

EU–Tunisia Relations: Unpacking the Conundrum

by Akram Ezzamouri and Miriam Zenobio

ABSTRACT

The European Union faces intricate challenges in its policy towards Tunisia. Examining the country's intertwined political and socio-economic crises, the analysis sheds light on President Kais Saied's populist politics, which have hindered the political transition and undermined democratic structures. Amidst the pressing challenge of high inflation, escalating debt, sluggish growth and critical shortages in basic goods, the analysis delves into the IMF loan negotiations amidst European concerns regarding Tunisia's economic collapse and increased migration flows across the Mediterranean. Yet, focusing exclusively on migration or the economy is overshadowing President Kais Saied's authoritarianism, which in turn has exacerbated Tunisian fragilities. While external financial support appears necessary, a comprehensive approach is essential, addressing urgent economic and political challenges while recognising the need for deep reforms to restore Tunisia's aborted democratic transition.

Tunisia | Domestic policy | Economy | European Union | EU external relations

keywords

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Introduction

More than a decade since mobilisations began against Ben Ali's nepotistic and repressive regime, Tunisia's tortuous democratic transition has come to a standstill. President Kais Saied's moves to dismantle democratic structures have now given way to a wave of arrests targeting opposition parties, the media and non-governmental organisations as well as the country's judiciary. Amidst worsening socio-economic indicators and mounting inequality, the Presidency has also promoted racist and divisive rhetoric targeting sub-Saharan migrants, fuelling hostilities and a rise in hate crimes in Tunisia as well as a significant uptake in migrant departures towards Europe.

President Kais Saied's election in 2019 owed much to the inability of previous governments, parliamentarians and political parties to deliver on key social, economic and political issues. Yet, since Saied's election and subsequent power grab in July 2021, the country's socio-economic situation has continued to worsen. The President's popularity is steadily eroding, while the lack of political inclusivity is exacerbating an economy already suffering from the successive external shocks of Covid-19 and the 2022 Russian war on Ukraine. With inflation reaching 10.4 per cent in February 2023 (up from 10.1 in April 2023), a debt to GDP ratio of about 90 per cent, anaemic growth and mounting shortages of basic goods and fuel, there is mounting concern over Tunisia's future, with some predicting a default on Tunisian debt by August 2023.

Such conditions are fanning the flames of popular discontent amidst declining purchasing power and the absence of opportunities for socio-economic improvement, while the informal economy continues to account for almost 50 per cent of employment. Against this backdrop, a new 1.9 billion US dollars emergency loan from the International Monetary Fund (IMF) has often been framed as Tunisia's best hope to avoid economic collapse. Negotiations with the Fund have however

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stalled as the Tunisian Presidency has refused the terms of the deal, which include subsidy cuts and other reforms, billing such requests as interference in Tunisian affairs that may exacerbate social unrest.

In this context, a number of European states led by Italy and France have to varying degrees backed President Kais Saied's concerns vis-à-vis the IMF's loan conditionality. Southern European states are fearful that further unrest may lead to a full-blown financial crisis, harming trade and economic interests while potentially being a prelude to new and major migratory flows towards Europe. As of late May 2023, more than 25,000 migrants have landed on Italian shores departing from Tunisia, leading Tunisia to momentarily overtake Libya as the primary departure point for migrants reaching Italy. Despite a decrease in departures in late May, flows are expected to increase in the next months.

On 6 June, Italian Prime minister, Giorgia Meloni, visited Tunisia to discuss with President Saied the surge in migrant departures and Tunisia's economic outlook. Five days later, she returned to Tunis together with the European Commission President Ursula von der Leyen and Dutch Prime minister Mark Rutte, to discuss an EU comprehensive partnership package with Tunisia. In an effort to address migration from the North African country, the programme contemplates up to 900 million euro of macro-financial assistance to follow the IMF supported reform programme, as well as 150 million euro in budget support. The European Commissioner for Neighbourhood and Enlargement, Oliver Varheliy, and the Tunisian Foreign Minister, Nabil Ammar, will draft a Memorandum of Understanding on the comprehensive partnership package to be signed by the end of June.

While concern in Europe over a possible economic collapse in Tunisia may be understandable, prioritising migratory and economic issues over the deeper layer of political backsliding and the consolidation of authoritarianism in the country carries significant risks. Emergency economic assistance may be necessary to assist Tunisia in overcoming structural imbalances and macroeconomic pressures but cannot be construed as a silver bullet providing medium and long-term sustainability to Tunisia. The present juncture should instead be considered as an opportunity to better reconcile EU strategic interests vis-à-vis Tunisia and the broader southern Mediterranean with Europe's professed ambition to promote democracy, the rule of law, human rights and accountability across the Middle East and North Africa.

