved, to rescue those firms which can be saved, and to manage deals with off-shore companies in difficulties.[44]

One of the pillars of liberalization policy from the late 1980s was the establishment of the free trade zones, the first of which, at Zarzis, became operational in November 1995. The government created a state-owned company, the Société de Gestion de la Zone Franche de Zarzis (SGZFZ) to promote the scheme and sign up private foreign companies to participate. The scheme had been in the doldrums during the Seventh Development Plan because of a nervous reaction from potential investors over tensions between Libya and Tunisia and the southern location of the port. By the mid-1990s, however, and following agreement between the two countries on their maritime border dispute, the scheme was revived and by early 1996 some 30 companies had applied to set up businesses in the zone, which by then had \$60 million worth of brand new commercial port facilities. The healthy demand led to a decision to expand the industrial estate by 60 per cent in June 1996 with 16 companies having premises within the zone by July of that year. A second zone was meanwhile being planned for Bizerte in the north of the country.

Despite all these plans and reforms, Tunisian trade is still handicapped by protectionism. A 1996 Index of Economic Freedom, compiled by the Heritage Foundation of the USA, found that Tunisia, despite ranking joint-37 out of 140 countries overall, lagged behind significantly in respect to trade.[45] Protection remains especially strong in the textile industry and small to medium-sized domestic industries. Even so, trade liberalization has scored notable successes. For example, the share of exports of goods and services in GDP increased from an average of 35 per cent during the 1982–5 period to an average of 41 per cent during 1991–5[46] and in 1997 the Tunisian government was claiming that trade was 96 per cent liberalized[47] (See Table 5.3.). Although the easing of import restrictions caused a

Table 5.3 Foreign trade 1991–1994 (TD millions)

	1991	1992	1993	1994
Exports f.o.b.	3 417	3 550	3 818	4 697
Imports c.i.f.	–4 789	–5 689	–6 237	–6 647
Balance	–1 372	–2 139	–2 419	–1 950

Source: The Economist Intelligence Unit, *Tunisia: Country Profile, 1995–96* (1996).

surge of imports in 1992, by 1994 exports were fighting back and the trade balance was improving despite the fact that energy imports had overtaken energy exports in 1993.

One consequence of the new trade agreement with Europe was that the government was destined to raise far fewer revenues from import duties which had to be compensated for by enlarging the tax base and increasing domestically derived tax revenues. VAT was already playing a significant role in revenues (TD855 million out of a total tax revenue of TD3282 million in 1994), but in September 1995 the finance minister, Nouri Zorgati, declared that this indirect tax regime would be extended to progressively include smaller firms. A crack-down on the parallel economy was imposed in mid-1996 with the intention of bringing more traders into the tax system, with an across-the-board imposition of VAT on retailers being planned for July that year. VAT was subsequently introduced for industry and services in 1988 and was extended to wholesale operations in 1991–2. In late 1996 VAT on tourist services was also raised from 6 to 10 per cent, still significantly below the standard rate of 17 per cent.

Meanwhile, full convertibility of the dinar, originally scheduled for 1991, had been rescheduled for 1995–6. Ministers insisted that the problem was not that the dinar was over-valued but that the currency should only be made fully convertible when the liberalization process was near completion, and that it would be better to introduce convertibility when substantially more progress had been made in both Arab Maghreb Unity and the establishment of a free-trade zone with Europe. In a December 1992 speech to the National Assembly, however, the president announced a departure from this cautious policy, declaring that all foreign exchange controls should be abolished and the dinar should become convertible in 1993. While this acceleration in the liberalization process caused a certain amount of nervousness among local companies, the managing director of the IMF – on a visit to Tunis at the time – declared it to be ‘the most beautiful present

I have ever been given'.[48] In January the government began easing currency controls. Banks and companies were allowed for the first time to borrow abroad without prior BCT authorization, BCT controls on transfers in payment of services by companies and medical treatment by individuals were dropped, and money changers were allowed to buy foreign currency without restriction. Moreover, all business people – rather than just exporting companies' heads – were made eligible for the yearly hard-currency allocation. By May, the currency had become fully convertible for foreign capital investors and, in March 1994, the monopoly of the BCT over foreign-exchange transactions was abolished and a new inter-bank foreign-exchange market set up. The new exchange was still limited to certain transactions, but its early operations seemed to indicate an overall tendency of efficiency and large volume transactions.[49]

BACK TO BORROWING

The Eighth Development Plan saw the full rehabilitation of Tunisia as a debtor state (see Table 5.4). It returned to the commercial banks for loans to support everything from the balance of payments to capital and infrastructure projects. The relative ease with which it was able to raise such funds demonstrated that it had overcome the problems of the 1980s and was once more regarded as a creditworthy risk.

In early 1992 the BCT began sounding out the international banks regarding a possible syndicated loan. The government preferred to continue seeking concessional finance but local financiers believed such a loan would underline Tunisia's creditworthiness to potential foreign investors. In June a syndicated loan worth $110 million was

Table 5.4 Tunisia's external debt profile 1992–1996

	1992	1993	1994	1995	1996*
Total external debt (TD millions)	6 870	7 794	8 675	9 240	9 745
External debt as % GDP	49.0	50.6	53.3	53.9	51.8
Debt service as % current receipts	21.8	21.3	19.5	17.5	17.4

* Figures for 1996 taken from Reuter's *Indicators – Tunisia*, 26 August 1997.
Source: Banque de Tunisie, *Annual Report 1995*; Banque de Développement' *Rapport Annuel 1994* (Tunis, 1995).

raised from 18 international banks, with the initial facility sought being increased by $10 million through over subscription. A second syndication in 1993 raised a smaller sum of $50 million for tourism projects, confirming the respectability of Tunisian borrowing.

In late February 1994, the government launched a Y30 000 million ($277 million) *samurai* bond in Japan, its first on the world market. The bond, which was set to mature in March 2004 was assigned a BBB+ rating by the Japan Bond Research Unit (the first such rating for an Arab bond issue) and was designed to raise money to cover the balance of payments deficit. This was followed by a second samurai bond in February 1995 (to raise Y15 000 million – or $251 million), a third in May 1995 (raising Y15 000 million – or $181 million) and a fourth in September 1995 (raising Y15 000 million – $150 million). It was significant that the BCT chose to seek funds from Japanese investors. American and European banks were offering loans with relatively high interest rates and a short period of maturity. The Tunisians were confident that the strength of the economy merited a harder bargain and exploited the fierce rivalry between Japan's big four securities houses to get what was regarded as an excellent deal of around 140 basis points above the Libor and five-year maturities. All the bonds were similarly rated and all were fully or over-subscribed, signifying both confidence in the Tunisian economy and a Japanese desire to achieve market share[50].

The head of the BCT's International Department, Said M'rabet, set about gaining investment ratings for Tunisia from major investment banks. The JBRI of Japan gave a generous BBB+ while the London ratings agency, IBCA, gave a BBB-, stating that this would have been much higher had it been judged on economic grounds alone, political uncertainties having pulled it down.[51] By late 1995, the Tunisian government was looking elsewhere to borrow, spreading the risk across currencies. When the government attempted to raise a syndicated five-year sovereign loan of $100 million in December 1995, in the name of the BCT, it was oversubscribed at an interest rate comparable to that of loans made to EU members themselves, to the extent that the syndication closed having raised $200 million. The syndication included 14 banks, some of which had never lent to North Africa before and represented a successful diversification of lender sources as well as a further gesture of international financial confidence. The loan paved the way for a Eurobond issue later in the year to help finance the budget deficit and a second sovereign loan in September 1996. By 1997, Tunisia was able to launch a $400 million *yankee* bond and private companies were able to re-enter international markets to raise commercial funds.

Throughout the period of the Eighth Development Plan, Tunisia was successful in raising concessionary loans for a wide variety of projects which supported the structural adjustment process. Loans came from an equally varied number of sources, including the Export–Import Bank of Japan, the African Development Bank, the European Investment Bank, the Arab Banking Corporation and French, German and Italian commercial banks. However, the government was able to confirm, in September 1992, that it would not be seeking to renew its Extended Fund Facility arrangements with the IMF, although it had drawn on the entire SDR207 million ($301 million) which had been previously made available.

One of the reasons for this borrowing was the gap caused in budget balances by lower-than-expected privatization revenues and lower-than-estimated tax receipts (which rose only by around 5 per cent per annum). Government expenditure was meanwhile, and despite tight fiscal intentions, forcast to rise by substantial amounts: 11 per cent in 1993, 11.4 per cent in 1994, 11.9 per cent in 1995 and 9.6 per cent in 1996. In order to keep the budget deficit down to within 3 per cent of GDP (lower than the target set for EU states in the Maastricht Treaty), the government turned to international borrowing and the issuance of treasury bills, thus failing to reduce the size of overall debt or debt servicing to the target levels of the plan.

Expenditure rose again in the 1997 budget, by nearly 11 per cent, but dropped as a percentage of gross domestic product. Borrowing was also set to rise to over two and a half billion dinars, helping to cover an increase in public spending caused not least by rising salary-related expenditures and increased subsidy funds to compensate for rising world prices of basic products.[52] Thus it became clear that, despite some budgetary success, the path to reform was still not by any means clear.

SOCIO-ECONOMIC CONSEQUENCES OF REFORM

The most significant feature of this expenditure was the high proportion allocated to social expenditures: 47 per cent in 1993, 47.5 per cent in 1994, and 60 per cent in 1995. Price subsidies on basic goods to the poorest sections of society, direct grants, housing and input into the national social security fund accounted for the bulk of this, cushioning the negative impact of reforms, particularly the planned deregulation of almost all prices by the end of the year. The increased social expenditure content was matched by a decrease in the subsidization of public-sector enterprises and the efforts to reduce price subsidies in general. It indicated the government's intention to transform the purpose of the budget from one of intervention in production and distribution to a role of more targeted social support.

Thus, for example, government wage policy rested on the balance between controlling wage-push inflation and reassuring the population that living standards were not under serious threat. In spring 1993, under the sponsorship of the government, the UGTT came to agreement with private-sector employers over annual pay increases of 8–9 per cent over the succeeding three years. The minimum wage rates were increased in 1993 by 6 per cent (SMIG) and 5 per cent (SMAG). In May 1995 further increases were agreed of 4.9 per cent for the SMIG and 4.6 per cent for the SMAG, the increases remaining lower than inflation.[53] While the continuation of UGTT/Government/UTICA co-operation over wages seemed to indicate a reasonably harmonious approach to wages, this has been more due to government control over the UGTT and the 'illegality of strikes' than to genuine coincidence of interest. Moreover, the government came under increasing pressure from the World Bank to amend or abolish the *Code de Travail*, a piece of legislation which protected workers from dismissal and forced firms to pay large social security contributions. The World Bank considered the code to be an obstacle to both privatization and attracting foreign private investment. In February 1994 the code was partially revised clarifying, among other things, procedures for dismissal and levels of compensation. In June 1996, the National Assembly completed revisions of the code, addressing the critical issues of employment rights, job security, health and safety, and salaries. The government claimed that the revisions 'adapted Tunisian employment legislation to the new demands of national economic liberalization'.[54] Finally, in 1996, the president announced that the contribution made by employers to the national social security fund on behalf of workers would be reduced from 17.5 per cent of salary to 15.5 per cent, a decision warmly welcomed by the private sector.

With regard to prices, the government persisted with the policy of removing subsidies. However, it also worked hard to keep prices down through growing competition within the domestic market, by encouraging voluntary commitments to maintaining or reducing existing prices, and through granting increased powers to institutions such as the *Conseil National de Protection du Consommateur* and the *Conseil de la Concurrence*. The latter, reformulated under Decree 96–1038 in May 1996, was given an enhanced role in arbitration over complaints of unfair competition through the abuse of dominant market positions and cartels, as well as having an advisory role on issues of economic concentration and competition regulations. By 1996 it was considered that subsidies had been sufficiently removed for the time being and in November 1995 Ben Ali announced that there would no further price rises or subsidy removals for 1996.

These policies were in general successful. By 1995, inflation was being held at an annual level of less than 5 per cent, although higher food prices due to food imports led to a temporary rise to 6 per cent.[55] This low figure was forecast by the EIU to rise in 1996 to over 6 per cent in response to growing domestic demand and increased prosperity, although the government declared its intention to continue tight fiscal policies to contain inflation at around 5 per cent. In the event, inflation was held at around 5 per cent in 1996 and just 4 per cent through the first half of 1997 (see Table 5.5).

The government claimed that wages were meanwhile evolving more rapidly, as was the growth in average yearly income. Government figures cited average wages as increasing at annual rates of between 11 and 16 per cent between 1991 and 1994. Average yearly incomes were likewise growing at an annual rate of between 9 and 13 per cent.[56] If these figures are to be believed, one could be forgiven for assuming that living standards were generally improving through the duration of the plan, but the figures clearly give no indication as to the distribution of income or wages or the impact of unemployment and declining social and welfare provision.

Employment targets for the plan were the creation of 320 000 new jobs distributed thus: agriculture and fishing 10 000; industrial

Table 5.5 Consumer prices indices 1991–1995

	1990	1991	1992	1993	1994	1995
General index	100	108.2	114.1	118.7	124.6	132.4
Food	100	108.5	113.1	116.2	121.9	131.9
Fuel and light	100	108.4	117.0	123.5	126.9	–
Clothing	100	108.6	116.7	124.5	129.0	–
Rent	100	101.1	109.5	118.0	124.0	–

Source: International Labour Organization, *Yearbook of Labour Statistics 1996* (Geneva, 1997).

Table 5.6 Employment generation during the Eighth Development Plan

Year	No. jobs created	% of additional demand
1992	51 000	85.4
1993	55 000	89.4
1994	60 000	95.2
1995	61 000	–
1996	63 000	–
Total	290 000	91.0

Source: Banque de Tunisie, *Rapport Annuel 1995*; Banque de Développement Economique de Tunisie, *Rapports Annuel 1992, 1993, 1994*.

manufacturing 120 000; industrial non-manufacturing 15 000; and services 175 000. In fact, the government was unable to keep to the targets set, although a large proportion of the required new job opportunities were made available (see Table 5.6). In 1993, 89.4 per cent of additional demand was satisfied, and in 1994 95.2 per cent. Over the entire period of the plan 290 000 jobs were created, representing 91 per cent of the required and planned provision.[57] In practice this meant a rising unemployment rate, which had reached an official level of 15–17 per cent by 1997 but which many analysts estimated to be much higher. Redundancies resulting from privatization and public sector reform were not an excessive burden on employment statistics, although the problems of so-called abusive redundancies were highlighted by the UGTT.[58] Moreover, Karen Pfeifer has argued that the failure to create jobs quickly enough to absorb new entrants to the labour market was partially disguised by the growth of the unmeasured informal sector.[59] Given the level of dependence on extremely competitive European markets envisaged for the future, as well as the implications of accelerated privatization, she argues that unemployment levels are unlikely to be reduced in the medium term.

In the long term, the government hopes that its investments in human resource development, to which a large part of the development plan was devoted, will create a labour base suited to the liberalized economy of the twenty-first century. Education and vocational training, scientific research and higher education all received special attention. In 1992, the World Bank provided a $75 million loan to support the restructuring of the educational curriculum, reorganization of educational spending to improve efficiency and the establishment of five new *Instituts Supérieurs des Études Technologiques*.[60] Plans for investment in education included the establishment of two new universities at Jendouba and Gafsa and a science park in Tunis itself. In general, Tunisia has an impressive record on educational provision, relative to Algeria, Morocco, or indeed most of the Arab world. In 1991 the World Bank estimated that 95 per cent of Tunisian children received primary education and in 1994 the competitive entrance exam for secondary school was abolished, making nine years of primary and secondary school education compulsory.

In practice, however, and despite the financial inputs which accompanied the reforms, education has spiralled into crisis. At primary and secondary levels, buildings are in such short supply and numbers so high that classes frequently run in shifts. Teachers are ill-equipped to deal with the heritage of an ill-conceived Arabization programme, rarely have the qualifications to teach in either Arabic or English (a new priority of the government) and have experienced a decline in real wages. Students are forced to turn increasingly to private tuition, and teachers to 'moonlighting' to make ends meet. The same holds true in higher education, where numbers are rising beyond the ability to absorb them, partly as the government seeks to keep them from an already overcrowded job market. Passing the baccalauréat at the end of high school guarantees students a place at university, but many complain that they are shuffled by an over-stretched system into taking courses they don't want and into taking additional private tuition to pass exams. There is a consensus among educationalists that standards are falling, as education becomes increasingly centralized, bureaucratic and even corrupt. For all Tunisia's reforms, the World Bank has concluded that education has become increasingly selective – selection being based on 'social criteria' and ability to pay.[61]

Other areas of concern were health and protection from poverty. In 1992 a new mechanism for countering poverty was introduced. The National Solidarity Fund (FSN) '2626' was instituted, funded by a combination of tax-deductible voluntary donations from Tunisian citizens and firms, donations from individuals, institutions and agencies abroad, budget allocations and treasury credits. The fund contributes to development projects around the country, notably in provision of potable water, road and track facilities, electrification, housing, health, education, sanitation and other community facilities. Such aid is directed in particular at what are termed 'shadow areas', those areas with at least 30 families but which lack even the most basic public utilities. Other types of project favoured by the president are those which facilitate creation of agricultural, handicraft or small trade income. Allocations in 1993 and 1994 involved expenditures of over TD62 million on 574 projects in 250 localities involving 293 288 citizens. During the period 1995–2000, it is planned that a further 852 shadow areas will benefit from 1700 projects costing a total of TD300 million.[62]

A further TD42 million was allocated for the Integrated Urban Development Programme (PDUI), set up in 1993 to improve urban living conditions and to enable the population better to engage in productive employment. Fourteen sites were chosen following an extensive socio-economic survey, the first 11 starting work in 1994 in ten governorates. The FNS and PDUI operate in tandem with the PNAFN and smaller programmes such as the National Fund for the Promotion of Handicrafts and Small Trades, the Programme to build Public Housing and Eliminate Slums, the Rural Development Programme, the Integrated Regional Development Programme and funds to support employment, medical provision, the handicapped and the elderly, and permanent food aid in what the government claims is 'a policy of integrated social provision'. In total, the government claimed an increase in social expenditure, from 17 per cent of GDP in 1987 to over 19 per cent in 1994, amounting to over 60 per cent of the state's annual budgets and affecting a downward (if slow) trend in levels of poverty.[63]

Housing was also an important element of social policy and in this realm the government made no bones about its own responsibility for provision. Policy centred around credit provision in favour of public housing construction, as well as providing a legislative and financial environment conducive to encouraging the private sector to construct dwellings. During the period of the plan, 122 000 additional housing units were built, including 98 000 by the private sector. The total public sector investment in housing amounted to TD547.4 million, 137 million of which was directed through social security agencies or the Programme for the Eradication of Rudimentary Shelter. In total, 90 per cent of projected new housing needs were catered for.[64]

While the government gave with one hand, however, it seemed to take away with the other. At the twenty-third Maghrebi Medical Congress in May 1994, it became clear that while overall government spending on health services in Tunisia increased during the era of structural adjustment, in real terms it had fallen as a percentage of total public spending. The impact of structural adjustment on health provision had been to transfer an increasing burden of costs onto private individuals and away from the public sector. By 1990 private contributions to health care amounted to 47 per cent of total spending on the sector (compared to 33 per cent in 1985). State allocations amounted to TD11.5 per person in 1980 and TD27.4 in 1990. During the same period, private spending on health rose from TD5.2 per person to TD33.5, clearly a far larger relative increase. While the Eighth Development Plan had increased the budget allocation for the sector, it did not have the effect of transferring any of the financial burden back on to the state and the conclusion reached by the conference was that there existed a growing inequality in health provision according to income.[65] In its 1996 World Development Report, the World Bank asserted that the percentage of the population with access to health care had fallen from 95 per cent in 1980 to 90 per cent in 1993. It should be noted, however, that the percentage of the population with access to sanitation facilities had risen over the same period from 46 per cent to 72 per cent. Moreover, in 1994 government figures indicated that in 1992 there was one doctor for every 1600 Tunisians, compared with a ratio of 1: 2200 in 1986. In 1987 over 1100 Tunisians sought medical treatment abroad, compared with just 431 in 1992. In the government's opinion, this demonstrated the level of progress made in health provision.[66]

Compared to its regional neighbours, Tunisia has still performed well in terms of protecting its human resources. A 1995 World Bank report stated that the region's real per capita income fell by 2 per cent a year in the previous decade, while Tunisia's rose by an average 1.8 per cent per annum during the same period. According to the report: 'the average Tunisian citizen lives longer, has fewer children who die, and is more likely to have basic education and be literate than in any country in the Middle East and North Africa at an equivalent per capita income'.[67]

SUMMARY

By late 1996 Tunisia could fairly be said to be 'reaping the rewards of its early virtue with sound public finances, low inflation, rising exports and respectable growth that is delivering rising living standards'.[68] The country ranked 69th on the UN's Human Development Index, way ahead of neighbours Algeria (85) and Morocco (117), and 37th on the Economic Freedom Index. The country has regularly been referred to by the World Bank and IMF as an example of successful adjustment, diversification and macro-economic management. The American Heritage Foundation went as far, in 1995, as to proclaim Tunisia to be in the category of 'wholly liberalized economies', along with countries such as Germany, France and Italy.[69] GNP per capita stands at over $5000 (at purchasing power parity),[70] within the realms of Europe's poorer periphery, and only an estimated 6 per cent of the population live below the poverty line.

Figures such as these give little clue, however, to the real success or failure of the structural adjustment programme. If the goal of economic policies for the last ten years has been a fundamental transformation of the economy, of the diverse processes of production, distribution and exchange, then the programme can be called a success. Although Tunisia had embarked upon relatively liberal economic policies back in the early 1970s, it is fair to say that the economy today is substantially different from that which Ben Ali took over in 1987. The role of the state is profoundly different in terms of its intervention in production and distribution, although critics are often quick to point out that there remains significant resistance within the machinery of the state itself to the divestiture of economic functions. Analysts have pointed in particular to the powerful resistance that has been put up to liberalization of trade and prices, as well as privatization. Where programmes have been implemented at a far slower rate than initially planned, or where bureaucratic obstacles have hindered any implementation at all, one can reasonably conclude that: 'the contradiction between intended actions and implementation reveals the existence of powerful pressure groups attempting to protect their interests'.[71] Although there is often talk in Tunisian *salons* of specific instances where the bureaucracy, or elements within it, have obstructed the implementation of policies, or the private sector from benefiting from such policies, it is a difficult thing to prove conclusively.

It is also difficult to quantify the extent to which the industrial bourgeoisie has shed any parasitic state-dependent characteristics as a result of reforms. Eva Bellin has argued that the type of overt corruption that exists in state–industry relations elsewhere in the Arab world is not typical in Tunisia. Industrial fortunes have been made, even before the reforms, through direct entrepreneurial skill. However, her evidence does show that even into the 1990s, palm-greasing and contacts with the bureaucracy remained critical to business advancement. On the whole, the bureaucracy is politically neutral when it comes to businessmen – with RCD membership not being an important issue for industrialists or commercial entrepreneurs. Yet at the same time, all the industrialists interviewed in a survey used by Bellin 'admitted that they had benefited in one way or another from state support, whether that meant subsidized credit, protected markets, monopoly prices, or fiscal breaks'.[72] With the withering away of these subsidies, and given the commitment of the government to their further diminishment, it seems that the industrial and commercial bourgeoisie are already having to adapt to new economic realities. However the element of 'knowing someone in the know' – what has been termed *cronyism* or *copinage* – might well remain salient for some time to come. The Tunisian business community is still small enough, and the bureaucracy still complex enough, to make personal contacts with officials in the state machinery relevant to business success.

It is again problematic to assess precisely the impact of liberalizing reforms on the power of the industrial bourgeoisie relative to the state. The very fact that the reforms were introduced as a result of government responses to economic crises, and not as a result of pressure from the domestic industrial bourgeoisie, indicated the weakness of that class. The subsequent growth and consolidation of the entrepreneurial class, combined with the retraction of the state from licencing and penalty activities, has undoubtedly strengthened the autonomy of the industrial bourgeoisie in its dealings with the state. As the private sector becomes increasingly the engine of export-led growth, it is likely to be able to extract better terms from the regime in the forms of policies and legislation. Already, the Tunisian government and media have elevated successful businessmen and women to the status of 'heroes of national development'.[73] They are frequently consulted on policy issues, they are interviewed at length in the official press, and their organizations are given centre stage in presenting Tunisia to the rest of the world. Perhaps most significantly, cabinet posts are given to successful businessmen over the heads of political apparatchniks. It is fair to say that the era of reform, in particular the period during the Eighth Development Plan, has seen bourgeois class consolidation.

However, while the private sector has undoubtedly grown under the reforms, and assuming that full integration into world markets may be a requisite for long-term success, the process of integration into free trade with Europe is full of potential pitfalls and pressures for domestic private firms. A great deal more effort is required in diversification of export markets, with real progress within the AMU needing to be taken more seriously than has so far been the case. The challenges of *mise à niveau* will help to streamline export production for the future but will potentially be enormously burdensome for Tunisians in the meantime, exacerbating perceptions of the unequal distribution of the costs and benefits of economic reform. The business class will itself be divided between those who sink and those who swim in the increasingly turbulent waters of international competition. Equally, the pressures can only increase on the bureaucratic machinery to bail out potential drowners. It is yet to be seen just how elastic the bonds between state and industry will prove to be as free trade digs in.

To some extent, Tunisia has so far been cushioned from the pain of reform by virtue of its relatively large middle class,[74] which is increasingly to be found not only in urban areas but also in rural areas which have been prioritized for investment. This middle class 'constitutes a reserve of skilled labour and under utilized entrepreneurship',[75] including a capable and dedicated class of managers in both public and private sectors. It sees itself as law-abiding and tax-paying, but squeezed by rising property prices, inflation, and reduced social provision. The middle classes are not generally hostile to structural adjustment *per se*, and those who can see the potential for personal long-term opportunity arising out of the programme remain supportive despite their perception of being squeezed by new taxes and rising prices. There are others, however, living in rural and inland areas, as well as urban suburbs, who see the personal costs as outweighing the national benefits. For those whose financial circumstances are most seriously threatened, the government's constant but targeted provision for the most needy acts as a safety net, but the middle class as a whole is aware that access to social and welfare provision has not remained static. The government has managed, at least partially, to off load some of the burden to the private sector, relying on the middle classes to take on the cost of much of their own provision. It would seem that there is still some 'give' in the Tunisian socio-economic fabric but Tunisian policy-makers are as aware as foreign observers that the perception of an increasing income gap, or more accurately that the span of incomes is being stretched, is strong in Tunisia and likely to deepen as integration with world markets bites in.

The stabilization and adjustment programmes have been successful so far in as much as they have enabled the economy to withstand external shocks such as the Gulf War. On the negative side, however, it seems that Tunisia's economy will always suffer from the erratic performance of agriculture. Its future lies in developing a manufacturing base which utilizes a relatively high level of technology and is diversified away from the textile, leather-goods and food-processing of former years. The task remains to reduce the not-insubstantial amount of protection still existing, to encourage rapid diversification of exports and to invest heavily in human capital accumulation, technological innovation, infrastructure, administrative reform and implementation of environmental protection plans.

Tunisian economic experts have attributed much of the success of the structural adjustment programme so far to the fact that it was designed by Tunisians rather than being imposed by the IMF.[76] The programme took account of the specificities of the Tunisian economic position as well as the need to ameliorate the negative social implications of reform.[77] It is with the intention of maintaining this preemptive head-start that the Tunisian government announced in June 1996 its plans for economic development for the next 15 years. The Ninth Development Plan alone (1997–2001) was forecast to include the creation of 305 000 new jobs, an average annual growth rate of 6.5 per cent and a budget deficit of below 2 per cent. The targets set for the extended period, which include the reduction of external debt as a proportion of GDP to just 22 per cent, an increase in the rate of saving from 22 to 26 per cent of GNP, and the attainment of food self-sufficiency,[78] may not be realistic but the government is determined that Tunisia should achieve developed-nation status by the turn of the century. Ben Ali has made it clear that this can only be done through completion of the liberalization process and, as with its predecessor, the new plan will combine direct economic reform with consolidation of targeted social coverage.

In one sense, above all, Tunisia's SAP has been guided by a fundamentally sound assumption: if it is to succeed in the long-term, and if the social fabric of the country is not to be ripped apart by the negative side-effects of reform, the process must move ahead quickly, without the faltering two-steps-forward-one- step-back approach seen in Egypt and elsewhere. What has been achieved in a short period of time has been enormous and should not be dismissed simply because it is not yet enough, or because it has carried with it painful socio-economic costs. On the other hand, however, the enthusiasm of the World Bank is premature, given the perilous seas of Mediterranean free trade and global integration still to be traversed.

6 The Politics of Reconciliation and Reform, 1987–1990

THE CONSTITUTIONAL ROUTE TO POWER

Bourguiba's eventual downfall was triggered by a number of events in 1987. Zartman identifies three: Bourguiba's deteriorating mental and physical condition which led to a series of rapid and destabilizing cabinet reshuffles; the controversy surrounding the trial of the Islamic militants accused of plotting to overthrow the regime; and finally the discovery of a plot by the MTI's militant wing to assassinate a number of leading government figures, including the president himself. Tunisian gossip suggested a fourth reason: that the then prime minister, Ben Ali, suspected that two of Bourguiba's closest colleagues, Mohamed Sayah and Mansour Skhiri, were planning a coup of their own. Moving to pre-empt them, he staged his own coup on the night of 6 November 1987.

The move was greeted with some relief by a population weary of the vacillations and arbitrary rule of the increasingly senile Bourguiba. At the same time, many Tunisians nervously viewed Ben Ali as Bourguiba's strong-man. While he might well prove to be the only man capable of rescuing the country from its economic crisis and political impasse, he equally represented an intervention by the military in the civilian affairs of the state. As L.B. Ware has said:

> It is ironic that, by manipulation of his political entourage, Bourguiba ultimately entrusted the resolution of these problems to a military man whose profession Bourguiba sought to isolate from the inner circle of power since the earliest days of independence.[1]

Ware has described how Bourguiba had deliberately disenfranchized the officer and enlisted corps by denying them the right of political association, even within the ruling Neo-Destourian party, and by excluding them from taking the role of modernizing or arbitrating political force.[2] Thus the promotion of Ben Ali to a position of such political importance as prime minister had represented a profound break with Destourian political strategy on the part of Bourguiba, and one which had created not a little fear within Tunisia. Ben Ali personally brought with him a reputation as the man who controlled the military response to the 1978 demonstrations, yet his moderating effect on the persecution of Islamist radicals in Bourguiba's last years seemed to indicate that he had a finer grasp on the subtleties of Tunisian politics than the man whom he deposed.

The coup was bloodless and constitutional. Using Article 57 of the Tunisian constitution, Ben Ali gathered a panel of medical experts to proclaim the head of state to be incapable of fulfilling his duties. As prime minister, Ben Ali was legally entitled to step into Bourguiba's shoes for the remainder of the five-year term of office. The fact that Ben Ali began his presidency with such a respect for the legal niceties of his actions was indicative of both his personality and his strategy. He is a committed Bourguibist, the product of a military education and service in the early years of independence. His military career included training in France and the United States, and covered intelligence and security courses, not to mention a degree in electrical engineering. With the exception of two spells of diplomatic service in Rabat and Warsaw, he spent the best part of his career serving as director of military security. Bourguiba himself had promoted Ben Ali when the country seemed to be under increasing threat from both internal (Islamist) and external (Libyan and Israeli) threats. In October 1984 Ben Ali was made Secretary of State for National Defence and, in April 1986, was promoted again to be minister of the interior. Thus, when Bourguiba promoted him once more to the office of prime minister in October 1987, Ben Ali had behind him a significant degree of influence over both the military and the internal security forces of the country. Given his conviction that Bourguiba was incapable of continuing to govern the country, it is significant that Ben Ali chose not to launch a straight-forward military coup – which he might well have done – preferring instead to pursue a potentially more risky strategy which found deep resonance in the moderate political culture of Tunisia. From the very beginning, he was indicating that his rule would reconcile continuity with change. His gestures of respect for Bourguiba the person, and Bourguiba the institution, even as he moved against his former mentor and reflected in his submission to legal processes, were intended to demonstrate his continuing respect for the political constructs which Bourguiba himself had set about building and ultimately abandoned:

> [Yet] from the moment of his first radio announcement at 6 am on November 7, Ben Ali was most careful to preserve all that was positive in the reputation of Bourguiba and to pay his deepest respects to Bourguiba's primary role in building the state.[3]

This acknowledgement of the contribution of the *supreme combattant* has continued throughout Ben Ali's rule, despite its often perfunctory appearance. The president's office has never failed to let the media know when Ben Ali has made a gesture towards his predecessor. In 1993, for example, the president sent roses and a cake to Bourguiba on the occasion of his 90th birthday. He nominated Bourguiba for receipt of the 1995 Nehru Prize and has retained Bourguiba's face on the national currency.

CONSOLIDATION THROUGH CONSENSUS

If there was one predominant theme of Ben Ali's first year as president, it was the restoration of a national consensus. On the assumption that Bourguibism at its height had represented the expression of such a consensus, Ben Ali sought to prove that, far from trying to overturn the existing political system, he intended to set it back on its original, albeit modernized track, the assumption being that Bourguiba himself had inadvertently set it off course in his final years as president.

Ben Ali attempted to reassure both the population as a whole, and the PSD in particular, that he represented a force for continuity through his appointment almost immediately of a government with virtually the same composition as the last cabinet of his predecessor. The most immediate potential challengers for power had to be removed, including most notably Mohamed Sayah (former secretary-general of the PSD and a would- be successor to Bourguiba) and Mansour Skhiri. Others who had been part of the tightly-knit coterie of palace aides, such as the president's chief secretary-general, Mahmoud Belhacine, the airforce chief, Mohamed Nooman and the influential Colonel Ghazi Iskander, were also arrested. In general, however, arrests were kept to a minimum and it was clear that there was to be no disruptive and blood-thirsty purge. Instead, one of the most senior of Bourguiba's statesmen, Hedi Baccouche, was appointed as prime minister. Baccouche, the out-going social affairs minister, was also a former secretary-general of the PSD and was a conciliatory figure with impeccable party credentials. (He was also a long-time patron of Ben Ali, having earlier sponsored the young officer's entry into the St Cyr Military Academy against some opposition.) Others, such as the new foreign minister, Mahmoud Mestiri, were likewise drawn from the party old guard. In total, there were only six new ministers out of a total of 22 portfolios. Some significant new appointments were certainly made, two particularly important figures being Habib Ammar (the former head of the National Guard, who became minister for the interior) and Abdallah Kallel (who moved from his position as Secretary of State for the Interior to become Secretary of State for the Presidency. Both these figures were old friends and allies of Ben Ali's, with common roots in the interior ministry and, in Kallel's case, a similar military background. The other men whom Ben Ali chose to promote into or within the new cabinet represented the younger, technocratic element of the PSD, which had been stifled and held down by Bourguiba's circle of close aides. Ben Ali chose, therefore, to draw the old and new guards of the party together in a coalition against that self-interested coterie which was blamed for diverting Bourguiba away from the right path. He was, in essence, reassuring the party that its role was still intact, that he was a true Bourguibist, and thus could he could legitimately assume the mantle of the former head of state for his own.

The party might have been somewhat more concerned by his immediate declarations in favour of political liberalization and constitutional reform. However, while some among the party old guard resisted the notion, there were many among the younger technocrats who saw political reform as a vital way to recapture the sympathy and support of the middle and working classes, drawing them away from the Islamic opposition. In his first presidential address to the nation, Ben Ali stated:

> The age in which we live can no longer permit either presidency-for-life, or automatic succession as head of state, from which the people are excluded....Our people deserve a political development and organization which truly relies on the plurality of political parties and popular organizations.[4]

The new prime minister announced that the constitution would be revised as soon as was possible and that a new law on political activity was already being prepared. The imminent PSD congress was to be delayed in order that draft new laws could be drawn up and the party would have a chance to consider revisions to the constitution and its own structure.[5] As an indication of the seriousness of his intentions, the president ordered the release from prison of a number of prominent figures, including UGTT leader Habib Achour, MDS leader Ahmad Mestiri and former minister Driss Guiga. Exiled opposition leaders, who had been tried in absentia, were invited to return with promises that cases would be reviewed with 'great understanding' (although the new interior minister ruined the effect somewhat by stating that returnees would nonetheless be arrested pending new tribunals). Press department rules were relaxed and television and radio stations were instructed to be more objective in their coverage and to concentrate less on PSD affairs. The opposition MDS publication *Al-Moustaqbal* and the Communist *Tarik el-Jedid* were allowed to resume sales, having been banned for many months, and senior government officials met with the UGTT leadership to discuss re-hiring those workers sacked for their anti-government activities. On 5 December, Ben Ali granted amnesties to 2487 prisoners, including several hundred who had been jailed following the 1984 bread riots and over 600 who had been charged with membership of the banned MTI. It was further announced that the government was considering abolishing altogether the state security court, which had sentenced most of the political offenders, and indeed this was done before the end of the year, signalling a retreat from the arbitrary judicial system of previous years. Conciliatory measures such as these removed or diffused some of the most potent grievances held against the government and served to differentiate Ben Ali's style from that of his predecessor.

Not surprisingly, the response from the opposition was generally positive. Even the MTI signalled its approval for these measures and its hope that Ben Ali would fulfil the growing expectations for liberal reform. Addressing the president himself, the MTI expressed its willingness to 'leave the past behind, engage in dialogue without reservations or preoccupation's, support the stability and security of the country and contribute to achieving everything that [your] appeal of 7 November entails'.[6] With over 2000 of its members still in jail, the movement was weakened and traumatized and the government was not hard-pushed to appear merciful and conciliatory. Although the Supreme Court upheld the sentence imposed on 13 MTI members, including the death sentence passed on its leader, Ali Laridh, Ben Ali commuted the harsher sentences and indicated that he might be willing to do the same for Rachid Ghannouchi. Equally, he proved to be unwilling to appear vengeful against Bourguiba's former cronies. While Mansour Skhiri, Mahmoud Belhacine and Hedi Attia remained in prison facing charges of corruption, Mohamed Sayah was released from detention (although on the understanding that there should be no return to public life), as was Bourguiba's son, Habib Junior (who returned to his job as the head of the BDET). The proviso of accepting a ban from civic life was likewise applied to Driss Guiga's release, his sentence of five years' hard labour and five years' imprisonment being suspended.

