

Tunisia: Caught Between the IMF and International Isolation

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Brief Analysis

In the absence of strong international support, Tunisians have been left to face the worsening political and economic crises on their own

Next week, Tunisians will head to the polls, yet the future facing them regardless of the outcome is bleak in many ways. While Tunisians remain split on the impact of President Kais Saied's changes in governance, economic struggle is universal, and Tunisia's domestic challenges are increasingly isolating it on the diplomatic stage.

The pace of events in Tunisia has been accelerating since its departure from a democratic path under the rule of exceptional measures taken by Saied since July 25, 2021. Following Saied's decision to freeze parliament, dismiss the government, and suspend work on the 2014 constitution, the suspension of the temporary body to monitor the constitutionality of laws and the National Anti-Corruption Authority has left Tunisia veering towards a different constitutional path.

Saied then proceeded to dissolve and restructure the Supreme Judicial Council and the Independent High Authority for Elections, which led to writing a new constitution. The referendum held on the new constitution in July 2022 saw a turnout of only 30% of Tunisian voters—a clear indication of the decline of the president's popularity and the erosion of democracy.

These measures have caused a sharp division within Tunisian society between supporters who see Saied as a correction of the original 2011 revolutionary path and an improvement in the country's conditions versus opponents who consider the measures a departure from the democratic path, a clear coup against the constitution, and a return to the pre-2011 situation.

Deep Fiscal Crisis

However, while Tunisians may differ on the nature, causes, and short and long term implications of the political crisis plaguing Tunisia, none of them will disagree on the reality of the country's declining and disastrous economic

situation.

The Tunisian economic scene is becoming darker and gloomier by the day, especially in the absence of any signs of a breakthrough on the near horizon. Both President Saied and Prime Minister Najla Bouden have failed to pull the country out of its current crises and revive the economy. For months, Tunisia has faced an increasing shortage in the supply of certain basic goods, including sugar, semolina, oil, coffee, fuel, and medicine. These shortages, along with massive price increases on an almost daily basis, have affected the purchasing power and livelihood of Tunisian citizens, many of whom are now unable to afford even their daily expenses. Indeed, the financial system in Tunisia today is on the verge of collapse, given that the central bank and the local financial system have reached their maximum capacity and lack the future ability to guarantee the entitlements of the people.

It is in this context that the Tunisian government reached an agreement with the IMF after months of negotiations. Tunis announced in October that it had reached a tentative, 48-month technical agreement with the IMF in exchange for USD 1.9 billion to support economic policies in Tunisia. The agreement included several conditions the IMF imposed on Tunisia in order to acquire the loan: reducing and containing expenses through the gradual elimination of subsidies, increasing fair taxation, attending to social support for vulnerable groups, compensating low-income families for the impacts of high prices, supporting good governance and transparency in the public sector, and promoting structural reforms. In return for these reforms, the international community is set to play an important role in facilitating the implementation of the program by expediting the necessary funding to ensure the success of the authorities' policy and reform efforts.

The agreement between the IMF and Tunisia has several positive features. Tunisia did not request a specified amount from the IMF, but rather submitted a request to finance a reform program for three years, including the condition that goes toward reform and restructuring rather than toward the sale of public institutions. At least in the short term, this agreement is an important step in rescuing the country's economy and restoring the confidence of Tunisia's partners. Signing with the IMF will open the door to borrowing from countries that have IMF agreements as a prerequisite.

Even so, the agreement may not be enough to salvage Tunisian finances. When examining the state budget for 2022, it is clear that a USD 1.9 billion deal from the IMF is not sufficient to cover the country's current deficit. The funding is meager in comparison to the state's expenditures for 2022, which are estimated at USD 7 billion. Moreover, actual engagement in and restructuring of the economy will hardly be accelerated, especially since events such as the outbreak of war in Ukraine have greatly complicated matters, rendering the Tunisian budget figures obsolete and in need of revision.

