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## State–Society Relations and Sustainable Growth in Tunisia Post-2011

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In the post-2011 Revolution years, ideological polarisation and political instability weakened the Tunisian state, freeing much space for business tycoons to largely dominate the political realm. Such “state capture” had a deep impact on the enactment and/or implementation of various policies that would significantly affect inclusive and sustainable growth.

- After 2011, tycoons benefitted from the lax and discretionary implementation of policies. Other social actors were unable to similarly gain from the open political system to match their power, with the exception of the Union Générale Tunisienne du Travail (UGTT).
- Tycoons’ market power remained unchallenged because of their control over the banking sector, the high barriers to entry in many industries, and the limited implementation of laws in favour of startups. All this negatively impacted on productivity and the adoption of greener technologies.
- The UGTT managed to defend the salaries and labour rights of mainly public sector employees, while social protection for private sector ones diminished. Big business did not abide by these laws, while small and medium enterprises lacked the financial resources to comply. The same applies to the implementation of occupational health and safety hazards regulations.
- The UGTT mostly placed environmental rights after social rights. The state often only consulted environmental civil society organisations (CSOs) for show. Mutual distrust between the UGTT and these CSOs prevented the formation of a strong political coalition between them.

### CONTEXT

*Social actors’ representative organisations and their effective participation in decision-making should be fostered through more collaborative governance institutions. Building mutual trust between different CSOs would also help here. This would prevent favouritism and provide more beneficial input to the state, both serving to promote more inclusive and sustainable growth for Tunisia.*

## POST-REVOLUTION STATE CAPTURE IN TUNISIA

The Tunisian Revolution of 2010/2011 is a remarkable event in the history of the Middle East and North Africa (MENA). The subsequent democratic transformation – mixed with poor governance performance and ideological rivalries – set the conditions, however, for the emergence of state–society relations characterised by state capture, which was uncommon in the MENA region. Under “state capture,” managers and owners of large enterprises in terms of employment size or market share (“tycoons”) manipulate an (often newly established) open political system and accordingly dominate the state, legislation, and policymaking for their own gain (Hellman, Jones, and Kaufmann 2003; Hellman and Kaufmann 2001; Innes 2014). Factors such as labour segmentation along sectoral and ethnic divides and the inherent organisational problems facing the owners and managers (here called “entrepreneurs”) of small and medium enterprises (SMEs) limit the ability of other social actors to enjoy solid and cohesive organisational representation and thus to challenge tycoons’ dominance.

Accordingly, state capture enables tycoons to reap the benefits from the implemented policies and regulations. Unlike in other MENA countries, where they are subservient to the state, tycoons in state-capture settings are less compelled to tolerate the state’s pacifying measures vis-à-vis labour and society. This can result in growing income disparities, often at the expense of workers (González and Nazareno 2022). However, the extent of the losses encountered in terms of welfare and health and safety policies on the employee side is arguably subject to the organisational power of labour unions. The same challenges are true for entrepreneurs and their business associations.

The following analysis on the Tunisian case relies on qualitative data that was collected via several semi-structured interviews conducted by the author in 2022 in Tunis with representatives of key social organisations in the Tunisian industrial sector and civil society actors, as well as with figures from the academic milieu, in addition to data issued in other publications.<sup>1</sup>

Post-Revolution Tunisian state–society relations until 2021 may be described as state capture for a number of reasons. The Tunisian state then was generally weaker than it had been before 2011. One of the leading factors contributing to this outcome was the Islamist–secularist polarisation that reached its climax in 2013 and continued thereafter, as inducing constitutional deadlocks, frequent cabinet changes, general political instability (Carboni 2022; Tamburini 2022), power fragmentation and struggles between the president and government ministries, and ultimately the state’s inability to implement “a coherent long-term economic strategy” (Paciello 2013: 19). The bureaucratic apparatus was a particularly contentious arena for the competing Islamist and secularist political forces, with each camp trying to infiltrate and control it (Boubekeur 2016). Moreover, the administration that persisted from the era of former President Zine El Abidine Ben Ali (1987–2011) as well as many of its constitutive elements – presented as independent technocrats (Carboni 2022) – were inherently hostile to the Islamist Al-Nahda party in power, contributing to blocked reform initiatives and diminished government effectiveness (Marzo 2019). This fragmentation and polarisation paralysed also parliament, negatively affecting its legislative capacity.

