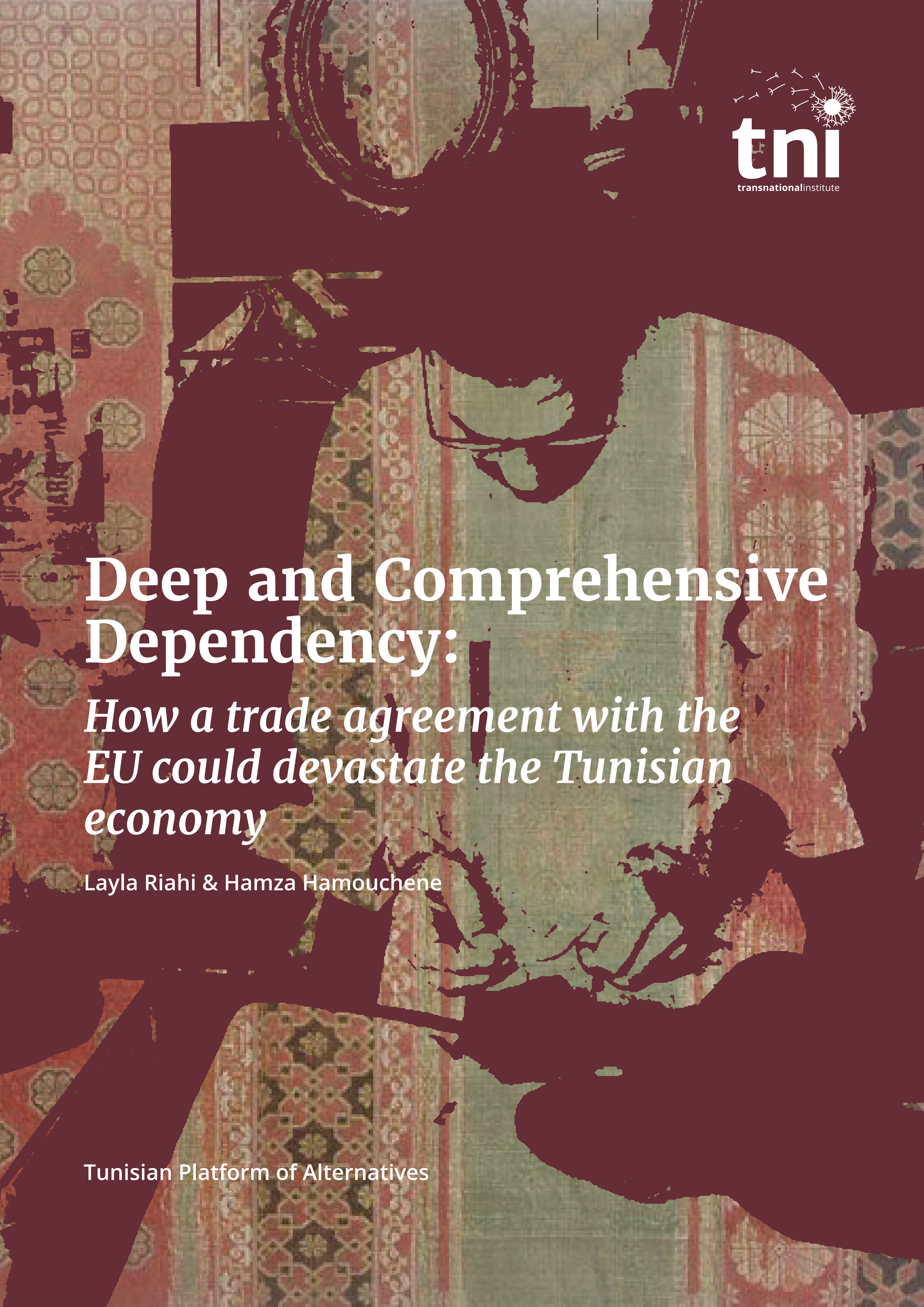

Deep and Comprehensive Dependency:

How a trade agreement with the EU could devastate the Tunisian economy

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We dedicate this work to the martyrs of the Tunisian revolution, who a decade ago sacrificed their lives for bread, justice and dignity. We sincerely hope that this paper will be a small contribution to that ongoing struggle for liberation.