Building on the above, a better understanding of the long-term interests shared by Tunisian and European stakeholders can provide new grounding to discern policy recommendations for a more comprehensive approach to address the current political and socio-economic challenges while not straying from a more constructive international engagement on Tunisia's accelerated backsliding on democratic norms.

1. Political outlook

Few would debate that Tunisia has experienced heightened trends of democratic backsliding over recent years. Following the 2011 revolution, which led to the overthrow of the autocratic regime of President Zine El Abidine Ben Ali, Tunisia emerged as a beacon of hope for democracy in the Arab world. Yet, the country's democratic transition began to stall before the election of Kais Saied in 2019 and his subsequent "self-coup" of 2021.

Political infighting and the failure to implement structural reforms hindered the dismantling of Ben Ali's regime. The country's initial efforts to promote transitional justice faltered, the constitutional court was never established, laws that required amendment by the constitution were never upgraded and the infamous system of permits, licenses, procurement and land rent remained largely intact. Moreover, international donors and lenders were hesitant to push for significant changes, de facto favouring the survival of much of the old regime's practices.

In response to a series of terrorist attacks that severely impacted the Tunisian tourism sector, the government imposed a state of emergency in 2015, which granted security forces broad powers, empowering an unreformed sector that still had connections to the previous regime. Moreover, the consensus-based power-sharing approach led to compromises that frustrated the politically engaged population and fell short of advancing structural reforms. Eventually, the fragmented political class and influential entities like trade unions and powerful business figures could not cooperate effectively. Instead, they remained focused on their own narrow objectives, perpetuating a sense of rivalry and self-centeredness. Against this backdrop and amidst a series of high-profile corruption scandals, over time, popular support for democratic institutions eroded, as indicated by various polls conducted in Tunisia throughout the years.

Despite initial strides towards building democratic institutions and ensuring political pluralism, the ineffectiveness of Tunisia's political leadership and the growing rift between it and the public has effectively paved the way for the rise of populist tendencies. Various factors have contributed to this backsliding, including unattended socio-economic challenges exacerbated by the Covid-19 pandemic and the outbreak of the war in Ukraine, political divisions, corruption and institutional paralysis as well as a correlated and mounting sense of disillusionment among the public.

The political landscape witnessed a significant shift with the emergence of Kais Saied. An independent candidate and constitutional law professor, Saied capitalised on popular dissatisfaction with the political establishment and garnered widespread support with his anti-corruption stance. His rise to power in 2019 epitomises the rise of populist politics in the country, fuelled by the frustration of many Tunisians who felt that their revolution's promises remained unfulfilled.

Kais Saied campaigned on a platform centred around a messianic narrative and mission to rectify the shortcomings of the Tunisian revolution, promising to usher in a new era of bottom-up direct democracy in Tunisia. He pledged to restore power to the people, promising to empower local communities, fight corruption and address socio-economic disparities. His rhetoric resonated with many Tunisians who were frustrated by the perceived failures of traditional political parties.

Upon assuming the presidency, Saied made a series of political moves that had significant implications for Tunisia's democratic institutions. First, he suspended parliament and dismissed the government (July 2021), substituting the latter with a new cabinet devoid of parliamentary legitimacy (October 2021). He then granted himself the right to rule by decree (September 2021) and, finally, dissolved parliament altogether (March 2022). Then, after dissolving the High Judicial Council (February 2022), he bestowed himself the right to dismiss judges and dispelled 57 of them (June 2022). Eventually, he targeted the symbol of the early accomplishments of the unfulfilled Tunisian revolution, drafting a new constitution that granted himself unlimited powers, which was approved in a referendum with a mere 30.5 per cent turnout (July 2022). Low turnouts were also registered at the parliamentary elections of December 2022 and January 2023 – regulated by a new electoral law that severely weakened political parties – with about 11 per cent of Tunisian voters casting their ballots in both instances.

Saied's actions were intended to consolidate power and assert his vision of a new political order but failed to tackle any of the most pressing socio-economic challenges facing Tunisia. Against this backdrop and in the absence of a political agenda to address the mounting crises affecting the country, Kais Saied resorted to scapegoating, by alternatively blaming the political opposition, foreign interferences and, ultimately, sub-Saharan migrants for the dire state of the country. In February 2023, he publicly endorsed the great replacement theory popular among alt-right constituencies in Europe and the US, declaring that migratory flows were aimed at changing the country's demography. The declaration was followed by a wave of racially-motivated violence and arbitrary arrests targeting sub-Saharan migrants as well as the Tunisian black community that continues to date.