Against this background, tycoons’ power was freed from the political constraints of the Ben Ali state while at the same time they maintained connections with the surviving administration. In Tunisia, the term “tycoons” mainly refers to the big-business families who control large market shares in different industrial and other economic sectors. Enterprises controlled by these families through holding groups sometimes fit the definition of SMEs, whereby medium-sized enterprises typically have less than 250

<sup>1</sup> Accordingly, developments since summer 2021 and their not yet fully foreseeable consequences do not receive any further attention in this study.

employees (in the United States, up to 500). After the Revolution, tycoons joined dominant political parties, funded electoral campaigns, and won parliamentary seats. They also controlled a significant part of the banking system (Oubenal and Ben Hamouda 2018).

Democratisation opened the way as well for entrepreneurs to organise and defend their interests. Businesspeople were represented by the Union Tunisienne de l'Industrie, du Commerce et de l'Artisanat (UTICA) and the Confédération des Entreprises Citoyennes de Tunisie (CONNECT), with the latter being more representative of SMEs. On the other hand, democratisation also unleashed the power of the biggest labour union in Tunisia, the Union Générale Tunisienne du Travail (UGTT), which evolved into a dominant political player and the most organised social actor. However, it mainly represented public sector workers and less so private sector ones.

## **COMPETITION-RELATED POLICIES AND THE PATH OF ECONOMIC GROWTH**

These power dynamics playing out among the main actors in the industrial sector had a significant effect on sustainable and inclusive growth across the whole national economy. Recently, the industrial sector has come to contribute substantially to the Tunisian economy. It is currently responsible for around 30 per cent of gross domestic product and 84 per cent of exports of goods and services (Guesmi and Moisseron 2018). The pernicious effects of state capture were transmitted through the enactment and implementation of policies undermining productivity (through deterring competition and innovation), social welfare, and health and safety, with a significant impact on long-term economic growth, equality, and sustainability.

Now liberated from state control over clientelistic networks, tycoons started to act on their own to secure their privileged access to resources. Even after the dismantling of the Ben Ali and Trabelsi<sup>2</sup> economic empires, other big-business families (e.g. Ben Yedder, Mzabi, Bouchamaoui, and Horchani) survived and controlled the confiscated assets of those empires, intensifying their dominance over different markets. They were also able to influence legislation by entering major political parties and funding election campaigns (Oubenal and Ben Hamouda 2018). While there is little evidence tycoons outright blocked the enactment of legislation and policies endangering their interests, there is more to indicate that they benefit from, if not deliberately support, their lax and discretionary implementation. As pointed out by one of my interview partners, tycoons used their connections with the administration for the sake of securing access to licences and various privileges that ensured their dominance in key sectors. The bureaucratic apparatus seemed to matter more than the ministries, given the frequent changes of government that Tunisia witnessed in the post-Revolution period.

Tycoons' control over the banking sector had a considerable role to play in helping limit sectoral competition and preserve their interests. Another interviewee attested that banks avoided financing entrepreneurs and preferred not to engage in risky investments. Even innovative SMEs with sound business models were not provided with sufficient venture capital and other bank funding (Stölting 2015). Rather, private banks finance professional activities related to the business interests of their shareholders, namely tycoons coming from the above-mentioned families. European and international-donor credit lines aiming at promoting SMEs were channelled to domestic banks, as intermediaries. Thus, these funds were also likely to go to large holding groups controlled by tycoons, whose constituent companies posed as SMEs. Unconnected entrepreneurs lacked information and the ability to present an acceptable proposal to obtain funding. Other means of financing that could benefit entrepreneurs, such as venture capital and private equity, were underdeveloped and their growth was rather slow.

<sup>2</sup> From Ben Ali's spouse's family.

Other obstacles also limited SMEs' chances to compete. Many industries had high barriers to entry (Mouelhi and Ferchichi 2017). On the other hand, new businesses suffered from the slow implementation of the Startup Act of 2019, which was meant to foster their growth. The Tunisian Startups business association was also often neglected in important related state-policy discussions.

## **WELFARE AND ENVIRONMENT-RELATED POLICIES AND THE COUNTRY'S GROWTH PATH**

Concerning welfare policies, the powerful UGTT managed to defend, as noted, the labour rights of mainly public sector employees (Aliriza 2020). Amid the economic hardships facing post-Revolution Tunisia, the UGTT managed to raise public sector salaries while public enterprises doubled their number of employees after 2011 (Vatthauer and Weipert-Fenner 2017). Such success was not always regarded favourably by different actors, given budget constraints and productivity concerns.