The secular opposition welcomed the conciliatory and consultative approach of Ben Ali, engaging in a series of discussions centring on measures which might allow them representation and participation in government. Ben Ali was at pains to demonstrate that he intended to aid them in this through two principal channels, electoral reform and the National Pact. His first priority, however, was to consolidate his own political power-base within the PSD.

BEN ALI AND THE PARTY

Despite the fact that the party's own self-absorption had already alienated a large segment of the population, Ben Ali recognized that it was only with the party's support that he held his present position and could claim the right to succeed Bourguiba. Moreover, it provided a natural and still effective power-base for the government. He thus set about the task of reforming the party in order to bring it into line with both his own and the nation's needs. The PSD desperately needed reviving as a credible political force, but it also needed taming to become the servant of the new president rather than the master. Old guard forces within the party were still resistant to both the economic and political liberalization which Ben Ali had promised, seeing the demise of Bourguiba as their chance to reassert the party over the presidency.

It was essential that Ben Ali assert himself within and over the party immediately upon taking office so as to prevent any other centre of power from emerging. Thus, just two days after his coup, Ben Ali assumed the chairmanship of the PSD political bureau and reduced its membership from 20 to 12, just four of them having been in the previous political bureau. The new bureau was charged with initiating a massive recruitment drive to bring new, younger members into the party who would serve to reinvigorate both party structures and ideology. Federal committees would propose a list of names to the president, from which he would select and appoint section committees to carry out the recruitment.

A second major step, and one which symbolized both the renewal of the party and the stamping of Ben Ali's own agenda upon it, was the announcement in February 1988 that the party would be changing its name. The word 'socialism' was dropped entirely and the new name carried the word 'Destour' only in its Arabic translation. The new name, the Rassemblement Constitutionnel Démocratique (RCD), emphasized the commitment to a peaceful democratic transformation. An extraordinary congress was called for mid-1988 to bring delegates together to discuss both the reform of the party and the wider political reforms promised by the president and his new government. At the congress, it became evident that the recruitment drive was showing some success. Party officials claimed that 70 per cent of delegates were attending their first congress and that the proportion of new members in party cells had risen since November by 60 per cent. Less positive was evidence that while 80 per cent of the section committee membership was new to such work, only 20 per cent were actually new to the party. Thus, while the base was spreading, the party old guard was still hanging on to middle- and low-level party management. Ben Ali announced further reforms after the closure of the congress designed to strengthen his own hand. The political bureau was reduced in number again to just six, the new membership being dominated by ex-military or interior military personnel. These included Habib Ammar (Minister of State for the Interior), Abdallah Kallel (the new secretary-general at the Ministry of Defence), Abderrahim Zouari (former ministry of the interior official and now appointed secretary-general of the RCD), Ismail Khelil (governor of the Central Bank and an architect of economic reform), Abdelhamid Escheikh (Foreign Minister, who had trained with Ben Ali at the St Cyr Military Academy in France) and Ben Ali himself. While he had consolidated his own control of the top echelon of the party, he equally sought to weaken the old guard's hold on the next tier, the central committee, by more than doubling its membership from just 90 to 200, 125 of which would be appointed by himself and the political bureau. Only 22 of the 1986 central committee remained in office by August 1988.

Among those selected for the new central committee were former party men and civic personalities. Even figures from opposing political groups, such as Hamouda Ben Slama (formerly of the MDS), rejoined the RCD as it seemed to promise a revived and liberalized political force. Young Tunisians who had been alienated and excluded from Bourguiba's PSD now joined the ranks of the party believing that it would offer them the opportunity to participate in national change and political reforms. Opposition personalities were invited to address the RCD congress for the first time, only to find that the growing public approval for Ben Ali and his policies was undercutting their own appeal. Ben Ali had pulled the carpet out from under their feet and they found themselves with little to offer that was not already being offered by the president.

The congress proved to be a forum for another realm of reform, that of party–state relations. Ben Ali sent out conflicting signals as to his determination to separate party and state machinery. On the one hand, he abolished the post of party director, removing an official party presence from the cabinet. Yet he himself was elected party president, diffusing speculation that he might attempt to divide the party leadership and the presidency. New legislation was introduced which prevented ministers from holding National Assembly seats, dividing parliament from the administration and, ensuring that ministers' first loyalty was to the president and not to their party. All three measures had the effect of reducing the party's claim on Ben Ali while not reducing his own influence over the party. His government had achieved a new degree of institutional autonomy from the party, while Ben Ali's personal position as the controlling force over the party was ensured.

In 1989, following the national legislative and presidential elections, which served both to confirm the domination of the RCD over national politics and endorse Ben Ali's own personal mandate, the president enlarged the political bureau to nine members. He deliberately included Hamouda Ben Slama and Habib Boulares, both of whom were thought of as independents, brought into the RCD establishment only after the demise of Bourguiba. Mohammed Ghannouchi, the planning and finance minister, was included for reinforcement of the economic liberalization lobby, being himself one of the architects of the structural adjustment plan. Former interior ministry official and now party secretary-general Abderrahim Zouari was included, along with Abdallah Kallel (now party treasurer and Minister of Defence), Chadli Neffarti (Minister of the Interior since an April 1989 reshuffle) and Ben Ali's old military friend and current foreign minister, Abdelhamid Escheikh. The prime minister, Hedi Baccouche, newly appointed as vice-president of the RCD, made up the last member of what was by now an RCD political bureau drawn almost entirely from the ranks of the military, the interior ministry or the economic technocrats who were devising Ben Ali's restructuring programme. The presence of two semi-independents indicated Ben Ali's confidence and his desire to give the impression of a more politically open regime, and also helped to balance the political bureau against the interests of the RCD party old guard.

Zartman said of Ben Ali in 1991 that, unlike Mikhail Gorbachev, he had been unable to bring himself to leap free of the party and had not been strong enough to confront it directly.[7] This may be in part because, unlike the Communist Party in the Soviet Union, it was not the ideology, in this case the Bourguibist consensus, which had lost credibility, only the elite figures which had abused it (including Bourguiba himself). The RCD as mobilizer of the people behind the consensus still acted as a locus for legitimacy and, in replacing Bourguiba, it was incumbent upon Ben Ali to locate himself within that consensus and therefore the party itself.

ELECTORAL REFORM

Despite welcoming the promises for political reform made by the new regime, the opposition retained some degree of scepticism. Soon after the coup, the government announced that by-elections would be held for five seats in the National Assembly which had become vacant largely through resignations. The MDS declared that it would not contest the seats given the existing electoral system, although Hamouda Ben Slama was prepared to move from the MDS slate to that of the PSD to enable him to run. In the event, the PSD unsurprisingly won all five seats and the opposition was quick to point out that this merely served to demonstrate the defects of the current system and that new national elections should be called under a revised electoral code. The government responded with two early reforms; firstly a revision of the constitution that replaced presidency-for-life with a maximum 15-year term, an age limitation on the presidency of 70 years, and the end of the principle of a prime minister's automatic right to succession.[8] A constitutional council was also established to vet all new legislation to ensure that it conformed to the articles and principles of the constitution.

The second move was the approval of a new law authorizing political parties on 3 May 1988, institutionalizing the multi-party system. In a deliberate attempt to exclude the Islamist challenge, the law stipulated that no party could legally organize on the basis of race, religion, language or region and all must defend the country's Arab–Islamic identity, human rights, the republican character of the regime and the personal status code which enshrined female emancipation. Although these conditions prevented the legalization of the MTI, it was hinted that a reformed and moderated Islamic party which could find some way to accommodate the conditions, thereby acknowledging the existing state system, could be recognized at a future date.

As well as providing confirmation of the legal status of existing opposition, two small opposition parties were legalized, the Rassemblement Socialiste Progressiste (RSP) and the liberal Parti Social pour le Progrès (PSP). The distinction between legalized and non-legalized party activities was drawn, however, by the seizure of an edition of the RSP weekly, *Al-Mauqif*, which contained articles by the banned Ba'athist Party and the MUP. The law and the government's subsequent actions clearly defined the limits of party activity – they could legally operate so long as they did not challenge the basic precepts of the existing state or attempt to impose an ideological format which might compromise its established premises. Muhammad Mzali summarized the Law of Political Parties as containing more about what parties could *not* do than what they could:

> In twenty-seven articles, the law enumerates a collection of stipulations, prohibitions and sanctions which register, control and punish political parties in a spirit marked with the stamp of suspicion.[9]

In effect, he claims, recognition of parties is dependent more on the 'power of the prince' than on their fulfilling positive criteria.

Further political reforms became the subject for multi-party debate within the context of the National Pact, the goals of which were laid out by Ben Ali on the eve of its signing in a public letter to the press: 'to define a common denominator and a minimum of principles on which all Tunisians can agree and that can be adopted as a basis for political action and development'.[10]

THE NATIONAL PACT

In September 1988, the legal opposition parties, together with representatives of trade unions, employers' and other national organizations, and even an unofficial representative of the MTI (a total of 16 organizations), were invited by Ben Ali to join a debate which would focus around a document to establish the terms and ambitions of a new national consensus. The National Pact, as it was called, was drafted by a committee elected by Ben Ali's own party, but was open to editorial changes as agreed by the collective of representatives drawn from across the social and political spectrum. The final document was launched a year after the coup, on the 7 November 1988, and claimed to be based on the so-called *Declaration of 7th November 1987*, the commitments to liberal reform made by Ben Ali on his accession to power. The parties to the pact pledged themselves to regard the pact as a contract, binding Tunisians together in a single consensus 'achieving a unity which is particularly important at the present decisive stage in our country's history, as we strive to usher in democracy and consolidate the legally constituted state'.[11] In effect, through the establishment and processes of the National Pact, Ben Ali recreated the image of an organic corporatist state, reinvigorating the role of national organizations as partners with the state, rather than potential and sometimes actual combatants.

In a statement concerning the identity of Tunisia and Tunisians, the pact asserted the Arab and Islamic character of the state. Rejecting Bourguiba's uncompromising secularism, the pact attempted to incorporate the Islamic character of the population within a context that reinforced, rather than challenged, the state:

> The Tunisian state watches over the noble values of Islam and refers to them, so that Islam may be a source of inspiration and pride, open to the concerns of mankind and to the problems of the modern day and modern life, and so that Tunisia may remain what it has always been, a centre of Islamic influence and a focal point for science and *Ijtihad*.[12]

The reference to *Ijtihad*, closely followed by a statement declaring women's emancipation to have been one of the state's major accomplishments, indicated clearly that reactionary or fundamentalist brands of Islamic political activity were not considered a part of this consensus. By establishing the primary status of Islam in national identity, however, Ben Ali sought to reassure Tunisians that they could reconcile Islam with the modern state.

There were three further sections to the National Pact: the political system, the strategy for development; and foreign relations. The section on the political system began by asserting that the constitution of Tunisia guaranteed free elections, separation of powers, protection of human rights and basic liberties, the rule of law and the locating of sovereignty in the people.

> Unfortunately, the country's constitution was violated by such practices as a one-party system, the exclusion of institutions, the personalization of power and the monopolization of authority, leading to numerous crises.[13]

Again, we see the reiteration of the theme that Ben Ali was leading the country back to its proper roots, that the problems of the country had stemmed from abuse of power under Bourguiba and that essential legal institutions of the state were adequate. Specifically, the document declared that: 'The Declaration of 7th November ended such deviations, righting the ship of state by restoring its organic link with the aims and goals of the movement of revival and recovery'.

The remainder of the section established the state's commitment to and responsibility for the protection of human rights and basic freedoms, protection from all forms of extremism and intolerance (another effort to justify the exclusion of Islamic militants from the sphere of legitimate political activity), freedom of political association and organization within the limits of the law and equality of all citizens regardless of race, gender or religion. The terms of the pact were clearly framed to establish the division of religion and politics as a fundamental principle of Tunisian society.

Finally, the section established the necessity for democratic pluralism; for periodic, free elections which provided for rule by the majority but with appropriate respect for the needs and interests of the minority. The military were clearly subordinated to the civilian arm of government and instructed to be politically neutral. As a means of reassuring the smaller parties, it was further agreed that political parties and organizations, while a vital ingredient of civil society, could not and should not replace the state, or assume its status. This seemed to equate with a satisfactory declaration by the RCD that it was itself not the state and would not seek to subordinate the institutions of the state to its own structures and machinery.

In both the political and development sections of the document, great emphasis is laid on collective effort, solidarity and the responsibility of the citizen. Tunisians are exhorted to pay their taxes scrupulously and to educate their children in the virtues of self-sacrifice and hard work. In return, the state is obliged to be fair in its assessment of the needs and interests of the population, and to develop the economy in such as way as to ensure the fair distribution of benefits. Even the emphasis on the establishment of a new culture 'which illustrates man's ability to change the conditions of his life through perseverance and organization' and which 'reinforces the individual's consciousness of sharing the problems to which his existence and his fate expose him with all of mankind', are evidence of this reassertion of the inter-linkage of the peoples' destinies. The fact that the pact was given the blessing of so many parties and national organizations reflects the hopes of many Tunisians that Ben Ali was sincere in his determination to return the country to the values of the early post-independent state. His theme of continuity and change being reconciled was beautifully illustrated in the document which committed the legal opposition not least to his interpretation of the national consensus. From the perspective of the opposition and the national organizations, the document contained a clear commitment on the party of the RCD and the government to the introduction of a fully functioning multi-party political system, if not to the details of electoral reforms that would make such a system truly democratic. From the perspective of Ben Ali's critics, however, it represented the consolidation of presidentialism since it denied the proper role of party competition and committed the opposition to loyalty behind the presidency.[14] Opposition figures complained that they were being pushed into signing the pact in a way which made any subsequent criticism of the government seem unpatriotic. Even within his own party, Ben Ali faced resistance from those (including notable National Assembly members, regional governors and party committee members) who saw the pact as diminishing the power of the RCD. Ben Ali was, in effect, outpacing his own party and out-manoeuvring the others.[15]

There can be no doubt that the National Pact served an invaluable purpose at a critical juncture in the country's political history. It represented a continuation of the inclusory nature of the Tunisian regime, reassuring both the old incorporated interest groups, and those which had no formal representation (the poor, the unemployed and the ill-educated), that any changes that might be introduced to the political system would not have an exclusory impact.[16] Lisa Anderson has pointed out that the text of the pact is largely concerned with political rights and responsibilities, rather than social or economic policies, thus appealing to the widest possible section of the population and allowing for future flexibility.[17] In effect, however, the very inclusory nature of the document acted to limit the realms of political debate for those among the government's opponents who had been signatories. Again, as Anderson points out, the Communists had committed themselves to respect for private property, and the Islamists to acceptance of the Code of Personal Status. The very principles upon which alternative political agendas were based were repudiated by their own advocates. Thus, while Anderson predicted that the pact would act as a forum for new and legitimate political competition, and for accountability – as she puts it, 'an effort to foster the tolerance of dissent and opposition which is a cornerstone of democratic politics'[18]–it contained within it the seeds for a structure which could potentially act instead to impede such liberal political developments.

ELECTIONS AND ELECTORAL REFORMS

Confident of the aura of approval which surrounded him in the first year of his presidency, and aware of the need to secure electoral legitimacy, Ben Ali announced in November 1988 that he was bringing forward the next presidential and national elections to May (later revised to April) 1989. The atmosphere of political dialogue was at the time reinforced by a general feeling that Ben Ali was finally taking the firm hand over the economy which Bourguiba had proved unable to do. The president's one-hundred-percent commitment to economic liberalization, and his policy of cramming his government full of young technocrats and colleagues eager to pursue it, had reassured the population that the ship was at least being firmly steered on a definite course, rather than changing direction seemingly with every swing of a senile president's political whim. One analyst said at the time:

> The strategy of weighing financial prudence with political reconciliation has contributed to an atmosphere of stability. This is in marked contrast to the situation before Ben Ali's take-over.[19]

The first months of 1989 saw the introduction of piecemeal electoral code reforms which, despite chipping away at the inevitability of comprehensive RCD victories in elections, did not satisfy the opposition. Opposition parties were given the right to sit on committees which distributed voting cards and an independent commission was established to supervise electoral disputes. The number of seats in the National Assembly was increased by 16 to 141, divided between 25 constituencies, each with 2–9 seats on the basis of 1 seat for 60 000 citizens. The party winning the most votes in a constituency would win all the seats of that constituency. Much broader reforms demanded by the opposition, including full proportional representation, abandonment of the requirement that a party candidate must have 75 voters' signatures of support before he could stand in a constituency (*parrainage)* and the scrapping of the condition that every presidential candidate should have the support of 30 members of the National Assembly or heads of municipal councils, were rejected by the government. Opposition objections that the existing system still made it impossible for small parties to win representation were met with an RCD invitation to join the dominant party in a coalition slate. Not surprisingly, the MDS, under Ahmad Mestiri, led the way in rejecting the suggestion on the basis that a properly democratic system should allow for the independent representation of small parties.[20] In reality, the only concession made by the government was an assurance that parties winning 3 per cent or more of the vote would have their campaign costs reimbursed.

Although they nonetheless contested the national elections, none of the opposition parties challenged Ben Ali in the presidential elections held simultaneously. Not only was it impossible to get the required list of supporters from an RCD-monopolized National Assembly, but it was also recognized that the president was still benefiting from a political honeymoon of popularity against which no opposition party could put up a serious challenge.

In anticipation of the elections, the MTI had applied to be recognized as a legal party, having changed its name in February 1989. As *Hizb al-Nahda*, or the Renewal Party/Movement, Islamists claimed that they had fulfilled the requirement that they remove religious references from their title. Moreover, they insisted that theirs was a movement not of revolution but of reform and thus presented no threat to the state.[21] In stating his commitment to democratic forms of government, Rachid Ghannouchi said on the eve of the 1989 election:

> It is neither moral nor possible to demand freedom for ourselves when we are persecuted and then refuse it to others when we are in a position of strength.[22]

The preamble to the constitution of the new party repeated its commitment to building 'a civil society on the basis of democratic principles and justice. This hope will be reflected in our support for all democratic initiatives and institutions which allow our people to express freely their opinions and protect the foundations of the republican regime.'[23] The rejection of their application, although unsurprising given that they remained a party driven by a religious agenda, meant that they were forced to field candidates as independents who were unable to benefit from provisions made for legal parties, such as the right to television and radio time. In fact, they were allocated some such media coverage and, unlike some of the legal opposition parties, they had no trouble finding the required number of voter sponsors for each candidate. Even so, many of their candidates were refused permission to stand causing early complaints of official malpractice. It was rumoured that Ben Ali himself was strongly tempted to legalize Nahda, pulling them into his construction of apparent consensus and committing them to co-operative rather than confrontational behaviour. His aides, however, persuaded him that to do so would be threatening the entire secularist progressive political structure of Bourguibism and the modern Tunisian state.

Instead, the progressive role of Islam in Tunisia was recognised in other ways which stressed the importance of tolerance and the non-political public role of religion.[24] Ben Ali's entire approach to Islam since assuming power had been somewhat confusing. On the one hand, he had granted an amnesty and release from prison to MTI leader Rachid Ghannouchi (who was nonetheless kept under house arrest) and had invited Islamic leaders in exile to return to Tunisia to participate in the National Pact debate. Those who did return, such as Hamedi Jebali and Abdelfattah Mourou, were arrested and then freed, sending apparently contradictory signals that might have been intended to act as a reminder that the state was still powerful enough to rein in Islamists who stepped out of line. The Union Générale Tunisienne des Etudiants (UGTE), a student body closely linked to the MTI, was legalized in September 1988 and a new post, that of secretary of state for religious affairs, was created in November – although it was filled with a former interior ministry man, Kacem Bousnina. In his 3 February and 7 November 1988 speeches, Ben Ali was at pains to emphasize the importance attached by his regime to the Islamic identity of Tunisia:

> We are determined to raise the prestige of our religion and to apply its noble precepts, resolutely conforming ourselves to its majestic values and wise principles, far from all ostentation or formality. Turning away from all that goes against the spirit and essence of Islam, we reject all that is alien to authentic Tunisian Islam, or contrary to the good traditional heritage of our fathers and our ancestors, traditions which are as much elements of our personalities, or our spiritual being.[25]

In January 1989, Abdelfattah Mourou was one of eleven new appointments to the Supreme Islamic Council which supervises mosques and Islamic education, and the chairman of the council (formerly the Mufti who was known to be a close supporter of the regime) was replaced with the head of the Zaytouna University, Touhami Negra, seen as a conciliatory measure towards the MTI. Moreover, the RCD tried to re-clothe itself in Islamic garb: Ben Ali himself appeared in election posters wearing the white robes of a *hajji*, other posters declared that 'the Hand of God is with the Assembly', speeches began with invocations of Allah and clerics made their appearances as RCD candidates.[26] These apparently positive, if limited, moves by the regime to draw the Islamists into the political debate, rather than to isolate and confront them, made it seem strange that the government was ultimately not prepared to legalize the party itself, especially when the latter was willing to alter its name and participate in government-led debates. Yet Ben Ali and his government were ultimately determined that religion should remain the preserve of the individual and its only political manifestations should be via state sponsorship.

It may be that the results of the election in 1989 illustrate the reason why, ultimately, Ben Ali was unable to legalize Nahda. With Islamist independents winning at least 13 per cent[27] of the votes nation-wide, far exceeding the performance of the secular opposition, it was clear that Nahda represented the only genuinely challenging opposition to the RCD. Ben Ali had no doubt hoped that all his measures at apparent political liberalization, internal party reform and Islamic reconciliation had undermined that part of Islamist support which stemmed from protest rather than conviction, and that he had won back the alienated middle classes. The election results showed that, while to some extent he had managed to pull the carpet out from under the feet of the secular opposition, he had been unable to do so with the Islamists. Unlike the secular opposition, which had few credible alternative policies to offer and which had anyway mostly devolved from Destour roots themselves, Nahda offered a sufficiently distinct platform to have drawn and, more importantly to have kept, its own constituency.[28] However, it is also true to say that Nahda were disappointed with the results, although Ghannouchi himself frequently made claims that the support was in fact much higher than that reflected by electoral results. Even with a full system of proportional representation, Nahda would not have won more than around 24 seats and would not have seriously challenged RCD dominance.[29] Part of this failure can be attributed to the fear aroused by some of the more hard-line candidates who seemed to reject the moderate pro-democracy discourse of the leadership. But it was also a result of miscalculations among that same leadership, which had underestimated the strength and popularity of the RCD and overestimated its own mass appeal. With the electoral route to power clearly not open to them, it was unsurprising that elements within Nahda should prepare for more direct confrontation with the regime.

The election results had a number of interesting outcomes. In the presidential elections, Ben Ali received over 99 per cent of the vote. While this was to be expected, given the fact that he was the only candidate to stand, the opposition conceded that there had been a genuine vote of confidence in Ben Ali himself. The secular legal opposition had no figure of comparable political stature to offer and in any case accepted that the president enjoyed widespread popularity for being at the same time both democratically and reform minded, and sufficiently strong and authoritative as to be able to hold the country together at a difficult time. His support was not confined to any particular social group but, as Lisa Anderson put it, 'Ben Ali enjoyed enormous popularity among both the Tunisian intelligentsia and the people on the street'.[30]

In the elections to the National Assembly, the RCD won all 141 seats, prompting bitter recriminations from the opposition. Apart from accusations of RCD malpractice and voting irregularities, the opposition claimed that the result proved the inadequacy of the political reforms so far enacted. Ultimately, for all its talk of democratization, the RCD had proved itself unwilling to actually share power. The turnout was low – averaging just 28.3 per cent across the country – and without the financial and organizational benefits of the RCD, smaller parties were unable to mobilize support or to turn it into actual seats in the National Assembly. The RCD polled just over 80 per cent of the total vote, the MDS polling less than 1 per cent and the other legal opposition parties managing less than 5 per cent between them. The government interpretation of the results, which to some extent was justified, was that the population had seen little need for supporting the opposition when the RCD was so clearly reforming itself and leading the country on a path defined by a general popular consensus. The secular opposition parties were anyway themselves incorporated into the RCD-led process of national renovation. The results had demonstrated the ideological, organizational and even financial weakness of the secular opposition. Parties like the MDS offered no significantly different economic agenda and had been somewhat wrong-footed by the RCD's new apparent accommodationist strategy regarding political reform and liberalization. Others, like the Communists, offered an economic strategy that had been discredited by the collapse of communism elsewhere and the failure of centrally planned models. The RCD, in contrast, was determinedly charging ahead with a clear agenda for economic change that was a welcome alternative to the chaos, crisis and vacillation of Bourguiba's final years.

Ben Ali's strategy was not necessarily well-served by the RCD's sweeping victory. His intention had been to allow the opposition to gain some representation, giving the National Assembly credibility as a democratic institution and drawing the smaller parties into the support-base for his government. The fact that the RCD won so convincingly, and that there was a degree of result tampering in the regions, demonstrated that the regional structures of the RCD did not view democratization as favourably as he did. They were distinctly unwilling to share power and regional committees, unlike the higher echelons of the party, could not be so easily stuffed with pro-Ben Ali reformers. Middle-ranking party officials remained true to the old guard of the party, and still exercised virtually absolute power in their own domains. The editor of a leading magazine, *Réalités*, said at the time:

> Despite what I sincerely believe are the president's good intentions, we are dismayed to see a number of his own men not follow his direction. That continues right through to the regional and local levels, where people are following first what is in their own interest.[31]

Thus they stymied the leadership's efforts to create an illusion of power-sharing and alienated the less-conciliatory wings of the secular opposition parties from the reform process. Moreover, the elections represented a direct head-to-head of the RCD versus the Islamists, a position which Ben Ali had sought to avoid by offering the legal opposition parties the opportunity to run on a combined 'National Front' slate. As Zartman says:

> The elections gave Tunisia a *de facto* two-party system without a second party formally constituted and with an opposition of uncertain loyalty. . . . As a result of these complications, Tunisia hobbled into the democratic era with less clarity than would have been desirable.[32]

BEN ALI SHAPES HIS GOVERNMENT

The strategy of including the secular opposition within the offices of government was carried through the post-1989 period. Much as Mourou had been included in the quasi-government Islamic establishment, so Ben Ali made a point of inviting prominent opposition figures into his government. Given that the elections had clearly demonstrated the futility of seeking to exert influence through representative bodies, this offered ambitious opposition personalities the opportunity to express opinions within the circles of power. While there was inevitably going to be criticism levelled at them for doing so, not least from within their own party ranks, there was equally a tempting justification in the mass appeal of Ben Ali's call for national consensus and co-operation. There had already been early defections from the secular opposition parties to the RCD by figures who had left the PSD in protest at its internal stagnation and corruption. To them, it was an easy step to return to the fold when promised party reform and national political and social reconciliation. In his first cabinet reshuffle in April 1988, Ben Ali had promoted Hamouda Ben Slama to the position of Secretary of State for Public Health. Ben Slama had transferred to the RCD after a career in opposition (MDS and LTDH) politics and attained a National Assembly seat in a January by-election. His promotion, which was advanced still further in July with an appointment to the post of Minister for Youth and Sports, was thus enviably rapid and clearly illustrated Ben Ali's incorporative intentions.[33] Ben Slama was replaced as Secretary of State for Public Health by Saadeddine Zmerli, also a former MDS member and president of the Ligue Tunisienne des Droits de l'Homme (LTDH). Another appointment was that of Habib Boulares, a PSD minister who had joined the liberals in exile in the 1970s, to the ministry of culture. Susan Waltz has correctly pointed out, however, that the appointment of so-called independents to politically inconsequential ministries such as youth, health and culture signified the real limits to Ben Ali's desire to incorporate them into power structures.

In the April 1989 post-election reshuffle, further opposition appointments were made. Mohamed Charfi, another former chairman of the LTDH, was given the education and science portfolio, while Daly Jazi, a leading member of the MDS, was awarded the post of Secretary of State for Health. Ben Slama and Boulares were ironically brought into the political bureau of the RCD.

Two other groups were still increasingly being brought into the circles of power, at the expense of the RCD party old guard: technocrats who were notable advocates of rapid and complete economic liberalization; and Ben Ali's own immediate allies from the military and interior ministry. The infiltration of these groups into the regime elite was initially subtle. In his first cabinet reshuffle in April 1988, Ben Ali promoted a number of young technocrats into the ministries by creating several new secretary of state posts. New appointments were made in the higher echelons of the public sector and, in a July reshuffle, more technocrats still were promoted, this time to directly head ministries. They included Ahmed Smaoui, a tourism official promoted to become minister of transport, Sadok Rabah (former secretary-general of ETAP) and Moncef Belaid, the last two splitting the national economy ministry between them. In this reshuffle, Ben Ali took the opportunity to remove several more ministers formerly appointed by Bourguiba, whittling away the old guard representation within the cabinet. By April 1989, only five ministers remained from the Bourguiba regime, apart from Ben Ali himself. Hedi Baccouche, the prime minister, remained, a symbol of continuity more than anything else, as did Mohammed Ghannouchi and Ismail Khelil, two principal architects of structural adjustment and its chief advocates within the government.

More sinisterly, perhaps, it became evident that the president was also moving more interior ministry and military personalities into the realms of civil politics. In April 1988 he had abolished the post of Minister of Defence, moving the incumbent, Salaheddine Baly, to the justice ministry (thereby replacing the old guard representative – Mohamed Salah Ayari). Ben Ali kept for himself the role of head of the armed forces but made his close military ally, Abdallah Kallel, then Secretary of State at the Presidency, the secretary-general of the Ministry of Defence. Kallel had become a serious force to be reckoned with as his charge up the hierarchical ladders gathered momentum. He was to maintain his ascendancy by later accepting the reinstated post of Minister of Defence. Another figure with a similar reputation was Chadli Neffarti, named Secretary of State for the Interior with responsibility for police. Neffarti was promoted again in November when Ben Ali's old friend, Habib Ammar, was forced to step down as interior minister. Although the official reason given was problems with Ammar's health, it was clear that Ammar was being punished for scandals involving his son. The message was being given that Ben Ali's government would not tolerate special privileges or immunities for their own class. In reality, Ammar was maintained in his position as Secretary of State and Special Advisor to the President, and was to return when the dust had settled. In April 1989, Abdelhamid Escheikh, the former youth and sports minister, was promoted to head the Ministry for Foreign Affairs. Escheikh was a former chief of staff and one of Ben Ali's former colleagues at the St Cyr Military College in France.

Thus in Ben Ali's restructured political bureau in 1989, four of the nine members, including the president himself, had their roots in the interior ministry or military structures that provided the background to Ben Ali's own rise to power. These included the president, Abderrahim Zouari (RCD secretary-general and former interior ministry official), Abdallah Kallel (RCD treasurer and Minister for Defence), and Abdelhamid Escheikh (former army Chief of Staff and now Foreign Minister). Also included were the two 'independents' (Habib Boulares and Hamouda Ben Slama), two pro-economic liberalization technocrats (Mohammed Ghannouchi and Ismail Khelil) and only one old-guard Bourguibist (the prime minister, Hedi Baccouche). It was thus clear that Ben Ali had not only stacked the cabinet but also the highest structure of the party with his own special coalition of forces. By imposing his chosen men upon the party structures, he had subordinated them and decapitated any effective resistance to his policies from within the party hierarchy (if not the lower local and regional cells). The government was now not a mere extension of the RCD as it had been for much of the post-independence period, but a semi-autonomous coterie of pro-economic-liberalization figures who carried with them the monopoly on coercive capacities and incidentally dominated the party itself. Bourguiba had in his final years attempted to achieve the same independence from the party, but had failed because of his inability to secure any alternative power-base. It was not a mistake that Ben Ali proposed to repeat, although he did not have an altogether easy ride. The temporary retreat from public life of Habib Ammar was rumoured to have exposed internal power struggles, as had the resistance to democratization shown by the lower echelons of the RCD in the 1989 national elections.

The 'arrival' of the military was further marked by the establishment in November 1987 of the Council for National Security, which included the ministers of defence and the interior, the Armed Forces Chief of Staff and the Chief of Military Security, and was designed to 'collect, analyze and assess information on domestic, foreign and defence polices with the aim of safeguarding internal and external state security'.[34] L. B. Ware has identified the individuals who have accompanied Ben Ali's rise from a military/security background as follows:

> They are contemporaneous in age; they received their commissions in the immediate post-independence period; they were trained initially in French military schools; they are considered both technocrats and men of prudent but decisive action; and all, apart from Katib, have obtained their advanced technological training in American military institutions.[35]

He asserts that their being located in such influential positions indicated the importance that was attached to suppressing internal dissidence. But perhaps it has also been an effort to incorporate the aspirations of the military and pre-empt further integrist infiltration into the military ranks.

RECONCILIATION AND REVIVAL IN THE NATIONAL ORGANIZATIONS

The 1989 national elections left the president and his men in something of a dilemma. The limited political reforms had been insufficient to allow for genuine opposition representation within the National Assembly, leading to growing criticism that Ben Ali was not serious about democratization. In other realms, too, Ben Ali was under pressure to demonstrate his willingness to include rather than exclude potential political challenges, even as he sought to stem criticism by establishing clearly what was and was not allowable.

With the more unpleasant side-effects of economic reforms beginning to hurt the population, the trade union movement became an inevitable stage for the playing out of these efforts. When he came to power, Ben Ali had tried to reduce the tensions between the government and the UGTT with a number of positive gestures, such as releasing its leader Habib Achour from prison. In April 1988 Achour was granted a presidential pardon, a gesture which 'coincided' with Achour's retirement from the union, along with that of his successor Abdelaziz Bouraoui. The retirement of these two figures, around which much of the internal wrangling of the union had taken place under Bourguiba, was the result of a forceful effort by the president to clear the way for reconciliation both within the union movement and between it and his government. Under his sponsorship, supporters of the two rivals were brought together to try to elect a new, mutually acceptable, executive committee. The departure of Achour and Bouraoui had enormous implications for the UGTT since they had personally manipulated and dominated its structures for decades. With them out of the picture, the membership of the somewhat decapitated union was vulnerable to both the reconciliatory messages of Ben Ali's government and, in contrast, to the growing influence of an Islamist contingent. At a special UGTT Congress in April 1989, after a great deal of debate, the 400 delegates finally elected a new committee predominantly composed of centre-leftists under the leadership of Ismail Sahbani. The election represented a victory for the less militant elements of the union, who fought on a platform of co-operation with the government rather than confrontation.

It has been argued that the election results and the subsequent non-confrontational stance of the UGTT reflected the impact of an important change in union funding which had taken place in the mid-1980s.[36] Following the riots of 1984 and the imprisonment of Achour, the government had withdrawn the union's right to raise its funds independently via a tax on members' salaries. Although this tax, which had been in existence since independence, represented only 1 per cent of a worker's wage, it had given the union an autonomous budget. Without this, and with union salaries paid by the state, it became much harder for the UGTT to act as an independent body in any substantive way. Moreover, the arrest of Achour had led to a purge of the union ranks of the old guard syndicalists. Under Ben Ali, this has continued and negotiations between the UGTT and the government or UTICA became less a question of wage bargaining than a technical process carried out in a highly centralized and non-combative manner. Critics of Ben Ali's union policy claim that the UGTT has all but ceased to be a labour union, losing the negotiating position that it held in the headier Bourguibist days as its leadership becomes increasingly accommodationist and centralized. It has not simply been co-opted – it was always that – but rather it has been subjugated.

The subordination of the union movement, and specifically the UGTT, was a prerequisite for successful economic reform. The successful development of the private sector and its conversion to competition required substantial labour code reforms, while wage and price policy were inevitably bound to clash with workers' interests. While encouraging the participation of the tamed union in the National Pact and in discussions over labour legislation and wages, the government has been uncompromising when the UGTT has complained of price hikes or public sector lay-offs. It has been evident that, while the union is welcomed and indeed considered a vital element in promoting the national consensus and organic unity, it may not challenge the basic premises of government policy. Any capacity which the union held seriously to resist government moves has been drained by the retirement of its senior combatants, the imposition of financial restraints, the purging of radical elements and, not least, by the willingness of the state security apparatus to move against troublesome individuals.

In 1993 it was rumoured that radical elements of the UGTT were trying to bypass this co-optation by forming a labour-based political party to contest the 1994 elections. Oppositionists hoped that such a party would be able to take advantage of established UGTT structures and mass appeal to create a genuine mass-based challenge to the RCD. In the end, however, the election of a new executive bureau (still under Ismail Sahbani) in December 1993 demonstrated the domination of the pro-dialogue contingent within the ranks of the 350 000 membership. This was due not least to the conditions under which the union had rebuilt its structures since 1987, and the rise to power within the UGTT of younger, technocratic men who saw their role as one of mediation rather than confrontation.