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Executive Summary

Tunisia has undergone radical changes in the past decade, and faces more in the years to come, if the EU has its way. As the first country to topple its dictator in early 2011, it set off a chain of revolutions across North Africa and West Asia that led to a political reconfiguration, the impacts of which are still playing out. While Tunisia is often seen as the 'success' story of the 'Arab Spring', the transition has actually been a lot more complex than that.

The existing economic trends, and the power of the existing political and economic elites, have in fact been strengthened, and the Tunisian people have yet to reap substantial benefits from their revolution. While ostensibly Tunisia is now a democracy, a series of 'technocratic' governments have struggled to bring change and to balance the interests of the traditional elite and the less-privileged general population.

The role of the EU (and other international actors) in this transition has been controversial, with some arguing that the ongoing Western-sponsored transformation in fact aims to subvert the aspirations of the Tunisian people's calls for dignity, bread, national sovereignty and social justice. Western actors, including crucially the EU, have advocated for more of the same economic policies that many believe created the problems in Tunisia in the first place.

Tunisia has a long history and set of ties with the EU, in particular with France – it became a French 'protectorate' in 1881. While formal independence was granted in 1956, the legacy of colonialism has been hard to erase. The imperial economic patterns, whereby colonial economies were structured to meet the needs of the ruling power, endure, as does the economic dependence on the former colonial ruler.

It is in the context of these systemic legacies and deep power imbalances, as well as the political tumult brought about by the 'Arab Spring', that the EU has proposed a new set of trade deals with Tunisia and its neighbours. The EU proposes that Tunisia enter into a Deep and Comprehensive Free Trade Agreement (DCFTA) with it, and negotiations have been ongoing for 5 years. The economic and social impact of such an agreement could be very significant, and this report examines the concerns that have been voiced about the DCFTA, but largely excluded from official negotiations and the national discussion in Tunisia on the mooted trade deal.

In particular the report highlights the following:

1. The process of negotiating the DCFTA has been problematic, notably in three ways.

Exacerbating power imbalances between Tunisia and the EU

The power imbalances between Tunisia and the EU are stark. The EU's average per capita income and GDP are multiples higher than Tunisia's, and the region is also the country's largest trading partner, and a key source of loans. Tunisia's multifaceted dependence on Europe and the obvious asymmetry between the two clearly prevents any balanced negotiation being possible.

The EU is using a classic 'carrot and stick' approach to force Tunisia to sign

The DCFTA has been presented by Tunisian governments both as an opportunity to achieve Europe's privileged-partner status and progress towards integration into the prosperous EU market, and as a necessary evil required to put the local economy back on track by boosting Foreign Direct Investment (FDI). The reality, however, is that recent Tunisian governments, entangled by external debt servicing, could see no alternative but to continue liberalising the local market in order to keep benefiting from European funding and technical assistance. Moreover, the EU exercised pressure and blackmail by placing Tunisia on its black list of tax havens in December 2017 and on its money laundering and terrorist financing black list in February 2018. Alarmingly, the Tunisian administration has not undertaken any of its own official studies to inform its approach to the DCFTA.

Problematic civil society consultation

The approach to civil society consultation has been highly problematic and lacking in transparency. The organisations consulted officially have been carefully selected, and concerns have been raised about the nature of their mandate and funding. The unsurprising result is that these handpicked 'civil society representatives' make limited and weak demands of the EU, while the main social groups who are negatively affected by 'free trade' agreements (such as small farmers, female agricultural workers, informal labourers, small and medium producers, consumers and beneficiaries of public services) are excluded from the discussion.

2. The likely impacts of the DCFTA could be devastating for the majority of the Tunisian people

Exploiting Tunisia's reservoir of cheap labour

Low wages are Tunisia's main ***comparative advantage***, and the DCFTA targets this. For example, the minimum agricultural wage in Tunisia is 15.5 dinars per day (about 5 euro), while in France it is about 10 euro per hour - thus a day's agricultural work in Tunisia is equivalent to half an hour's work in France. By liberalising the agricultural and service sectors and facilitating the introduction of EU capital, the agreement will allow the local labour force to be taken advantage of at the lowest price. The DCFTA will encourage EU investors to relocate labour-intensive activities to Tunisia so as to maximise their profits by capturing the value created by super-exploited low wage Tunisian workers.

Undermining the vast majority of Tunisian companies

The official discourse used to promote the DCFTA focuses on "Small and Medium Enterprises" (SMEs). Presented as drivers of economic growth, innovation and job creation, the agreement specifically targets the needs of SMEs. However, while 83% of EU enterprises are SMEs, in Tunisia only 3% of enterprises fall into this category.