The UGTT also defended the interests of private sector labour, even if not as strongly as in the public sector. SME representatives, in accordance with a World Bank study (Angel-Urdinola, Nucifora, and Rabalino 2015), pointed to Tunisian labour laws' rigidity. Nevertheless, other interviewees emphasised the poor implementation and enforcement of various labour laws in such a way as to actually reduce the social protection enjoyed by private sector labour. Big business and especially multinational corporations (MNCs) did not abide by these laws. SMEs, on the other hand, lacked the financial resources to offer the required social protection. Fixed-term contracts represent one means by which businesspeople escape strict labour laws. Moreover, the social protection bestowed in the case of losing one's job is inadequate.

In addition, Tunisia is still in a rather dissatisfactory position in dealing with occupational health and safety hazards (OHS). This is caused indirectly by the above-stated problems facing innovation and technology upgrading, including green technology. Yet, the biggest burden here is the enactment and – more importantly – implementation of laws and regulations related to OHS. Tycoons' violations hereof are facilitated by the way in which environmental laws regarding work safety and health in nearby local communities were written, whereby their application is rather voluntary. Similarly, MNCs often significantly violated OHS regulations while SMEs lacked the needed resources for their effective implementation.

The UGTT's support for the protection of workers from OHS seemed in doubt. While one of its representatives affirmed the union's commitment to internationally acknowledged environmental rights, it is often faced with a dilemma in being caught between defending social rights, the right to have a secure job, and the environmental rights of labour. In fact, environmental rights seem to take only the third place in the UGTT's list of priorities. One observer believed that the problem was the UGTT's inability to fight its corner here, where its pursuit of the regulations' implementation was often met by management's threat to shut down operations. The union was also marginalised in policymaking on environmental issues and only invited to consultancy meetings for show – namely, to appease international development organisations.

Social and environmental CSOs – such as the Forum Tunisien pour les Droits Economiques et Sociaux (FTDES) and the Tunisian branch of Lawyers Without Borders (ASF) – had a more focused mandate to promote the protection of labour from OHS in the workplace and in the local community. International organisations provided support for CSOs on environmental issues. However, a FTDES member complained that the recommendations given by large international organisations often did not come with the needed enforcement capacity to ensure continuity. The funding provided by these projects was temporary or limited in comparison to the scale of the challenges faced. The effect

was rather restricted only to creating exemplary cases (e.g. selected enterprises) and then the state was expected to step in and put environmental policies in place.

Yet, these CSOs had direct and indirect means of communication with the state. A member of a German political foundation affirmed that the state often invited environmental CSOs to different events and listened to their recommendations. The process, however, was less institutionalised, dependent on the minister in office, and likely to be more informal. Moreover, discussions with environmental CSOs (and likewise with the UGTT) often merely sought to appease foreign donors. CSOs also used to communicate with parliamentarians and indirectly with the state through such international donors. Yet these routes were no longer possible after the 25 July 2021 events, with the disbandment of parliament and the rise of nationalist (populist) rhetoric. Environmental CSOs used also social protest, which grew exponentially after the Revolution. This took different forms, such as demonstrations, sit-ins, and litigation – which protestors sometimes won against violating industries, even when the rulings were not always implemented (Labiadh and Gaaloul 2020).

The possibility of building a strong political coalition between environmental CSOs and the UGTT on the enactment and implementation of environmental regulations was undermined by the mutual distrust existing between the two sides. Environmental CSOs expressed their doubts about the UGTT's genuine commitment to environmental issues. Meanwhile, the latter seemed reluctant to cooperate especially with some of these foreign-funded and politically motivated CSOs.

## **AN ALTERNATIVE PATH LIES AHEAD?**

The state capture that accompanied democratisation in Tunisia is not uncommon in countries undergoing such a transition (Hellman, Jones, and Kaufmann 2003). The weakness of the state and the inability of social actors to organise in the hope of balancing tycoons' power create conditions that enable the latter to direct the enactment and/or implementation of policies according to their own core interests. The latter were largely out of alignment with sustainable economic growth. An alternative pathway here could be realised by addressing the power dynamics underpinning state–society relations, with tycoons losing their privileged position and those CSOs engaging with social and environmental issues gaining in power in the political process. Strengthening collaborative governance institutions, such as public–private dialogues, could help encourage the effective participation of key social actors and representative organisations. This would help prevent favouritism and provide more useful input to the state, both of which should serve to promote more inclusive and sustainable growth for Tunisia – although this may prove extremely difficult given the current political changes. The realisation of this path would be further supported when tycoons' own interests are aligned with it. Environmental and social certification by the International Organisation for Standardisation and stricter requirements on exports complying with these standards are one example of how such an alignment of interests could be fostered.

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