The originally Destourian student union, the UGET, was also affected by Ben Ali's strategies. At its eighteenth national congress in 1988, the UGET attempted to revive itself as a genuinely representative and democratic body.[37] The student demonstrations during the 1970s and 1980s, and the fierce Bourguibist response, had served to politicize the student body and bring to the fore the far-left PCT and the outlawed POCT membership, sidelining the Destourian elements. In the mid-1980s, however, Islamist membership developed which was ultimately to find its own expression in the newly legalised UGTE. The strength of the support for the UGTE was convincingly demonstrated in the 1988 elections to university faculty councils.[38] Moreover, the turnout for elections for delegates to attend the eighteenth UGET conference was so low as to be labelled derisory, signifying the lack of confidence in the efficacy or representativeness of the old student body.[39] UGET students were faced with the two-fold challenge of, on the one hand, reasserting themselves within the mainstream student body, and on the other, redirecting the union's activities away from confrontation over political issues and towards concentration on specifically student issues and interests. Political dialogue with various legal parties was initiated, mimicking developments at the grander political level, and attempting to make the UGET an inclusive cross-party body characterized by diversity and tolerance.[40] Its reward was official recognition by the state as a partner for dialogue. As the year progressed, it became clear that the UGETwas defining the focus of its activity as rejection of the simultaneous decline in funding of higher education and government efforts to increase student numbers massively .[41] The inevitable tensions that arose between students who were behind RCD-introduced reforms of higher education and those against resulted in a number of violent incidents in late 1988 and 1989, from which the UGET officials tried to disassociate themselves. Nonetheless, the secretary-general of the UGET was to say in an interview, 'We live in the pockets of our militants, and it is not normal'.[42]

SECULAR OPPOSITION

The 1989 elections results also proved to be a turning point for the secular legal opposition parties, ending as it did the honeymoon with Ben Ali's RCD while simultaneously demonstrating that they had inadvertently passed the baton of opposition to the Islamist movement. The legal opposition were, in effect, caught between a rock and a hard place. They offered little in policy terms that contrasted with the RCD and their pro-democratisation platforms were seen as essentially self-serving. They could achieve little or nothing if they did not co-operate with the ruling party, but moves such as that of Daly Jazi from MDS ranks to those of the government tore at the confidence, independence and integrity of the opposition. Moreover, in collaborating with the government and accepting the undemocratic political structures, they risked abandoning the one real policy that distinguished them from the RCD itself. Since they were not mass movement political parties they had little bargaining power in their dealings with Ben Ali other than as possible secular allies in the struggle against their common challenger, the Islamist movement. The choice therefore between very limited access to the echelons of power on the one hand, and political integrity but no real chance of representation on the other, left the secular opposition parties weakened and divided. The president made it clear that he did not intend to see a multiplication of political parties which would, he claimed, be 'a waste of energy and creates antagonism'.[43] Equally, he reminded the opposition that they had been invited to stand in the elections on a coalition slate with the RCD and had refused. Thus it was their own fault if they now found themselves unrepresented.[44] In short, they had had all the political reform they were going to get, at least for the moment.

Defeated by this absence of reform, the MDS leader, Ahmad Mestiri, resigned. His place was taken by the younger Mohamed Moadda, who argued that the largest legal opposition party was being forced to take a position. Frustrated by the government's failure to consult them on issues such as price rises, or to admit to the deficiencies of the election, the MDS therefore led the smaller parties in reducing their co-operation and noisily criticizing the government. They demanded not simply revisions of electoral law, but full reform of all laws and codes to bring them in line with democratic standards. As Abderahman Tlili of the UDU said: 'the transformation from a personalized dictatorial regime to a democratic regime cannot be done simply through legislative elections'.[45] Together the smaller parties tried to regroup into an alliance to present eight propositions that would relaunch the democratization process – an alliance which was weakened by the defections of significant individuals and which ironically drew them into a *de facto* alliance with their Islamist opposition, if only by virtue of the similarities of many of their demands.

The point was not lost on the president. By December 1989, the government had decided to alter its strategy, offering a relaunched National Pact which would include further electoral reforms, thereby isolating the Islamists once again and drawing upon the secular opposition's own fears of the Islamist challenge. With the pace of economic reform hotting up, the government was eager to reduce tensions on at least one front of its many battles, tempting the secular opposition back into the RCD-created consensus and lining up the political, as well as military, troops to take on the true political challenge – that of the Islamist movement.[46] The government made it clear that it was now prepared to compromise further on electoral reform but that the legal opposition parties should not take this as *carte blanche* to interfere with government policies.

Two particular areas were out of bounds for the opposition. The first was interference in economic policy. While it was to be expected that the smaller parties would make disgruntled noises over price rises and austerity measures, they were not welcome to participate in on-going labour disputes or negotiations with the UGTT. 1990 was a critical year for the economic reform programme, a fact reflected in Ben Ali's cabinet reshuffles. Ismail Khelil was moved to the foreign ministry with a mission to sell Tunisia's new economic credibility to the outside world, while Mohammed Ghannouchi took on the post of Minister of

National Economy as well as his existing jobs. The government sought to create a delicate balance between rapid economic reform and preventing social upheaval. Thus the wage negotiations between the UGTT, UTICA and the government which took place during the first half of the year were a critical issue for the credibility and survival of the SAP. As Ben Ali sought to strengthen the government's hand, he equally wanted to give enough space to the union to quell any violent reactions, a tricky situation which would not be helped by any opposition party attempts to radicalize the discussions.

The second no-go area for legal opposition politics was the issue of educational reforms. The Minister for Education and Higher Education, Mohamed Charfi, was introducing a broad range of reforms, the opposition to which was being led by the Islamist movement and, more specifically, the Islamist elements of the UGTE. Conscious that the university campuses had been a power base for opposition to Bourguiba, Ben Ali had strengthened the police presence on the campuses which had subsequently come to resemble a battleground. In early 1990 a series of student demonstrations brought a fierce response and hundreds were arrested or conscripted.[47] The legal opposition parties were in no doubt that this was a battle that they should stay out of, if they wished to extract political reforms from Ben Ali.

The secular opposition parties concentrated their efforts instead on winning electoral reforms. The MDS, PCT and the unauthorized MUP joined forces in order to strengthen their position, establishing a joint committee to co-ordinate their activities. The parties had little in common except their exclusion from power. But while the coalition represented little in practical terms it was still able to prompt a response from the government. In the end, the government itself postponed the municipal elections until June in order to amend the election laws. Under the revised system, announced in May, the winning party in each constituency would take 50 per cent of the seats in that constituency, the remainder being distributed among other parties proportionately according to their share of the vote. The concession was not sufficient to win the secular opposition over, and five legal parties – including the MDS[48] – joined the still-unrecognized Nahda in boycotting the municipal elections. Not surprisingly the RCD won control of all but one of the 254 municipal councils, the last being dominated by independent candidates. The new system remained unfairly weighted in favour of the RCD and only served to fuel the opposition's conviction that Ben Ali's commitment to democratic reforms was tactical rather than sincere.

The 1990 municipal elections mark a turning point in Ben Ali's government. Clearly the attempt to draw the opposition into an RCD-controlled national pact was beginning to crumble. Ben Ali had himself created the expectations for democracy but his unwillingness and inability to deliver had in the end frustrated the legal opposition and whittled away at its willingness to be entirely co-opted into Ben Ali's vision. Equally, however, the secular opposition was deeply aware that the Islamist movement posed as severe a challenge to them as to the regime. To reject the regime entirely would be both to lock themselves out of the political arena and to fuel the militant Islamist fires by removing the centre ground. Without mass political followings, often still dependent on personal Destourian political roots, and torn by the twin horns of this dilemma, the secular opposition parties were fragile and ineffective. Thus, while Ben Ali's strategy of disabling them through incorporation and minority representation had effectively failed, undermining his democratic credentials, his strategy had inadvertently achieved a similar objective. Unable and usually unwilling to pose any real challenge to Ben Ali's economic reforms, the legal opposition was reduced to complaining about its social and economic side effects; poverty, unemployment and price rises. The faster the reforms went, and the more that negative effects were countered by positive economic growth and targeted financial transfers, the weaker even this position would become. The onus was thus on Ben Ali to move ahead with the reforms and achieve positive results as quickly as possible, while undermining the opposition's position by being seen to protect the weakest of society. In such a tense situation, it was not surprising perhaps that one commentator was to observe:

> Tunisia cannot afford sustained opposition from multiple organized and informal groups whose co-operation is essential to efficiently run the economy. Ben Ali thus must either accommodate them or break them. Until now, he has done the former, but there are signs that even he is tiring of this process, which more often than not is undercut by his own party.[49]

With the secular legal opposition unable to present a real challenge, and with national organizations such as the UGTT weak and internally divided, the most sustained threat to Ben Ali's drive for rapid economic change came from the protesters of the Islamist movement, and specifically the Nahda, and it was with them that his patience finally broke.

7 The Reassertion of the State, 1990–1997

THE ASSAULT ON NAHDA

The initiation of the assault on the Islamist opposition in late 1990 marked Ben Ali's retreat from reform. In tactical terms, the campaign has been a success for the president. During years when neighbouring Algeria has been all but torn apart by civil war, and Egypt, Libya and Sudan have at times seemed little better, Tunisia has attained an enviable degree of political stability. Islam has been fiercely subordinated to hold what amounts to a ceremonial public role. As a political force, it has been driven deeply underground, and it has failed to interrupt the opening of the economy and society to the markets, capital and culture of the West. Securing stability has, however, exacted a price. Tunisia has witnessed the revival of the security beast, and its domination over political and social arenas. Once released to deal with the Islamist opposition, the genie proved unwilling to return to its bottle and Tunisia's government has since been increasingly criticized for a deteriorating human rights record and the apparent reversal of political liberalization.

Despite (indeed maybe because of) the successes of the Islamist independents in the 1989 national elections, the government continued to reject Nahda's application for legal recognition. Apart from the fact that the government continued to claim that the party did not meet the conditions of the political parties law, 18 of the 20 executive committee members were still the subjects of judicial cases. Ben Ali was initially careful not deliberately to antagonize further the Islamists even as he remained adament that 'there is no room for a religious party..... It is never necessary to mix religion and politics. The state is the sole defender of Islam and protector of the faith'.[1] Nahda, for its part, did not take to the streets to protest the election results but tensions were on the rise and the government's unwillingness to compromise fuelled the Islamic leadership's frustrations. In August 1989 Abdelfattah Mourou stated 'There's an anxiety and an anger which is close to the point of explosion'.[2]

The passivity of Nahda at this stage was due in part to a leadership problem which had emerged following the release of Ghannouchi from prison in 1988. During his imprisonment, the movement had replaced him as amir with Sadok Chourou, who had been largely responsible for the radicalization of some elements within the movement. Upon Ghannouchi's return to the arena, there was concern that a struggle between the two for overall leadership would ensue. Some analysts have cited Ghannouchi's wish to avoid any internal divisions as the reason why he chose, in 1989, to go into self-imposed exile. Others have argued, however, that in the light of the election results and believing that the democratic route to power had been finally closed, Ghannouchi chose to locate himself beyond the reach of the regime in order to be more forceful in his criticisms. Certainly, his rhetoric thereafter became far more radical.[3] The government claimed that Ghannouchi now openly advocated violence, although the Islamist leader himself denied this. The regime also made allegations against Nahda that it had a military wing, the so-called 'secret apparatus', and that it was encouraging violent demonstrations and planning bomb attacks. The regime prepared its own response by developing a 'plan for the fight against extremist currents'[4] which included a new system of networks between various security apparatuses and the RCD hierarchy. Additionally, a cabinet reshuffle in early 1990 was used to move key supporters of Ben Ali into the most sensitive security posts: Abdelhamid Escheikh was appointed Minister of the Interior, while Abdallah Kallel took office as Minister of Defence.

By now, events in Algeria were causing the Tunisian government deep concern. In 1989 the Algerian government had recognized the Front Islamique du Salut (FIS), a party dedicated to an Islamist political agenda. Following a process of rapid political reforms begun in 1988 by Chadli Ben Jedid, Algeria staged its first free multi-party local elections in June 1990. The electoral competition was a virtually straight contest between the old ruling Front de Libération Nationale (FLN) and the FIS, with the latter winning a resounding victory and taking over half the vote for both municipal and regional councils.[5] Shock waves resounded around the region, not least in Tunis, where Ben Ali became even more determined not to take the risks associated with either legalizing the Islamist opposition or providing it with serious room for political manoeuvres. The summer months of 1990 therefore witnessed a clear effort to clamp down on the dissemination of Islamist ideas. The Tunisian media was 'discouraged' from reporting on the FIS victories in Algeria and technical failures were blamed for the absence of radio and television coverage of the Algerian election results. Islamist criticism of the Tunisian government led to arrests, imprisonments and the seizing of supposedly libelous newspapers. As Ghannouchi's statements, criticizing a state 'isolated from the values of the people' and calling for a repetition of the 'splendid Algerian *intifada* of 1988',[6] became more inflammatory, the government claimed that Nahda was now showing its true colours as a party of revolution rather than reform.

The tensions were heightened with the crisis caused by Saddam Hussein's invasion of Kuwait. Initially the Tunisian official position had been one of criticism of the Iraqi invasion. As it became clear, however, that public opinion was hostile to the American-led efforts to expel Saddam, Ben Ali altered public statements to become far less critical of Iraq and more vocal against the wealthy Gulf monarchies. Ben Ali had himself been frustrated by Saudi and Kuwaiti financial support of Nahda and his criticism of the Gulf Arabs' invitations to the United States to send troops on to Arab soil signified a combination of pique and political opportunism. Even so, Ben Ali committed Tunisia to abiding by the letter of United Nations resolutions (a move that was extremely unpopular with the Islamist party) and distanced his government from the fiercely anti-Western rhetoric emerging in much of the media. Press attacks on the US-led coalition met with seizures of batches of newspapers and arrests of newspaper editors. The Islamists began to take to the streets to protest against both the government's position[7] and the lack of progress in domestic political openings.

At the same time, rumours began to spread that the Nahda party was after all experiencing its own internal divisions, with Rachid Ghannouchi taking a more pro-Saddam line and advocating a new Jihad on the one hand, and Ali Laridh leading a moderate line which included condemnation of the Iraqi invasion of Kuwait on the other. For the Islamists, the Gulf War was in many ways responsible for the fragmentation of their movement. They were unable to reconcile the fundamental contradictions of supporting Iraq in its bid to stave off Western involvement in the affairs of the region and their own antipathy towards the Iraqi regime which had so brutally liquidated its own Islamist opposition. As Abdelbaki Hermassi has put it: 'The Gulf Crisis forced the Islamists to choose between their cultural links and vested interests'.[8] Ghannouchi developed a suddenly more belligerent tone, hoping that support for Iraq would bring anti-regime demonstrations out in the streets of Tunis. In a widely-circulated letter he argued that any regime which invited Western troops on to Muslim soil forfeited the right to be called Muslim. In doing so, he alienated the Saudi financial backers of Nahda, causing Tunisian Islamist moderates like Mourou to disassociate themselves from their own leader.[9]

Following a number of violent clashes the security forces began rounding up Nahda supporters and purging their own ranks of suspected Islamic radicals. Hundreds were arrested and imprisoned, including leaders like Ali Laridh and Ziad Doulatli, and allegations of torture began to abound in the foreign media. The campaign to crush Nahda had begun in earnest, accelerated by discoveries of caches of arms found in the Bab Souika quarter of Tunis by security forces.

The regime's claims of the existence of a militant wing of Nahda gained more credibility when the RCD headquarters was attacked by about 30 armed men in February 1991 and two armed guards were set on fire. Nahda continued to deny any involvement in the attack but it soon became clear that the movement was deeply divided over the tactics it should be using to counter the government's campaign of arrests. Ghannouchi said that, although the leadership did not plan the attack on the RCD office, or know about it beforehand, it should be viewed as 'an understandable reaction undertaken by a group of Muslim youth activists against the tyrannical and oppressive policies of the regime'.[10] He also pointed to the activities of the so-called *Yaqada committees*, RCD militias that operated to intimidate citizens and disperse peaceful demonstrations. In protest against Ghannouchi's line, five of the most prominent moderate leaders of Nahda, including party secretary-general, Abdelfattah Mourou, resigned their posts in its executive bureau. They published communiqués calling Ghannouchi's brand of activism irresponsible, stating that Nahda was suspending its operations and that they would be considering establishing an alternative, moderate Islamist party which would reject religious absolutes and seek legal recognition. The defection of Mourou and his colleagues was undoubtedly at least in part the result of pressure from the regime. According to Burgat and Dowell[11] they were called in by the police and told in no uncertain terms that they should either disassociate themselves publicly from violent acts or they would be held personally accountable. Thus splinters in personal strategy already evident were skillfully exploited by the regime to injure critically the Islamist movement.

In May 1991, nearly 300 more Islamists were arrested in a sweeping round-up which the authorities claimed had foiled a plot to overthrow the government.[12] The government claimed that pamphlets circulated among students had promised an Islamic government by October and, in an effort to suppress the unrest, the university campuses were invaded by huge numbers of security personnel. A security force raid on the headquarters of the UGTE resulted in government claims that the security service had found petrol bombs and subversive literature. In consequence, a Tunis court formally dissolved the UGTE in July, chipping away further at the organizational and recruiting structures of Nahda.[13]

With the Islamist student block dissolved, UGET re-emerged as the dominant student force but continued itself to be subjected to government attacks as it remained a source of student militancy. Despite efforts at negotiation, tensions rose again in 1993, manifested in a series of student strikes directed against proposed higher education reforms and inadequate provision for students. The government response was to attack UGET officers, such as the secretary-general, Nawfel Ziadi, who was charged with drugs-related offences. The campuses once again became home to a permanent police presence and the regime made strident efforts to infiltrate the UGET deeply with members of the Organisation Estudiantine du Rassemblement, the RCD student body.[14]

Senior Nahda officials were by now listed as wanted, including Rachid Ghannouchi himself, and the trials of those accused of the attack on the RCD headquarters began. Following defence complaints, the government ordered a retrial which nonetheless resulted in confirmation of five death sentences. A further 200 Islamists were put on trial for their alleged participation in a military coup which, so the interior minister claimed, had the connivance of secularist exiles like Muhammad Mzali and Ahmed Ben Salah. The LTDH complained repeatedly that the imprisoned Islamists were subject to torture, to the extent that a number of prisoners had died while in custody (a charge denied by the authorities). A parallel round-up of Islamists in Algeria, the result of the military stepping in to prevent a possible FIS win in forthcoming national assembly elections, included the arrest of a number of Tunisian activists. Ben Ali tried hard to persuade the Algerian government to extradite these figures back to stand trial in Tunisia, achieving only limited success with Algeria's decision to expel Rachid Ghannouchi and 28 others to Khartoum. The Tunisian government's frustration at the lack of support from the Algerian regime was not eased by FIS' victories in the first round of national elections in the larger state. Thus it was with considerable relief that Ben Ali watched Chadli Ben Jedid resign in favour of an army-backed council which cancelled the scheduled second round of voting. The dissolution of

FIS in 1992 was greeted in official Tunis circles with relief and satisfaction.

It was significant that Ben Ali had used a cabinet reshuffle in early 1991 to move his old interior ministry friend, Abdallah Kallel, from the defence ministry to take back the interior portfolio. Kallel oversaw and indeed masterminded much of the crackdown on Nahda, becoming the third most powerful man in Tunisia after Ben Ali himself and the prime minister. The defence ministry was transferred, initially to Habib Boulares (removed from foreign affairs in favour of Habib Ben Yahia), and then in October to Abdelaziz Ben Dhia, likewise signalling a concentration of power in the hands of hard-line elements in the cabinet. Not surprisingly perhaps, this coincided with tough new policies towards the Islamists, including three executions in October. The efforts by Abdelfattah Mourou to achieve some kind of reconciliation between a moderate Islamist party and the government had come to nothing, and he despondently told foreign journalists that 'the government makes no distinction between violent and non-violent parties'.[15]

In March 1992, partly to reassure the Tunisian population that his campaign against Nahda was not an attack on Islam itself, and partly in anticipation of reactions to the forthcoming trials against accused Nahda activists, Ben Ali announced the establishment of a new ministry of religious affairs, upgrading the Secretary of State for Religious Affairs, Ali Chebbi, to full ministerial rank and asserting his belief that Islam was a positive, unifying force which was above all politics.[16] In July, however, the trials of 279 Islamist activists began at the Tunis Military Tribunal. The government's line was inevitably uncompromising, not least since the assassination of the new Algerian president, Muhammad Boudiaf, in June had illustrated the extent of regional instability. Among the defendents were a number of men accused of being members of the so-called Sacrificial Commandos, militant activists who had rejected the moderate leadership of Nahda in favour of armed struggle. The military prosecutor demanded maximum sentances, while the LTDH demanded that the trials be postponed pending enquiries into alleged use of torture to extract confessions. In the end, and following a number of unexplained delays, the trial resulted in heavy sentences against most of Nahda's leading figures. Of one group of detainees 35 received life sentances, including Rachid Ghannouchi (then in exile), Salah Karkar, Mohamed Chemmam (the movement's supposed military leader), Habib Moknil, Sadok Chourou and Habib Ellouz. Ali Laridh, Ziad Doulatli and Sahnoun Jawahi each received 15 years' imprisonment. In the other trial, 11 were sentenced to life imprisonment, five were aquitted and the rest received between one and 20 years in prison. The trials were considered to have been deeply unfair by human rights groups, who demanded a retrial. Although welcoming the absence of death sentences, they argued that the terms of imprisonment handed out were extremely severe and were frequently based on legal irregularities and confessions made under torture.[17] The government response to these allegations was that there was no medical evidence to support allegations of torture, that the defendents had enjoyed full legal guarantees and that, since the trial had been held in the open and in front of 184 international lawyers and observers, such claims could only be the ill-informed result of Islamist propaganda.[18]

Within two years, Nahda had virtually been demolished in Tunisia, at least in terms of organizational and operational structures. With those of its leaders still in Tunisia serving heavy prison sentences, and Ghannouchi exiled to London, what remained of the Islamist movement was decapitated and fragmented. Amnesty International (AI) pointed to figures of around 8000 Islamists arrested and detained, revised to 2000 in 1995, while Islamist sources put the figure higher.[19] There were still occasional border incidents between supposed Islamist activists and security forces, but these were isolated events with more connection to Islamic leadership outside of the country than activism within. By mid-1994 even the exiled Nahda leaders were squabbling amongst themselves, with senior members accusing Ghannouchi in particular of having created the crisis with the strategy of confrontation and a preference for force above reason.[20]

The attempt to build a coalition of Arab and European regimes to contain and eradicate 'Islamic terrorism' became a feature of Ben Ali's government. The internationalization of the campaign served not only to curtail financial and political support for the Islamists, but also as a way to legitimize the domestic campaign. Governments which harboured Islamic activists were fiercely criticized, with Ben Ali himself saying of Britain, France and the United States: 'In the name of freedom and democracy, you are giving asylum to the enemies of freedom and democracy'.[21] In the case of Sudan, Tunisia went as far as to withdraw its ambassador in protest at Rachid Ghannouchi having been given a Sudanese diplomatic passport, and Sudan and Iran were regularly accused of being sponsors for direct Islamic subversion. By the end of 1993, this tactic was beginning to bear fruit, at least with France, where the police raided the homes of known Nahda activists and began proceedings for extradicting one of the most prominent of their number. In June 1995, a massive round-up of Algerians and Tunisians resident in France and supposedly connected with Islamist groups was initiated, but while they included in their number Mohamed Skah, reportedly the leader of the Front Islamique Tunisien (FIT – a Nahda splinter group), another network which also reportedly supplied arms and finances to the FIT remained untouched in the UK.[22] In December 1994 an Islamic Conference Organisation meeting in Casablanca, which included Iran and Sudan, even agreed to adopt a Tunisian proposal for a code of conduct aimed at eradicating Islamic terrorism. Under Ben Ali's urging, the Arab League agreed in principle to adopt a similar code which would oblige regimes to refrain from supporting Islamic terrorist groups in any way.

Likewise, the government attempted to pre-empt Islamist efforts to recruit Tunisian ex-patriates, particularly among the Tunisian community in France. Meetings and conferences warned them of Nahda's attempts to 'subvert Tunisian democracy' and undermine the rights of women. At both the domestic and international level, the government continued to equate the Islamist movement with instability and subversion, claiming that it alone threatened the democratization process and that suppression, indeed annihilation, of Nahda was necessary to preserve stability and democracy. The need to retain vigilant structures to prevent any resurgence of the Islamist movement was quoted as the main reason for large increases in the security budget – almost 10 per cent of all spending in the 1993 budget.[23]

It is unclear just how genuinely convinced Ben Ali was that Nahda's commitment to democracy was opportunistic, or that a successful Islamist party would abandon the commitment once in power. Were Nahda 'enemies of democracy and apostles of sedition and terrorism'[24] who had rejected the olive branch of dialogue which he had held out to them, as Ben Ali claimed, or were they simply too strong and genuine a political challenge at a time when the president thought competition itself was destabilizing and intolerable?

There can be no doubt, in retrospect, that Rachid Ghannouchi was guilty of profound tactical mistakes. By leaving Tunisia in 1989 he deprived the Islamist movement of strong, undivided leadership at a critical moment. His radical vocabulary and his failure to condemn the violent acts carried out in the name of Islam divided the movement and lost it vital public support as the government security forces moved in. This was most obviously the case with the brutal attack on the RCD headquarters. It appears that he over-estimated the level of popular support for Islamism, or the willingness of Tunisian society directly to confront the regime. Consequently, his radicalism was premature and served to alarm the population, rather than to mobilize it. In comparing the fortunes of Nahda with those of FIS in Algeria, Michael Collins Dunn makes these observations: firstly, and unlike its neighbour, by 1990 the regime in Tunisia was benefiting from a degree of economic stability and from the early achievements of structural adjustment, all of which were generally attributed to Ben Ali. Secondly, the Tunisian president, again unlike his Algerian counterpart, had successfully revitalized and reformed his own party. The RCD possessed a new credibility which was absent from the FLN. While the Algerian dominant party had virtually collapsed before it even went to the polls, the RCD was able successfully to mobilize its supporters and to restore its image nationally as a progressive party of consensus. A further point, made this time by François Burgat and William Dowell,[25] is that Ben Ali simultaneously courted the secular opposition even as he turned the full force of the security apparatus against the Islamists. Although the secular opposition was vocal in its denunciation of the most repressive government measures, it was significantly ‘bought off’ by a coincidence of interests with the ruling regime. The success of the regime lay in the combination of the scale of its own assault, the weakness of the Islamists to withstand it and the latter’s own tactical mistakes. By 1995 the Islamist challenge had all but disappeared, burrowing deep into the political woodwork. The failure of the regime, however, was that the means chosen to eradicate the Islamist challenge reversed the sum of political achievements made under Ben Ali.

FREE SPEECH UNDER PRESSURE

The brutal campaign against Nahda had exposed the uglier face of the regime. While it was no surprise by now to find the president surrounded by men from a military or security service background, many Tunisians had been unprepared for the extent to which the regime was prepared to go in crushing the Islamist threat. Ironically, however, the shoots of Ben Ali’s political illiberalism had been evident for some time.

One of the most tangible expressions of state control is that over the media. When Ben Ali came to power state controls over television and radio were relaxed, new periodicals with independent and opposition editorial lines were permitted and Ben Ali himself was said to reject the sycophancy of media coverage of the presidency and the party. Moncef Marzouki pointed out in 1989 that once-banned books were allowed on sale again (although not all such books) and law suits against journalists and writers were dropped.[26] Yet, of the 120 articles of the existing press code, only 11 were in any way revised and no revision reduced the ambiguity of the charge of defamation by journalists of politicians, or removed the immunity of politicians from press criticism.

The first real signs of a retreat from political liberalism came with the Gulf Crisis in 1990–1. Newspapers which were critical of the government's essentially neutral position found themselves subject to suspension and the seizure of copies. Finding itself the target of growing criticism for its campaign against Nahda, its deintegrating human rights record and its failure to align more overtly with Iraq, the government began to fall on the restrictive side of the fence. Foreign journalists were an easy target. Notable examples were Jonathan Wright of Reuters, expelled in 1991, Jacques de Baarin (a senior correspondent with *Le Monde* banned from entering the country to cover the 1994 elections) and Alfred Hermida of the BBC. *Le Monde* was banned from distribution for a prolonged period as a punishment for its constant reproaches over human rights abuses, as was *Libération* for what the government called 'an aggressive, hostile and unfounded campaign against Tunisia and its institutions, snapping its fingers at all objectivity and all respect for journalistic ethics'.[27] Coverage of events elsewhere in the region that might have implications for Tunisia was likewise censored. In one instance, an issue of *Le Monde* was banned for its coverage of elections in Morocco, despite the fact that the issue circulated in Morocco itself. The French press became particular targets for their reporting of the trial and conviction in France of the president's brother, Habib Ben Ali, for laundering money for a drug cartel of four Tunisians (nicknamed the Roma Brothers or the 'couscous connection').

Tunisians were also the victims of censorship. Simply giving an interview with an American radio station was enough to earn LTDH president, Moncef Marzouki, a period of detention. Local journalists were frequently faced with numerous forms of harrassment and intimidation. The offices of the independent press, *al-Anouar*, were burnt to the ground in an attack led by security force personnel (or at least in their uniforms) and journalists associated with Nahda were inevitably targets for arrest and imprisonment. Others who were critical of government policy were suspended from the state press agency.

Without official accreditation they could not get access to press conferences and ministries or travel abroad as journalists. As such, they become eminently less employable, finding it harder to get work and an income. In some instances, such as that of Kamal Labidi (who was active in the Tunisian branch of Amnesty International) and Sihem Bensedrine, journalists were deprived of their passports and sacked from their jobs.

Papers which were consistently critical of the government, most notably *Réalités*, found their revenues suddenly dropping as customers cancelled subscriptions and advertising. By 1991, former prime minister and now in exile, Mohamed Mzali could claim that 'there no longer exists today an organ of opposition press'. He cited a sad litany of opposition papers which had been seized, suspended or subject to state and self-censorship, including *al-Moustaqbal*, *Démocratie*,[28] *al-Tarik el-Jadid,*[29] *el-Wahda*,[30] *Le Phare*,[31] *el-Mawqef* (RSP), *el-Rai* (independent), *al-Fajr* (Nahda), *al-Badil* (POCT), *al-Watan* (UDU) and *Le Maghreb* (independent).

In December 1991, 300 journalists signed a petition opposing official controls of the press, an accusation rejected as 'fabrication' by the authorities. The government pointed out that there existed still around 120 regular national publications, as well as 500 imported publications, covering a wide range of political perspectives. Thus the number actually seized, banned or restricted was relatively small. A report published by four leading Tunisian journalists, including Labidi, in May 1991 did not agree. It listed in detail the instances of censorship of foreign programmes, expulsions of foreign journalists, measures taken against independent publications and journalists, bannings of opposition newspapers, protests by journalists and protests by the Association of Tunisian Journalists.[32]

Despite promises of an independent and decentralized media, the reverse has ultimately been the case. Neither the UGTT (traditionally a bastion of the free and critical press) nor the Association of Tunisian Journalists are strong enough to defend media rights. The legal opposition can still publish, but are subject to penalties if they direct their criticisms too forcefully or too directly towards the regime.[33] Promises in 1993 of a reform of the press code to 'guarantee freedom of publication' have come to nothing in practice and, to put the icing on the censorship cake, in late 1993 the existing head of the national news agency was replaced by the director of political affairs at the Interior Ministry, Moncef Ben Tmessek, a further sign that the government was extending its control over the media.[34]

Finally, the issue of satellite TV has become politicized. In the early 1990s, dishes mushroomed all over the capital city as prices for purchase and installation fell. Unlike the recently introduced cable pay-TV, satellite television brought in access to uncensored pornography and violence, not to mention political information. Few were surprised when, in December 1994, the government banned the importation and installation of new equipment. A 'reorganization' of the sector was intended to introduce a licencing arrangement for the 33 000 or so existing dishes. The law, passed in July 1995, allowed sales again but imposed new rules stating that permits for purchase must first be obtained from the Ministry of Communications.[35] Equally, the initial introduction of the internet was curtailed by requirements for permits, licences and registration fees in an effort at least in part to control access and usage.

THE HUMAN RIGHTS DEBATE

The human rights debate became a focal issue for opposition criticism, especially once the secular parties had realized that Ben Ali's version of power-sharing was turning into effective exclusion. Defending human rights offered the opposition the moral high-ground, even if it was Islamists that they were, in the main, defending. While in July 1988 the National Assembly had ratified the United Nations Convention against Torture and Cruel, Inhuman or Degrading Treatment of Prisoners, by 1989 Amnesty International was being forced to step up coverage of Tunisia, pointing to the systematic use of torture, arbitrary detention, abuse of the judicial system and cases of death in custody.[36]

In response, the president established a new *Comité Superieur des Droits de l'Homme et des Libertés Fondamentales* in 1991, chaired by Rachid Driss. The Commitee was to work with established human rights organizations, such as the LTDH, to examine cases of alleged abuses and to report back to Ben Ali himself. A first report, only a summary of which was actually published, admitted only occasional abuses by over-enthusiastic officials; a second went further and admitted that 116 members of the security forces had been found guilty of abuses and had been punished accordingly.

The work of the Commitee was later expanded to include prison inspections and the president promised that the LTDH would be granted rights to visit detention centres. The concessions, and the additional appointment of a special presidential advisor on human rights, failed to impress human rights NGOs, especially when, in October 1991, the first executions of political oppositionists began to take place. This development was particularly worrying given Ben Ali's previous public declaration of principled opposition to capital punishment.

The government clearly felt impelled to react in two ways. On the one hand, it expressed its willingness to co-operate with AI in investigating alleged instances of human rights abuse. Ben Ali himself met with the Director General of AI and legalized the local branch of Amnesty. On the other, it continued to insist that abuses did not happen, or that if they did they were infrequent and inadvertent. Special human rights units were established within the foreign, interior and justice ministries, to co-ordinate the state's response to accusations and the government embarked on an international public relations excercise designed to rehabilitate its human rights image. Tunis was the venue in November 1992 for the African International Conference on Human Rights, Ben Ali personally assuring the audience that human rights represented a 'basic pillar of the civilized society which we are building day by day'. He added, however, that both democracy and human rights were threatened by religious, ethnic and cultural violence which used human rights as a pretext to emerge.[37] In 1993 Tunisia was elected to head the United Nations Human Rights Commission, a position which both enhanced the government's image, but also put more pressure on it to curtail its abusive policies.

The real blow for the Tunisian-based human rights NGOs came in March 1992 with the announcement of a new Law of Associations which would restrict their activities and membership. The law stated that those active in associations like the LTDH could not hold office in other associations – such as political parties. The law was intended partly to prevent Islamist supporters from infiltrating other associations and organizations, but its impact on the LTDH would be to deprive it of its more active and notable leaders, who were drawn from the opposition party leaderships and notably from the MDS. A second aspect of the law was that it denied the LTDH the right to exclude Tunisian citizens if it so wished, undermining its scrutiny procedures and paving the way for RCD or security-service infiltration. LTDH leaders were quick to point out that the law was not being enforced against other national associations, such as the UTICA or the UNFT. They were, in effect, being singled out by the regime for special treatment on the basis of their opposition to certain policies.[38]

With international condemnation hotting up over what was seen as a blatant attempt by Ben Ali to contain legitimate criticism,[39] the deadline for compliance with the new law approached. The president of the League, Moncef Marzouki, announced that the LTDH would disband rather than submit to the conditions of the law. Marzouki then proceeded to establish a new group, together with 17 lawyers, politicians and university lecturers, called the Comité National pour la Défense des Prisonniers d'Opinion (CNDPO), which campaigned to free political prisoners and expose cases of torture. The government denied that there were in fact any political prisoners in Tunisia and denounced the group as extremists, detaining and questioning its members. Although Abdallah Kallel, the Interior Minister, had acted to freeze the League's operations, in March 1993 a Tunis court overruled him and suspended his decision. The move was welcomed by the international community and the League itself, but it was as much motivated by a desire to deflect widespread international condemnation of the government's moves as by any genuine commitment to the League's activities. Human rights activists in Tunisia were particularly sceptical. Allowing them to continue their operations was seen in part as a way for the government to keep tags on who was doing what, a task which would have been much harder if they had been driven underground. Over 200 intellectuals, professionals and politicians published a petition complaining of the 'appreciable retreat of liberty and the imposition of a one-party state'[40] under Ben Ali. The official response was again denial and an attempt to label the signatories as 'embittered salon intellectuals' who could not recognize the improvements made in human rights and political freedoms under the new regime.

In February 1994, the LTDH convened an emergency congress of its members in order to decide how best to respond to the new law, but found itself split between those who believed that they should comply with the law in order to survive, and those who believed that the government would ultimately give way. The struggle between the groups crystallized around the issue of electing a new executive committee. The League's president, Moncef Marzouki, announced his resignation as he was seeking to stand in the national presidential elections, so the leadership of the League and the direction which it would take were in effect up for grabs. The camp which rejected compromise was led by the illegal POCT, putting forward nominations for a fairly balanced committee but one which notably excluded any RCD representation. Given that some 1800 applications to joint the LTDH had been forthcoming since the passage of the law,[41] this was bound to be interpreted as a direct challenge to the terms of the new law by the regime. An alternative 'independent' list of nominations proposed 25 equally moderate candidates but represented a more balanced cross-section of the membership, being therefore less controversial. The independent list ultimately won, and with 19 of the seats on the executive committee changing hands, the way was clear to depoliticize the leadership. A new president, a moderate lawyer called Taoufik Bouderbala, was elected, and the organization rededicated itself to its true task of defending human rights. In May 1996, the League won a significant battle in its war with the government when a Tunis court ruled that it was a private, rather than public, association and did not therefore need to comply with the 1992 Law of Associations, being entitled to select its members. The announcement was given widespread coverage inside Tunisia, more because the government chose to demonstrate its tolerance than because it rejoiced in the court's decision.

AI has continued to highlight the degeneration of the Tunisian security forces' regard for human rights, while Ben Ali has just as strenuously tried to project his government as a dynamic supporter of human rights. Rachid Driss has been sent out as an international ambassador for the government's commitment to human rights, a strategy which Amnesty claims 'serves to mask a practice of serious and systematic human rights abuses at home'.[42] In a 42-page report published in 1994, Amnesty claimed that: 'safeguards enshrined in Tunisian law and international standards have been systematically ignored'. Moreover, an 'abyss' existed between government claims and the reality of systematic violations of human rights.[43] Some of the most damning accusations were made in a book, published in France in 1994, called *Tunisian Torture: The Secret Garden of General Ben Ali*.[44] The book, written by an Islamist exile and documenting the torture to which he claims he was subject in Tunisia, was dismissed angrily by the regime as 'a tissue of lies' but the media coverage given to the book in France added unwelcome pressure. Needless to say, the book received no mention in the Tunisian press.