Very Small Enterprises (VSEs): The expected disintegration

The Very Small Enterprises (VSEs) which are the key economic actors in Tunisia, making up about 95% of enterprises, are not expected to evolve under the DCFTA but to disintegrate and disappear, to the benefit of larger companies. These businesses currently operate in a protected market, and provide income for several hundred thousand households. But they remain precarious, with very limited means. They will be unable to survive the tsunami of EU products and capital flooding in, especially without specific policies designed to protect and strengthen them.

Small and Medium Enterprises (SMEs): Producing and exporting to Europe

For the very small number of larger Tunisian companies, the DCFTA gambles that, once integrated into the EU 'free trade' system, they will be able to create jobs. The overlapping interests of the Tunisian rentier oligarchy, political power holders and Western 'free trade' actors align in pushing for a trade agreement that directs the Tunisian economy to exclusively support export-oriented companies. The existing subordination of the economic system to these narrow interests will be reinforced by the DCFTA, with public policies increasingly serving sectors which have very low added-value for the local economy, but which create rents for exporting companies and huge profits for European firms.

The Upgrading Programme (PMN): Deepening inequalities and concentrating capital

The Upgrading Programme (PMN) is often presented as the main benefit of the DCFTA for Tunisia, which necessitates all the other sacrifices. It is defined as a continuous process that aims to prepare and adapt the company and its environment to the requirements of international competition. However, the record of the previous PMN (which commenced in 1995) does not bear this out. It excluded all micro-enterprises (VSEs) from the upgrading process despite their centrality to the Tunisian economy, while directing investment towards export and services, in turn shifting the economic emphasis away from productive sectors. The PMN also failed in its claimed objectives - it has not supported Tunisia to move beyond the sub-contracting stage in global value chains, but has instead perpetuated unequal exchange (to the benefit of the EU) and maintained the dominated status of Tunisia within the world capitalist system. The new PMN will surely follow the same logic and approach.

Conclusion

It is time for Tunisia to reflect deeply, and make an objective assessment of sixty four years of independence and economic exchanges with Europe. It is no longer sustainable to turn a blind eye to the reality of the Tunisian economy, the nature of its relations with the EU and the interconnections between the structure of local political power and the systematic move towards 'free trade'. As a country that has recently emerged from dictatorship, and which now seeks a new path to development, the question of which economic approach to adopt is of fundamental importance. A new economic plan and development model is required, to put the country on the path to sustainable and equitable development. Such a strategy must be democratically developed, debated and chosen by the Tunisian people.

The EU's approach is dictated by its own commercial interests – the DCFTA is designed to insert the most profitable companies on Tunisian soil into the European free market and to condition the Tunisian market to supply the EU. These two objectives are contrary to most Tunisians' political, economic, social and environmental interests. It would be naive to expect that the deepening of inequalities and entrenching of economic subordination that will result from the DCFTA will have no political effects. It is therefore wise to remember that the core slogans during the uprising in Tunisia called for social justice, sovereignty and the end of the ruling oligarchy's privileges.

In this context it is of paramount importance for activists and Civil Society Organisations (CSOs) on both sides of the Mediterranean to:

- Highlight and amplify the voices of the actors and sections of society who will be negatively affected by the DCFTA (small-scale food producers, informal workers, the working poor).
- Make sure that key issues are raised by these actors themselves inside and to governments, and within working people's representations.
- Demystify the dominant doctrine of 'free trade' and show how it promotes unfavourable terms of trade for Tunisia, locking the country into an intractable cycle of unending debts, accompanied by harsh conditionalities.

1. Introduction

Tunisia has undergone radical changes in the past decade. It was the birth place of the 'Arab Spring' in early 2011, when Tunisians toppled the dictator Ben Ali (who had ruled the country since 1987), heralding momentous changes across North Africa and beyond. To some extent, the Tunisian experience seems the exception in the region because the country didn't descend into the chaos and violence that have been inflicted on neighbouring countries since. However, critics warn against this myth of Tunisian exceptionalism, and argue that what is being represented as a peaceful 'democratic transition' is in reality a dynamic process that aims to crush this revolutionary development.[1]