The fragmentation of the political landscape offered a favourable environment for the rise of Kais Saied's autocratic rule and likewise left his consolidation of power largely unchallenged. Major political forces rejected the results of the July 2022 referendum and filed lawsuits against the referendum results, denouncing errors in calculating the votes and lack of transparency. However, the fragmentation affecting the opposition, combined with the campaign of arrests and intimidation, did not allow for the emergence of a coalition serving as a political alternative to Saied's rule. Opposition parties faced challenges in mobilising large numbers to take to the street against Saied as they suffered from a lack of credibility due to low public trust in the post-2011 political class.

Efforts by the Tunisian General Labour Union (UGTT) and other organisations to initiate a national salvation initiative have also faced obstacles. The initiative seeks

to address the political deadlock and play a role similar to the Nobel Peace Prize-winning quartet that brokered dialogue during the 2013 crisis. However, the UGTT's leadership has expressed reluctance to engage with parties that consider the events of July 2021 a coup, further limiting prospects for inclusivity and rapprochement.

Still, President Saied remains adamant in his refusal to engage in dialogue with opposition actors, labelling them as "traitors" and "corrupt", as exemplified by the recent wave of blanket arrests justified with accusations of criminal association, threat to national security and conspiracy. Some prominent individuals who have been arrested include opposition politicians, former judges, lawyers, journalists and leaders of civil society organisations, culminating in the arrest of Ennahda's leader Rachid Ghannouchi in April 2023.

Despite assuming significant powers, Saied has failed to address the ongoing political and economic challenges that have plagued the country, suggesting that his political future may in fact be short lived. Additionally, his initial popularity following the dismissal of the Prime minister and the dissolution of parliament in July 2021 have waned, as evident from the disappointing turnouts that were registered when he summoned Tunisians to the polls. Saied's inability to gather a wide-ranging social backing is eroding the credibility of the new political system, forcing him to increasingly rely on the security services as a substitute to the lack of popular support. His refusal to engage with intermediary organisations bridging the gap between the government and society has resulted in conflicts within his own cabinet as well as Tunisia's labour unions and professional associations.

2. Socio-economic outlook

Tunisia's economic situation after 2011 was not favourable. Inflation increased, the country's trade balance significantly declined and unemployment rose to over 18 per cent by 2022 according to the World Bank. To address these issues, Tunisia turned twice to the IMF for financial assistance: first, in 2013, with a loan of 1.74 billion US dollars, and then in 2016, with a loan of 2.9 billion US dollars. These loans, combined with increased economic hardship linked to Covid-19 and the war in Ukraine have added significant strain to Tunisia's finances. Back in 2013, the country's debt-to-GDP ratio was 44 per cent, while, currently, out of Tunisia's outstanding 90 per cent debt-to-GDP ratio, 40 per cent is accounted for by external debt owed to the IMF. In this regard, it is worth noting that the IMF loans in the 2010s did not have a lasting impact on the economy, aside from making it further dependent on external financing.

In fact, after the 2010–2011 uprising, Tunisia received significant financial support in the form of loans, deposits and aid from various international sources. This aid helped Tunisia cope with the decline in foreign investment and tourism following the 2015 wave of terrorist attacks. But the Tunisian government, confident that its international partners will continue to support its democratic transition, did not prioritise the economic reforms necessary to reduce debt. Instead, they relied on

cash inflows to buy time and avoid complex and politically costly adjustments. This deteriorating fiscal situation forced the government to negotiate an IMF deal in 2016, including demands to cut public sector wages and subsidies and implement tax reforms. However, internal conflicts and the political leadership's failure to consider various interests hampered reform efforts and debt reduction. As a result, the IMF suspended disbursements in 2019.

The failure of the Tunisian government to find a middle ground among various interest groups such as trade unions and business elites further contributed to the delay in reforms. The impact became apparent during the Covid-19 pandemic, leading to a significant slowdown in GDP growth. Furthermore, the outbreak of the Ukraine war in 2022 exacerbated Tunisia's fiscal imbalance. The share of government and short-term debt increased, reflecting the country's reliance on external financial markets and a decline in long-term currency sources.

Since Tunisia is a net importer of energy and foodstuffs, as a consequence of the compounded impact of the pandemic and Russia's invasion of Ukraine, commodity prices have significantly increased, putting strain on the government's ability to acquire foreign currency. This situation has resulted in constant and ongoing shortages of food, fuel and medicines. In addition to the economic and financial crisis, Tunisia faces food insecurity worsened by two factors. Firstly, the country's agriculture sector has primarily focused on producing goods for export rather than prioritising self-sufficiency, which has raised calls for food sovereignty. Secondly, persistent droughts caused by climate change have further exacerbated the situation, reducing agricultural output.