Prominent figures in the human rights movement have meanwhile been picked out as targets for regime harassment and imprisonment. Moncef Marzouki, whose attempt to stand against Ben Ali in the presidential elections was stymied by regulations, was arrested a month later and charged with insulting and defaming the judiciary in a Spanish newspaper. He was released in July of that year, but thereafter was restricted from travelling abroad.[45] Another notable advocate of human rights, MDS leader Mohamed Moadda, was likewise detained in August 1995. In October 1995 Khemais Chamari, an MDS member of parliament, was prevented from boarding a plane to attend a human rights conference in Malta. He was stripped of his parliamentary immunity, tried for allegedly disclosing to Libya state secrets related to the arrest of Mohamed Moadda, and sentenced to five years' imprisonment. Moadda's release only came after a concerted international effort, with international human rights organizations, Nobel Peace Prize winners and the American and European governments expressing everything from outrage to 'diplomatic disappointment'. In the case of European governments, the issue was linked to Tunisian commitments to political conditionalities in its agreements with the EU, an unexpected and unwelcome warning for the Tunisian government. On 22 May 1996, the European Parliament adopted a resolution condemning Tunisia's human rights record, its persecution of the opposition, mistreatment of detainees and curtailment of the freedom of the press. As well as making specific reference to the harassment of Marzouki, Moadda and Chemais, the Parliament called on the Commission to insist that the Tunisian government respect the commitments made in the Association Agreement regarding human and political rights.

It was suggested in 1995 that the replacement of Abdallah Kallel with Mohamed Jegham at the ministry of the interior signalled the introduction of a more moderate and relaxed attitude by the government towards its opponents but this has yet to translate into any improvement in the human rights department. Meanwhile, Susan Waltz has noted that the cause of the LTDH has declined in popularity in Tunisia in recent years, perhaps because of its basic failure to rein in the arbitrary use of force and violence by the regime's agents, perhaps because the state itself has engaged so thoroughly in the human rights debate, stealing the thunder from the NGO, and perhaps simply because being associated with the League became risky in itself. Either way, it has been unable to re-establish itself at the forefront of political life and even the moderate leadership of Bouderabala has not protected the League from the government's steely eye.[46]

It should be stated at this point, however, that the regime *has* instituted a number of significant reforms in the penal code and judicial system since 1987. A leaflet published in October 1994 by the Tunisian External Communications Agency details 117 actions taken by the government since November 1987 which have been designed to improve its human rights record in one way or another, not all of which can be easily dismissed.[47] Nor would it be wise to ignore the importance attached by the regime to acknowledging human rights on the national political agenda. This may not have translated into an improved reality across the board, indeed in some areas the record has tail-spun at an alarming rate. But as long as the language and terminology of human rights are given due place in national political debate, then there can be hope that this will ultimately feed through into actions, especially when international actors are prepared to exert appropriate pressure on the regime to abide by its international commitments and legal norms.

WHERE IS THE OPPOSITION?

With the Islamists (and extreme leftists) on the defensive, the government still faced the task of creating a role for the secular legal opposition. In April 1991, Ben Ali sought to revive the National Pact by bringing together the RCD with all six legal opposition parties to discuss proposals for the 1992–6 development plan. He attempted to draw them into broad support for the economic reform process through uniting them with the UTICA in a Conseil Supérieur du Plan (CSP), a forum for dialogue. Moreover, he made a point of offering financial aid to the smaller political parties, of extending to them official media coverage, and of recognizing the contribution to the state of opposition individuals.

The legal opposition was by now, however, considerably more uncomfortable about being seen to be colluding with the government than it had been in the first years of Ben Ali's presidency. Consequently, although the RCD offered not to stand in a number of by-elections in 1991, providing the opportunity for the opposition to win seats in the National Assembly, the opposition boycotted the by-elections, demanding instead clear electoral reform that would reduce the RCD's dominance.

Within the opposition parties, the debate over the extent to which they should co-operate with the regime had started seriously to weaken their solidarity. This was exacerbated by the fact that their strategies were determined by a few individuals at the top who were inevitably tempted by government efforts to buy their support with political appointments.

In the case of the largest opposition party, the MDS, deep divisions were clearly in evidence. Ahmad Mestiri's departure from the party leadership was rumoured to have been in protest against the level of co-operation with the regime that had occurred during the early years of the National Pact. His successor, Mohamed Moadda, was initially seen by many within the MDS as Ben Ali's man, acting at times as an emissary for Ben Ali himself, steering the party close to the government line and calling for 'participatory opposition'. His challenger for the party leadership was Mustapha Ben Jafar, who as secretary-general of the MDS continued to levy this criticism at Moadda, forcing the latter to begin to modify his position as it became clear that the RCD was not sincere about power-sharing. By May 1992, the MDS was in crisis, its leadership weakened by accusations and counter-accusations, as well as by the failure to achieve anything through its strategy of co-operation with the government. As protests escalated within the party, the political bureau voted to suspend three of its own members, including Ben Jafar himself. The move was designed by Moadda to prevent the 'destabilization of the party', meaning in fact the removal of Mestiri's old allies. Ben Jafar denounced it as being illegal and accused Moadda of 'smashing' the MDS and of shifting party policy to become a watered-down version of the RCD.[48] Ben Jafar was later to resign from the party altogether in disgust at the acceptance of an annual subsidy from the state and the use of a luxurious government building as the party headquarters.

With the military and security forces more strongly represented than ever throughout the government administration, and with the crack-down on Nahda extending into a more general *fermeture* on civil society, the legal opposition seemed cornered. The one avenue for direct attack on the government, which it knew would receive domestic and international support, was to support the struggle to defend human rights, broadening the issue into wider demands for democratic reform. Even so, they were often convinced by the government's arguments that Nahda's activities were threatening to lead the country down a path of unacceptable violence. One commentator observed that Nahda's capacity for violent action had drawn the secular parties into the National Pact in a way which had never materialized through direct dialogue.[49] They proved susceptible, moreover, to deliberate measures by the regime to court them, including subventions of around 50 000 dinars for each party, subsidies for their newspapers and invitations to address the public media. Siavosh Ghazi interpreted these moves as an effort to create a 'third force' to overcome the political bipolarization caused by the struggle with Nahda and revive the political dialogue which had been, since the Gulf War and the boycott of municipal elections, affected by a serious malaise.[50] The effect, however, was to make the small opposition parties appear opportunistic, unprincipled and weak – stooges of the regime.

In the case of the Parti Communiste Tunisien (PCT), government persecution of its activists had left the party traumatized and disabled. It chose to cave in to government pressure and play the role laid out for it by the RCD. At a party conference in 1993, it changed its name to the *Mouvement de la Rénovation* (Harakat Attajdid). The new party was to include progressives and democrats, abandoning its communist doctrines in favour of social democracy and no longer opposing market economics or the private sector. Since this made the party in effect no different from the RCD, at least in terms of the image it was trying to project, the government signalled its approval of the changes and its willingness to consider new levels of co-operation between the two.

The *Parti Ouvrier Communiste Tunisien* (POCT) chose an alternative path. Deeply opposed to both the RCD's dominance and Islamic fundamentalism, POCT tried to take advantage of the arrests of Nahda members to establish itself as the major opposition grouping within the universities. The result was a crackdown similar to that carried out against Nahda, with numerous arrests and jail sentances.

THE 1994 ELECTIONS

At the second RCD Congress in July 1993, Ben Ali reiterated his commitment to multi-party competition, promising electoral reforms which would allow the opposition to enter the National Assembly. The proposed reforms increased the number of seats in the assembly to 163, introducing an element of proportional representation in as much as the 19 new seats would be divided between the parties on the basis of the national vote. The remaining 144 seats would be distributed on the existing winner-takes-all basis. Although the formula would continue to discriminate against the smaller parties, and would guarantee a substantial RCD majority (in fact the opposition were expected to win around 10–12 seats in total), the smaller parties accepted the concession, being too weak to push for more. Moreover, without the funding, structures and organization of the RCD, and lacking an existing power-base within the National Assembly or municipal councils, they were unable to present a presidential candidate to challenge Ben Ali himself. All six legal opposition parties declared that they would be contesting the election and would be endorsing the president's candidature for re-election. Given that only three years previously thay had been boycotting elections and holding out for greater reforms, their agreement to contest the 1994 elections, on terms very much more disadvantageous than they had hoped, signalled their acceptance of defeat. It was clear that the regime would shape the political system at its own pace and to its own designs. The alternative to participation was complete exclusion.

The president, in anticipation of even this limited opportunity for opposition representation, acted to reverse earlier efforts to separate the state and the dominant party. Having subordinated the latter essentially to his own agenda, and having rooted out from its ranks potential opposition within the higher ranks, he now set about re-integrating the largely appointed central committee into the upper echelons of state administration. In the last five months of 1993 alone, he made over 50 new senior and mid-level appointments in key ministries and agencies of the government from among the 200 central committee figures, many of whom already held such posts. The RCD was now clearly the party of government, regardless of any election results. However, Ben Ali still faced a degree of non-uniformity within the RCD ranks, as shown by the July 1993 RCD Party Congress. Named the *Congrès de la Persévérance* (as opposed to the 1988 *Congrès du Salut*), the congress drew together competing groups of 'young wolves' and established old guard, while the representation from some governorats was the result of a struggle between town and country interests.[51]

A total of 631 candidates representing 104 party lists contested the elections on 20 March 1994. The RCD and MDS each fielded 144 candidates across the 25 constituencies. The smaller parties were unable to contest every constituency, the UDU putting up 119 candidates, the PUP fielding 93 and the newly renamed Harakat Attajdid 75. Not suprisingly, the RCD again won a sweeping victory, taking all 144 of the traditionally contested seats and 97.73 per cent of the vote. The opposition shared out the remaining 19 seats, with the MDS taking ten, Harakat Attajdid taking four, the UDU three and the PUP just two. Disappointingly for the smaller parties, their total share of the vote had fallen from nearly 5 per cent in 1989 to just 2.27 per cent, and that without Nahda 'independents' in competition with them for any protest votes. It came as no surprise when they levied complaints against the RCD of electoral malpractice, although the extent of the RCD victory was impressive even allowing for discrepancies. Clearly, the RCD had been sufficiently revived, mobilized and organized as to reintegrate the majority of the population back into its consensus politics. The poor performance of the smaller parties indicated that they had failed to pick up votes from those who had previously voted for Nahda, or indeed to attract any significant protest votes. For the smaller parties, like the RSP and the UDU, support was almost entirely localized and based on personal networks.[52] Poor performances could also be attributed to their inability to offer patronage – even the funds and influence which they did have were the cast-offs of the RCD and they remained beholden to it. Another problem was their failure to offer any credible alternative policies. Nahda at least had evinced its own moral and political codes and its own distinct and culturally authentic programme for social renewal. The small secular parties represented no specific constituencies – or 'interest clienteles' – and, as Zartman has pointed out: 'Claims to do the same thing better may be attractive when the government is doing badly, but they are still not credible when that claimant has no experience to present and no specifics to propose'.[53] The RCD, by contrast, had clearly regained much of the ground lost to Nahda in the previous national elections. What had amounted to a declaration of war by Ghannouchi in the eyes of many Tunisians had instilled deep fear of instability and led the large middle class to seek comfort in the perceived strength of Ben Ali's regime. Also in its favour, and despite the reduction of the state's economic role, the RCD had clearly been remerged with the state apparatus in such a way as to buttress its mechanisms of patronage, making it an appealing candidate in both urban and rural arenas.

Ben Ali's outstanding performance in the presidential elections was of course aided by the fact that he was the sole candidate. Yet even allowing for procedural distortions, the fact remained that the RCD and the national organizations mobilized an impressive turnout in his favour – over 99 per cent of votes cast. Only 2 505 spoilt voting papers were collected throughout the entire country, indicating that virtually no-one could be bothered, or wanted, to vote against the president, but that vast numbers actually viewed him as a viable and re-electable leader. Ben Ali was undoubtedly credited with the restoration of political stability after the chaos of the late 1980s. His economic liberalization policies which had been pursued so single-mindedly had already brought material rewards for some and had incurred only manageable costs for others. Finally, he had tamed the Islamists and prevented a potential spiral into violence. For all his political sins, he possessed these three essential virtues.[54] He had campaigned on the slogans of security, prosperity and consensus – all of which he had, to some significant degree, already provided. 'L'effet Ben Ali' has become the term used to describe the positive imagery associated with a president who has 'saved' the nation – not least its feminine components, the middle-class elements of which are all too aware of what might have awaited them had the Islamists come to power. Ben Ali has made great media efforts to demonstrate his commitment to the progressive and liberal status of women in Tunisia, and has equally striven to lay emphasis on the reactionary agendas of Islamic political competition.[55]

The elections also illustrated the efficacy of the electoral reforms. Rather than competing directly with the RCD, the smaller parties found themselves engaged in an intense rivalry with one another for the 19 seats to be distributed via proportional representation. Thus, 'the introduction of a soupçon of proportionality into the system of voting was the means chosen to create the appearance of political pluralism without altering the fundamental political balance in the country'.[56] The generally morose and unstimulating atmosphere of the campaign reflected this petty competition between the small parties for the crumbs of the political table rather than any national debate, and was indicative of the general malaise which resulted from the government's clamp-down on free expression. The nature of competition reinforced perceptions of the smaller parties as being opportunistic, tactical players rather than serious opposition.

The municipal elections in May 1995 produced a similarly poor result, the RCD taking a massive 4084 local council seats to the opposition's six. Their lack of strength of membership numbers, organization and finances meant that not one opposition party was able to field candidates in all constituencies, standing in just 47 out of 257 (although they did hold local council seats for the first time).

The 1995 municipal elections may be seen as something of a turning point for the MDS, the result highlighting these fundamental flaws in opposition strategies. In 1991, Zartman had summarized the position of the opposition parties thus:

> The legal dominant party system has given new life to the Destourian movement by providing it with an occasion to revive and relegitimize itself. Around it gravitate a number of tiny parties whose weakness is recognized in their own self-characterization as 'parties of support, not parties of opposition'. Little in their programmes or their clienteles promises growth in their future, and they are likely to remain small satellites of the RCD, their continued existence

> protected only by their position as guarantors of the multi-party quality of the system.[57]

The same could still be said of the opposition in 1995 and it may have been this realization which spurred Moadda into altering his relationship with the government. His resistance began in August 1995, when he refused an invitation from the prime minister, Hamed Karoui, to participate in national consultations to chart a strategy for the country into the twenty-first century. He proceeded to lead an opposition abstention in a parliamentary vote on the Constitutional Council. By October he was in jail. Although the charges related to Moadda having apparently received money from a foreign government,[58] it soon became clear that the arrest was in response to an open letter sent by Moadda to Ben Ali complaining about corruption, authoritarianism and the lack of political freedom in Tunisia. The ten-page memorandum was made public by the MDS, leading to Moadda's arrest later that day. His decision to confront Ben Ali, and to abandon MDS co-optation into the RCD-dictated political circle, had cost him his own freedom, and was the first example of so prominent a political party leader being arrested so arbitrarily. In February 1996 he was sentenced to 11 years but was released in early 1997 following the barrage of international criticism and pressure.

The arrests of Moadda and his deputy, Khemais Chammari, ushered in a new era for Tunisia. The regime, having decimated Islamist opposition, and emboldened by its electoral victories, was turning its attack on to the secular opposition. Suggestions that arrests were a punishment for Moadda's betrayal of his friendship with Ben Ali were based on a growing perception that the president was becoming personally authoritarian. The security forces began taking new initiatives which, while supposedly directed at defending state security from the instabilities rife in neighbouring Algeria, were considered by many to be more aimed at self-consolidation and absolute social control. The message to the legal opposition is increasingly one of intolerance of criticism and preparedness to use sanctions to enforce silence.

With Moadda in jail, the MDS began a new bout of internal wrangling as to what the most useful reaction to this repressive government policy should be and, no less critically, who should lead the party in the absence of Moadda and his deputy. Smail Boulahya, who had been close to the previous leader, Ahmed Mestiri, has led a contingent arguing against the 'participatory opposition' of Moadda. The problem remains, however, that if the party has no strength within an alliance with the government, it has even less to oppose it.

One alternative strategy for dealing with the oppressive nature of RCD rule was illustrated by the formation of an alliance between two small opposition parties. In 1996 the PUP and the UDU decided to present a common platform, hoping to increase their relative strength by more than the sum of the parts. Their still-marginal influence and size in fact prevents them from achieving any real freedom from the heavy RCD hand, and the alliance has failed to address even the internal problems of the parties themselves.

Meanwhile, the opposition in exile has formed a marriage of convenience that draws the Islamists of Nahda into an alliance with Bourguiba's ex-prime minister, Muhammad Mzali. Mzali had published his own account in 1991 of the change of power in Tunisia,[59] in which he had fiercely denounced Ben Ali as having reneged on all the promises of democratization made in the first months of the latter's regime. Having initially adopted a wait-and-see approach, and conscious of the general climate of relief which had accompanied the transfer of power, he claimed to have been moved by the disasters of the Gulf War, for the Arab world at least, and by the realization that the new regime was no better than its predecessor, to re-engage in the political debate. No doubt with a view to rebuilding his own powerbase, he specifically criticized Ben Ali's government for excluding Nahda from the realms of legitimate political activity, saying:

> The Islamist movement reflects, nevertheless, a current of ideas and of sensibilities, all of which are legitimate in a country whose inhabitants are Muslim.... I know from experience that Nahda is composed, for the most part, of men of honour, pacifists and democrats who wish violence on no-one, of Tunisians attached to their country and to its cultural and spiritiual values. There is not a shadow of blame upon them.[60]

With his acknowledgement that Nahda should have a legal place in any Tunisian future, the door was open for reconciliation between Mzali and the Islamists. Unlike the secular opposition inside Tunisia, Mzali had more to gain than to lose by his efforts to join forces and the Islamists, eager to demonstrate their own commitment to democracy and peaceful means, were equally able to exploit this willingness. Together with Ahmed Ben Salah, and six other opposition leaders, they published a joint communiqué in Paris in May 1991 denouncing the use of violence against students and calling for a national alliance to counter the 'terrorism' of the ruling regime. In November 1995, they came together again to publish an appeal in *al-Hayat* calling for democracy in Tunisia, for a representative parliament, freedom of expression and an independent judiciary.

SUMMARY

Since Moadda's arrest, there has undoubtedly been a new nervousness evident within Tunisian society. The absence of a critical press, the visible activities of an unfamiliar *mukhabarat*, the lack of immunity for prominent political figures, the fierce assault on human rights – all combine to convince analysts that the era of political liberalization has come, at least while Ben Ali remains in power, to an unfortunate end. The government's repeated claims that its actions are vital to preserve political stability are sounding more hollow with its detention of so many non-Islamist political figures who are committed to democracy, not to mention their relatives and friends. Such actions speak more of an intolerent and authoritarian regime than of one struggling to contain a genuine threat.

Tunisians are no longer surprised by house-to-house searches and a heavy police presence on the streets. The closing of whole sections of Tunis so that convoys of black official cars can slide by appears sinister and segregated from their lives:

> Road blocks in principal arteries have become commonplace, particularly on weekend nights. The cavalcade which accompanies the president on engagements has grown in size, consisting of police cars with sirens screaming and a stream of outriders and follow-up cars. To allow the cortège to pass, traffic is often held up in the blazing sun, sometimes in the rush hour, creating mammoth traffic jams. Large numbers of security police and soldiers continue to be in evidence. In fact, some Tunisians say the vast proliferation of security forces is the most striking of all changes since President Ben Ali . . . came to power.[61]

Whereas Bourguiba used to walk down the street shaking hands and sipping coffee with his people, 'Ben Ali has receded to his palace in Carthage further alienating himself from his people'.[62] He is rarely seen in public and very little is really known about him or his family.

Yet the president who initially rejected the personality cult of his predecessor now arbitrarily imprisons his personal detractors. Large portraits of Ben Ali adorn walls, even as statues of the former leader have magically disappeared during the night. The personality cult is back, or at least it would be if Ben Ali possessed the same historical and charismatic appeal as Bourguiba.

What is known is that he is surrounded by a tight circle of shadowy aides. Ben Ali's kitchen cabinet is far more intimidating that Bourguiba's squabbling but familiar coterie. Notably, at every cabinet reshuffle, the aides are moved one chair round the table, never staying long enough at defence, the interior ministry or any other post which would provide the opportunity to build up a personal power-base to rival the president's own.[63] Nor do they develop a public face which could allow them the chance to court personal approval and support. The exceptions to this are the technocrats like Mohammed Ghannouchi, Ismail Khelil and Salah Brik el-Hanachi, who represent the public face of economic reform and social progress but are not the holders of power. The Tunisian press is packed with their interviews and statements, pumping up the national confidence in economic performance and demonstrating to international observers and potential foreign investors the modern, open aspects of Tunisia. Some observers have noted that the rapid turnover of ministers of state has added a dimension of instability to government,[64] but equally many of those who have taken their turn have been technocrats rather than substantive political figures and their departures have caused fewer ripples than one might have anticipated.

Ben Ali's apparent resort to authoritarianism is something of an enigma. Critics ask why, given the overwhelming support for both the RCD and his person demonstrated in the last elections, Ben Ali still feels the need to utilize such repressive measures. The opposition clearly represents no serious threat to the regime and there is no individual of sufficient standing among the opposition parties to challenge him personally. One possible answer lies in the issue of his commitment to democracy . In the eyes of his critics, Ben Ali's electoral and political reforms have become mere window-dressing. Yet to his supporters, Ben Ali has truly been the 'craftsman of change'. Democracy, they argue, must not equate with anarchy, must not result in an Algeria-type spiral of violence, or the social fragmentation seen in Eastern Europe. Rather, political change must accommodate itself all the time to changing social scenarios that result from economic reform. The essential prerequisite for successful economic reform is political stability, and the regime must be responsible for securing stability even at the cost of the unpleasant aspects of enforcing it. The president himself has said:

> What is really important is what the people understand by democracy…the development of democracy is very much a matter of education and of progressing step by step. Doing this does not mean there is no freedom or justice. Doing it by stages means first introducing it at the level of the schools and to avoid making wrong steps. In this we are being successful. Democracy is a matter of mentality and a way of life. People have to be taught. Democracy is an overall concept. It is not just politics but also health care, housing and the right to a job. There cannot be democracy without development, and there cannot be development without democracy. But freedom of expression alone does not necessarily bring jobs and drinking water for the people. If people are not mentally prepared for democracy, it could be a disaster.[65]

Ben Ali's interpretation of human rights is equally broad, encompassing 'the right to food, health, work, education, housing, social security, children and family protection'.[66] His vision views new legislation favouring women and children[67] as being advances in the nation's commitment to human rights. In some instances, the achievement of these is of more urgent priority than simply concentration on issues of detention, the judicial status of trials or acts of violence by security services. Failures in the latter regard can be balanced by advances in the former, with an overall positive progression being evident, proof of which might be the numerous prizes awarded to the president for his achievements in these domains. From Ben Ali's speeches, it would appear that he views this broad range of rights as human rights within a context in which society must work together as an organic unit in defining and defending rights in some sequential order of priorities. Those activists who seek to challenge this concept of gradual introduction of rights, or dispute the particular sequential order of rights, are considered dangerous because they challenge the organic unity of society, and its leadership:

> We respect the nobility of activism and we are attached to constructive dialogue, within the framework of respect for states' sovereignty and their national choices, as much as we reject any form of deviation which harms the very essence of a humanitarian issue which

> concerns the entire mankind, that of human rights. This issue should not be left in the hands of professional liemongers and lovers of speeches, press communiques and salon professionals.[68]

The fundamental problem for Ben Ali has been that his version of democratization has meant in practice only piecemeal reforms which fail to address the concerns of the opposition in any meaningful way, even as his interpretation of security has inspired fear and mistrust. There can be little doubt that the president has tried to encourage and promote the legal opposition parties to act as serious partners in dialogue and government. In the end, however, his words have not matched his acts and, for those who believe society to be ready to assume the rights and responsibilities of democracy, Ben Ali's political reforms have ultimately become a shabby parody of the genuine article, leaving significant sections of the population marginalized, unrepresented and scattered to the periphery of the political system.

8 The Disarticulation of Multi-Party Corporatism: State and Society under Ben Ali

From the previous discussion it has become clear that Ben Ali has had two overarching policy priorities since coming to power: a complete structural reform of the economy and a simultaneous restructuring of the political system. Both policies are based on continuity as much as on change. There is nothing new in stating that the economic reforms of Ben Ali were the logical extension of nascent reforms which had been in the pipeline since the 1970s but which neither Bourguiba, nor influential elements of his elite, were prepared actually to implement. Ben Ali's contribution, and it should not be under-estimated even by his most ardent critics, has been to take the plunge; to allow liberalization to gather an accelerating momentum and to put the weight of the state behind that wave of change. Bourguiba's successor, should it have been other than Ben Ali, would have been hard pushed to hold back that dynamic for reform, but Ben Ali had the wisdom not simply to ride with the wave, or to attempt to resist the inevitable, but actually to engage the state in a constructive effort to shape the process even as he took advantage of propitious circumstances, international support and favourable domestic social forces. His ability to do so has been determined largely by his political restructuring, which is in many ways more complicated to understand. To do so, we must return to the concepts of the state, civil society and their relationship with one another.

THE STATE AND CIVIL SOCIETY UNDER BEN ALI

When Ben Ali came to power, the state was an inflated, bureaucratic but paralysed entity. It was wholly integrated with the PSD, a single party which had ceased to be interested in mobilizing public support for its objectives and which was fraught with internal wranglings over the issue of succession. Consequently, political tensions were expressed in the public arena in a confrontational way which brought the coercive weight of the state into conflict with dissident social forces. For Bourguiba, the irony existed in his having himself deliberately fostered both civil society and *civisme* – which Eva Bellin has defined as 'the participant culture of civics textbooks that trains citizens in activism, reason, and engagement and thus makes them competent to shape their own lives'.[1] The inclusivist associations of Bourguiba's early corporatist political system had been intended to nurture exactly these virtues. However, his intention had never been to allow them to develop as autonomous expressions of political contest. As the state and the party serviced their interests less and less, these bodies became the source of challenges to his regime and he resorted to repression to contain them – hence the fierce attacks on the UGTT in the late seventies and early eighties. Perhaps he simply over-estimated the degree to which civil society had absorbed and responded to the impulses of modernization. Whatever the reason, it was clear by 1987 that the so-called *new state* of the 1960s – the powerfully integrated party–state combination – was no longer capable of harnessing or dominating all social forces. Indeed, it had itself degenerated to a situation in which many of those forces felt sufficiently excluded and alienated as to feel warranted in attacking the system itself. The corporatist system was malfunctioning, simultaneously creating crisis and responding to it. When economic crisis loomed, the state had neither the autonomy nor legitimacy to deal with it effectively, given the ideological and political opposition emanating from the PSD itself.

Even before Ben Ali pushed through his liberalizing reforms, Tunisian society had been significantly affected by the processes of development – urbanization, education and political mobilization. Bourguiba's corporatist political system, combined with the processes of modernization and development, had fostered expectations and aspirations which had, for many, been cruelly disappointed by the system's latter-day malfunction. These frustrated demands were ultimately expressed through the contests of the state with first the UGTT and then the Islamist movement. The absence of legal and effective political parties did not deter them from challenging the state – indeed the activities of the unions and the Islamists demonstrated that an associational form of civil society did indeed exist which was capable of articulating well-developed social demands. Nonetheless, when Ben Ali promised political reforms there was a general expectation that these demands could and would now be articulated through party competition. The willingness of the Islamists to restructure their movement as a political party was symptomatic of a wider national consensus in favour of political contest via a democratic multi-party system, demonstrating the extent to which *civisme* was by now inculcated into Tunisian political culture. (One can equally argue that at a later stage Nahda's popular and political credibility was undermined by its own radical wing which opted for tactics that were contrary to the values and behavioural norms required by that same *civisme*. In choosing the path of violent confrontation, the radical elements were seen to be rejecting civil society as much as they were challenging the state itself, casting suspicion upon even the most moderate Islamists as ultimately pursuing a goal which was inimical to democratic, pluralistic civil society.)

The initial honeymoon period of consensual support for Ben Ali indicated not least that 'an overwhelming share of the contestation in Tunisia had focused on Bourguiba himself'.[2] Vandewalle believes that it also reflected a generally sustained perception of inclusivism in the system which had merely been disrupted by Bourguiba's authoritarianism. Moreover, the nature of Ben Ali's succession, and his apparent respect for constitutional norms, illustrated the high degree of institutionalism existing in Tunisia. Put crudely, 'Bourguibism . . . survived despite the abuses to which its creator eventually put it'.

Ben Ali's early political reforms can be interpreted as an effort to relieve the political pressures on the state, to revive confidence in the inclusiveness of the political system and to revitalize the institutional basis of government, meaning both the state and the dominant party. For Ben Ali, it was more a case of restoring the credibility of the existing system than of replacing it with another. His reforms were not democratic – they were imposed from above albeit in sympathy with demands from below. The state, and more specifically the president, determined the pace, scope and spheres of reform and handed them out as a revived form of Destourian patronage.

Demand for political reforms had become the expression of modernized civil society – a plea in effect for increased autonomy for associations from the state–party alliance. Only thus, it would seem, could the needs and demands of society be articulated. Moreover, given that the single party was no longer effective in reflecting and mediating social demands, civil society itself was demanding a competitive party system as an alternative and potentially more effective means of negotiating interests with the state. Ben Ali hoped to use the reforms as a way to create a new state–multi-party alliance in which a number of parties acted in much the same way as the PSD had acted previously – as organically linked allies of the state. The *civisme* of society, as demonstrated in the associational activities of civil society (including the political parties) would be directed back into consensus-based co-operation, a mobilization of public support behind the state articulated through the multiplicity of parties. Thus, autonomy for parties was not the name of his game; political power-sharing would be limited to a distribution of powers to support the regime rather than to challenge it. In essence, he was aiming to use a multi-party system to revive rather than replace Bourguibist corporatism. The critical requisite here was that allowing the functioning of a multi-party system could not actually entail free competition with the state. The Destourian party would remain as the functioning party arm of the government and would thus preserve its place as dominant party until such time as all other parties were safely drawn into the consensus-based alliance with the state.

For this to work a number of things had to happen. First, the RCD had to be reformed to restore public confidence (and legitimacy) and to regain its credibility as a channel for distribution of patronage. The latter was in many ways the more difficult of the two tasks, since the economic reforms underway inevitably eroded some of the gifts which had previously been in the power of the PSD to bestow. However, the new inclusivist RCD could and did draw into its ranks previously dissident politicians with promises of access to positions of power. The offer of a National Front slate in 1989 was another example of the more overt forms of patronage offered, while the support expressed for the RCD by the private business sector in the 1994 elections demonstrates the efficacy of less overt forms.

The issue of patronage remained one for the state itself. As it withdrew from some elements of economic direction, it reaffirmed its rights to others. The state would not disengage from the economy but rather it would redefine the methods of intervention and the directions in which it would exert influence, such that other actors behaved in desired ways.

Eva Bellin has examined, for example, the way in which the state has retained its control over the activities of the private sector even as it has virtually forced them to adapt to the market. Government financial supports and shelters are awarded on a discretionary basis, maintaining a dependency linkage between state and private sector. The state brings business associations under its own auspices, offering them financial assistance but denying them political autonomy. Criticism of economic policy may be made *doucement* and *entre amis* but economic autonomy is not allowed to translate into political contest.[3] The economic winners of liberalization are ultimately unable to disengage themselves from political dependence upon the regime – indeed their profitability in the market is enhanced by constructive relations with the state and access to its arbitrarily distributed patronage. Bellin describes this as the state possessing a 'gate-keeping' function where the mobilization of economic power is tightly controlled. Of course, the very reformist policies of the government favoured the interests of the entrepreneurial classes and the private sector. Thus the latter could be mobilized behind the state and its political arm, the RCD, without too much difficulty. But what about the social groups which were less likely to see direct benefits from structural adjustment?

In the case of economically vulnerable groups, such as the rural poor or the unemployed, the state was careful to be seen to maintain a role of provider. Given prevailing conditions of budget austerity this could only be done by redistributing wealth through consolidation of the tax system, removal of government price subsidies and their replacement with targeted payments, and a variety of other mechanisms which in effect squeezed the large middle-class section of society in favour of the poor. If the withdrawal of subsidized food, fuel, and welfare provision was the major cost element of liberalization for the middle classes, the benefits were portrayed as the creation of wealth-generation opportunities, the structural modernization and de-bureaucratization of the economy, and most importantly the stabilization of a system which had been characterized by crisis for a prolonged period. Patronage for economically vulnerable groups came in the direct form of social transfers while the middle classes were left to compete for more indirect forms of support such as the aid of personal contacts to get a child into the preferred university or help from a local RCD office to speed up the process of gaining a business licence or subsidy.

State patronage has historically been distributed both directly through the state and indirectly through the single party. The introduction of a multiplicity of parties could not be allowed to interfere with this distribution and thus the RCD had to retain its dominant status as the right hand of the state itself – an apparent contradiction in the political reform process which could be disguised through the mechanisms and traditions of the paternalistic state. Ben Ali's own stated attitudes towards the need for a gradual introduction of democracy certainly correspond to the concept of the immature civil society which Bourguiba fostered. In Ben Ali's vision, young political parties must earn their spurs as it were – proving that they are responsible and constructive partners with the state before they can be given the right or capacity to distribute patronage. The problem for the smaller parties is that without that capacity in the first place they are unable to attract constituencies of their own. Thus they must necessarily argue for genuine power-sharing in the form of truly democratic reforms, before they can develop fully to take their place as equal partners. In this classic 'chicken and egg' debate the upper hand currently lies with the state. How long this can continue depends on the degree to which civil society has actually progressed, reflecting the appearance of new or old but increasingly empowered and demanding social forces.

Two problems arose with Ben Ali's vision of reform. Firstly, patronage dispersed through the state or the RCD could not equate with interest mediation. If the old PSD had ultimately failed to represent or mediate the interests of society in its vertically differentiated format, the RCD has also proved unable to represent or mediate all the demands of an increasingly horizontally differentiated society. Secondly, the institutional structures of Ben Ali's reconstructed multiparty corporatism have not sat happily together and his interpretation of multi-partyism has been riddled with its own contradictions.

ECONOMIC LIBERALIZATION AND SOCIAL STRATIFICATION

It is inevitable that reforms as profound as those which have restructured the economy in recent years should have an equally fundamental impact upon the structure and demands of society. Society itself began to reshape under the pressures of economic reform, although it is true that the pressures are perhaps less great than elsewhere in the Arab world. This is by virtue of the generally homogeneous character of the Tunisian people, the large middle-class element of society, the policies pursued by Ben Ali's regime to mitigate the worst economic side effects of liberalization, the rapid pace and early successes of economic reforms so far and the fortuitous geographic position of the country. However, it is still possible to identify processes at work which are acting to generate new, or reinforce previously weak, identities and interests.

The state itself has increasingly formulated its own policies towards the population in terms of economic hierarchies. The most economically vulnerable are identified and targeted with social transfer provision as a collective interest group. Thus, for example, the removal of general price subsidies that have previously benefited all income groups (albeit disproportionately) and their replacement with targeted social transfers, can be seen as recognition of this hierarchy of horizontal interest groups by the state in place of its previous concentration on vertical (functional) interest group identification. The same can be said of policies that aimed at reforming labour codes in a way which reduced the rights of the worker relative to the employer. The recognition, state sponsorship of, and increasing consultation with, associations like UTICA and the Union Général des Chefs d' Entreprises, represent a corresponding recognition of the entrepreneurial strata of the hierarchy. In a Marxist interpretation this would equate with the splintering apart of the owners and means of production, in effect the consolidation of the class system.

The notion of class is not new to analysts of the Tunisian political system. As far back as 1978, the activities of the UGTT had demonstrated a working-class consciousness within the union elements of the wider corporatist system, but this had been closely confined by the combination of Destourian rhetoric, interest mediation through the party itself, and at times outright repression. More recently, analysts have identified and referred to the large middle class for which Tunisia is renowned.

If urbanization, fear of unemployment, lower wages and the withdrawal of labour protection characterize the new working class, and prosperity, opportunity and state sponsorship are the attributes of the higher echelons of the consolidated entrepreneurial bourgeoisie, we may ask how the economic reforms have impacted upon those more ordinary middle-class elements that sit between the two. The rationalization of income and value added taxes have served to consolidate their common interests, while collectively they have been squeezed by rising prices (not least in real estate) and the contraction of the welfare state. Simultaneously, however, they have been able to translate savings into profit through stock market floatations and new investment opportunities for individuals and the small-to-medium sized enterprise. They have been able to articulate social aspirations in the form of consumerism, with liberal trade reforms offering them a wider range of goods on the shelves of shops – indeed a whole new range of shops entirely. The Pizza Hut era has arrived in Tunis. The variety of imported cars and designer labels is testimony to a vigorous new private retail sector.

Collectively they have recognized the benefits of political stability, and the threat which instability poses to the new opportunities that economic liberalization has made available. To that extent, their interests are truly incorporated into those of the regime. All is not rosy, however, in the middle-class garden. Even within the middle class, there is a consciousness of an emerging income gap between its higher and lower echelons, between industrial/commercial bourgeois successes and a lower middle class that is paying the price for the social protection of the poor but which can ill-afford to do so when the down side of liberalization is economic insecurity. These poorer sections of society can on the one hand see evidence around them of Ben Ali's efforts to bring regional development, to target provision to the most poverty-stricken and to balance economic reforms with social needs. On the other hand, they are aware that liberalization policies have exacerbated unemployment and inflation, problems that affect them more than the wealthier groups in society. Often recently urbanized but of rural origin, and previously largely dependent on state-provided white-collar work in clerical or lower-managerial positions, these are the first victims of government spending cuts, privatizations, public sector reform and private-sector bankruptcies. While their extended families in the west or southern regions may be benefiting from rural electrification programmes, or direct social transfers, they themselves are less enamoured of a regime which appears to be asking them to pay the price for protection of the most vulnerable of all. The rhetoric and philosophy of Bourguiba's corporatism passed this burden to the population collectively and it is difficult for the lower middle classes to see it as their own task when their wealthier neighbours are indulging in conspicuous consumerism.