Others contend that this 'democratic transition' is effectively a euphemism for a 'Western-sponsored transformation', aiming to subvert the popular aspirations of the Arab uprisings and continue to implement more of the disastrous economic policies that led the people to rise up and revolt in the first place.[2] The demands of the 2010-11 revolution for dignity, bread, national sovereignty and social justice are being side-lined and ignored by the neoliberal elites that are wedded, more than ever, to a free market agenda. In the post-revolution decade, researchers and activists have documented how International Financial Institutions (IFIs) such as the International Monetary Fund (IMF) and World Bank (WB) are choking the country's economic development, using the burden of debt and its servicing, as well as undermining the state's regulatory and distributive role.[3]

Just a few months after the revolution, in May 2011, the G8 countries (which include France, Germany, Italy and the United Kingdom), as well as Turkey, the Gulf countries, the IMF and World Bank, developed and promoted the Deauville Partnership for Arab Countries in Transition.[4] This deal addressed the revolutionary processes that were unfolding in Arab countries at the time by offering loans to several countries in the region in exchange for pushing through a host of neoliberal institutional reforms - the same reforms that had been responsible for the deterioration of living standards, the generation of unemployment and the undermining of social justice over the previous four decades.

Likewise, a key response to the 'Arab Spring' from the European Union (EU) has been to push for a deepening of trade and investment relations with the region. The EU has sought to expand the existing Association Agreements with most countries in the Southern Mediterranean into so-called Deep and Comprehensive Free Trade Agreements (DCFTAs). These agreements will not only be signed with Tunisia, but also with other countries in the region including Morocco, Jordan and Egypt.[5] It is within this context, of a neoliberal offensive from a range of powerful economic actors, that the country has been in negotiations with the EU since 2015 to sign a new DCFTA.[6]

Many in Tunisia, including small traders and a broad range of civil society groups, are extremely worried about the negative impact a trade deal could have on their already precarious livelihoods. They believe that this FTA will benefit a small number of big corporations, while leaving most Tunisians even worse off.[7] This report seeks to provide a brief history of these negotiations and document some of the key concerns about the damage a DCFTA could do to the already fragile Tunisian economy. It will also shine a light on the power dynamics at play in the negotiations and highlight some of the problems with the process so far.

This paper will argue that:

- Trade agreements like the DCFTA will reinforce existing deeply unequal relations between the EU and Tunisia, prolonging the subjugation of the latter's economy to the 'free trade' model, thereby depriving the country of its sovereignty, policy space and capacity to develop;
- The DCFTA process sidelines and excludes many of the sectors of society who will be most impacted in Tunisia, including, notably, micro-enterprises;
- The DCFTA will serve and strengthen the interests of the dominant rich classes in Tunisia at the expense of the rest of society;
- The DCFTA will deprive the broader Tunisian population of the resources and added value produced in their country, and instead transfer it to Europe.

More specifically, this paper will demonstrate that under the DCFTA:

- The vast majority of Tunisian companies (Very Small Enterprises, VSEs, which are oriented towards the local market) are expected to disintegrate and disappear, to the benefit of larger EU and domestic companies, further concentrating capital in the hands of the few.
- The Tunisian economic model will be subordinated and further pushed towards low-added value and exporting sectors and/or shaped to provide market services to EU companies, establishing unrivalled EU hegemony over Tunisia and allowing for the transfer of wealth from the latter to the former. This will undermine any attempt to develop local integration processes between various economic sectors that are necessary to serve local needs.
- The Tunisian economy will be conditioned to produce for the EU through the continuation of existent harmonisation and assistance programmes that will harm small-scale producers and further widen the gap between a minority of privileged companies and the rest of the local economy. This orientation would destroy any possibility of regional integration at the Maghreb level.
- Tunisian productive forces are seen as a cheap resource to be exploited. Wages will continue to be extremely low (especially for women), workers displaced from their local territorial anchors and production driven to serve full integration (read subordination) into the EU's economy.

'Free Trade' paradigm dominates

The dominant international economic paradigm of 'free trade' asserts that large-scale international trade contributes to development for all. It advocates for the removal of all obstacles that may hinder global trade, such as barriers that states establish to limit imports, regulate markets or safeguard public interest. It also opposes protectionism - the idea that a nation might protect its resources, market and/or production in order to develop.