Amid this grim situation, Tunisia and the IMF reached a preliminary agreement for a bailout loan in October 2022. However, the loan was awaiting approval from the IMF board due to uncertainty surrounding President Saied's commitment to a rigorous four-year reform programme, including cuts in public subsidies and a freezing of public sector salaries. Eventually, in April 2023, President Saied publicly rejected the IMF's conditions, referring to them as "foreign diktats" that would further impoverish the Tunisian population. These sudden moves generated international concerns and inflicted additional damage to Tunisia's economic prospects, causing a sharp decline in its bond rating and posing a further threat to its debt sustainability.

Aside from the IMF, Tunisia has consistently sought economic support from other partners, albeit with meagre results. Gulf states no longer appear ready to support Tunisia, while China, whom Saied's supporters regard as a potential alternative, has not stepped in and has clarified that an IMF deal is essential. Tunisia's isolation has led to reliance on financial support from Algeria, but at the cost of damaging diplomatic relations with Morocco.

The President's failure to mobilise funding has raised doubts about his ability to address Tunisia's fiscal and economic challenges, and his divisive remarks and unilateral actions have strained relationships with international partners. Reacting

to the violence and harassment that followed the President's racist comments on sub-Saharan migrants, the World Bank announced on 7 March 2023 that it would freeze discussions on the Country Partnership Framework for 2023–2027, before ultimately announcing in late May 2023 possible prospects of reactivation of this partnership.

Saied's rejection of the IMF conditions was motivated by his emphasis on Tunisian sovereignty and a concern about potential public unrest. He explicitly referred to past protests in response to the World Bank's and IMF's demands for subsidy cuts in 1978 and 1983–4, respectively. Saied's expressively proposed alternative to avoid default and address Tunisia's challenges is self-reliance, aligning with the self-centred development approach. However, his proposals have been limited to reforming the tax system and recovering misappropriated funds, while attributing the economic crisis primarily to corruption and rival politicians.

In response to concerns that IMF conditions would lead to increased prices, greater inequality, regional cleavages and reduced purchasing power, Tunisian authorities suggested to implement progressive taxation with higher income brackets. However, tax reform is a complex process that requires time, and challenges such as tax evasion and political resistance must be addressed. Another proposed solution is to enhance self-sufficient agricultural production, but implementing agrarian reform is time-consuming and also unlikely to provide significant respite to Tunisia's multiple compounding crises in the short term.

3. Where the EU stands

Despite a first phase of European support to the Tunisian political transition following the 2010–2011 uprisings, EU–Tunisia relations have rapidly shifted towards securitisation, prioritising security cooperation, border control and counter-terrorism measures. This approach has faced mixed results in terms of security sector reform and addressing the root causes of migration. From 2018 onward, adequately tackling socio-economic challenges, such as unemployment and regional disparities, has become crucial for the effectiveness of EU assistance. However, the lack of reforms has been a source of constant frustration for the EU, feeding criticism and endless debates about the moral hazard of aid and fatigue among western donors.

European reactions to Kais Saied's self-coup had varying levels of concern and criticism, with some governments expressing alarm (e.g. Germany), while others remaining relatively silent (e.g. Italy, France). Similarly, the US Biden administration's somewhat muted response has been the object of criticism and scrutiny in the US congress. The US efforts to cut aid to Tunisia and the failure to call for the release of political prisoners have been described by observers as ineffective measures that do not address the root causes of the democratic backsliding in Tunisia.

Tunisia's political and economic instability seemingly had a significant impact on migration to Europe, particularly Italy. The rise in irregular departures from Tunisia can be attributed to the country's economic crisis, unemployment, social unrest and President Kais Saied's verbal attacks on sub-Saharan Africans. According to recent data by the Italian Ministry of Interior, as of mid-May, more than 25,000 migrants have reached the Italian coasts from Tunisia in 2023, with at least 3,500 of them holding Tunisian passports. A 2022 survey by the Arab Barometer revealed that 45 per cent of Tunisians expressed willingness to leave the country, with the percentage reaching 65 per cent among those aged under 30.

Against this backdrop and despite Saied's rejection of the IMF's conditionality, discussions between Tunisia's President and international partners continued, with Italy emphasising the need for tighter border controls and pushing for the immediate disbursement of IMF funds in multiple tranches based on future progress in implementing reforms.

Despite the financial aid and forms of material assistance provided by the EU and individual countries to Tunisia for migration management, there are growing concerns about human rights violations that contribute to increase migratory flows across the Mediterranean. There is apprehension that the focus on preventing migration has taken precedence over respecting the rights of migrants, especially considering the alarming rise in the death toll on the Mediterranean route, which has reached its highest level since 2017.

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