It is fair to say then that Ben Ali's rule has, as Chapter One predicted, been marked by a consolidation of the horizontal stratification of society as individuals, supported by the very policies of the state, identify themselves according to their relative position on the income scale rather than by profession, gender, trade or function. With the implementation and consolidation of structural reforms, economic status has become a more tangible and visible phenomenon. The question remains, however, as to how the interests of these strata can be articulated and mediated within Ben Ali's political system, the problem being that they are competitive and irreconcilable. For example, the UGTT has accepted the principles of economic reform but resisted the implementation of those of its aspects which impact negatively on workers' rights and economic security. UTICA, meanwhile, has vigorously endorsed the policies of liberalization as a representative of employers who seek lower wage costs and more flexible work forces. These are ultimately incompatible interests whose interaction must be one of contestation, however tightly controlled its expression. So far, the regime has sought to control this contest by restricting the political autonomy of the two groups. However, by bringing the inevitable tensions under its own roof, the RCD is risking destroying the consensual nature of its own institutions. The RCD cannot indefinitely represent all interests simultaneously simply because the interests themselves are evolving. The result in this instance has been continual speculation as to whether the UGTT would attempt to establish its own workers' party and an equally determined regime response against the proposal. As the UGTT has become increasingly compromised by its leadership's willingness to work within the regime establishment, albeit under duress, marginalized or neglected elements must seek to challenge the regime's policies through other channels and thus become victim to the repression used by the regime to suppress any dissent which is manifested outside its own institutional frameworks. The absence of a multi-party system that allows genuine competition, and the denial of political autonomy to national organizations and legal associations, forces protest to take a confrontational form and thus the regime to suppress it.

Bourguiba's experience proved that education, urbanization and association have deepened the population's consciousness of the state, and how it confines them. Furthermore, the absence of legal and truly competitive political parties did not in the past prevent Tunisians from seeking to challenge the excesses of the regime through the other elements of a deepening civil society, principally the national organizations such as the UGTT and the UGET, but not forgetting other institutions such as the press or human rights organizations. As Ben Ali's economic reforms encourage the infiltration of externally-derived cultural and political norms, and as technology, communications and private economic freedoms are enhanced, it is difficult to see how the deepening *civisme* of Tunisian society can be reversed, or even kept to its current configuration. As horizontal interest identities are reinforced by the consolidation of the market economy, the pressure for their articulation, and for a state response to demands on their behalf, must inevitably build-up. The onus is therefore on Ben Ali and his government to show that their path to political reform and the ultimate system to which they aspire will be adequate to contain and diffuse this head of political steam.

THE CONTRADICTIONS OF MULTI-PARTY CORPORATISM

In terms of political structures we may then summarize Ben Ali's vision as one of reconstructed multi-party corporatism. He seeks to revise the Bourguibist bargain between the state and civil society. In his version, a single hegemonic party is not a requirement for the state to maintain control. Indeed, the state seeks specifically to relieve itself of the ideological and bureaucratic obligations imposed by the former single party and thus to enable itself to assert its autonomy in determining policy. A multiplicity of parties can ultimately fulfil the function that previously fell to the single party; they provide legitimacy, credibility and the imagery of popular participation. Indeed, modernization of the socio-economic composition of society, and the corresponding deepening of civil society and *civisme*, require that the old single party be replaced with a number of apparently competing political parties which engage in a debate with 'modern' terms of reference. The multiple parties are not, however, intended to compete with the regime, only with one another. Their loyalty to the regime itself and their willingness to play the game as laid down by the state are required to sustain the values of solidarism and consensus which are the populist foundation stones of the institutional system. In return, they can eventually share the spoils of power, including the capacity to distribute patronage. Their access to the state and its distributive networks is not automatic but is earned according to their demonstrated willingness to act as a loyal opposition. It is small wonder Ben Ali says that democratization cannot come hastily but must be a gradual and organically evolving process. Any departure by the legal opposition from the rules of the game as set out by the regime is rewarded by a halt to political reform and even regression. The irony, and the trap from which the president has seemed unable to extricate the system, is that the legal opposition have ultimately undermined their own credibility and their ability to develop independent constituencies through their grudging acceptance of these terms, leaving the RCD for all intents and purposes in pretty much the same position as it was before – that of a single party. Any parties that threaten to challenge the rules of the game – or which seek to alter the political system itself – are not admitted to the ranks of legal contestants and can therefore be excluded and attacked. Thus any class-based party which might emerge to challenge the bourgeois state can only be a victim of the state's repression. Parties can only be legalized if they reflect a similar bourgeois class base as the state itself. While this preserves the image of solidarism, it means that the multi-party system bears no relation to society itself.

The legal opposition, while compromised by their participation in the system and weakened by their failure to recruit mass support, have still been unhappy with the reality of an absence of power-sharing. Moreover, they have been increasingly aware that the methods used to suppress illegal opposition have unleashed and semi-legitimized the security apparatus as a political player. Their own reservations regarding the Islamist threat and their perception that they may have something to gain from an alliance of sorts with the regime, have not been enough to blind them to the consequences of the state's repressive responses. However, their fight for human rights and political reform – the only way they can reconcile the two positions – has been weakened by the contradictions of their position.

One should not assume, however, that all is well for the RCD. As an institution, a single party will inevitably resist the introduction of multipartyism, which represents a diminishment of its own power. From the Destourian point of view, Ben Ali has brought mixed blessings. Not only has Ben Ali concentrated power in the hands of himself, his cabinet and senior government officials (away from higher party echelons), but his various strategies of appointing his own allies and friends to top party positions, manipulating the political bureau and central committee, including opposition figures in government, and introducing a combination of technocrats and security-men, have all served to some extent to bring the top ranks of the party under his direct control. The party itself has been revived largely on the coat-tails of Ben Ali himself, and by the successes of his government in restoring political and economic stability. Ben Ali's own initiatives, to enlarge the grass-roots base of the party and re-establish its mobilizatory functions, have worn away at the dominance of the party old-guard and introduced new demands that it should respond, rather than dictate, to its membership. Just to make matters worse for the party, Ben Ali has created an alternative power-base of his own, the military, which is ultimately more powerful than the party by virtue of its monopoly of physical force. It is the military and the security apparatus which now provide the powerful figures around the presidency, and the party which must adapt to having these figures thrust upon it and integrated into it at the highest levels. The RCD may thus be in effect the single and dominant party, but in reality it has lost many of its teeth under Ben Ali and has come to serve, rather than rule, the regime.

Furthermore, the RCD's relations with evolving civil society have been altered by the latter's changing needs and identities. It is decreasingly able to function as the intermediary of the early Bourguibist years and its inclusivist characteristics have virtually disintegrated in meaningful terms. It is torn apart as battles which might be fought between parties in a competitive system are fought within the RCD itself. Thus, in the wake of the 7 November coup, a liberal wing encouraged the president to recognize Nahda as a way of reinforcing its moderacy and commitment to playing by established rules. The conservative wing of hard-liners (ironically not economic conservatives or market reformers) lobbied for the opposite strategy – to isolate and exclude the Islamist challengers in order to guarantee preservation of the dominant party system. Equally, the two camps struggled to shape the economic reform process, the liberals (in this case led by Ben Ali himself) pushing forward with an accelerated and comprehensive package, while conservatives, like Hedi Baccouche, represented the party old-guard's instinctive and reactionary caution at relinquishing economic control. As Ahmad Mestiri said in 1989: 'It is true that we are having perestroika in Tunisia, but we are running against the opposition of the apparatchiks'.[4]

The split was not as straightforward as presidency versus party, with Ben Ali unable and unwilling to confront the latter directly, but the two institutions undoubtedly act as loci of power which at times compete within their own internalized arena. The president must continually reassert himself since some among the elite, and particularly among the regional and middle ranks, may still be regarded as old Bourguibists, fiercely resenting and resisting what they perceive to be policies of disempowerment. Where they can block his strategies of top-down political reform, they do. His seat at the top of the pile is sustained ultimately through his control of the coercive forces of the state, and his willingness to use them, as much as it is by his political manoeuvrings. Relations between the presidency and the party are thus anything but harmonious. Similarly, the technocratization of the state as it adjusts to economic reforms has undermined the organic and evolutionary relationship that previously existed between party and state. With the state divesting itself of some economic functions, and cutting the umbilical ties that fed party apparatchiks into the state machinery, the party is losing its ability to exert influence through the state and to dispense patronage previously dependent upon its infiltration of the state bureaucracy.

In sum, Bourguiba's corporatism was built around three elements, the state, the party and society. Today (in the late 1990s), all three are undergoing a process of change. The state is going through a period of contraction, at least in the economic realm. Its response is to reinforce its political control over society. Only thus can it achieve the twin objectives of remaining in power and containing destabilizing social forces. The single party has lost its monopoly of representation and has been subordinated to the state. Civil society is enduring the combined effects of modernization and development on the one hand, and the consolidation of horizontal stratification on the other. Its demands are going through a corresponding transformation which the RCD is no longer in a position to articulate to the state. The variety of interests, many of which are irreconcilable, cannot be represented by a dominant political party which no longer has the organic connections with the state which it once had, or by institutionally and ideologically weak legal alternatives. Those interests which conflict with the interests of the state itself remain unrepresented and unmediated within the formal political system. Efforts to express them outside of that system are perceived to be challenges to the system itself and are met with repression.

The three changing components of the corporatist relationship cannot operate in harmony but act to challenge, conflict and – where possible – subordinate one another to their own interests. It is the state, with its ultimate monopoly over coercive mechanisms, that ultimately dominates, but since that does not actually remove the sources of tension, one must ask for how long this disarticulated form of multiparty corporatism can sustain itself. Ben Ali's version of corporatism is ultimately unsustainable in its present form. The failure to provide adequate institutional means for interest articulation and mediation acts to undermine any national consensus by alienating and marginalizing elements of society. Equally, the dependence upon coercion indicates that the organic nature of state–party–society relations has been whittled away. The problem for Ben Ali is that authoritarian measures are both the result of, and the cause of, political tensions that threaten to undermine the very political construction from which they originate.

There is another side to this process, however, which represents embedded continuity rather than the dynamics of change and which can be understood through the use of Susan Waltz's analysis of clientalism and reform in Tunisia.[5] Drawing on previous work by Clement Henry Moore and Lisa Anderson, she argues that Tunisian political society has historically been characterized by two phenomena: a tendency towards rational reform and an order based on particularist clientalism. The reformist tradition is not one which seeks to overturn the dominance of the state but to moderate the application of this dominance. In other words, reformers 'have sought to contain arbitrary application of the state's power rather than limit that power itself'. The second tradition is that of clientalism, which has increasingly linked the patron's ability to provide with his association with the state. Waltz argues that this clientalism has for centuries manifested itself in personal rule in Tunisia, a system whereby the most notable patron–client relationship is that between the head of state and the citizen. Just because the reformist trend has been so in evidence in recent years, this does not necessarily imply a decline in the clientalist or particularist attributes of the state. She uses numerous examples of increased presidential clientalism, such as executive decisions emanating directly from the president's office (which have been used to win support from disenchanted potential voters, or to undercut Islamist strongholds),[6] the advancement of prominent oppositionists within his cabinets, and the president's personal granting of amnesties to political prisoners and criminals. She also agrees that broader political moves, such as the National Pact, can be seen as efforts at political brokerage whereby the president has offered patronage to opposition individuals. In short, in the early years of Ben Ali's rule, rational reform was a strategy for increasing the legitimacy and strength of his regime, reinforced by strategies of personal patronage. These 'enduring particularistic interests' were often overlooked by observers as they succumbed to enthusiasm over the apparent political reform process. Waltz claimed, rightly, in 1991 that it was a mistake to confuse the overall recession of personalism that Ben Ali represented *compared to Bourguiba*, with its absence. Instead, she predicted that as economic reform's unpleasant side-effects were more intensely felt, the leader would be more likely to be personally blamed, precisely because of the pressures which would be applied to this patron–client contract. Competition becomes more threatening and must be more tightly reined in, bringing the rational reform process into conflict with the ruler's own requirements for personal survival. Personal rule takes over and the political system becomes more subject to the individual arbitrariness and immediate needs of the leader himself. His need to assert himself over the society and state at a time when his legitimacy is failing, under the weight of the fractured social contract between patron-provider and client, leads him to bypass the very institutional innovations which he himself introduced in his bid to consolidate his hold on power. Her analysis proved to be depressingly prophetic.

This approach highlights the concentration of power and patronage in the hands of the president, a characteristic of the Bourguiba years as well as the pre-independence Beylical era. It begs the question as to whether the political reforms made so far have simply been tactical window-dressing to Ben Ali's political consolidation within an essentially unchanging political system, or whether they might really have been part of a slow but inevitable institutional redistribution of power that has accompanied modernization and the deepening of civil society. The answer to this question is that the reforms have been both and that therein lies the principal contradiction with which Ben Ali must now struggle.

There is some room for optimism in assessing this equation, for believing that the dynamics of change will ultimately prove stronger than the power of continuity. Firstly, the language and content of political debate have changed within Tunisia under Ben Ali. This is as much a result of alterations in the international context as it is a by-product of Ben Ali's own reform process. The terminology of democracy, political pluralism, human rights and civil society is now thoroughly entrenched in Tunisian political culture and even the most repressive regime would be hard-pushed to eradicate them, or the expectations and aspirations which they represent. The truth is that Ben Ali's own promises for reform, on which he has staked his reconstruction of a national consensus, reflected an acknowledgement that modernization and economic development have brought new dimensions to socio-political demands. These will only be reinforced by the process of economic liberalization, most critically by the accommodation to international norms of economic behaviour such as transparency, accountability and freedom of choice.

Secondly, the extent of institutionalization within political society should not be under-estimated. The struggle of the LTDH for legal independence from the state ended in a not-entirely hollow victory. The legal system ultimately upheld their right to determine their own membership and the government was forced to back down in many of its demands. This was a clear illustration that, while associations may have adjusted themselves into less overtly confrontational organizations in order to preserve some freedom of action, there are still institutional and legal structures which act to restrain the hand of the state. The other side of this coin was that when some Islamists in Tunisia rejected the institutional path to power, and given the possibility that this was an inherent characteristic of resurgent political Islam, popular and political support for Nahda diminished. The degree of institutionalization that exists within Tunisian political society has protected it to some degree from both the excesses of the state and of its opponents.

Thirdly, it can be argued that Ben Ali deserves credit for having at least attempted to introduce significant if gradual political reforms in a climate which had the potential to explode into widespread violence. It is also fair to say that Ben Ali has achieved a degree of political stability which regional neighbours can only envy, and that he has done so against some difficult odds. There is more than an element of truth in the claims of his supporters that the process of political reform was blown off course by the winds of the Islamist phenomenon, and that the blame for the use of repressive security measures must lie in part with those who sought to destabilize the entire political system through the use of violence. Unfortunately but predictably, the tactic employed to contain the threat to stability also held within it the seeds of future repression in its empowerment of the military to intervene in civil affairs and in the need to rely on a security apparatus before the institutionalization and consolidation of civil society were complete. This argument in no way excuses the excesses of the security apparatus, the abuses of human rights or the failure to defend civilians from fear and repression. Nonetheless, one does not have to intend to assert an authoritarian form of government for one to end up actually enforcing it.

Ben Ali's efforts to defend the weakest sections of society from the negative impact of economic liberalization, while stronger sections positively gained from the reforms, have indicated that the state is not acting completely independently or regardless of the broader interests of society. In other words, while the multiplicity of political parties has not served to represent and mediate interests, Ben Ali has used both the state and its allied associations or national organizations to try to identify needs and, where possible, to meet them. He has thus anticipated or pre-empted interests, undermining the appeal of potential alternative mediatory bodies like the Islamists. In this regard, the interests identified have been essentially socio-economic rather than political. The limitations of this approach, and they are serious limitations, lie in the competitive nature of developing socio-economic interest groups and the ultimate inability of the state–RCD alliance to reconcile them within its own structures.

Ben Ali has apparently ironically unleashed his own contradictions upon the relationship between state and civil society. While he has attempted to develop a tightly controlled multi-party system to reconstruct the social support for the corporatist state, that very process has enhanced the formulation and articulation of demands for more representative and accountable government. In other words, by bestowing political reform from above, he has fed demands from below for further reform. The tensions created by the contradiction have threatened the very political stability of which the president is so proud and on which his political fortunes depend. His answer has been repression, a reversion to authoritarianism, but the tactic offers no long-term solution to his dilemmas and is in itself potentially destabilizing by virtue of its negative impact on the legitimacy of Ben Ali's reconstructed corporatism.

TUNISIA IN A GLOBAL CONTEXT

This book has argued that the processes of economic and political liberalization are inextricably linked for Tunisia, although not in the necessarily positive way which many have claimed. While it is not the purpose of this volume to make extensive comparisons with other cases of intended simultaneous reform, it is worth briefly locating Tunisia within its regional and global context to ascertain whether it might be worth considering the Tunisian case as an illustration of a wider predicament.

Economic growth and progress have been less than satisfactory across the MENA region as a whole in recent years (see Table 8.1). The IMF pointed out in 1996 that: 'while unfavourable exogenous factors affected performance, insufficient domestic policies also contributed to the outcome'.[7] Within the regional context, Tunisia has been a leader in instituting economic reform and has subsequently been one of the strongest economies in terms of growth, stability and integration into a wider, global market. One can argue that Tunisia had something of a headstart – a small population and controlled population growth, geographic proximity to European markets, and relative socio-economic homegenity. Nonetheless, and without minimizing the existing and consequent problems of unemployment, persistent poverty and uncompetitive production, the successes of Tunisian reform owe a great deal to the degree of commitment to liberalization shown by policy-makers and the consistent but thoughtful implementation of domestic policies.

Table 8.1 Annual average growth in GDP and population of selected MENA countries

Country	Annual av. GDP growth 1980–90	Annual av. GDP growth 1990–4	Population (millions)
Egypt	5.0	1.1	56.8
Morocco	4.2	1.7	26.4
Jordan	–1.5	8.2	4.0
Algeria	2.9	–0.6	27.4
Turkey	5.6	3.2	60.8
Iran	1.5	5.2	62.5
Oman	–1.2	1.9	2.1
Saudi Arabia	–1.2	1.9	17.8
Israel	3.5	6.2	5.4

Source: The World Bank, *From Plan to Market: World Development Report 1996* (Oxford: Oxford University Press, 1996).

Table 8.2 Foreign direct investment flows to Mediterranean and GCC countries (in US$ million)

Country	1991	1992	1993	1994	1995
Egypt	253	459	493	1 256	1 000
Morocco	375	503	590	535	417
Tunisia	126	371	238	194	250
Turkey	810	844	636	608	1 037
Saudi Arabia	160	–79	1 369	1 341	890
Oman	149	87	99	130	150
UAE	26	130	183	113	110
Qatar	43	40	29	37	35
Kuwait	1	35	13	16	15
Bahrain	–7	–9	–5	31	6

Source: Committee for Middle East Trade, *Bulletin* (1997), No.48; *Gulf States Newsletter*, 28 July 1997.

Table 8.1 shows that Tunisia, unlike Egypt and Morocco, improved its economic growth performance in the first half of the decade despite the difficulties associated with economic reform. To some extent, this can be explained by the fact that, with a smaller population, the task of growth across the economy is significantly smaller. However, even the oil economies of the Gulf region, which have similarly small native populations and have the benefits of massive rents to spend, have been unable to match Tunisia's growth. Likewise, and given the small size of its population, Tunisia has attracted a relatively favourable level of foreign investment through its liberalization programme. While analysts may assert that a high proportion of that investment goes to the hydrocarbon sector and thus does not indicate the desired diversity of investment, even in this Tunisia has outpaced much of the GCC.

In a global context, however, Tunisian economic performance has not been outstanding. This is indicative of a general failure on the part of the MENA region to match the performance of other regions which have witnessed rapid economic transformation in recent years from various forms of central planning or heavy state intervention to IMF-compatible market orientation. Table 8.3 illustrates the higher growth rates of some of the 'star performers' in South and South East Asia, as well as Latin/South America in the 1990s (compared to the previous decade). Most of these countries have far larger populations than Tunisia, suffered much deeper debt crises, and have thus had to climb a steeper hill in terms of both structural reform and economic performance.

Equally, at the regional level, the Middle East and North Africa have been unable to attract the levels of foreign direct investment which have poured into other developing regions. Despite the promising developments in regional investment legislation and capital markets, it is clear that the wider world (and its money) still regards the MENA region as having to overcome significant obstacles before it

Table 8.3 Annual average growth in GDP and population of selected countries

Country	Annual av. GDP growth 1980–90	Annual av. GDP growth 1990–4	Population (millions)
Vietnam	—	8.0	72.0
Indonesia	6.1	7.6	190.4
Thailand	7.6	8.2	58.0
Malaysia	5.2	8.4	19.7
Korea (Rep.)	9.4	6.6	44.5
El Salvador	0.2	6.2	5.6
Peru	–0.2	4.2	23.2
Costa Rica	3.0	5.6	3.3
Panama	0.3	7.0	2.6
Chile	4.1	7.5	14.0
Argentina	–0.3	7.6	34.2
Colombia	3.7	4.3	36.3

Source: The World Bank, *From Plan to Market: World Development Report 1996* (Oxford: Oxford University Press, 1996).

Table 8.4 Regional distribution of foreign direct investment to developing countries in 1995 (US $ millions)

	US$m	Percentage
S, E and SE Asia	65 033	65.2
Latin America/Caribbean	26 560	26.6
MENA	4 230	4.3
Sub-Saharan Africa	2 895	2.9
Other	952	1.0

Source: Committee for Middle East Trade, *Bulletin* (1997), No.47.

can play a full part in global production and exchange. These include the weak level of intra-regional trade (and consequently small markets for inward investors), the apparent inability to shake off historical legacies of bureaucratic tradition, state intervention, corruption and poor orientation towards industrial production (not to mention negative perceptions of the prevailing business culture).

To understand Tunisia's relative performance, one might refer to Nonneman's criteria for successful reform.[8] Nonneman asserts that the primary requisite for successful economic reform is political stability. A *strong* state, whether it is authoritarian or democratic, is likely to push through reform more rapidly and successfully than a *weak* state, which might be minimalist, undeveloped or unstable. In a MENA context, Tunisia has dealt reasonably ably with potential instability, although this has unfortunately been through the imposition of authoritarian measures, notably to quell the Islamist challenge. Such measures have provoked some response from civil society but have been instituted with some considerable support from the powerful entrepreneurial and large middle classes. The attempt by Ben Ali to re-establish a national consensus to underpin state–society relations has not been entirely successful but neither has it failed. The troubles of neighbouring Algeria and Libya have undoubtedly aided the president in making his case that Islamist-inspired instability serves no-one's interests, but there are also significant cultural and historical precedents that have bolstered Tunisian efforts to establish and sustain political stability. To this extent, the Tunisian case is much like that of Morocco. The Egyptian state has had a more difficult task in controlling the geographically more widespread Islamist challenge, and has in some instances been still more ruthless in its response. Jordan has chosen a generally integrative approach which has succeeded in taking the wind from fundamentalist sails, as has Turkey (until the recent moves by the military to expell the Islamist *Refah* prime minister). The willingness of the state to assert its authority, and equally its ability to do so, have been critical in the process of implementing reform and convincing international capital of its success. Those states such as Morocco and Tunisia which can justifiably claim a large degree of popular consensus over the need for, if not the substance of, reform – and which have authoritative leaders supported by the military establishment – are more likely to succeed than weaker leaderships, whether fierce or democratic. For most (if not all Arab states), there is however a common problem of regime legitimacy which interferes with the state's ability to impose its will. In some cases, Islam acts as a powerful call to arms for those who deny the legitimacy of a given regime. The Catholic church cannot be said to fulfil the same role to the same extent in Latin and South America since, while it may stand opposed to the regime, its leadership does not seek political power for itself. Equally neither Islam nor Christianity aspires to a comparable political role in East and South East Asia. Secondly, the continuing failure of the Arab regimes to deal with the running sore of Israeli occupation of Arab lands further undermines the legitimacy of regimes in the eyes of their populations, not least since some regimes have based much of their credibility on their commitment to that cause. Finally, the perceived feebleness of the regimes of the region in their relations with the West, and with the United States in particular, feeds a popular resentment at what is seen as elite co-optation, collaboration and an overall sell-out.

Nonneman's second condition for successful reform is the existence of an indigenous entrepreneurial middle class with a history of private sector 'capitalist' activity. Tunisia, unlike some Middle Eastern corporatist states, never embarked on policies that aimed to destroy or replace the urban and mercantile bourgeoisie. The years of socialism were brief and were quickly replaced with a mixed regime which recognized the historical role played by the private sector and which allowed it some room to maneouvre. The state took over an ever-expanding realm of economic activity more by inadvertent lack of attention and self-advancement than by design. While this may have given Tunisia some advantage over its regional neighbours, in Latin/South America and South/South East Asia the entrepreneurial bourgeoisie was actually aided rather than hindered by state direction. Thus, the private sector was stronger and more deeply embedded in the productive and distributive sectors of the economy and consequently more ready to take up opportunities offered by liberal market reforms.

The third condition is cited as 'available resources – natural, technical, and human'. In this respect, Tunisia has had mixed material with which to build its modern economy. Moderate hydrocarbon assets provided the resources for early development and in recent years have delayed the burden of an energy-import bill. Its agricultural potential is reasonably high but still subject to the seasonal vaguaries of drought and flood. Otherwise its natural resource base is not impressive, save for the potential offered by geographic proximity to Europe. At the technical and human level, Tunisia had a head-start over many of its regional competitors by virtue of its small population with controlled growth rates. The progressive policies of Bourguiba ensured a regionally high level of educational provision and access to the technical and educational spill-overs of the West. Unlike many more global liberalizers, however, labour for expanding or deepening private enterprise has not been significantly low-cost at critical stages of economic development due to the ideological and welfarist baggage of the populist, corporatist state. An associated element of this argument is that where great economic inequality exists within a country, liberalization may be less successful, success being measured of course on a rather different scale which takes account of social welfare and political stability as much as macro-economic indicators. Tunisian society has not in the modern period been characterized by great inequalities of income and economic standing. While liberalization has certainly widened the income gap, the state's willingness to maintain essential safety nets for the most vulnerable, and its ability to do so given the controlled population size, has prevented the kind of dramatic deterioration in living standards of large numbers which would make it a failure in these terms.

Nonneman also asserts that successful liberalization requires political acceptance, a condition generally sustained in Tunisia. Although Islamist and trade union groups reject many of the reform measures themselves, due to the social effects, the principle of economic reform has had a relatively wide base of support in political and economic arenas. Much of this evolved from the frustrations which built up during the final Bourguibist years and the popular pressure for a strong hand on the economic tiller which would reform and stabilize an economy out of crisis. It has also been sustained by the real opportunities afforded to the middle and entrepreneurial classes which have compensated in part for the insecurities and financial squeeze that liberalization has brought for many. Support has also been due in part to the fact that Tunisia's reform programme has been nationally 'authentic'. By and large, it has not been an imposed programme, with external agents calling the shots, but has been designed, managed and implemented by Tunisians in response to their own assessments and diagnoses. A politically strong, technically able body of reformers have carried the programme through from its initial stages to the present-day and have been allowed (ironically a sign of strong, as opposed to fierce, government) to take a long-term view of economic needs rather than succumbing to short-term political imperatives. This is in sharp contrast to Egypt, for example, where reform has been stunted by domestic hostility towards external (IMF) pressures. In the GCC countries the political power of royal families and the need to negotiate political power-holding within the families, much of which is derived from control over the countries' economic assets, has hindered the technocrats' plans for the withdrawal of the state, while the question of patronage and the lack of distinction between the public and royal purse have meant real reform is in sharp contradiction to the interests of the ruling classes. Reform may well be a long-term necessity for them, and they may be making some efforts to implement it, but the reality of power and legitimacy cannot sustain it, while the continuing if diminished oil rent further delays it.

With much of the region around it still politically unstable, economically frail, and not yet 'open for business', Tunisia is unable to benefit significantly from a regional market for its goods. By comparison, Latin American and East/South East Asian states may benefit from genuine attempts at regional economic co-operation and even free or preferential trade such as ASEAN, the LAIA, the CACM, The Andean Group and CARICOM.[9] Regional organizations such as the GCC, Arab Co-operation Council and Arab Maghreb Union have never achieved a comparable degree of economic integration or collaboration, not least because of the weaknesses of their own regimes and their mutual suspicion of relinquishing any of their territorial reach. Tunisia is forced to direct its attentions towards much stronger competitors such as Europe, making its task all the harder. Foreign investors meanwhile are deterred by the prospect of the limited domestic market and the inability to penetrate deeper into the African or West Asian hinterland. As Europe begins to assert itself once more within the Middle East, this time through its Mediterranean programme, it may be possible for the EU to play a role similar to that of Japan in South East Asia, or the US in Latin America, spearheading the drive to demolish borders for trade, investment and labour movement. Yet only the strongest MENA economies will withstand, and profit from, the assault. Here Tunisia may have an advantage, along with Morocco, Turkey, Israel and even Egypt. Much will depend, however, on the successful conclusion of regional peace, on political openings within the MENA states themselves, and on the establishment of international confidence in the security of the region and assets located within it.

Thus, in sum, Tunisia is hampered by its MENA location, to some extent by its own history and political culture, and by the sheer weight of the burden of catching-up that lies before it. A failure on the part of the regime to address the political contradictions in state–society relations that are steadily evolving will undermine one of the few advantages currently in its favour – its relative political stability within the region closest to Europe and one with which Europe is eager to do business. Equally, a faltering in the commitment to full implementation of reforms can derail what is still a profoundly fragile process. In many ways, the hardest part is yet to come, with free trade between Tunisia and Europe holding as many pitfalls for the unprepared as opportunities for the quick-witted. Regional conflicts, the political crises of its neighbours and the festering wound of Islamic sensibilities under assault from Westernization all have the potential to reverse the gains so far made. Thus for every success which Tunisia has so far achieved, a dozen challenges lie before it and the regime has much to do to convince its critics that it has the flexibility, initiative and wisdom to face the future and win.

Notes and References

Introduction

1. Often referred to as the 'neo-classical counter revolution', the body of literature included major works by P. Bauer, B. Balassa, D. Lal, I. Little, and A. Krueger. For a critique of their works see J. Toye, *Dilemmas of Development* (Oxford: Blackwell, 1987), Chs 3 & 4.
2. The level of Third World debt became unsustainable when the international economic conext deteriorated rapidly in the early 1980s. The fall in oil prices led to a reduction in available capital and an increase in interest rates. Inflation contributed to further increasing the cost of existing debts, while the unproductive nature of investments proved diasterous when it came to raising currency to service them.
3. Conservative governments in the USA, Canada, Germany and Britain led the way in the 1980s in forcing the new orthodoxy on to the IMF and World Bank agendas.

1. Economic Liberalization and the State in the Developing World

1. I. Roxborough, *Theories of Underdevelopment* (London: Macmillan Press, 1979), p. 107.
2. T. Niblock, 'The State of the Art in British Middle Eastern Studies', in T. Ismael (ed.), *Middle East Studies: International Perspectives on the State of the Art* (NewYork: Praeger, 1990), p. 51.
3. M. Dorraj,'State, Petroleum, and Democratization in the Middle East and North Africa', in M. Dorraj (ed.), *The Changing Political Economy of the Third World* (Boulder, Co.: Lynne Rienner, 1995), pp. 119–43.
4. A. Richards and J. Waterbury, *A Political Economy of the Middle East. State, Class and Economic Development* (Boulder, Co.: Westview Press, 1990), p. 337.
5. Frequent misinterpretations of the character of the early Israeli state, which focus on the socialist rhetoric of the Mapai Party and related kibbutzim-type institutions, fail to take into consideration the étatist policies of Ben Gurion's *mamlachtiut* or the fundamental contraditions between the dominant Zionist ideology and the supposed class basis of the labour Zionist movement.
6. N. Ayubi, *Over-stating the Arab State: Politics and Society in the Middle East* (London: I. B. Tauris, 1995), p. 3.
7. E. Picard, 'State and Society in the Arab World: Towards a New Role for the Security Services', in R. Brynen, B. Korany and P. Noble (eds), *The Many Faces of National Security in the Arab World* (London: Macmillan, 1995), pp. 258–74.

8. G. Rye Olsen, *Political Power and Economic Change in the Developing World* (Copenhagen: Centre for Development Research, 1994), p. 91.
9. N. Ayubi (1995), p. 256.
10. Ibid., p. 3.
11. I. Roxborough (1979), p. 123.
12. See Halim Barakat's summary of the works of Hanna Batatu and Philip Khoury (among others) in H. Barakat, *The Arab World: Society, Culture and State* (Berkeley: University of California Press, 1993), pp. 75–8.
13. Ibid., p. 95.
14. Patricia Springborg has given evidence of large and impersonal bureaucracies existing in Mesopotamia and ancient Egypt as far back as the second and third milleniums BC. See P. Springborg, 'The Origins of Liberal Institutions in the Ancient Middle East', in T. Niblock and E. Murphy (eds.), *Economic and Political Liberalization in the Middle East* (London: British Academic Press, 1993), pp. 26–40.
15. C. Clapham, *Third World Politics: An Introduction* (Madison: University of Wisconsin Press, 1985), p. 39.
16. J. Bill and C. Leiden, *Politics in the Middle East* (Boston: Little, Brown, 1984), pp. 74–97.
17. The extreme version of this argument might be the so-called 'mosaic approach' posited by analysts, such as Carlton Coon, who deny the relevance of class analysis at all in the Middle East, arguing that the categories of sect, tribe, ethnic group, village and region are the keys to understanding Arab social organization.
18. J. Bill and C. Leiden (1984), p. 77.
19. M. Weber, *The Theory of Social and Economic Organization* (New York: Oxford University Press, 1947).
20. J. Bill and C. Leiden (1984), pp. 132–76.
21. J. Waterbury, *The Egypt of Nasser and Sadat: The Political Economy of Two Regimes* (New Jersey: Princeton University Press, 1983), pp. 14–15.
22. Aland Richard's and John Waterbury, *Apolitical Economy of the Middle East: State Cutural Economic Development* (Boulder, Co: Westview 1990), p. 338
23. This can be attributed to the historically dominant and extractive role of the state, as well as the impact of subordination to colonial capital.
24. Guillermo O'Donnell has called this the easy phase of ISI, pointing out that as the process of 'deepening' development takes place, so ISI becomes harder to sustain. See J. Waterbury (1983), pp. 3–20.
25. N. Poulantzas, *L'État, le pouvoir, le socialisme* (Paris: PUF, 1978). Also R. Miliband, *Class Power and State Power* (London: Verso, 1983).
26. N. Ayubi (1995), p. 309.
27. Writers like Fuad Mursi, Ben Romdhane and Michal Kalecki have argued that, in creating an alliance with the industrial and commercial bourgeoisies, indeed in becoming a bourgeois class in itself, the corporatist state is demonstrating its essentially transitory nature. Once it has achieved dominant class status, it will either abandon the state as a mechanism for power, or simply concentrate on the authoritarian elements of the state to protect its position. Waterbury has dismissed this idea, claiming that empirical evidence shows that in cases such as Egypt,

Algeria, Iraq, Tunisia, Syria and Turkey, the state bourgeoisie perceives the perpetuation of its own interests in precisely the opposite strategy – removing as much economic power as possible away from the hands of the private sector – a process which has only been derailed by economic crisis and which allows for the increasing autonomy of the state. See J. Waterbury, 'Twilight of the State Bourgeoisie', *International Journal of Middle East Studies* (1991), No. 23, pp. 1–17.

28. J. Nelson, 'The Politics of Economic Transformation: Is Third World Experience Relevant in Eastern Europe?', *World Politics* (1993), Vol. 45, No. 3, p. 436.
29. J. Waterbury (1983), p. 367.
30. G. Rye Olsen (1994) p. 84.
31. R. Owen, *State, Power and Politics in the Making of the Modern Middle East* (London: Routledge, 1992), p. 144.
32. E. Murphy, 'The Initiation of Economic Liberalisation in Algeria, 1979–1989', in G. Nonneman (1996), pp. 153–69 (ed.) *Political and Economic Liberalization: Dynamics and Linkages in Comparative Perspective* (London: Lynne Rienner, 1996) pp. 181–99.
33. R. Hinnebusch, 'Democratisation in the Middle East: The Evidence from the Syrian Case', in G. Nonneman (1996), pp. 153–69.
34. See also V. Perthes, *The Political Economy of Syria Under Assad* (London: I. B. Tauris, 1995), pp. 135–9.
35. J. Bill and C. Leiden (1984), pp. 9–37.
36. 'Summary of Conference Proceedings', *Conference on Civil Society and the Prospects for Political Reform in the Middle East* (USA: Aspen Institute Wye Conference Centre, 30 September – 2 October 1994), p. 5.
37. E. Bellin, 'Civil Society in Formation: Tunisia', in A. R. Norton (ed.), *Civil Society in the Middle East, Vol. 1* (Leiden: E.J. Brill, 1995), pp. 120–47.
38. For a comprehensive survey of the cultural aspects of the debate, and their usefulness, see the chapters by Michael Hudson and Lisa Anderson in R. Brynen et al. (1995), pp. 61–93.
39. M. Dorraj (1995), pp. 134–5.
40. N. Ayubi, 'Islam and Democracy', in D. Potter, D. Goldblatt, M. Kiloh and P. Lewis (eds), *Democratization* (Cambridge: Polity Press, 1997), p. 362.
41. A. Richards and J. Waterbury (1990), p. 351.
42. R. Brynen, B. Korany and P. Noble, 'Introduction: Theoretical Perspectives in Arab Liberalization and Democratization', in R. Brynen et al. (1995), p. 3.
43. See, for example, L. Anderson, 'The Prospects for Democracy in the Arab World', in M. Kramer (ed.), *Middle Eastern Lectures. Number One 1995* (Jerusalem: The Moshe Dayan Centre for Middle Eastern and African Studies, 1995), pp. 59–71.
44. The origins of this apparent infiltration of liberal political norms into Arab society have been hotly debated. For a comprehensive survey of the cultural aspects of the debate, see the chapters by Michael Hudson and Lisa Anderson, in R. Brynen et al. (1995).
45. N. Ayubi (1997), p. 411.