The origins of 'free trade' can be traced back a long way in Europe, both in theory and practice. The principle of 'free trade' is rooted in the theories of 'international division of labour' and 'comparative advantage', which suggest that each country should specialise in the products they can produce at the lowest cost compared to other countries, with all other products secured through international trade. The economic success of a country is then measured by import and export figures, without taking into account the social, human or environmental costs of this system.[8]

However 'free trade' has never been free for all, in a world structured by colonial hierarchies and the domination of the centres of empire over their peripheries. Historical examples of the use of violence and wars to force a particular mode or kind of trade on countries abound, including the gunboat diplomacy of Western powers' opium wars with China in the nineteenth century, and other colonial enterprises all over the world, including across the African continent. Countries and regions in the global South were forcibly integrated into this global trade system in a 'subordinate' position: colonial powers influenced or forced them to structure their economies around the extraction and export of resources - usually provided cheaply and in raw form - coupled with the import of high-value industrial goods. As well as keeping wages low and undervalued (the super-exploitation of labour), this effectively enshrined unequal exchange in the global economy, allowing for the extraction of 'imperial rent' and the realisation of 'super-profits'. The result was large-scale transfer of wealth to the imperial centres, at the expense of local development in the peripheries.[9] **The persistence till today of such unequal and asymmetric trade relations widens the gap between rich and poor nations and traps countries of the global South in permanent under-development.**

Under colonialism, Tunisia, and other countries in North Africa and beyond, underwent a forced integration into a profoundly unjust international division of labour, on the one hand as a provider of cheap labour and natural resources and on the other as a market for industrialised nations. Tunisia became a French protectorate in 1881. France used the debt system as a tool to alienate Tunisian sovereignty and build an outward-looking extractive economy that still persists till today.[10] Moreover, current 'free trade' agreements (including those pushed by the EU) are not only about trade per se, but about locking in these economic patterns into the future. In fact, they strive to expand the frontiers of capital accumulation and imperial domination to other newer spheres such as intellectual property rights, regulatory cooperation, digital rights, investment protection and everything associated with non-tariff barriers.[11]

The world's geopolitical map is nowadays organised into several 'free-trade' poles, with numerous multilateral and bilateral agreements weaving the links of a global system where the United States, Europe and China (with its Belt and Road Initiative[12]) battle to capture the added value produced all over the world and minimise their own production costs. From this perspective, countries of the global South are seen as markets to be conquered, offering cheap human and natural resources to be exploited, an avenue to market manufactured and consumer goods and territories to which social and environmental costs can be externalised.

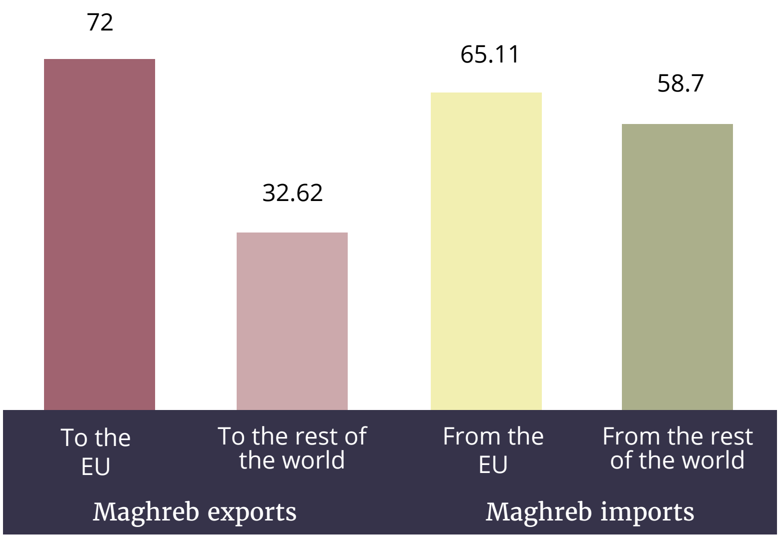
As a result of negotiations at the World Trade Organization (WTO) being blocked for years, there has been a move in the last decade to accelerate the negotiation of bilateral 'free trade' agreements. The DCFTA is part of a broader set of bilateral or regional trade agreements which the EU has promoted since 2011 as "new-generation agreements".[13] While previous 'free trade' agreements aimed to remove customs and import/export taxes, new generation deals aspire to remove *all* barriers to trade. They will continue to prohibit weaker nations from using a range of policy tools to develop their economy, and to push for the privatisation of state enterprises and essential public services. States' sovereign laws are also often seen as barriers to 'free trade', which is why new-generation agreements require 'legal harmonisation', for example of regulations governing sanitary and phytosanitary standards[14] and intellectual property.[15] This type of agreement also frequently removes the resolution of disputes with foreign investors from the jurisdiction of local laws and courts via controversial and much criticised Investor-State Dispute Settlement (ISDS) processes.[16]

EU-North Africa relations – a longue durée view

The North African region continues to be under strong European influence, many decades after securing formal political independence.[17] Colonialism in the nineteenth century played a pivotal role in the process of capital accumulation and dispossession: the economies of these countries were shaped to respond to the demands of the European metropoles.[18] Europeans have tried to exert influence and economic control over the region ever since, even after the wave of formal independence in the 1950s and 1960s.