On the level of public opinion, the government's announcement of the elimination of subsidies for consumer goods—one of the IMF's conditions—will leave large segments of Tunisian society struggling under high rates of inflation and poverty, thereby opening wide the door for internal tensions that may pave the way for a major societal explosion. Clearly, the IMF deal is not a complete solution to revive Tunisia's dead economy, but rather a band-aid, especially as it is directed towards consumption rather than investment.

Murky International Standing

Tunisia's shifting governance, tied with its fiscal crisis, also raises the question of how other countries will respond. Following the exceptional measures taken by Saied in July 2021, U.S.-Tunisian relations have fluctuated between successive diplomatic statements. Officials have at some points called for "restoring the democratic path" in Tunisia, and have at other times threatened to cut aid. Nevertheless, in each case U.S. actions have ultimately suggested a kind of acceptance of the current path alongside passive reminders to grant more participation to Tunisian citizens. Such acquiescence did not occur all at once. At the time of the referendum, Saied's policies did actually prompt the

Biden administration to escalate their response. Washington then suspended a multi-billion-dollar loan from the IMF as well as an infrastructure grant to Tunisia from the Millennium Challenge Corporation worth USD 500 million. The U.S. Department of State also withdrew some military funding, and Congress threatened to cut or eliminate economic aid to Tunisia if conditions did not improve. There are, of course, ongoing U.S. and Western concerns that President Saïed's choices may deepen the political crisis and perhaps lead to unrest and a societal conflict, the repercussions of which no one can predict.

But while Saïed's procedures have received much attention and criticism from American media and research centers, the United States' official position has now become more cautious, limited to condemnation and issuing taciturn diplomatic statements. In fact, the United States' indecisiveness on the Tunisian crisis is now raising questions about the effectiveness of the Biden administration's foreign policy clout. The great political, economic, and military influence that Washington wields in Tunisia should have been enough to encourage the United States to take a tougher stance rather than the current ambiguous diplomacy being employed.

Indeed, after the July referendum, the American position vis-à-vis Tunisia has shifted. This shift is visible in the many visits made by members of the Senate and House of Representatives, as well as Assistant Secretary of State for Near Eastern Affairs Barbara Leaf, to Tunisia in the months after the new constitution took effect. These visits by high-level U.S. officials might have been the last opportunity for President Saïed to adjust course. Instead, it appears that the United States' pragmatism in Tunisia takes into account not only democratic obligation but also security and strategic choices.

The United States is justifying its passivity by noting the absence of large popular protests against Saïed's government-controlling procedures, a reality it suggests indicates that Saïed still has full political control and is not under pressure. Also, there are no political leaders who wield as much political influence and authority as Saïed does. This, of course, gives Saïed more space to maneuver as he wishes, especially as opposition groups in Tunisia remain ideologically fragmented. These major parties have been paralyzed by a crisis of confidence with their constituency, and civil society organizations are similarly suffering from chronic weakness.

Although U.S. policy makers are perhaps right in their assessment of the fragmentation of the opposition and the absence of large and permanent street protests, this assessment clearly overlooks the unjustified brutal power with which Saïed could and would respond to such resistance. Saïed's opponents are under the constant threat of being arrested and tried before military courts, and protestors fear a swift crackdown against any disapproving voices. It's no wonder that such a state of fear has silenced opponents and made it difficult for ordinary citizens to protest Saïed's undemocratic decisions.

For its part, the Tunisian authority is aware that the United States' various statements and visits reveal Washington's underlying need for a Tunisian ally. Given Tunisia's geostrategic importance, Washington does not want Tunisia to leave their sphere of influence one way or the other. Following this line of pragmatic, realist foreign policy thought, it seems that the United States is increasingly willing to assist Tunisia economically while overlooking what is going on democratically, so that chaos does not engulf Tunisia and throw it into the arms of Russia and China.

Clearly, Tunisia occupies an important position in U.S. strategy as a key link between the African and European continents. What remains to be seen is whether Tunisia's foreign policy under Saïed will take advantage of this fact, breaking the international isolation imposed on it after the exceptional measures taken by Saïed. And perhaps more importantly, it also remains to be seen how Saïed's approach will impact the economic and political crises playing out internally in Tunisia. In these decisions, the fates of Tunisian citizens hang in the balance. ❖

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