46. This was identified as a dynamic factor impelling the change for political opening in the Middle East by Augustus Richard Norton at a conference in 1994 on *Civil Society and the Propects for Politics Reform in the Middle East* (USA: Aspen Institute Wye Conference Centre, 30 September – 2 October 1994).
47. R. Owen (1992) p. 140.
48. This essentially structural analysis has been linked by Guillermo O'Donnell to the rational choice approach. See reference to O'Donnell in D. Brumberg, 'Authoritarian Legacies and Reform Strategies' in R. Brynen et al. (1995), pp. 229–59.
49. D. Brumberg, 'Democratic Bargains and the Politics of Economic Stabilization: The Case of Egypt in Comparative Perspective', (paper presented to the 1989 MESA Annual Conference, 1989), pp. 1–2.
50. D. Vandewalle, 'Ben Ali's New Era: Pluralism and Economic Privatization in Tunisia', in H. Barkey (ed.), *The Politics of Economic Reform in the Middle East* (New York: St Martin's Press, 1992), pp. 105–28.
51. G. Luciani, 'Resources, Revenues, and Authoritarianism in the Arab World: Beyond the Rentier State', in R. Brynen et al. (1995), p. 217.
52. J. Nelson (1993), pp. 433–62.
53. G. Luciani (1995), p. 215. Luciani points out that this does not, however, usually result in fundamental political instability.
54. D. Seddon, 'Austerity Protests in Response to Economic Liberalization in the Middle East', in T. Niblock and E. Murphy (eds) (1993), pp. 88–112.
55. D. Seddon (1993), p. 113.
56. D. Brumberg (1995), p. 329.
57. See A. Ehteshami, 'Islamic Fundamentalism and Political Islam', in B. White, R. Little and M. Smith (eds), *Issues in World Politics* (London: Macmillan, 1996), pp. 179–99.
58. A. R. Norton,'The Future of Civil Society in the Middle East', in *Middle East Journal,* (1993), Vol. 47, No. 2, p. 216.
59. P. Starr, 'The New Life of the Liberal State: Privatisation and the Restructuring of State–Society Relations', in E. Suleiman and J. Waterbury (eds), *The Political Economy of Public Sector Reform* (Boulder, Co.: Westview Press, 1990), pp. 22–54.

2. The Rise and Fall of the Corporatist State in Tunisia, 1956–1986

1. P. Rossi, *Bourguiba's Tunisia* (Tunis: Editions Kahia, 1967), trans. Ronald Matthews, p. 22.
2. In the first ten years of the protectorate, the European population jumped from 3 393 to over 10 000, reaching a quarter of a million by 1956, although this still represented less than 7 per cent of the entire Tunisian population.
3. A. Larif-Béatrik, *Édification étatique et environnement culturel: Le personnel politico-administratif dans la Tunisie contemporaine* (Paris: Publisud, 1988), pp. 116–18.

4. C. H. Moore, *Tunisia Since Independence: The Dynamics of One-Party Government* (Berkeley: University of California Press, 1965), pp. 8–40.
5. P. Rossi (1967), pp. 26–9.
6. M. Tessler, J. P. Entelis and G. W. White, 'Republic of Tunisia', in D. Long and B. Reich (eds), *The Government and Politics of the Middle East and North Africa* (Boulder Co.: Westview Press, 1995), p. 424.
7. C. Liauzu, 'The History of Labor and the Workers' Movement in North Africa', in E. J. Goldberg (ed.), *The Social History of Labor in the Middle East* (Boulder, Co.: Westview Press, 1996), pp. 193–222.
8. In July 1954 while still officially underground the Neo-Destour Party included some 100 000 registered members. When it was legally allowed to reorganize later that year, it counted some 325 000 members, or one out of every three adult Tunisian males. See C. A. Micaud et al., *Tunisia: The Politics of Modernization* (London: Pall Mall Press, 1964), p. 83.
9. C. H. Moore (1967), pp. 39–40.
10. Pierre Rossi (1967), pp. 43–4.
11. M. Tessler et al. (1995), p. 425.
12. C. Micaud et al. (1964), pp. 100–1.
13. In the 1956 National Constituent Assembly, 40 of the 90 deputies had been previously associated with the UGTT, the UTICA, the UNAT or the UNFT.
14. C. Alexander, 'State, Labour, and the New Global Economy in Tunisia', in D. Vandewalle (ed.), *North Africa. Development and Reform in a Changing Global Economy* (New York: St Martin's Press, 1996), pp. 177–202.
15. C. Liauzu (1996), p. 204.
16. D. Ashford, 'Succession and Social Change in Tunisia', *Middle East Studies* No. 4. (1973), p. 31.
17. Samir Radwan et al. list these as investment in projects with too long gestation lags, little attention to short-run production growth and hostility of large land-owners. See S. Radwan, V. Amal and A. Ghose, *Tunisia: Rural Labour and Structural Transformation* (London: Routledge, 1991), p. 30.
18. D. Ashford (1973), p. 35.
19. L. Hahn, 'Tunisian Political Reform: Procrastination and Progress', *The Middle East Journal* (1972), Vol. XXVI, pp. 405–14.
20. Economist Intelligence Unit, *Quarterly Economic Review: Tunisia, Libya and Malta* (1970), No. 1, p. 3.
21. I. Harik, 'Privatization and Development in Tunisia', in I. Harik and D. Sullivan (eds), *Privatization and Liberalization in the Middle East* (Bloomington: Indiana University Press, 1992), p. 212.
22. Ibid., p. 214.
23. D. Vandewalle, 'From the New State to the New Era: Toward a Second Republic in Tunisia', *The Middle East Journal* (1988), Vol. 42., No. 4, pp. 602–20.
24. L. Anderson, 'Political Pacts, Liberalism and Democracy: The Tunisian National Pact of 1988', *Government and Opposition* (1991), Vol. 26, No. 2, pp. 244–60.
25. M.Tessler et al. (1995), p. 429.

26. Ibid., p. 429.
27. The use of strikes during this period, and the reasons for worker dissatisfaction with their own UGTT leadership, are discussed by C. Alexander in 'State, Labor and the New Global Economy in North Africa', in D. Vandewalle (1996), pp. 177–84.
28. Figures taken from *The Middle East and North Africa 1994* (London: Europa, 1994), p. 827.
29. H. Schissel, 'Tunisia: Manufacturing the Future', *8 Days*, 27 December 1980.
30. D. Vandewalle (1988), p. 608.
31. Derek Hopwood notes that Bourguiba's exact age is a mystery. His official birthday, given as 3 August 1903, was probably incorrect, the real date being August 1901. See D. Hopwood, *Habib Bourguiba of Tunisia: The Tragedy of Longevity* (London: Macmillan, 1992), p. 4.
32. See Chapter 3, 'Tunisia under Bourguiba', in D. Hopwood (1992), pp. 80–94.
33. D. E. Ashford (1973), pp. 23–39.
34. The opposition parties were denied a requested delay in the elections to give them more time to organize themselves after years of semi-illegal activity. Bourguiba imposed a number of conditions on their participation, including a ban on parties with affiliations to foreign powers or forces, which excluded the Islamists and threatened the communists.
35. H. Schissel (1980), pp. 7–8.
36. The Economist Intelligence Unit gave the following figures for inflation rates: 1980, 10 per cent; 1981, 8.9 per cent; 1982, 13.7 per cent. See Economist Intelligence Unit, *Quarterly Economic Review, Libya, Tunisia, Malta* (1983), No. 3.
37. Economist Intelligence Unit, *Quarterly Economic Review, Libya, Tunisia and Malta* (1980), No. 2, p. 12.
38. Economist Intelligence Unit, *Quarterly Economic Review: Libya, Tunisia and Malta* (1984), No. 1.
39. For more information on Mzali's party strategy, see *8 Days,* 24 October 1981.
40. K. Zamiti, 'La question syndicale et la préconstruction', *Syndicat et Société* (1989). Actes du seminaire syndicat et société 1–7 Decembre 1987, Université de Tunis, CERES, Tunis, pp. 11–21.
41. J. P. Entelis, *Islamism and the State in the Maghreb* (1991), workshop on Muslim Fundamentalism in the Maghreb, Council on Foreign Relations, New York City.
42. L. B. Ware, 'Ben Ali's Constitutional Coup in Tunisia', *Middle East Journal* (1988), Vol. 42, No. 4, p. 591.
43. M. E. Hermassi, 'La société tunisienne au miroir islamiste', *Maghreb-Machrek* (1984), No. 103, pp. 39–56.
44. F. Halliday, 'Tunisia's Uncertain Future', in *The Renaissance Party in Tunisia: The Quest for Freedom and Democracy* (Washington DC: AMC, 1991), pp. 91–3.
45. S. Waltz, 'Islamist Appeal in Tunisia', *The Middle East Journal* (1986), Vol. 40, No. 4, pp. 651–70.

46. D. Vandewalle, 'Ben Ali's New Tunisia' (1990), *UFSI Field Staff Reports* Africa/Middle East, No. 8.
47. For more information on the so-called progressive Islamists, see A. J. Termeulen , 'Islamic Heritage, Historical Consciousness and Social Change: The Tunisian Progressive Islamists in the Bourguiba Era', (1993), paper given at British Society for Middle Eastern Studies Annual Conference, Warwick.
48. Henry Munson Jnr has identified this exposure of Tunisian high-school graduates to Marxist thought when at university as another causal factor behind the radicalization of the Islamist movement in Tunisia. See H. Munson, 'Islamic Revivalism in Morocco and Tunisia', *The Muslim World* (1986), Vol. LXXVI, No. 3–4, pp. 203–18.
49. See text of interview with Rachid Ghannouchi by Zainab Farrab in *Ash-Shiraa* 10–12 January 1995.
50. Rachid Ghannouchi, 'Islam and Freedom Can be Friends', *Sunday Observer* 19 January 1992.
51. The rounding-up of Islamists in 1981 was attributed by Susan Waltz to three precipitating events: the student unrest of the spring, an attack on a Club Mediterranean resort and an attempt by worshippers in M'Saken to replace the state-appointed Imam. See S. Waltz (1986) pp. 651–70.
52. Ibid., pp. 651–70
53. M. E. Hermassi (1984), pp. 46–7.
54. Interview with Rachid Ghannouchi by the author, University of Exeter, 29 April 1993.
55. S. Waltz (1986), pp. 651–70
56. One former MTI supporter, Ziyad Kreichane, has called the programme agreed as 'one of the most dangerous texts in our modern intellectual history', since it can be argued that it allows for enemies of the movement to be effectively declared non-Muslims and thus for jihad to be waged against them. See M. C. Dunn, 'The Al-Nahda Movement in Tunisia: From Renaissance to Revolution', in J. Reudy (ed.), *Islamism and Secularism in North Africa* (New York: St Martin's Press, 1996), pp. 149–65.
57. A. Hermassi, 'The Rise and Fall of the Islamist Movement in Tunisia', in L. Guazzone (ed.), *The Islamist Dilemma: The Political Role of Islamist Movements in the Contemporary Arab World* (London: Ithaca, 1995).
58. L. G. Jones, 'Portrait of Rashid al-Ghannoushi', *Middle East Report* (1988), July–August, pp. 19–24.
59. A number of new faces were to be seen surrounding Bourguiba, including Mansour Skhiri, Mahmoud Belhassine and Saida Sassi (Bourguiba's niece), surplanting Bourguiba's former private secretary, Allala Laouiti, his wife Wassila, and his special advisor, Mongi Kooli.
60. The opposition estimated that there were 3 000 detainees at this time. Europa (1994), p. 829.
61. D. Hopwood (1992) p. 102.
62. Ibid., p. 102–3.
63. Ibid., p. 104.
64. R. B. Parker, *North Africa: Regional Tensions and Strategic Concerns* (New York: Praeger Publishers, 1984), p. 54.

3. The Roots of Crisis: Economic Policy under Bourguiba, 1956–1987

1. A. Findlay, 'Tunisia: The Vicissitudes of Economic Development', in R. Lawless and A. Findlay (eds), *North Africa: Contemporary Politics and Economic Development* (London: Croom Helm,1984).
2. Ibid., p. 222.
3. O. Hawrylyshyn, A. Martens, R. S. Pindyck and M. Hamza, *Planning for Economic Development. The Construction and Use of a Multisectoral Model for Tunisia* (New York: Praeger Publishers, 1976), p. 20.
4. E. Bellin, 'Tunisian Industrialists and the State', in I. W. Zartman (ed.), *Tunisia: The Political Economy of Reform* (Boulder, Co.: Lynne Rienner, 1991), p. 50.
5. Between 1958 and 1963, the Tunisian government had bought 570 000 hectares of land from French colonists and companies. This was augmented in 1964 when Bourguiba decided to nationalize the 500 000 hectares still in French hands.
6. President Bourguiba, quoted from A. Zghal, 'Changements de Systèmes Politiques et Réformes des Structures Agraires en Tunisie', *Revue Tunisienne des Sciences Sociales* (1968), No. 12, pp. 9–32.
7. Ezziddine Moudoud quotes a study undertaken in 1969 that found that the average number of days worked per month per capita in the co-operatives was just 13, while the highest income per capita was only 57 millimes. E. Moudoud, *Modernization, the State, and Regional Disparity in Developing Countries. Tunisia in Historical Perspective 1881–1982* (Boulder, Co.: Westview, 1989), p. 148.
8. See H. Dimassi and H. Zaiem, 'L'Industrie: Mythe et Strategégies', in M. Camau et al., *Tunisie au présent: une modernité au-dessus de tout soupçon* (Paris: Centre National de la Recherche Scientifique, 1987).
9. A. Findlay (1984), p. 224.
10. Ibid., p. 226.
11. E. Bellin (1991), pp. 50–1.
12. *Middle East Economic Digest*, 9 January 1981, p. 4.
13. P. Signoles, *Régime d'accumulation et modes de dépendance: Le cas de la Tunisie* (1984), PhD Dissertation, University of Paris 1.
14. A. Findlay (1984), p. 234.
15. A. Grissa 'The Tunisian State Enterprise and Privatization Policy' in I.W. Zartman (1991) p. 109.
16. Ridha Ferchiou has demonstrated that it was in fact the middle and higher-income groups who derived most benefit from these subsidies. See R. Ferchiou, 'The Social Pressure on Economic Development in Tunisia', in I. W. Zartman (1991), pp. 101–98.
17. *Middle East Economic Digest*, 5 March 1982, p. 94.
18. *Middle East Economic Digest,* 10 September 1982, p. 12.
19. Ibid., p. 14.
20. Ibid., pp. 16–17.
21. S. M. Nsouli et al., *The Path to Convertability and Growth: The Tunisian Experience* (Washington DC: International Monetary Fund, 1993), pp. 3–4.

22. *Middle East Economic Digest*, 22 February 1986, p. 28.
23. *Middle East Economic Digest,* 25 January 1985, p. 35.
24. *Middle East Economic Digest*, 14 December 1985, p. 71.
25. *Middle East Economic Digest*, 21 December 1985., p. 81.
26. *Middle East Economic Digest,* 19 July 1986, p. 31.
27. *Middle East Economic Digest*, 23 August 1986, p. 31.
28. *Middle East Economic Digest,* 20 September 1986, p. 19.
29. 'A confidential report issued to the cabinet in June singled out the import restrictions as an impediment to economic growth which do little to resolve Tunisia's structural problems.' Economist Intelligence Unit, *Country Report: Tunisia, Malta* (1986), No. 4, p. 15.
30. The Agence de Promotion de l'Investissements, the Centre Nationale d'Etudes Industrielles and the Agence Financière Industrielle.
31. Economist Intelligence Unit, *Country Report: Tunisia, Malta* (1987), No. 4, p. 19.
32. *Middle East Economic Digest*, 21 March 1987, p. 22.

4. Macroeconomic Stabilization and Early Economic Reform: The Seventh Development Plan, 1987–1991

1. P. D. Pelletreau, 'Private Sector Development Through Public Sector Restructuring? The Case of the Gafsa Phosphate Company and the Chemical Group', in I. W. Zartman, *Tunisia: The Political Economy of Reform* (Boulder, Co.: Lynne Rienner, 1991), p. 129.
2. By 1988, international companies were already responding to the new law, saying that it had significantly raised exploration incentives by improving income tax rates for expatriate personnel, lowering the costs of expatriate staff and lowering customs rates on imported machinery and equipment. Consequently the number of wells sunk increased and new firms launched major drilling programmes. *Middle East Economic Digest,* 9 January 1988, p. 32.
3. Benefits included tax exemption of earnings, unrestricted repatriation of profits, refunds of turnover tax, refund of customs duties, benefits on employing limited numbers of foreign workers, assumption by the state of infrastructure investment costs and state contributions to employees' social security costs. See Industrial Promotion Agency, *The Main Dispositions of the Tunisian Industrial Investment Code* (Tunis).
4. The law granted a 20–year tax holiday to foreign firms setting up off-shore, export industries which sold less than 20 per cent of their product locally. Export-oriented firms could also employ up to four foreign executive staff, twice the previous limits. Additional benefits were available to offshore companies set up in less-developed western or southern regions, including the state assuming basic infrastructural installation costs. Companies producing for the local market were released from certain administrative obligations and, if they exported more than 20 per cent of their products, were released from taxes on export profits and 50–70 per cent of their income tax. Extra subsidies were available for firms investing in information technology.

5. See Industrial Promotion Agency, *Tunisia: your industrial partner in conquering new markets. Industrial Investment Code* (Tunis).
6. After a poor investment performance in 1990–1, the API was redivided, into a new API responsible for drawing up sectoral studies, identifying and promoting investment opportunities, and a new Agence Financière Industrielle (AFI) which would study and manage industrial zones.
7. *Middle East Economic Digest*, 7 July 1989, p. 4–5. See also Arab British Chamber of Commerce, *Regulations for International Trading Companies* (London, 1988).
8. Zine el Abidine Ben Ali's Republic Day address, quoted in *Middle East Economic Digest*, 4 August 1989, p. 34.
9. Allowances to the 100 000 poorest families were increased by 15.8 per cent, to TD55 ($57) a quarter. *Middle East Economic Digest*, 6 September 1991, p. 30.
10. P. D. Pelletreau (1991), p. 130.
11. M. Ennaceur, 'Debureaucratiser pour relancer l'economie', *Finances et Développement au Maghreb* (1988), No. 4, pp. 3–10.
12. I. Harik, 'Privatization and Development in Tunisia', in I. Harik and D. Sullivan, *Privatization and Liberalization in the Middle East* (Bloomington: Indiana University Press, 1992), p. 214.
13. *Middle East Economic Digest*, 8 August 1987, p. 22.
14. Otherwise known as La Commission d'Assainissement de la Restructuration des Entreprises et de la Participation Publique.
15. P. D. Pelletreau (1991), p. 131.
16. Arab British Chamber of Commerce, 'Reworking the Public and Private Overship Balance', *Arab British Commerce* (1989), Year 12, No. 2, p. 10.
17. In January 1988 the first contracts for the sale of three hotels were agreed. The head of the *Office National du Tourisme Tunisien* said at the time that 'The state is a very bad manager of hotels, which are a service industry needing personalized attention'. *Middle East Economic Digest*, 23 January 1988, p. 46.
18. The whole or partial sale of the first 35 state companies raised approximately $150 million in government revenue. See Arab Banking Corporation, *Economic and Financial Quarterly* (1992), No. 22, p. 2.
19. S. Nsouli, S. Eken, P. Duran, G. Bell and Z. Yücelik, *The Path to Convertibility and Growth: The Tunisian Experience* (Washington DC: International Monetary Fund, 1993), p. 26.
20. *Middle East Economic Digest*, 12 January 1990, p. 33.
21. Ibid., p. 8.
22. Ibid., p. 23.
23. C. H. Moore, 'Tunisian Banking: Politics of Adjustment and the Adjustment of Politics' in I. W. Zartman (1991), p. 72.
24. Ibid., p. 74, quoting from a speech by Ismail Khelil in 1988.
25. S. Nsouli et al. (1993), p. 16.
26. Ibid., p. 28.
27. M. Berbeche, 'Le Fonds de Promotion des Exportations (FOPRODEX) et ses Interventions', *Finances et Développement* (1993), No. 12, pp. 104–8.

28. In 1988, foreign currency allocations for travel abroad were set at TD200 ($256) per year or TD100 for children, which could be carried over for one year. Business travellers were allocated TD250, up from just TD100.
29. *Middle East Economic Digest*, 26 August 1988, p. 24.
30. Speech to the Arab British Chamber of Commerce, reported in *Middle East Economic Digest*, 19 March 1988, p. 59.
31. *Middle East Economic Digest*, 14 October 1988, p. 30.
32. *Middle East Economic Diges*t, 18 November 1988, p. 7.
33. Figures given for the 1987/88 harvest put cereal production as low as 292 es, down from 1.8 million tonnes in 1987 and 600 000 in the drought-hit season of 1986. *Middle East Economic Digest*, 2 December 1988, p. 27.
34. The Economist Intelligence Unit gives a figure of 1.4 per cent in *Country Profile: Tunisia 1990–91* (1991) p. 8, but the World Bank cites a figure of just 1 per cent in *World Tables 1992* (Washington DC, 1992).
35. The Sousse plant of the Société Tunisienne d'Industrie Automobile closed when problems caused by the devaluation of the dinar, low output, high debt and reliance on imported parts reduced demand by 53 per cent in just nine months.
36. The Economist Intelligence Unit claimed an improvement of 24.4 per cent in *Country Profile: Tunisia 1989–90* (1990), p. 11, while the Director General of CEPEX gave a more modest figure of 13 per cent. See *Middle East Economic Digest*, 19 March 1988, p. 59.
37. Tunisia played host to 2.6 million foreign tourists in the first nine months of 1988, compared to 1.9 million in total in 1987. Remittances improved after the signing of an agreement with Libya in May providing for Tunisians to live, work and own property in Libya.
38. The president approved the scheme in November 1989. The zone would offer international companies tax breaks and minimal bureaucracy.
39. *Middle East Economic Digest*, 22 September 1989, p. 26.
40. Economist Intelligence Unit, *Country Report: Tunisia, Malta* (1990), No. 4, p. 17.
41. Economist Intelligence Unit, *Country Report: Tunisia, Malta* (1991), No. 1, p. 11.
42. *Middle East Economic Digest*, 15 February 1991, p. 21.
43. The Union du Maghreb Arabe comprises Tunisia, Algeria, Morocco, Mauritania and Libya.
44. G. Joffé, 'The Development of the UMA and integration in the Western Arab World', in G. Nonnemen (ed) *The Middle East and Europe*: *The Search for Stability and Integration* (London: Federal Trust, 1993) p. 205.
45. The following primary institutions were created: the Presidential Council, the Committee of Ministers of Foreign Affairs, the Follow-up Committee, the General Secretariat, the Consultative Council and the Judicial Institution.
46. For an elaboration of this perspective, see A. Ghorbel, 'L'Union du Maghreb Arabe et les perspectives de l'interdépendence économique Euro-Maghrébine', in N. Ayubi (ed.), *Distant Neighbours: The Political Economy of Relations Between Europe and the Middle East/North Africa* (Reading: Ithaca, 1995), pp. 199–225.

47. M. Deeb and E. Laipson, 'Tunisian Foreign Policy: Continuity and Change Under Bourguiba and Ben Ali', in I. W. Zartman (1991), pp. 221–41.
48. Claire Spencer has stated that the informal sector accounts for as much as 50 per cent of Algerian and Moroccan trade. See C. Spencer, *The Maghreb in the 1990s* (London: International Institute for strategic Studies,1993), p. 40.
49. D. Vandewalle, 'Uneasy and Unequal Partners: A European Perspective on Change and Development in North Africa', in D. Vandewalle (ed.), *North Africa: Development and Reform in a Changing Global Economy* (New York: St. Martin's Press, 1996), p. 96.
50. C. Tripp, 'Regionalism in the Arab Middle East', in L. Fawcett and A. Hurrell (eds), *Regionalism in World Politics: Regional Organisation and International Order* (Oxford: Oxford University Press, 1995), pp. 283–308.
51. M. Finaish and E. Bell, *The Arab Maghreb Union* (Washington DC: International Monetary Fund, 1994), WP/94/55, pp. 11–14.
52. *IMF Survey*, 1990, quoted in *Middle East Economic Digest*, 6 July 1990, p. 22.
53. I. Harik (1992), p. 224.
54. A. Bsaies, 'Programme d'ajustement structurel et croissance en Tunisie', *Revue Tunisienne D'Economie* (1994), No. 5, pp. 21–85.
55. S. Nsouli et al., (1993), pp. 39–41.
56 Ibid., p. 40.
57. Ibid. Different figures are given by the Arab Banking Corporation (1992), p. 4. These figures claim that external debt as a proportion of 4DP was reduced from 75 per cent in 1986 to less than 60 per cent in 1991. Total external debt is said to increase from $6 billion in 1986 to $7.5 billion in 1991.
58. In October 1988, American banks issued two bonds worth over $171 million and $25 million respectively to reschedule the debt outstanding on military purchases.
59. Quoted in *Middle East Economic Digest,* 24 April 1992, p. 9.
60. *Middle East Economic Digest*, 24 April 1992, p. 9.
61. *Middle East Economic Digest,* 26 June 1992, p. 33.
62. Republique Tunisienne, *VIIIème Plan de Developpement 1992–1996*, *Part 1 – Contenu Global* (Tunis, 1992).
63. Tunisian External Communications Agency, *7 November 1987–1992: Achievements* (Tunis).
64. I. Diwn and L. Squire, *Economic Development and Co-operation in the Middle East and North Africa* (Washington DC: World Bank, 1993), Discussion Paper No. 9, p. 11.
65. *Middle East Economic Digest*, 6 April 1990, p. 26.
66. E. Larbi, 'Evaluation du programme d'ajustement structurel et perspectives', *Finances et Développement au Maghreb* (1991), No. 9, pp. 2–16.
67. R. Rucker, 'The Employment Challenge. What is to be done?', *Finances et Développement au Maghreb* (1991), No. 9, pp. 17–19.
68. Defined as per capita income less than TD278 in urban areas and TD139 in rural reas. Ministry of Social Affairs, *The Tunisian Experience in the*

War on Poverty (Copenhagen, 1995), paper prepared for World Summit for Social Development, p. 5.

69. Economist Intelligence Unit, *Tunisia, Malta Country Report No. 1, 1992* (London, 1992).
70. See Arab Banking Corporation (1992), p. 3.
71. Author's calculations based on Ministry of Planning and Development figures quoted in S. Nsouli et al. (1993), p. 51.
72. A. Bedoui, 'Analyse de la dynamique sociale dans le contexte de l'application du plan d'ajustement structurel en Tunisie', in *Revue Tunisienne D'Economie* (Tunis, 1994), No. 5, pp. 253–315.
73. World Bank, 'Reformes Economiques en Tunisie, en Algerie et au Maroc: Impact et perspectives', *Finances et Développement au Maghreb* (1991), No. 2, pp. 55–60.
74. S. Nsouli et al. (1993), p. 42.
75. E. Larbi, 'Tunisia's approach toward the Advanced Developing Country Threshold', *Finances et Développement au Maghreb* (1993), No. 12, pp. 14–23.

5. The Consolidation of Structural Adjustment: The Eighth Development Plan, 1992–1996

1. Tunisian Republic, *VIIIème Plan de Développement I Contenu Global* and *VIIIème Plan de Développement II Contenu Sectoriel* (Tunis, 1992).
2. Tunisian External Communications Agency (1993), pp. 11–12.
3. Tunisian External Communications Agency (1993), p. 19.
4. Economist Intelligence Unit, *Tunisia, Malta Country Report* (1992), No. 2.
5. *Middle East Economic Digest*, 3 February 1994, p. 8.
6. Economist Intelligence Unit, *Tunisia, Malta Country Report* (1996), No. 3, p. 19.
7. *Middle East Economic Digest*, 3 April 1992, p. 30.
8. For all the grand plans, the industrial zones have failed to live up to expectations. Regional governorates have been slow to respond to the infrastructural needs of such zones and frustrated critics have described them as deformed mushrooms, which spring up with little relation to their environment and which contribute to regional economic anarchy. See 'Une situation anarchique', *Réalités*, 31 March–6 April 1995, pp. 14–15.
9. Speech by President Zine el Abidine Ben Ali, Carthage 12 June 1993. See Ministère du Plan et du Développement Régional, *Incitatons Aux Investissements: Dispositions légales et réglementaires* (Tunis, 1994), p. 3.

10 Z. Lasta, 'Les industries totalement exportatrices du Grand Tunis', *Revue Tunisienne de Géographie* (1994), No. 25, pp. 76–118.

11. The first private Build-Operate-Own power project was the extension of the existing Rades station in Tunis.
12. *Arab Press Service,* 13/20 May 1996, Vol. 46, No. 20, p. 4.
13. Interview with Mohammed Ghannouchi in *L'Economiste Maghrebin* 30 March–12 April 1994, pp. 16–17.

14. Fethi Merdassi, Secretary of State for International Co-operation and Investment, claimed FDI figures of TD99 million in 1995 and TD167 million in 1996. See Royal Instutute for International Affairs/UK Government/ European Commission conference, *Opportunities for Investment in the Mediterranean Region* (London, 1997).
15. *Tunisia: Financial Times Survey*, 28 November 1995, p. 4.
16. *Tunisia News*, 23 November 1996, No. 209, p. 3.
17. *Tunisia: Financial Times Survey*, 28 November 1995, p. 4.
18. Economist Intelligence Unit, *Tunisia: Country Report* (1996), Nos. 3 & 4.
19. It should be noted, however, that contracts to underwrite the privatization of just two firms were not awarded until August 1997.
20. *Middle East Economic Digest*, 11 August 1995, p. 20.
21. The government had a preference for the sale of shares to employees, hoping thereby to mobilise domestic savings. The rapid rise of prices on the stock market, however, only invited the quick sale of such shares and did not lead to any genuine worker ownership.
22. *Tunisia News*, 23 November 1996, No. 209, p. 6.
23. *Tunisia News*, 29 March 1997, No. 226, p. 5.
24. *Middle East Economic Digest*, 3 May 1996, p. 30.
25. *Middle East Economic Digest*, 1 April 1996, p. 2.
26. Quoted from the World Bank in *Middle East Economic Digest*, 3 February 1995, p. 3.
27. For a brief summary of the evolution of the Bourse des Valeurs and an analysis of early reforms, see H. Trad, 'Evolution et Perspectives du Marché Financier Tunisien', in *Finances et Développement au Maghreb* (1990), No. 7, pp. 42–9.
28. M. Morland, *The Stock Markets of Mediterranean Arabia* (London: Lehman Brothers, 1991).
29. *Tunisia News*, 1 February 1997, No. 218, p. 6.
30. Economist Intelligence Unit, *Tunisia: Country Report* (1995), No. 4, p. 15.
31. *Middle East Economic Digest* 17 November 1995, p. 13.
32. International Monetary Fund, *Tunisia–Statistical Annex* (Washington DC: 1995), IMF Staff Country Report No. 95/17, p. 3.
33. Economist Intelligence Unit, *Tunisia: Country Report*, (1994), No. 2, p. 18.
34. *Middle East Economic Digest*, 26 July 1996, p. 19.
35. 'Situation de la Monétique en Tunisie, Les perspectives d'évolution', *Réalités*, 3–9 February 1995, pp. 19–20.
36. See R. Ferchiou, 'Impact of New Information Technologies and Employment in Financial Institutions in Tunisia', *Finances et Développement au Maghreb* (1990), No. 8, pp. 64–72.
37. *Middle East Economic Digest,* 15 July 1994, p. 26.
38. 'Pour une économie performante et des structures motivantes', *Réalités*, 22 January–2 February 1995, pp. 8–9.
39. *Middle East Economic Digest*, 19 May 1995, p. 3.
40. For more information in innovations in the trade regime, see 'Le Commerce Extérieur Consécration du Libre Echangism', *Conjuncture* (1995), No. 192.

41. 'La Tunisie, la mieux placée pour réussir son intégration à l'Europe', *L'Économiste Maghrébin*, 9 July 1996, p. 12.
42. For a full examination of the implications of the Tunisia–EU Association Agreement, see A. Jbili and K. Enders, 'The Association Agreement Between Tunisia and the European Union', in *Finance and Development* (IMF/World Bank: Washington DC, 1996), Vol. 33, No. 3.
43. *Tunisia News*, 5 April 1997, No. 227, pp. 6–7.
44. Economist Intelligence Unit, *Tunisia: Country Report* (1994), No. 3, p. 14.
45. Economist Intelligence Unit, *Tunisia: Country Report* (1996), No. 2, p. 16.
46. A. Jbili and K.Enders, 'The Association Agreement Between Tunisia and the European Union', in *Finance and Development* (Washington DC:IMF/World Bank, 1996), Vol. 33, No. 3, p. 18.
47. Fethi Merdassi, Secretary of State for International Co-operation and Investment, at Royal Instutute for International Affairs/UK Government/European Commission conference, *Opportunities for Investment in the Mediterranean Region* (London, 1997).
48. *Middle East Economic Digest*, 15 January 1993, p. 30.
49. *Middle East Economic Digest,* 11 March 1994, p. 21. See also C. Ayari, 'La convertibilité du dinar 18 mois après', in *L'Economiste Maghrebin*, 22 June – 5 July 1994, pp. 11–16.
50. 'Tunisia able to drive a hard bargain', *Financial Times*, 6 March 1995.
51. *Middle East Economic Digest*, 29 September 1995, p. 26.
52. 'Les grands chantiers de 1997', *L'Économiste Maghrébin*, 26 November–10 December 1996, p. 20.
53. *Middle East Economic Digest*, 26 May 1995.
54. 'La maîtrise des prix et la préservation du pouvoir d'achat des consommateurs au centre des préoccuppations des pouvoirs publics', *Conjuncture* (Ministères du Commerce et de l'Industrie: Tunis, 1996), No. 201, p. 9.
55. This figure was put at 6.3 per cent by the Banque de Tunisie in its *Rapport Annuel 1995* (Tunis, 1996), p. 5.
56. *Indicators of Social Development in Tunisia* (Ministry of Social Affairs: Tunis, 1995).
57. Banque de Tunisie, *Rapport Annuel 1995* (1995), p. 10.
58. Interview with Nourreddine Fathalli, executive member of the UGTT Central Office, in *L'Economiste Maghrebin*, 30 March–4 April 1994, p. xxi. By contrast, Salah Brik el-Hannachi, one of the engineers of the structural adjustment programme, believes privatization has resulted in most cases in an overall increase in employment. Interview, April 1995, Tunis.
59. K. Pfeifer, 'Between Rocks and Hard Choices: International Finance and Economic Adjustment in North Africa', in D. Vandewalle (ed.), *North Africa: Development and Reform in a Changing Global Economy* (New York: St Martin's Press, 1996), p. 47.
60. *Middle East Economic Digest*, 24 April 1992, p. 22.
61. C. Simon, 'Maghreb Nations on a Steep Learning Curb', *Le Monde International*, 20 June 1996, p. 20.
62. Ministry of Social Affairs, *The Tunisian Experience in the War on Poverty*, Report prepared for the World Summit for Economic Development (Tunis, 1995).

63. 'L'état des lieux', *Réalités*, 3–9 February 1995, p. 7.
64. *Tunisia: Basic Data* (*Tunis : Tunisian External Communications Agency, 1995)*, p. 50.
65. 'Va-t-en, pour l'an 2000, vers plus d'inégalité devant la santé?', *Réalités*, 20–26 May 1994, pp. 26–9.
66. Economist Intelligence Unit, *Tunisia: Country Report* (1994), No. 2, p. 12.
67. *Tunisia: Financial Times Survey*, 28 November 1995, p. 1.
68. This conclusion was reached by IBCA, a London-based ratings agency which awarded a BBB- rating to Tunisia in early 1996. The investment grade reflected confidence in investment security but with a need for careful observation of events within. It was reported in Economist Intelligence Unit, *Tunisia: Country Report*(1996), No. 1, p. 18.
69. 'La Tunisie à l'heure du Libéralisme Economique', *Conjuncture* (1995), No. 192.
70. *Middle East International*, 12 April 1996, p. 17.
71. Ibid., p. 3.
72. E. Bellin, 'Tunisian Industrialists and the State', in I.W. Zartman (ed.), *Tunisia: The Political Economy of Reform* (Boulder, Co.:Lynne Rienner, 1991), pp. 54–5.
73. Ibid., p. 60.
74. Fethi Merdassi, Secretary of State for International Cooperation and Foreign Investment, estimated that the middle class accounted for over 60 per cent of the population in 1997. See interview with Fethi Merdassi, *Tunisia News*, 29 March 1997, p. 6.
75. M. Boughzala, *Key Long-term Development Issues in Tunisia* (Cairo, 1995), Economic Research Forum Working Paper Series.
76. Interview with Salah Brik el-Hannachi, Director General, Tunisian Institute for Strategic Studies, April 1995.
77. Interview with Hedi Bajaoui, Director of Accounting, Ministry of Economic Development, April 1995.
78. 'Développement: Les grandes oreintations de la prochaine étape', *Conjuncture* (1996), No. 201, p. 9.