The current volume and value of trade between the EU and the Maghreb countries shows the persistence of the economic links first established through colonisation, which the EU seeks to lock in further via the DCFTA (Graph 1).

Across the globe, the relationship between former European colonisers and their colonies is ruled by a heavy legacy, with the colonisers having profoundly and fundamentally shaped the economic and social structures of the colonies in order to exploit their resources. This



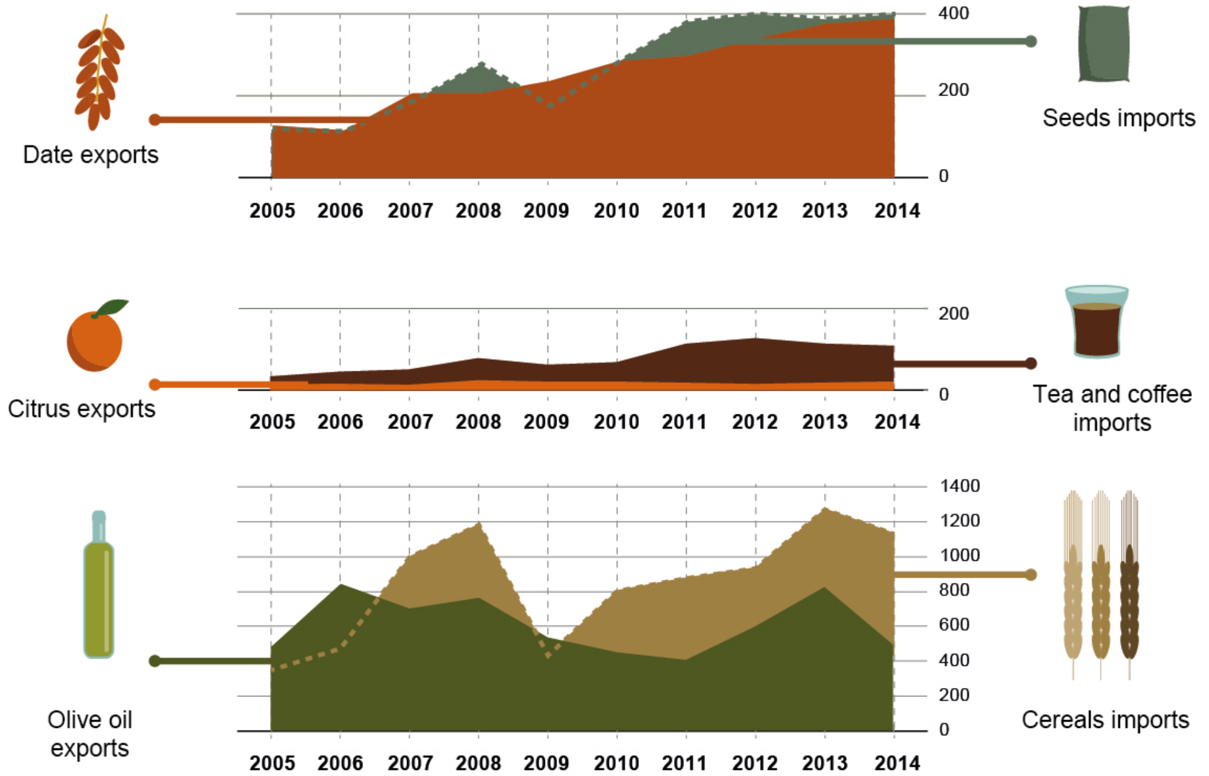
Graph 1: Maghreb trade values with the EU and the rest of the world in 2019 (in billion USD). Source: www.trademap.org

long history can be seen across North Africa, including in Tunisia. **When Tunisia gained its independence in 1956, the colonial settlers left, but the economic system they had set up remained and was further expanded.[19] While African nations gained formal political independence, the very structure of their economies saw them continue to be tied to their former colonial masters.** Dependency theory has analysed these dynamics, arguing that ongoing imperialist and neo-colonial domination, super-exploitation and unequal trade relations block industrial development in the South, trapping 'post-colonial' countries in a state of permanent under-development.[20] For Samir Amin, capitalism is intrinsically imperialist and the nations of the global South, despite being formally independent, are in fact neo-colonies, as they remain politically and economically subjugated to their former colonial powers.[21]