6. The Politics of Reconciliation and Reform, 1987–1990

1. L. B. Ware, 'Ben Ali's Constitutional Coup in Tunisia', *Middle East Journal* (1988), Vol. 42, No. 4, pp. 587–601.
2. L. B. Ware, 'The Role of the Tunisian Military in the Post- Bourguiba Era', *Middle East Journal* (1985), Vol. 39, No. 1, pp. 27–47.
3. I. W. Zartman, 'The Conduct of Political Reform: The Path Toward Democracy', in I. W. Zartman (ed.), *Tunisia: The Political Economy of Reform* (Boulder Co. :Lynne Rienner, 1991), p. 15.
4. Statement by President Zine el Abidine Ben Ali on 7 November 1987. Full text available in M. S. Kasmi, *Le 7 Novembre ou le miracle tunisien* (Société Tunisienne de Diffusion: Tunis, 1988), pp. 165–8.
5. Muhammad Mzali has denounced the revision of the 'president for life' article of the constitution as illusory. The original 1974 revision of article 39 of the 1959 constitution explicitly stated that the presidency-

for-life applied only to Bourguiba himself. His departure from politics automatically made the concept redundant. One could argue, however, that it was still necessary for the new president to make it clear that he would not be trying to make the presidency-for-life apply to himself at a future date.

6. Quoted in A. Hermassi, 'The Rise and Fall of the Islamist Movement in Tunisia', in L. Guazzone (ed.), *The Islamist Dilemma: The Political Role of Islamist Movements in the Contemporary Islamic World* (Ithaca: London, 1995), p. 110.
7. I. W. Zartman (1991), p. 15.
8. Muhammad Mzali has argued that the effect of the reforms was to downgrade the post of prime minister relative to that of president, and to transfer power from the legislature to the executive, reinforcing Ben Ali's own position. Thus he talks of the consolidation of 'presidential rule'. M. Mzali, *Tunisie: Quel Avenir?* (Paris: Publisud, 1991), pp. 26–8.
9. M. Mzali (1991), p. 29.
10. *Le Renouveau*, 5 August 1988.
11. Tunisian External Communications Agency, *Tunisia: The National Pact* (Tunis, 1988), p. 8.
12. Ibid., p. 10.
13. Ibid., p. 13.
14. M. Mzali (1991), p. 38.
15. D. Vandewalle, 'Ben Ali's New Tunisia' (1990), *UFSI Field Staff Reports*, Africa/Middle East, 1989–90/ No. 8.
16. For a comprehensive analysis of the National Pact see L. Anderson, 'Political Pacts, Liberalism and Democracy: The Tunisian National Pact of 1988', *Government and Opposition* (1991), Vol. 26, No. 2, pp. 245–60.
17. Ibid., p. 246. Anderson argues, however, that the previous regime was never corporatist but a single-party mobilizational regime.
18. Ibid., p. 260.
19. J. Marks in *Middle East Economic Digest*, 23 December 1988, p. 16.
20. Zartman asserts that the decision to reject a common RCD/MDS slate was made principally by Ahmad Mestiri despite some support for the proposal within his own political bureau. As well as being a result of the commitment to the principle of choice, it was partly determined by Mestiri's own pique at being unable to stand himself because of the sentence levied on him by Bourguiba, and partly by his belief that the MDS occupied and deserved a stronger position than it actually had.
21. Rachid Ghannouchi in J. Markham, 'Song of Democracy in Key of Islam', *The New York Times International*, 14 April 1989.
22. Interview with Rachid Ghannouchi, quoted in R. Wright, 'Islam's New Political Face', *Current History* (1991), pp. 26–31.
23. Constitution of the Renaissance Party in *The Renaissance Party in Tunisia: The Quest for Freedom and Democracy* (Washington DC: AMC, 1991), p. 180.
24. Interview with President Zine el Abidine Ben Ali in *Le Figaro*, 5 April 1988.
25. Message to the People by President Zine el Abidine Ben Ali, 3 February 1988, full text in M. S. Kasmi (1988), p. 181.

26. Such as Shaikh 'Abd al-Rahman Khlif. See F. Halliday, 'Tunisia's Uncertain Future', in *The Renaissance Party in Tunisia: The Quest for Freedom and Democracy* (Washington DC: AMC, 1991), pp. 91–3.
27. Nahda has claimed that it won as much as 19–20 per cent of the vote. Ibid., p. 13.
28. This was in spite of the fact that Nahda candidates standing as 'independents' frequently contradicted each other, with hard-liners like Sheikh Muhammad Lakhoua calling for revocation of the Code of Personal Status which Ghannouchi had by now come to accept as having a legitimate place in Tunisian law. For information on Nahda's election strategy see A. Hermassi, 'The Rise and Fall of the Islamist Movement in Tunisia', in Laura Guazzone, The Islamist Dilemma: The Political Role of Islamist movements in the contemporary Arab World (London: Ithaca, 1995), pp. 105–28.
29. Ibid.
30. L. Anderson (1991), p. 251.
31. H. LaFranchi, 'Tunisia Wary of Islamic Politics', *The Christian Science Monitor*, 9 October 1990.
32. I. W. Zartman (1991), pp. 24–5.
33. Ben Slama was also widely regarded as having been involved in buiding contacts between the MTI and the government in late 1987. *Middle East Economic Digest*, 22 April 1988, p. 43.
34. L.B. Ware (1988), p. 595.
35. Ibid., p. 594.
36. In interviews between the author and former government officials.
37. *Le Renouveau*, 27 April 1988.
38. *Réalités*, 24 March 1988.
39. The turnout was in total less than 20 per cent. *La Presse Soir*, 20 March 1988.
40. For example, the meeting with the MDS leader, Ahmad Mestiri, in December 1988. *Le Temps*, 28 December 1988.
41. *Le Temps*, 19 December 1988.
42. *Le Temps*, 21 January 1989.
43. *Middle East Economist Digest,* 25 July 1989.
44. *Middle East Economist Digest*, 17 November 1989.
45. M. Marouki, 'Les huit propositions de l'opposition', *Jeune Afrique* (1990), No. 1560, p. 32.
46. In an interview with the author in 1993, Rachid Ghannouchi said: 'The leftists and the unionists are all united with the government to counteract the fundamentalist threat. That was three years ago, but now the alliance is fragmenting'. University of Exeter, 29 April 1993.
47. S.Gharbi, 'Tunisie: un gouvernement contre les islamistes', *Jeune Afrique* (1990), No. 1524, p. 45.
48. The others being the RSP, PUP, PSP and UDU.
49. D. Vandewalle (1990).

7. The Reassertion of the State, 1990–1997

1. Speech by President Zine el Abidine Ben Ali on 7 November 1989. *Middle East Economic Digest* 17 November 1989.
2. *Middle East Economic Digest* 12 August 1989.
3. M. C. Dunn, 'The Al-Nahda Movement in Tunisia: From Renaissance to Revolution', in J. Ruedy (ed.), *Islamism and Secularism in North Africa* (New York: St Martin's Press, 1996), pp. 149–65.
4. F. Burgat and W. Dowell, *The Islamic Movement in North Africa* (Austin: University of Texas, 1997), pp. 182–246.
5. For more information on the 1990 elections in Algeria, see M. Willis, 'Algeria's Troubled Road Toward Liberalisation, 1988–1995', in G. Nonneman, (1996), pp. 199–225.
6. F. Soudan, 'Etat d'alert', *Jeune Afrique* (1990), No. 1539, p. 23.
7. Most notable was a 15 August demonstration, led by Nahda, in Tunis, which Rachid Ghannouchi has identified as a turning point, after which the government closed in on the Islamist movement. Press release by Rachid Ghannouchi, 19 March 1991.
8. A. Hermassi (1995), p. 121.
9. F. Soudan and S. Gharbi, 'Les islamistes, victimes de la guerre', *Jeune Afrique* (1991), No. 1578, pp. 48–50.
10. Press release by Rachid Ghannouchi, 19 March 1991.
11. F. Burgat and W. Dowell (1997), p. 243.
12. The government claimed that the plot was directed by Rachid Ghannouchi from France and Algeria and that both Muhammad Mzali and Ahmed Ben Salah were implicated. While Ghannouchi fiercely denied the accusation, he nonetheless called for an increase in the level of civil disobedience and a popular uprising against 'the General'. Press release by Rachid Ghannouchi, 28 May 1991.
13. Around 600 students who had participated in demonstrations found their studies suspended and themselves suddenly drafted into the Tunisian army. See J. Randal, 'Tunisia appears to have Defused Its Militant Fundamentalist Surge', in *The Washington Post,* 6 June 1991.
14. *Le Renouveau*, 25 September 1991.
15. *Middle East Economic Digest*, 29 November 1991, pp. 35–6.
16. Economist Intelligence Unit, *Tunisia, Malta, Country Report* (1992), No. 2.
17. Amnesty International said that there had been no conclusive evidence of a plot, as claimed by the prosecution, and that it had itself conclusive evidence of extensive use of torture to extract confessions, use of solitary confinement and denial of access to lawyers.
18. Reply by Foreign Minister Habib Ben Yahia to Amnesty International, reported in Economist Intelligence Unit, *Tunisia: Country Report* (1993), No. 1, p. 10.
19. Rachid Ghannouchi gave figures of 30 000 political prisoners in an interview with the French *Libération*, quoted in Economist Intelligence Unit, *Tunisia: Country Report* (1993), No. 4, p. 10.
19. *Middle East Economic Digest*, 7 May 1993.

20. One leader, Fouad Mansour Qassem, went as far as to resign from Nahda in protest, stating that the movement was anyway on the verge of collapse.
21. Ben Ali interview in *Le Figaro*, 2 August 1994.
22. Economist Intelligence Unit, *Tunisia: Country Report* (1995), No. 3, p. 12.
23. Economist Intelligence Unit, *Tunisia: Country Report* (1993), No. 1, p. 9.
24. President Ben Ali in an interview with the London-based *al-Hayat*, 7 November 1993.
25. F. Burgat and W. Dowell (1997), p. 245.
26. M. Marzouki, 'Winning Freedom', *Index on Censorship* (1989), Vol. 18, No. 1, pp. 23–5.
27. Quoted in Economist Intelligence Unit, *Tunisia: Country Study* (1993), No. 1, p. 10.
28. Both MDS publications.
29. A BCT publication.
30. An MUP publication.
31. An independent publication.
32. B. Chouikha et al., 'A Report on Freedom of the Press in Tunisia', in *Updated Report on Human Rights Violations in Tunisia* (Washington DC: North African Students for Freedoms/ American Muslim Council/ Muslim Public Affairs Committee, 1991).
33. This view was obtained from interviews with a number of Tunisian journalists in 1995. Given the restrictions under which they work, they did not wish to be named.
34. When the revised press code finally appeared it was condemned by *Reporters Sans Frontières* as having 'simply strengthened the government's control over the media: the interior ministry may suspend any publication'. The concept of defamation was left deliberately vague and the requirement that advance copies of all publications had to be lodged with the ministries of interior, information and justice before distribution was an outright form of censorship.
35. Prospective purchasers were also required to pay a tax of TD20–80 per year, and to gain the consent of their local authorities before installing the dish. Hotels were the only commercial establishments allowed to install satellite dishes, barring the local newspapers from gaining access to international news coverage via satellite TV. 14 of the 19 opposition members of the National Assembly voted against the law.
36. See for example Amnesty International documents MDE 30/01/89, MDE 30/3/90, .MDE 30/19/91.
37. Economist Intelligence Unit, *Tunisia: Country Report* (1993), No. 1, p. 11.
38. S. Besis, 'Tunisie: Consensus à la LTDH', *Jeune Afrique* (1994), No. 1728, p. 35.
39. For example, the International Federation of Human Rights called the law 'a clear blow to freedom of association'. The Arab Organization for Human Rights and the Union of Arab Lawyers sent delegations to Tunis to remonstrate with Ben Ali.
40. Economist Intelligence Unit, *Tunisia: Country Report* (1993), No. 2, p. 9.
41. S. Bessis, 'Le congrès de la dernière chance', *Jeune Afrique* (1994), No. 1725, pp. 32–3.

42. *Middle East Economic Digest,* 21 January 1994.
43. Economist Intelligence Unit, *Tunisia: Country Report* (1994), No. 1, p. 9.
44. A. Mnaï, *Supplice tunisien: le jardin secret du Général Ben Ali* (Paris: L'Harmattan,1994).
45. Marzouki's passport was returned to him in the summer of 1995. He was informed that the previous denial of the right to travel had been due to the fact that technically he was on bail, awaiting trial for allegedly making defamatory remarks about the president.
46. S. Waltz, *Human Rights and Reform: Changing Face of North African Politics* (London: University of California Press, 1995), p. 233.
47. Tunisian External Communications Agency, *Tunisia Institutions, Democracy and Human Rights: Achievements (1987–1994)* (Tunis, 1994).
48. For example, the MDS had originally opposed privatization but under Moadda the policy was moderated to become simply the desire to minimize social costs involved.
49. F. Soudan, 'Comment désamorcer la violence?', *Jeune Afrique* (1991), No. 1586, p. 28.
50. S. Ghazi, 'Du bon usage de la générosité', *Jeune Afrique* (1991), No. 1582, pp. 56–7.
51. Z. Limam, 'Tunisie. Le RCD en ordre de bataille', *Jeune Afrique* (1993), No. 1699, p. 23.
52. In the case of the RSP, support was based in Tunis and rallied around the leader, Nehib Chebbi. The UDU drew its support from Gafsa, the home town of its own leader, Abderrahmane Tlili.
53. I.W. Zartman, in John Ruedy (1996), p. 215.
54. G. Denoeux, 'Tunisie: les élections présidentielles et législatives 20 March 1994', *Maghreb-Machrek*, 1994 No. 145, p. 62.
55. See E. C. Murphy, 'Women in Tunisia: A Survey of Achievements and Challenges', in *The Journal of North African Studies* (1996), Vol. 1, No. 2, pp. 138–56.
56. G. Denoeux (1994), p. 50.
57. I.W. Zartman (1996), p. 216.
58. Moadda was accused of receiving money from a Libyan, Rachid al-Mokhtar, in exchange for secret political and military information. Al-Mokhtar, who had already been arrested for drug-trafficking, subsequently disappeared.
59. M. Mzali (1991).
60. Ibid., pp. 30–1.
61. Economist Intelligence Unit, *Tunisia: Country Report* (1992), No. 3, p. 12.
62. J. P. Entelis, *Islamism and the State in the Maghreb*, Workshop on Muslim Fundamentalism in the Maghreb, Council on Foreign Relations, New York City, 5 June 1991.
63. Mohamed Mzali claimed that those close to Ben Ali had to have a particularly versatile temperment that enabled them to cope with the 'swirling waltz towards giddiness' that the frequent swapping of places must engender. M. Mzali (1991), p. 39.
64. S. Gharbi, 'Tunisie un gouvernement contre les islamistes', *Jeune Afrique*, (1990), No. 1524, p. 44.

65. Interview with Roger Matthews in *Financial Times Special Survey of Tunisia*, 27 July 1994, p. 111.
66. See speech by President Ben Ali on 12 May 1992, in Tunisian Information Bureau, *Focus on Tunisia* (1994), No. 6.
67. In 1995 a new Child Protection Code was promulgated, comprising a comprehensive conception of children's rights and aims. The Code became law in November 1995, when Ben Ali said it represented 'a new social achievement reinforcing the process of advancing fundamental, individual and collective liberties engaged in by the new era and regulating child rights as a fundamental pillar of human rights'. Speech given on 9 November 1995, quoted in Tunisian Information Bureau, *Focus On Tunisia* (1995), No. 11, p. 1.
68. Speech given on 7 November 1995, quoted in Tunisian Information Bureau, *Focus On Tunisia* (1995), No. 11, p. 2.

8. The Disarticulation of Multi-Party Corporatism: State and Society under Ben Ali

1. A definition drawn from the work of Gabriel Almond and Sidney Weber's *The Civic Culture* in E. Bellin, 'Civil Society in Formation: Tunisia', in A. R. Norton (ed.), *Civil Society in the Middle East* (New York: E.J. Brill, 1995), p. 121.
2. D. Vandewalle, 'Ben Ali's New Era: Pluralism and Economic Privatisation in Tunisia', in H. Barkey, *The Politics of Economic Reform in the Middle East* (New York: St. Martin's Press, 1992), p. 107.
3. E. Bellin (1995), p. 144.
4. J. Markham, 'Tunisia is pulling a democratic rabbit out of a dictator's hat', *New York Times*, 10 April 1989.
5. S. Waltz, 'Clientalism and reform in Ben Ali's Tunisia', in I.W. Zartman (1991), pp. 29–44.
6. For example, two executive decisions, which related to real-estate price reductions and reductions on the duties paid by taxi-cabs, were specifically designed to increase the president's popularity in urban areas known to be Islamist strongholds.
7. Middle Eastern Department, International Monetary Fund, *Building on Progress. Reform and Growth in the Middle East and North Africa* (Washington DC, 1996), p. ix.
8. G. Nonneman (ed.), (1996), pp. 40–1.
9. Association of South East Asian Nations, Latin American Integration Association, Central American Common Market, and Caribbean Community.

Bibliography

Books and Reports

ALEXANDER, C. 'State, Labour, and the New Global Economy in Tunisia', in D. Vandewalle (ed.), *North Africa. Development and Reform in a Changing Global Economy* (New York: St Martin's Press, 1996).

AMERICAN MUSLIM COUNCIL. *The Renaissance Party in Tunisia: The Quest for Freedom and Democracy* (Washington DC: AMC, 1991).

AMNESTY INTERNATIONAL, documents MDE 30/01/89, MDE 30/3/90, MDE 30/19/91, MDE 30/01/94.

ARAB BRITISH CHAMBER OF COMMERCE, *Regulations for International Trading Companies* (London, 1988).

AYUBI, N. *Over-stating the Arab State: Politics and Society in the Middle East* (London: I. B. Tauris, 1995).

AYUBI, N. 'Islam and Democracy', in D. Potter, D. Goldblatt, M. Kiloh and P. Lewis (eds.), *Democratization* (Cambridge: Polity Press, 1997).

BALASSA, B. *The Structure of Protection in Developing Countries* (Baltimore: John Hopkins University Press, 1971).

BALASSA, B. *Development Strategies in Semi-Industrialized Economies* (Baltimore: Johns Hopkins University Press, 1982).

BANQUE DE TUNISIE *Rapport Annuel 1995* (Tunis, 1996).

BANURI, T. *Economic Liberalisation: No Panacea* (Oxford: Clarendon Press, 1991).

BARAKAT, H. *The Arab World: Society, Culture and State* (Berkeley: University of California Press, 1993).

BAUER, P. *Equality, the Third World and Economic Delusion* (London: Weidenfeld and Nicolson, 1972).

BAUER, P. *Reality and Rhetoric: Studies in the Economics of Development* (London: Weidenfeld and Nicolson, 1984).

BELLIN, E. 'Tunisian Industrialists and the State', in I. W. Zartman (ed.), *Tunisia: The Political Economy of Reform* (Boulder, Co.: Lynne Rienner, 1991).

BELLIN, E. 'Civil Society in Formation: Tunisia', in A. R. Norton (ed.), *Civil Society in the Middle East, Vol. 1* (Leiden: E. J. Brill, 1995).

BILL, J. and LEIDEN, C. *Politics in the Middle East* (Boston: Little, Brown and Company, 1984).

BOUGHZALA, M. *Key Longterm Development Issues in Tunisia* (Cairo, 1995), Economic Research Forum Working Paper Series.

BRUMBERG, D. 'Democratic Bargains and the Politics of Economic Stabilization: The Case of Egypt in Comparative Perspective', (paper presented to the 1989 MESA Annual Conference, 1989).

BURGAT, F. and DOWELL, W. *The Islamic Movement in North Africa* (Austin: University of Texas, 1997).

CHOUIKHA, B. et al., 'A Report on Freedom of the Press in Tunisia', in *Updated Report on Human Rights Violations in Tunisia* (Washington DC.: North African Students for Freedoms/ American Muslim Council/ Muslim Public Affairs Committee, 1991).

CLAPHAM, C. *Third World Politics: An Introduction* (Madison: University of Wisconsin Press, 1985).

Conference on Civil Society and the Prospects for Political Reform in the Middle East, Summary of Conference proceedings (USA: Aspen Institute Wye Conference Centre, 30 September - 2 October 1994).

DEEB, M. and LAIPSON, E. 'Tunisian Foreign Policy: Continuity and Change Under Bourguiba and Ben Ali', in I. W. Zartman (ed.), *Tunisia: The Political Economy of Reform* (Boulder, Co.: Lynne Rienner, 1991).

DIMASSI, H. and ZAIEM, H. 'L'Industrie: Mythe et Strategégies', in M. Camau et al., *Tunisie au Présent: Une Modernité au-dessus de tout Soupçon* (Paris: Centre National de la Recherche Scientifique, 1987).

DIWN, I. and SQUIRE, L. *Economic Development and Co-operation in the Middle East and North Africa* (Washington DC: World Bank, 1993), Discussion Paper No. 9.

DORRAJ, M. 'State, Petroleum, and Democratization in the Middle East and North Africa', in M. Dorraj (ed.), *The Changing Political Economy of the Third World* (Boulder, Co.: Lynne Rienner, 1995).

DUNN, M. C. 'The Al-Nahda Movement in Tunisia: From Renaissance to Revolution', in J. Reudy (ed.), *Islamism and Secularism in North Africa,* (New York: St Martin's Press, 1996).

EHTESHAMI, A. 'Islamic Fundamentalism and Political Islam' in B. White, R. Little and M. Smith (eds), *Issues in World Politics* (London: Macmillan, 1997).

ENTELIS, J. P. *Islamism and the State in the Maghreb* Workshop on Muslim Fundamentalism in the Maghreb, Council on Foreign Relations, New York City, 5 June 1991.

EUROPA, *The Middle East and North Africa 1994* (London, 1994).

FEINBERG, R. and GWIN, C. 'Reforming the Fund', in C.Gwin et al., *The International Monetary Fund in a Multipolar World: Pulling Together* (Oxford: Transaction Books, 1989).

FERCHIOU, R. 'The Social Pressure on Economic Development in Tunisia', in I. W. Zartman (ed.), *Tunisia: The Political Economy of Reform* (Boulder, Co.: Lynne Rienner, 1991).

FINAISH, M. and BELL, E. *The Arab Maghreb Union* (Washington DC: International Monetary Fund, 1994), WP/94/55.

FINDLAY, A. 'Tunisia: The Vicissitudes of Economic Development' in R. Lawless and A. Findlay (eds), *North Africa: Contemporary Politics and Economic Development* (London: Croom Helm,1984).

GEMMELL, N. (ed.) *Surveys in Development Economics* (London: Basil Blackwell, 1989).

GHAI, D. 'Introduction', in D. Ghai (ed.), *The IMF and the South: The Social Impact of Crisis and Adjustment* (London: Zed Books, 1991).

GHANNOUCHI, R. *Islam and the West Realities and Prospects* (1993), paper given at the University of Exeter.

GHORBEL, A. 'L'Union du Maghreb Arabe et les perspectives de l'interdépendence économique Euro-Maghrébine', in N. Ayubi (ed.), *Distant Neighbours: The Political Economy Of Relations Between Europe and the Middle East/North Africa* (Reading: Ithaca, 1995).

GIERSCH, H. *Liberalization for Faster Economic Growth* (London: Institute of Economic Affairs, 1986), 17th Wincott Memorial Lecture and Occasional Paper No. 74.

GRIFFIN, C. *Strengthening Health Services in Developing Countries through the Private Sector* (Washington DC: World Bank and International Finance Corporation, 1993).

GUAZZONE, L. (ED.), *The Islamist Dilemma: The Political Role of Islamist Movements in the Contemporary Arab World* (London: Ithaca, 1995).

HALLIDAY, F. 'Tunisia's Uncertain Future', *The Renaissance Party in Tunisia: The Quest for Freedom and Democracy* (Washington DC: AMC, 1991).

HARIK, I. 'Privatization and Development in Tunisia', in I. Harik and D. Sullivan (eds), *Privatization and Liberalization in the Middle East* (Bloomington: Indiana University Press, 1992).

HAWRYLYSHYN, O., MARTENS, A., PINDYCK, R. S and HAMZA, M. *Planning for Economic Development. The Construction and Use of a Multisectoral Model for Tunisia* (New York: Praeger Publishers, 1976).

HEALD, D. 'The Relevance of UK Privatization for Less Developed Countries', in P. Cook and C. Kirkpatrick (eds), *Privatization in Less Developed Countries* (Herts: Harvester Wheatsheaf, 1988).

HELFGOTH, R. and SCHIAVO-CAMPO, S. 'An Introduction to Development Planning', *Industrialization and Productivity Bulletin* (UNIDO, 1970), No. 16.

HERMASSI, A. 'The Rise and Fall of the Islamist Movement in Tunisia', in L. Guazzone (ed.), *The Islamist Dilemma: The Political Role of Islamist Movements in the Contemporary Islamic World* (London: Ithaca, 1995).

HINNEBUSCH, R. 'Democratisation in the Middle East: The Evidence from the Syrian Case', in G. Nonneman (ed.), *Political and Economic Liberalization: Dynamics and Linkages in Comparative Perspective* (London: Lynne Rienner, 1996).

HOPWOOD, D. *Habib Bourguiba of Tunisia: The Tragedy of Longevity* (London: Macmillan, 1992).

INDUSTRIAL PROMOTION AGENCY, *The Main Dispositions of the Tunisian Industrial Investment Code* (Tunis).

INDUSTRIAL PROMOTION AGENCY, *Tunisia: your industrial partner in conquering new markets. Industrial Investment Code* (Tunis).

INTERNATIONAL MONETARY FUND *Tunisia-Statistical Annex* (Washington DC: 1995), IMF Staff Country Report No. 95/17.

INTERNATIONAL MONETARY FUND, *Building on Progress. Reform and Growth in the Middle East and North Africa* (Washington DC, 1996).

JACKSON, P.M. and PALMER, A. J. 'The Economics of Internal Organisation : The Efficiency of Parastatals in LDCs' in P. Cook and C. Kirkpatrick (eds), *Privatization in Less Developed Countries* (Herts: Harvester Wheatsheaf, 1988).

JOFFÉ, G. *Prospects for Security in the Mediterranean Part III* (London: International Institute for Strategic Studies, 1988), Adelphi Paper No. 231.

JOFFÉ, G. 'The Development of the UMA and Integration in the Western Arab World', in G. Nonneman (ed.), *The Middle East and Europe: The Search for Stability and Integration* (London: The Federal Trust, 1993).

KASMI, M. S. *Le 7 Novembre ou le miracle tunisien* (Tunis: Société Tunisienne de Diffusion, 1988).

KIRKPATRICK, C. H. and NIXSON, F. I. (eds), 'Introduction', *The Industrialization of Less Developed Countries* (Manchester: Manchester University Press, 1983).

KOTRANE, H. 'Case Study Tunisia', presented at a Conference on Legitimacy and Governance, *Transformation of Societies and Political Systems in the Middle East and North Africa II: The Political Economy of Aid* (Paris, 1997).

KRAMER, M. (ED.) *Middle Eastern Lectures. Number One 1995* (Jerusalem: The Moshe Dayan Centre for Middle Eastern and African Studies, 1995).

KRUEGER, A. *Foreign Trade Regimes and International Development* (Cambridge Mass.: Ballinger, 1978).

LAL, D. *The Poverty of Development Economics* (London: IEA, 1983)

LAL, D. *Development Economics* (Aldershot: Edward Elgar, 1992).

LARIF-BÉATRIK, A. *Édification étatique et environnement culturel: Le personnel politico-administratif dans la Tunisie contemporaine* (Paris: Publisud, 1988).

LESSER, I. O. *Security in North Africa: Internal and External Challenges* (Santa Monica, CA.: RAND, 1993).

LIAUZU, C. 'The History of Labor and the Workers' Movement in North Africa', in E. J. Goldberg (ed.), *The Social History of Labor in the Middle East* (Boulder Co.: Westview Press, 1996).

LITTLE, I. 'An Economic Renaissance' in W. Galenson (ed.), *Economic Growth and Structural Change in Taiwan* (London: Ithaca, 1979).

LITTLE, I. *Economic Development: Theory, Politics and International Relations* (New York: Basic Books, 1982).

LOXLEY, J. AND CAMPBELL, B. 'Introduction', in J. Loxley and B. Campbell (eds), *Structural Adjustment in Africa* (London: Macmillan, 1989).

LUCIANI, G. 'Resources, Revenues, and Authoritarianism in the Arab World: Beyond the Rentier State', in R. Brynen et al. (eds), *The Many Faces of National Security in the Arab World* (London: Macmillan, 1995).

MARTIN, B. *In the Public Interest: Privatisation and Public Sector Reform* (London: Zed Books, 1993).

MICAUD, C. A. et al. *Tunisia: The Politics of Modernization* (London: Pall Mall Press, 1964).

MILIBAND, R. *Class Power and State Power* (London: Verso, 1983).

MINISTÈRE DU PLAN ET DU DÉVELOPPEMENT RÉGIONAL *Incitatons Aux Investissements: Dispositions légales et réglementaires* (Tunis, 1994).

MINISTRY OF SOCIAL AFFAIRS Report prepared for the World Summit for Economic Development, Copenhagen (Tunis, 1995).

MINISTRY OF SOCIAL AFFAIRS *Indicators of Social Development in Tunisia* (Tunis, 1995).

MNAÏ, A. *Supplice tunisien: le jardin secret du Général Ben Ali* (Paris: L'Harmattan,1994).

MOORE, C. H. *Tunisia Since Independence: The Dynamics of One-Party Government* (Berkeley: University of California Press, 1965).

MOORE, C. H. 'Tunisian Banking: Politics of Adjustment and the Adjustment of Politics', in I. W. Zartman (ed.), *Tunisia: The Political Economy of Reform* (Boulder, Co.: Lynne Rienner, 1991).

MORLAND, M. *The Stock Markets of Mediterranean Arabia* (London: Lehman Brothers, 1991).

MOSLEY, P., HARRINGTON, J and TOYE, J. *Aid and Power : The World Bank and Policy-based Lending Vol. 1* (London: Routledge, 1995), 2nd edn.

MOUDOUD, E. *Modernization, the State, and Regional Disparity in Developing Countries. Tunisia in Historical Perspective 1881–1982* (Boulder, Co.: Westview, 1989).

MURPHY, E. 'The Initiation of Economic Liberalisation in Algeria, 1979–1989', in G. Nonneman (ed.), *Political and Economic Liberalization: Dynamics and Linkages in Comparative Perspective* (London: Lynne Rienner, 1996).

MZALI, M. *Tunisie: Quel Avenir?* (Paris: Publisud, 1991).

NELSON, J. 'The IMF and the Impact of Adjustment on the Poor', in C. Gwin et al., *The International Monetary Fund in a Multipolar World: Pulling Together* (Oxford: Transaction Books, 1989).

NIBLOCK, T. 'The State of the Art in British Middle Eastern Studies', in T. Ismael, (ed.), *Middle East Studies: International Perspectives on the State of the Art* (NewYork: Praeger, 1990).

NONNEMAN, G. (ed.), *Political and Economic Liberalization: Dynamics and Linkages in Comparative Perspective* (London: Lynne Rienner, 1996).

NSOULI, S., EKEN, S., DURAN, P., BELL, G. and YÜCELIK, Z. *The Path to Convertibility and Growth: The Tunisian Experience* (Washington DC: International Monetary Fund, 1993).

OWEN, R. *State, Power and Politics in the Making of the Modern Middle East* (London: Routledge, 1992).

PAPAGEORGIOU, D. et al. *Liberalizing Foreign Trade in Developing Countries: The Lessons of Experience* (Washington DC: World Bank, 1990).

PARKER, R. B. *North Africa: Regional Tensions and Strategic Concerns* (New York: Praeger Publishers, 1984).

PELLETREAU, P. D. 'Private Sector Development Through Public Sector Restructuring? The Case of the Gafsa Phosphate Company and the Chemical Group', in I. W. Zartman, *Tunisia: The Political Economy of Reform* (Boulder, Co.: Lynne Rienner, 1991).

PERTHES, V. *The Political Economy of Syria Under Assad* (London: I. B. Tauris, 1995).

PFEIFER, K. 'Between Rocks and Hard Choices: International Finance and Economic Adjustment in North Africa', in D. Vandewalle, (ed.), *North Africa: Development and Reform in a Changing Global Economy* (New York: St. Martin's Press, 1996).

PICARD, E. 'State and Society in the Arab World: Towards a New Role for the Security Services', in R. Brynen, B. Korany and P. Noble (eds), *The Many Faces of National Security in the Arab World* (London: Macmillan, 1995).

POMFRET, R. *Diverse Paths of Economic Development* (Herts: Harvester Wheatsheaf, 1992).

POULANTZAS, N. *L'État, le pouvoir, le socialisme* (Paris: PUF, 1978).

RADWAN, S., AMAL, V and GHOSE, A. *Tunisia: Rural Labour and Structural Transformation* (London: Routledge, 1991).

RÉPUBLIQUE TUNISIENNE *VIIIème Plan de Développement 1992–1996, I Contenu Global* and *VIIIème Plan de Développement II Contenu Sectoriel* (Tunis, 1992).

REUDY, J. (ed.) *Islamism and Secularism in North Africa,* (New York: St. Martin's Press, 1996).

RICHARDS, A. and WATERBURY, J. *A Political Economy of the Middle East. State, Class and Economic Development* (Boulder, Co.: Westview Press, 1990).

ROSSI, P. *Bourguiba's Tunisia* (Tunis: Editions Kahia,1967), trans. Ronald Matthews.

ROXBOROUGH, I. *Theories of Underdevelopment* (London: Macmillan, 1979).

ROYAL INSTUTUTE FOR INTERNATIONAL AFFAIRS/UK GOVERNMENT/ EUROPEAN COMMISSION CONFERENCE *Opportunities for Investment in the Mediterranean Region* (London, 1997).

RYE OLSEN, G. *Political Power and Economic Change in the Developing World* (Copenhagen: Centre for Development Research, 1994).

SACHS, J. 'Strengthening IMF Programs in Highly Indebted Countries', in C. Gwin et al., *The International Monetary Fund in a Multipolar World: Pulling Together* (Oxford: Transaction Books, 1989).

SEDDON, D. 'Austerity Protests in Response to Economic Liberalization in the Middle East', in T. Niblock and E. Murphy (eds), *Economic and Political Liberalization in the Middle East* (London: British Academic Press, 1993).

SIGNOLES, P. *Régime d'accumulation et modes de dépendance: Le cas de la Tunisie* (1984), PhD Dissertation, University of Paris 1.

SPENCER, C. *The Maghreb in the 1990s* (London: International Institute for Strategic Studies/ Brassey's, 1993), Adelphi Paper 274.

SPRINGBORG, P. 'The Origins of Liberal Institutions in the Ancient Middle East', in T. Niblock and E. Murphy (eds), *Economic and Political Liberalization in the Middle East* (London: British Academic Press, 1993).

STARR, P. 'The New Life of the Liberal State: Privatisation and the Restructuring of State-Society Relations', in E. Suleiman and J. Waterbury (eds), *The Political Economy of Public Sector Reform* (Boulder, Co.: Westview Press, 1990).

TERMEULEN, A. J. 'Islamic Heritage, Historical Consciousness and Social Change: The Tunisian Progressive Islamists in the Bourguiba Era', (1993), paper given at British Society for Middle Eastern Studies Annual Conference, Warwick.

TESSLER, M., ENTELIS, J. P. and WHITE, G. W. 'Republic of Tunisia', in D. Long and B. Reich (eds), *The Government and Politics of the Middle East and North Africa* (Boulder Co.: Westview Press, 1995).

TOLEDANO, M. *Economic Development in the Third World* (London: Longman, 1989), 4th Edn.

TOYE, J. *Dilemmas of Development* (Oxford: Blackwell, 1987).

TRIPP, C. 'Regionalism in the Arab Middle East', in L. Fawcett and A. Hurrell (eds), *Regionalism in World Politics: Regional Organisation and International Order* (Oxford: Oxford University Press, 1995).

TUNISIAN EXTERNAL COMMUNICATIONS AGENCY, *Tunisia: The National Pact* (Tunis, 1988).

TUNISIA EXTERNAL COMMUNICATION AGENCY *1992–1996: A New Stage in Tunisia's Development* (Tunis, 1993).

TUNISIAN EXTERNAL COMMUNICATIONS AGENCY, *7 November 1987–1992: Achievements* (Tunis).

TUNISIAN EXTERNAL COMMUNICATIONS AGENCY *Tunisia Institutions, Democracy and Human Rights: Achievements (1987–1994)* (Tunis, 1994).

TUNISIAN EXTERNAL COMMUNICATIONS AGENCY *Tunisia: Basic Data* (Tunis, 1995).

UNDP, *Human Development Report 1992* (Oxford: Oxford University Press, 1992).

UNITED NATIONS DEPARTMENT OF PUBLIC INFORMATION *The Debt Crisis* (1989), DPI/988–40811.

VANDEWALLE, D. 'Ben Ali's New Tunisia', (1990), *UFSI Field Staff Reports* Africa/Middle East, 1989–90/ No. 8.

VANDERWALLE, D. 'Ben Ali's New Era: Pluralism and Economic Privatization in Tunisia', in H. J. Barkey (ed.), *The Politics of Economic Reform in the Middle East* (New York: St Martin's Press, 1992).

VANDEWALLE, D. 'Uneasy and Unequal Partners: A European Perspective on Change and Development in North Africa', in D. Vandewalle (ed.), *North Africa: Development and Reform in a Changing Global Economy* (New York: St. Martin's Press, 1996).

WALTZ, S. 'Clientalism and reform in Ben Ali's Tunisia', in I. W. Zartman, *Tunisia: The Political Economy of Reform* (Boulder, Co.: Lynne Rienner, 1991).

WALTZ, S. *Human Rights and Reform: Changing Face of North African Politics* (London: University of California Press, 1995).

WATERBURY, J. *The Egypt of Nasser and Sadat: The Political Economy of Two Regimes* (New Jersey: Princeton University Press, 1983).

WATKINS, K. *The Oxfam Poverty Report* (London: Oxfam, 1995).

WEBER, M. *The Theory of Social and Economic Organisation* (New York: Oxford University Press, 1947).

WILLIS, M. 'Algeria's Troubled Road Toward Liberalisation, 1988–1995', in G. Nonneman (ed.), *Political and Economic Liberalization: Dynamics and Linkages in Comparative Perspective* (London: Lynne Rienner, 1996).

WOODWARD, D. *Debt, Adjustment and Poverty in Developing Countries: Volume 1* (London: Pinter Publishers/Save the Children, 1992).

WORLD BANK *Accelerated Development in Sub-Saharan Africa: An Agenda for Action* (Washington DC, 1981).

WORLD BANK, *World Development Report 1991: The Challenge of Development* (Oxford: Oxford University Press, 1991).

WORLD BANK, *The World Bank Group: Learning From the Past, Embracing the Future* (Washington DC, 1994).

ZAMITI, K. 'La question syndicale et la préconstruction', *Syndicat et Société* (Tunis: CERES, 1989).
ZARTMAN, I. W. 'The Conduct of Political Reform: The Path Toward Democracy', in I. W. Zartman (ed.), *Tunisia: The Political Economy of Reform* (Boulder, Co.: Lynne Rienner, 1991).
ZARTMAN, I.W. 'The Challenge of Democratic Alternatives in the Maghrib' in J. Ruedy. (ed.), *Islamism and Secularism in North Africa* (New York: St. Martin's Press, 1996).

Journal Articles

ANDERSON, A. 'Political Pacts, Liberalism and Democracy: The Tunisian National Pact of 1988', *Government and Opposition* (1991), Vol. 26, No. 2.
ASHFORD, D. 'Succession and Social Change in Tunisia', *Middle East Studies,* (1973), No. 4.
BEDOUI, A. 'Analyse de la dynamique sociale dans le contexte de l'application du plan d'ajustement structurel en Tunisie', *Revue Tunisienne d'Economie* (1994), No. 5.
BLEANEY, M and FIELDING, D. 'Investment, Trade Liberalization and Structural Adjustment', *Journal of Development Studies* (1995), Vol. 32, No. 2.
BSAIES, A. 'Programme d'ajustement structurel et croissance en Tunisie', *Revue Tunisienne d'Economie* (1994), No. 5.
DENOEUX, G. 'Tunisie: les élections présidentielles et législatives 20 mars 1994', *Maghreb-Machrek* (1994), No. 145.
ENNACEUR, M. 'Débureaucratiser pour relancer l'économie', *Finances et Développement au Maghreb* (1988), No. 4.
FERCHIOU, R. 'Impact of New Information Technologies and Employment in Financial Institutions in Tunisia', *Finances et Développement au Maghreb* (1990), No. 8.
FOXLEY, A. 'Latin American Development After the Debt Crisis', *Journal of Development Economics 27* (1987), No. 1–2.
HAHN, L. 'Tunisian Political Reform: Procrastination and Progress', *Middle East Journal* (1972), Vol. 26.
HERMASSI, M.E. 'La société tunisienne au miroir islamiste', *Maghreb-Machrek* (1984), No. 103.
JBILI, A. and ENDERS, K, 'The Association Agreement Between Tunisia and the European Union', *Finance and Development* (1996), Vol. 33, No. 3.
JONES, L. G. 'Portrait of Rashid al-Ghannoushi', *Middle East Report* (1988), July-August.
KRUEGER, A. 'The Political-Economy of Rent-seeking Society', *American Economic Review* (1974) Vol. 64, No. 3.
LARBI, E. 'Evaluation du programme d'ajustement structurel et perspectives', *Finances et Développement au Maghreb* (1991), No. 9.
LARBI, E. 'Tunisia's approach toward the Advanced Developing Country Threshold', *Finances et Développement au Maghreb* (1993), No. 12.
LASTA, Z. 'Les Industries Totalement Exportatrices du Grand Tunis', *Revue Tunisienne de Géographie* (1994), No. 25.

MARZOUKI, M. 'Winning Freedom', *Index on Censorship* (1989), Vol. 18, No. 1.
MUNSON, H. 'Islamic Revivalism in Morocco and Tunisia', *The Muslim World* (1986), Vol. LXXVI, No. 3–4.
MURPHY, E. C. 'Women in Tunisia: A Survey of Achievements and Challenges', *The Journal of North African Studies* (1996), Vol. 1, No. 2.
NELSON, J. 'The Politics of Economic Transformation: Is Third World Experience Relevant in Eastern Europe?', *World Politics* (1993), Vol. 45, No. 3.
NORTON, A. R. 'The Future of Civil Society in the Middle East', *Middle East Journal* (1993), Vol. 47, No. 2.
RUCKER, R. 'The Employment Challenge. What is to be done?', *Finances et Développement au Maghreb* (1991), No. 9.
RYBCZYNSKI, T. 'Developing Countries' Debt', *The Commonwealth Journal of International Affairs* (1987), No. 302.
TRAD, H. 'Evolution et Perspectives du Marché Financier Tunisien', *Finances et Développement au Maghreb* (1990), No. 7.
VANDEWALLE, D. 'From the New State to the New Era: Toward a Second Republic in Tunisia', *Middle East Journal* (1988), Vol. 42, No. 4.
WALTZ, S. 'Islamist Appeal in Tunisia', *Middle East Journal* (1986), Vol. 40, No. 4.
WALTZ, S. 'Tunisia's League and the Pursuit of Human Rights', *The Maghreb Review* (1989), Vol. 14, No. 3–4.
WARE, L.B. 'The Role of the Tunisian Military in the Post- Bourguiba Era', *Middle East Journal* (1985), Vol. 39, No. 1.
WARE, L.B. 'Ben Ali's Constitutional Coup in Tunisia', *Middle East Journal* (1988), Vol. 42, No. 4.
WATERBURY, J. 'Twilight of the State Bourgeoisie', *International Journal of Middle East Studies* (1991), No. 23.
WILKENS, H. 'The Debt Burden of Developing Countries', *Intereconomics* (1983), March/April.
WORLD BANK, 'Réformes Economiques en Tunisie, en Algérie et au Maroc: Impact et perspectives', *Finances et Développement au Maghreb* (1991), No. 2.
WRIGHT, R. 'Islam's New Political Face', *Current History*, January (1991), pp. 26–31.
ZGHAL, A. 'Changements des Systèmes Politiques et Réformes des Structures Agraires en Tunisie', *Revue Tunisienne des Sciences Sociales* (1968), No. 12.

Newspapers and Periodicals

al-Hayat
Arab Banking Corporation, *Economic and Financial Quarterly*
Arab British Commerce
Arab Press Service
Ash-Shiraa.
The Christian Science Monitor

Conjuncture
Economist Intelligence Unit, *Country Profile*
Economist Intelligence Unit, *Country Report*
Economist Intelligence Unit, *Quarterly Economic Review*
L'Economiste Maghrébin
Le Figaro
Finance and Development
Finances et Développement
Financial Times
Financial Times Special Surveys
Focus on Tunisia
IMF Survey
Jeune Afrique
Middle East Economic Digest
Middle East International
Middle East Report
Le Monde International
The New York Times
The New York Time International
La Presse Soir
Réalités
Le Renouveau
Sunday Observer
Le Temps
Tunisia News
The Washington Post

Index

Abid, Tajani, 60, 64
Ach Cha'ab, 60
Achour, Habib, 52, 60, 64–5, 67, 68–9, 168, 186
administrative reform, 43, 51, 108, 163
Agence de Promotion de L'Industrie (API Ind), 98
agrarian reform law, 56
agriculture, 64, 68, 80–3, 87, 92–5, 105, 109, 112, 114, 120, 121, 140, 148, 162
  employment, 126
  exports, 86, 97
  investment, 125, 139
  reform, 83, 105, 135
aid, 24, 82, 158
al-Assad, Hafez ,17, 23, 27
al-Banna, Hassan, 71
Al-Moustaqbal, 168
al-Nahda, *Hizb*, 179, 180, 190–6, 198, 213, 216, 232, 236
  and violence, 178, 196, 198, 210
al-Sadat, Anwar, 23, 26, 33, 36
Algeria, 2, 11, 16, 19, 23, 26, 27, 31, 33, 34, 36–7, 41, 43, 44, 49, 54, 92, 115, 117–19, 157, 159, 193, 194, 197, 215, 240
Ammar, Habib, 167, 170, 184, 185
Arab League, 200
Arab Maghreb Union, (AMU) 115–19, 150, 161, 243
Arab nationalism, 45, 71
Arab Socialist Union (ASU), 13, 25, 26
Arab world, 8, 16, 18, 19, 20, 28, 35, 37, 50, 80, 157
Arabization, 157
as-Sadiq, Muhammad, 43
Association Agreement, 148, 150, 208
associations, 28, 29, 43, 222, 223, 229, 235
Attaturk, Kemal, 16
Attia, Hedi, 168
austerity, 35, 79, 108, 114, 115
  measures, 3, 34, 35, 36, 74, 93, 95, 97, 101, 121, 190
authoritarianism, 2 , 7 , 10 , 23 , 25 , 28 , 31 , 33, 37, 38, 39, 40, 42, 59, 78–9, 217–18, 223, 233, 236–7, 240

Ba'athism, 13, 16
Baccouche, Hedi, 114, 115, 166, 171, 184, 185, 232
Baccouche, Salaheddine, 55
Bahrain, 31
balance of payments, 69, 84, 93, 94, 114, 116, 123, 130, 133, 134, 151–2
balance of trade, 88, 92
baldi, 44, 46
Baly, Salaheddine, 184
banks, 24, 60, 92, 93, 100, 107, 110, 111, 113, 143, 144–6, 151 (*see also* Central Bank)
Belaid, Moncef, 184
Belgium, 99, 124
Belhacine, Mahmoud, 166, 168
Ben Ali, Zine el Abidine
  and Islam, 7, 174
  and Islamists, 76, 168, 178–80, 192, 193, 198, 200
  and the military, 164–5, 185–6
  and the PSD/RCD, 166–7, 169–72, 176, 182–6, 212, 221, 226, 231
  authoritarianism of, 7, 217–20, 234–7
  career of, 66–7, 75, 76, 77, 164–5, 167, 213
  coup by, 5, 6, 77, 164–6
  economy under, 9, 103–63, 177, 226–8
  political reforms of, 6, 10, 166–92, 222, 223
Ben Ammar, Tahar, 49, 55

Ben Dhia, Abdelaziz, 198
Ben Gurion, David, 16
Ben Jafar, Mustapha, 210
Ben Jdid, Chadli, 26, 33, 194, 197
Ben M'barek, Salaheddine, 147
Ben Salah, Ahmed, 52, 55, 57, 58, 63, 64, 82, 197, 216
Ben Slama, Hamouda, 171, 172, 183, 185, 170
Ben Yahia, Habib, 116, 198
Ben Youssuf, Salah, 50, 51, 52, 55
Berbers, 27, 44
Bey(s), 43, 44, 48
bidonvilles, 83
black markets, 23
bomb attacks, 74, 76, 194
Bouderbala, Taoufik, 207
Boudiaf, Muhammad, 198
Boulares, Habib, 115, 171, 183, 185, 198
Boumedienne, Houari, 16
Bouraoui, Abdelaziz, 65, 75, 186
bourgeoisie, 8, 18, 25, 34, 54, 100, 227, 241
  bourgeois-bureaucratic state, 24, 25, 27, 37
  commercial, 23, 24, 26, 161, 228
  industrial, 20–3, 81,160–1, 228
Bourguiba, Habib
  and Islam, 51, 72, 76
  and Neo-Destour, 9, 48, 50–5, 164
  and the PSD, 55, 60, 78
  and the state, 16, 42–79
  economy under, 9, 55, 57–8, 59–60, 64–6, 68–9, 74–5, 80–102
  rule of, 4, 8–9, 51–2, 58, 66, 76–7, 78
  succession, 9, 61–3, 75
Bourguiba, Habib Junior 68, 69, 169
Bousnina, Kacem, 179
Bouzid, Hassine, 114
Britain, 43, 44, 199
budget(s), 65, 68, 109, 113, 116, 117, 154
budget deficit, 5, 32, 93, 99, 104, 152, 153
Build–Operate–Transfer, 139
bureaucracy, 19, 21–5, 101, 160, 232
by-elections, 1991, 209
cabinet, 60, 66, 76, 164, 167, 183–5, 194, 198, 218, 231
Caisse Générale de Compensation (CGC), 64, 65, 68, 90, 92
capitalism, 4, 22, 34, 37, 39
Catholic Church, 19, 20, 241
censorship, 75, 202 (*see also* press; media)
Central Bank, 110, 111, 114, 146, 151, 170
centralization, 18, 38, 43, 59, 78
Chammari, Khemais, 208, 215
change management teams, 25
Charfi, Mohamed, 183, 191
Chemmam, Mohamed, 198
Chourou, Sadok, 194, 198
citizen(s), 28, 37, 38
civil society, 2, 6, 7, 8, 10, 11, 28, 29, 31, 34, 35, 41, 42, 175, 210, 221, 222, 223, 224, 225, 226, 229, 230, 232, 233, 235, 236, 240
class(es), 8, 13–15, 18, 20–3, 33–4, 38, 41, 54, 227, 230
clientalism, 19, 44, 234
Code de Travail (see labour legislation), 154
Code of Personal Status, 70, 173, 176
collectivization, 55, 56, 58, 82, 83
colonialism, 14, 17, 18, 20, 42–5
communications, 28, 137, 142, 229
communists, 34, 176, 182
concessional finance, 100, 151, 153
conditionality, 96
Confédération Générale des Travailleurs Tunisiens (CGTT), 46,47
Conseil Supérieur du Plan (CSP), 209
consensus, 14, 35, 48, 139, 172, 174, 183, 188, 201, 223, 230, 240, 241
Constituent Assembly, 49
constitution, 10, 49, 167, 172, 175
Constitutional Council, 172, 215
consumption, 5, 24, 93, 95, 123, 133
copinage, 161
corporatism, 12–41
  multiparty, 11
  under Bourguiba, 5, 42–79, 101–2
  under Ben Ali, 11, 174, 175, 230–7

corruption, 59, 69, 76, 83, 160, 169, 240
Council for National Security, 185
coup(s), 4, 6, 22, 164, 165, 172, 232
cronyism, 161
culture, 8, 10, 12, 16, 18, 28, 39, 45, 71, 133, 175, 183, 195, 223, 229, 235
currency, 111, 113, 147, 150, 151

death penalty, 76, 168, 199, 205
debt, 1, 3, 31, 32, 82, 85, 95, 104, 121–4, 130, 133, 153, 239 (*see also* external debt)
democracy, 6, 14, 29, 31, 33, 65, 133, 174, 175, 192, 199, 218, 219, 235
  democratization, 2, 7, 26, 28, 30, 31, 32–8, 72, 73, 181, 132, 186, 190, 216, 220, 230
demonstrations, 23, 35, 36, 37, 38, 194
Destour, 45–46, 50
devaluation, 68, 69, 97
development, 4–6, 12, 22, 27, 132
development strategy/ plans, 4, 57, 80, 92, 163
  Second (1962–5), 81
  Fifth (1977–81), 59, 85
  Sixth (1981–86), 92, 94, 106
  Seventh (1987–92), 9, 100, 103, 108, 113, 120, 127, 130, 149
  Eighth (1992–96), 9, 103, 132, 153
  Ninth (1997–2001), 140, 147, 148, 163
Doulatli, Ziad, 196, 198
Driss, Rachid, 207
droughts, 9, 47, 68, 94, 106, 114

East Asia, 30, 241 , 243
Eastern Europe, 32, 37, 125, 147, 218
economic liberalization, 1, 5, 8, 9, 10, 13, 24, 30, 32, 177, 184, 236
education, 15, 19, 20, 21, 28, 44, 71, 81, 86, 91, 127–9, 138, 156–7, 175, 219, 222, 229, 242
educational reform, 45, 51, 191, 197
Egypt, 13, 16, 17, 20, 23, 25, 27, 31, 33, 34, 35, 37, 81, 117, 163, 193, 238, 243, 244, 240
el-Hannachi, Salah Brik, 124, 218
elections, 10, 31, 49, 50, 61, 63–4, 75, 96–7, 171–5, 177, 178, 180–1, 183, 185–6, 190, 193, 194, 209, 212, 214, 218
electoral reform, 10, 61, 170, 172, 176, 177, 190, 191, 209, 211, 214
electricity, 95
elite(s), 13, 16, 22, 25, 32, 43, 46, 52, 73, 81, 172, 221, 232
Ellouz, Habib, 198
employment, 22, 84, 88, 90, 95, 99, 104, 117, 126, 127, 128, 133, 155, 158
environment, 133, 136, 138, 139, 163
Escheikh, Abdelhamid, 170, 171, 185, 185, 194
étatism, 22, 101
Europe, 5, 11, 18, 43, 45, 59, 86, 115, 117, 124, 147, 161, 199, 242, 243, 244
European Economic Community (EEC), 59, 69, 80, 86, 88, 119
European markets, 86, 103, 115, 119, 147, 156, 237
European Union (EU), 115, 118, 119, 147, 148, 208
export diversification, 88, 93, 122, 161
export oriented industrialization (EOI), 1
export promotion, 113, 135, 138
exports, 5, 75, 82, 88, 90, 93, 94, 101, 113–15, 122, 133, 159
external debt, 65, 91–4, 96, 104, 114, 133, 123

financial sector, 103, 110, 111, 134, 140, 143, 145
First World War, 45
food imports, 68, 83, 87, 92, 105, 114, 135, 147, 151, 155
foreign exchange, 96, 97, 110, 113, 146
  controls, 111, 113, 125, 150
foreign investment, 9, 23, 58, 75, 81, 84, 85, 86, 97, 101, 103, 121, 134, 138–40, 143, 145, 239,
France, 43, 47, 71, 81, 86, 99, 100, 124, 160, 165, 199

free trade zones, 149
French administration/protectorate, 43, 44, 46, 49
French Socialist Party, 47
Front de Libération Nationale (FLN), 13, 27, 194, 201
Front Islamique du Salut (FIS), 194, 197, 198, 201
Front Islamique Tunisien (FIT), 200

Gaddafi, Mu'ammar, 16
gas, 136, 137
General Agreement on Tariffs and Trade (GATT), 113
General Agreement on Trades and Services (GATS), 147
Germany, 148, 160
Ghannouchi, Mohammed, 115, 116, 138, 139, 140, 171, 184, 185, 190, 218
Ghannouchi, Rachid, 68, 71–74, 76, 168, 178, 179, 180, 194–9, 200, 213
globalization, 4
Grand Conseil, 43, 46
grandes familles, 43, 44, 46
Gross Domestic Product (GDP), 85, 91, 93, 94, 106, 111, 114
Gross National Product (GNP), 5, 160
Guiga, Driss, 66, 168, 169
Gulf States, 16, 31, 243
Gulf War, 9, 31, 115, 116, 120, 124, 162, 195, 202, 210, 216

Hached, Farhat, 47
Haddad, Taher, 71
handicrafts, 157, 82
health, 21,128, 129, 154, 157–9, 183, 219
horizontal stratification, 8, 11, 14, 38, 226, 228, 233
housing, 95, 105, 128, 153, 157, 158, 219
human rights, 2, 6, 10, 31, 32, 35, 73, 172, 174, 175, 193, 199, 202, 204, 205, 207, 210, 217, 219, 229, 231, 235, 236
hydrocarbons, 104, 137, 242, 239

ideology, 10, 22, 25, 32, 40, 46, 50, 52, 57, 58, 59, 71, 102
IMF, 4, 35, 36, 65, 68, 74, 95, 96, 97, 103, 105, 116, 130, 133, 150, 153, 159, 163, 243
  Stand-by Agreement, 99, 103
immobilism, 5, 9, 78, 100
imports, 24, 33, 68, 82, 88, 91–3, 106, 112, 122
  import controls, 68, 69, 93, 94, 97, 105, 112–13, 149, 150
import substitution industrialization (ISI), 1, 13, 16, 20, 22, 23, 24, 55, 101
independence, 4, 7, 9, 13, 14, 20, 21, 34, 42, 43, 47, 49, 50
industrial investment, 105, 125, 139
industrialization, 13, 21, 24, 81, 82
industry, 55, 57, 80, 81, 83, 87–8, 97, 100, 105, 114, 148, 150
infitah, 23, 25, 26
inflation, 5, 39, 97, 108, 114, 117, 128, 129, 133, 154, 155, 159, 162, 228 (*see also* prices)
information, 22, 28
information technology, 98
infrastructure, 82, 135, 139, 151, 163
institutionalization, 19, 23, 45, 235, 236
interest articulation, 21, 23, 28, 101, 226, 233
interest group(s), 6, 8, 12, 14, 15, 33, 38, 101, 176, 227
interest rates, 24, 68, 93, 105, 110, 111, 143, 152
investment, 3, 22, 89, 92, 95, 98, 101, 104–5, 114–16, 124, 134–5, 138, 143
Iran, 2, 16, 19, 23, 31, 64, 71, 73, 199, 200
Iraq, 13, 16, 19, 23, 115, 116, 202
Iskander, Ghazi, 166
Islam, 7, 10, 29, 39, 40, 50, 51, 64, 72, 73, 174, 179, 193, 198, 200, 241
Islamic Jihad, 76
Islamic movements, 6, 7, 10, 27, 39, 64, 66, 70, 76, 79, 101, 120, 167, 189, 190–4, 196, 200, 215, 222

Islamism/ Islamists, 6–9, 36, 40, 66, 70, 71, 76, 164, 165, 172, 175, 176, 178, 179, 180, 182, 188, 194, 195, 198–200, 209, 213, 236, 242
Israel, 16, 19, 29, 72, 148, 244
Italy, 43, 99, 100, 124, 160

Japan, 100, 152
Jawahi, Sahnoun, 198
Jazi, Daly, 183, 189
Jebali, Hamedi, 179
Jews, Tunisian, 44
Jordan, 16, 19, 31, 34, 36, 37, 240

Kallel, Abdallah, 167, 170, 171, 184, 194, 198, 206, 208
Karkar, Salah, 198
Karoui, Hamed, 115, 215
Khelil, Ismail, 110, 115, 170, 184, 185, 190, 218
Kuwait, 31, 92, 115, 116, 195

labour, 15, 23, 47, 58, 84, 86, 90, 127, 156
  labour code, 3, 38, 52, 65, 127, 154, 187, 227
  migration, 80, 94
Ladgham, Bahi, 57, 58
land reform, 44, 45
Laridh, Ali ,168, 195, 196, 198
Latin America, 19, 30, 37, 239, 241, 243
Law of Associations, 205, 207
legitimacy, 19, 25, 32, 33, 46, 51, 177, 222, 224, 230, 237, 241, 243
Libya, 13, 16, 69, 70, 115, 117, 118, 119, 149, 193, 208, 240
Ligue Tunisienne des Droits de l'Homme (LTDH), 183, 197, 198, 204, 205, 206, 208, 235
living standards, 24, 38, 40, 90, 92, 97, 154, 155, 159, 242
luxury goods, 23

M'rabet, Said, 152
maghzen, 44
majlis, 29
Mamluks, 45
manufacturing, 82, 87, 93, 94, 95, 121, 135, 140, 148, 149
Marzouki, Moncef, 202, 206, 207
masjid, 29
media, 161, 166, 179, 194, 201, 214 (*see also* press)
Mediterranean Partnership Programme, 119, 243
Mestiri, Ahmad, 59, 168, 178, 190, 209, 215, 232
Mestrir, Mahmoud, 167
métayage, 83
middle class(es), 15, 27, 44, 65, 66, 73, 79, 130, 162, 167, 213, 225, 226, 227, 228, 240, 241, 242
Middle East and North Africa (MENA), 2, 5, 13, 16, 39, 143, 237, 239, 240, 244
migrant labour remittances, 86, 90, 115
migrant workers, 69
military, 6, 8, 14, 16, 17, 19, 20, 22, 27, 34, 41, 66, 76, 175, 185, 201, 210, 231, 236
mining, 81, 107, 136, 137, 58
mise à niveau, 148, 161
Moadda, Mohamed, 190, 208, 210, 215
modernization, 7, 9, 21, 27, 44, 45, 46, 71, 78, 105, 132, 222, 225, 230, 233
Moknil, Habib, 198
monarchy, 16, 18, 43, 49
money supply, 110, 111
Morocco, 16, 31, 33, 35, 36, 54, 98, 115, 117, 118, 119, 157, 159, 202, 238, 240, 241, 244
Mourou, Abdelfattah, 71, 72, 179, 180, 183, 193, 196, 198
Mouvement de l'Unité Populaire (MUP), 59, 60, 64, 173, 191
Mouvement de la Tendance Islamique (MTI), 64, 68, 70, 71, 72, 73, 77, 97, 164, 168, 173, 178, 180
Mouvement des Démocrates Socialistes (MDS), 59, 63, 64, 70, 168, 170, 172, 178, 181, 183, 190, 191, 205, 209, 210, 212
Movement for Islamic Renewal, 70
Mubarak, Hosni, 17, 36

multi-party system, 6, 11, 31, 79, 172, 176, 221–6, 229, 230, 237
municipal councils, 178, 191
  elections, 191, 192, 214
Muslim Brotherhood, 71
Muslim Scouts, 48
Mzali, Muhammad, 63, 66, 68, 69, 72, 74, 75, 173, 197, 203, 216

Nabi, Kamel ,141
Nasser, Gamal Ab'dal, 16, 22, 81
National Assembly, 49, 52, 53, 56, 59, 61, 63, 78, 150, 154, 171–7, 178, 181–2, 186, 204, 209, 211
national consensus, 166, 176
national council, 52
National Defence Council, 67
National Front, 50, 53, 63, 182, 224
national organizations, 6, 42, 52, 54, 58, 78, 79, 53, 132, 173, 176, 192, 213, 229, 236
National Pact, 6, 10, 33, 169, 173, 174, 176, 179, 190, 209, 210
National Social Security Fund, 153, 154
National Solidarity Fund (NSF), 157
nationalist struggle, 14, 46, 48
nationalization, 81
Neffarti, Chadli, 171, 184
Neo-Destour Party, 13, 42, 46–50, 53, 54
  and Bourguiba, 9, 48, 50–5, 164
  political bureau, 51–3
  reform of, 51–2
Nimeiri, Ga'afar ,16
non-governmental organizations, 31
Nooman, Mohamed, 166
Nouira, Hedi, 58, 63

oil, 22, 23, 58, 65, 68, 69, 80, 81, 83, 85, 90–4, 97, 114, 121, 122, 136, 137, 243
Oman, 31, 124
opposition, 4, 6, 33, 36, 37, 60, 61, 62, 65, 66, 73–74, 79, 97, 101, 132, 168, 173–7, 179, 181, 186, 220, 230, 231
Ottomans, 43

Palestine Liberation Organization (PLO), 72
parrainage, 178
Parti Communiste Tunisien (PCT), 47, 63, 70, 176, 188, 191, 211
Parti de la Libération Islamique (PLI), 70
Parti d'Unité Populaire (PUP), 70, 216
Parti Ouvrier Communiste Tunisien (POCT), 188, 206, 211
Parti Social pour le Progrès (PSP), 173
Parti Socialiste Destourien (PSD), 9, 55, 58, 61, 66, 68, 74, 77, 96, 100–1, 168, 170, 172, 221
  and Ben Ali, 166–9
  and Bourguiba, 56, 58, 59, 60, 78, 101, 172, 185
  and national organizations, 58–60, 65, 67, 78
  and socialism, 55–57, 170
  reform of, 59, 62, 167, 169
party elite(s), 53, 55, 56, 58, 59, 61, 66, 69, 100
party reform, 51–2, 59, 62, 167, 169, 170, 181, 201
Pasha, Khaireddine, 45
patrimonialism, 19, 43, 44, 101
patronage, 10, 19, 22, 32, 43, 44, 57, 59, 213, 223, 224, 225, 226, 230, 232, 234, 235, 243
pharmaceuticals, 112, 121
phosphates, 68, 69, 81, 83, 137
political bureau, 51, 52, 74, 170, 172, 183, 185
political (in)stability, 7, 11, 31, 39, 60, 85, 97, 193, 200, 217, 219, 228, 236, 240, 244
political liberalization, 2, 5, 10, 24, 27, 31, 58, 59, 61, 93, 97, 167, 180, 193, 217, 237
political parties, 6
  and elections, 172, 177–82, 189–90, 209, 211–12, 214
  and the state, 51, 53–4, 58, 101, 171, 212, 222–3, 230, 236
  in Tunisia, 42, 45, 63, 167, 172, 189, 214, 222–6, 229
  law of, 172–3, 193

multiplicity of, 31, 79, 172, 223, 225–6, 230–1, 236
opposition, 33, 34, 38, 59–61, 64, 70, 73, 75, 79, 97, 101, 132, 168–9, 173, 175–176, 182–3, 189–92, 201, 204, 209–11, 215–17, 230–1
political prisoners, 6, 168, 206
political reform(s), 2, 9, 30, 32, 62, 101, 132, 171, 172, 173, 190, 222, 223, 225, 229, 230, 231, 232, 235, 236
political system, 39, 63, 79, 172, 174, 176, 182, 191, 214, 227–30, 232–37
population growth, 58, 90, 127, 237
populism, 4, 13, 14, 21, 39
Portugal, 69, 98
poverty, 3, 4, 5, 36, 65, 92, 128, 130, 132, 133, 157, 158, 192, 228, 237
power-sharing, 6, 9, 10, 24, 25, 29, 37, 181, 204, 224, 226, 231
praetorian regimes, 16, 18
presidency, 8, 27, 61, 172, 176, 177, 184, 202, 232
president, 32, 49, 59, 62, 223, 235
presidential elections, 171, 177, 178, 181, 207, 213
press, 6, 23, 31, 35, 67, 161, 168, 173, 195, 202, 203, 207, 217, 218, 229
prices, 36, 55, 58, 60, 64, 66, 67, 69, 90, 92, 98, 105, 106, 109, 110, 114, 128, 129, 154–5, 162, 187, 190, 192
prime minister(s), 49, 55, 57, 62, 63, 74, 165, 166, 198
private sector, 5, 22, 23, 26, 27, 32, 37, 38, 57, 58, 62, 81, 87, 92, 101, 121, 131, 134, 161, 224, 241
privatization, 9, 57, 98, 99, 103, 106, 107, 141, 143, 144, 146, 154, 156, 160, 228
Progressive National Front, 27
protests, 35, 37, 38, 65 (*see also* riots)
public enterprises, 82, 85, 90, 98, 99, 106, 107, 110, 125, 135, 142, 154
public investment, 104, 105
public sector(s), 3, 4, 5, 21, 38, 57, 75, 82, 95, 99, 106, 116, 130, 139, 142, 156, 228

Quranic Preservation Society (QPS), 70, 71
Qutb, Sayyid, 71

Rabah, Sadok, 184
Rassemblement Constitutionel Démocratique (RCD)
and Ben Ali, 160, 170, 171, 175, 178, 180, 189, 194, 224, 229
and elections, 180–1, 191–2, 209, 211, 212, 214, 218
and the state, 175, 212, 224–5, 232–3, 236
central committee, 170, 212, 231
congress, 171, 212
political bureau, 170, 171–2, 183, 185, 231
reform of, 170, 181, 210
Rassemblement Socialiste Progressiste (RSP), 70, 173, 213
relative autonomy of the state, 8, 18, 21, 25, 222
repression, 10, 38, 67, 218, 229, 233
Republican People's Party, 13
riots, 36, 38, 60–2, 64, 66–7, 69, 71, 73, 75, 101, 165, 168

Sacrificial Commandos, 198
Sadiki College, 45, 46
Sahbani, Ismail, 187, 188
Saudi Arabia, 23, 31, 92, 100, 124, 195
saving(s), 93, 111, 125, 143, 163, 227
Sayah, Mohamed, 68, 164, 166, 169
Second World War, 49, 81
secularism, 7, 51
security forces, 6, 17, 31, 35, 40, 66, 67, 75, 77, 196, 197, 201, 210, 231
service sector, 93, 105, 112, 125, 139, 150,
Sfar, Rachid, 74, 75, 77, 97
Shah, Reza, 16
Skah, Mohamed, 200
Skhiri, Mansour, 70, 164, 166, 168
Smaoui, Ahmed, 184
social justice, 6, 21, 38, 39, 50, 52, 68, 71, 73, 80
social policy, 158

social security/transfers, 219, 128, 153, 162, 225, 227, 228 (*see also* welfare)
socialism, 8, 9, 22, 42, 52, 57, 58, 71, 79, 80, 82, 92, 170, 241
solidarism, 29, 30, 230, 231
South America, 13, 239, 241
South East Asia, 30, 239, 241, 243
sovereignty, 29, 96, 174
Soviet Union, 2, 34, 37, 172
Spain, 69, 100
stabilization, 3, 9, 36, 80, 96
state, 1, 4, 5, 8, 11–14, 17, 18, 20, 21, 25, 34, 38, 40, 51, 59, 175, 221–3, 233, 241, 243
  and civil society, 15, 42, 230, 236, 240, 244
State Security Court, 168
stock market, 103, 110, 141, 143–5, 227
strike(s), 26, 36, 38, 60, 67, 69, 71, 108, 154
structural adjustment programme, 2, 3, 9, 33, 35, 36, 74, 96, 97, 100, 115, 127, 128, 132, 134, 138, 160, 163, 191
students, 10, 47, 54, 60, 61, 72, 74, 76, 113, 157, 188, 191, 197, 217
subsidies, 38, 65, 68, 75, 90, 91, 92, 93, 96, 98, 106, 113, 114, 115, 128, 129, 135, 147, 153, 154, 155, 161, 225, 227
succession, 9, 57, 61, 63, 66, 68, 75, 167, 222, 223
Sudan, 16, 31, 36, 193, 199, 200
Supreme Court, 168
Supreme Islamic Council, 180
Syria, 13, 16, 19, 23, 27, 34, 37

taxation, 33, 39, 44, 45, 65, 68, 82, 87, 98–9, 105, 107–9, 112, 115–16, 138, 150, 153, 162, 175, 225 (*see also* value-added tax)
technocrats, 6, 11, 167, 177, 184, 218, 231, 243
technology, 28, 40, 82, 135, 138, 162, 229
textiles, 84, 86, 87, 88, 98, 114, 121, 139, 147, 149, 162
Third World, 2, 12, 17
Tlili, Abderahman, 190
torture, 7, 198, 199, 204, 206, 207
tourism, 65, 68, 88, 93, 94, 95, 113–16, 120, 121, 139, 140, 150
trade, 3, 9, 13, 22, 24, 44, 64, 75, 81–2, 86, 93, 100, 103, 112, 123, 134, 147, 149, 160, 227
trade unions, 5, 6, 10, 25, 26, 34, 36, 42, 43, 50, 51, 52, 65, 75, 173, 186, 242
traditional elites, 13, 14, 47
transport, 82, 91, 107, 113, 137, 141
treasury bills, 111, 153
Treaty of Mersa, 43
tribes, 19, 29, 43, 44, 47, 48
Tunisification, 81
Turkey, 13, 16, 19, 27, 29, 31, 148, 241, 244

ulama, 44, 46
Union Nationale des Agriculteurs Tunisiens (UNAT), 52, 56
unemployment, 3, 4, 39, 44, 60, 65, 75, 84, 90, 92, 93, 95, 99, 107, 114, 115, 127, 130, 132, 134, 155, 156, 192, 227, 228, 237
Union des Démocrates Unionistes (UDU), 190, 213, 216
Union Générale des Travailleurs Tunisiens (UGTT), 47, 50, 52, 53, 54, 58, 60, 63, 64, 65, 67, 69, 71, 75, 95, 97, 101, 154, 156, 168, 186, 187, 188, 190, 191, 192, 203, 222, 228, 229
Union Générale des Agriculteurs Tunisiens (UGAT), 48, 52
Union Générale des Etudiants Tunisiens (UGET), 48, 188, 197, 229
Union Générale Tunisienne des Etudiants (UGTE), 179, 188, 191, 197
Union Nationale des Coopératives (UNC), 56
Union Nationale des Femmes Tunisiennes (UNFT), 50, 205
Union Nátionale des Travailleurs Tunisiens (UNTT), 65, 75

Union Tunisienne de l'Industrie, du Commerce et de l'Artisanat (UTICA), 53, 56, 58, 101, 108, 138, 154, 187, 191, 205, 209, 227, 228
Union Tunisienne des Artisans et Commerçants (UTAC), 48
United Arab Emirates (UAE), 31
United Nations (UN), 49, 69, 105, 195
United States of America, 32, 81, 147, 165, 195, 199, 241
US aid, 116, 141
urbanization, 28, 44, 71, 90, 222, 227, 229

value-added tax, 105, 109, 150, 227
vertical stratification, 11, 14, 18, 39, 226

wages, 53, 54 68, 60, 69, 84, 90, 93, 96, 97, 108, 115, 128, 129, 154, 155, 187, 227
welfare, 4, 21, 39, 40, 86, 99, 106, 131, 133, 154–5, 162, 225, 242
West Germany, 99, 100
Western Sahara, 117
White Revolution, 22
women, 14, 38, 50, 54, 87, 102, 174, 214, 219
working class, 15, 21, 23, 39, 167
World Bank, 4, 36, 56, 65, 68, 69, 74, 95–9, 100, 103, 105, 107, 116, 131, 133, 134, 141, 143, 148, 154, 157, 159, 163
World Trade Organization (WTO), 147

Yaqada Committees, 196
Yemen, 31
Young Tunisians, 45
Young Turks, 45

Zaytouna Mosque, 46, 70, 71, 180
Zmerli, Saadeddine, 183
Zorgati, Nouri, 150
Zouari, Abderrahim, 170, 171, 185