Such a legacy persists even today at all levels - legal, administrative, economic and cultural. It is particularly visible in Tunisia's agricultural map (also inherited from the colonial period), where the specialisation of regions in the production of monoculture crops (olives, citrus and dates) with the associated water infrastructure, clearly shows that agricultural production in Tunisia is geared towards meeting export-oriented 'free trade' objectives, rather than supporting food sovereignty for its people (Graph 2).[22]

It is also worth noting that the EU is currently losing predominance in the Maghreb market to Chinese and Turkish companies.[23] **Further shaping and conditioning the Tunisian economy to produce for the EU is part of Europe's economic response to that challenge, in which the DCFTA is only one tool amongst other 'co-operation instruments' being strategically deployed to reaffirm the EU's hegemony over its less-industrialised peripheries such as Tunisia.**

The signing of the DCFTA would also be another blow to regional integration for the Maghreb, a region that remains the least integrated in the world - the share of intra-regional trade is less than 5 percent of Maghreb countries' total trade, substantially lower than in all other regional trading blocs around the world.[24]



Graph 2: Comparison of the evolution of the value of main exported products with some imported goods between 2005 and 2014 (in million Tunisian dinars).

2. The DCFTA from a Tunisian perspective

In July 1995, Tunisia became the first Mediterranean country to sign an Association Agreement (AA) with the EU, which became the legal basis for bilateral relations.[25] The agreement entered into force in 1998 and created a Free Trade Area between the EU and Tunisia, under which all trade in industrial products between the two takes place free of any trade tariffs. For agricultural, agro-food and fisheries products, the EU and Tunisia agreed to a progressive opening up of their respective markets for selected products.

The DCFTA will build on the existing Association Agreement to include areas and aspects not covered by it, such as agriculture and fisheries, services and sustainable development. Negotiations started in October 2015 and four rounds took place, the last of which occurred in April-May 2019.

The negotiation process is taking place in a very difficult post-revolutionary context for Tunisia, characterised by an acute economic crisis and political instability reflected in the succession of four different "technocratic" (read neoliberal) governments which have ruled the country since 2015. **It is thus highly questionable whether this is the right moment for Tunisia to be signing legally binding agreements that would lock the country into certain patterns of trade with the EU, and restrict the government's regulatory and policy space for decades to come.** The economic, social and political context is very challenging: skyrocketing external debt, a fall in foreign investment, and deteriorating terms of trade which keeps increasing the country's balance of payments deficit. This led to the imposition of crippling neoliberal austerity policies in recent years, which in turn led to increasing inequality, crumbling public services and the general impoverishment of the Tunisian people.[26]

Power imbalances between Tunisia and the EU

The asymmetry of power between Tunisia and the EU is very clear. The table below summarises some information and indicators that help to illustrate this:

The figures above clearly demonstrate the significant economic imbalance between the EU and Tunisia and highlight the deeply unequal relationship between the two. These are just some of the many power disparities between the two negotiating parties. To fully assess the gap the diverging levels of technological development, industrial and financial power, capital stock and differing climatic conditions would also have to be taken into account, amongst other indicators.

The EU is Tunisia's largest trading partner, accounting for 64% of its trade in 2017; 78.5% of Tunisia's exports went to the EU, and 54.3% of Tunisia's imports came from the EU.[27] Tunisia's multifaceted dependence on Europe and the obvious asymmetry between the two clearly prevents any balanced negotiation being possible, despite the official claims that the negotiations apply the principle of an 'asymmetrical approach always in favour of Tunisia' in order to correct the power imbalance.[28]

In the 1990s, the Association Agreement was preceded by the offer of an EU loan, which influenced the negotiations between the two parties, cornering Tunisia into accepting

	Tunisia	European Union
Population (millions)	11.57	446.78
Surface area (millions of km²)	163,610	4,476,000
Net national income per capita ($)	2,679.00	29,469.61
Gross domestic product (billion $)	39.87	15,913
Imports (billion $)	20.62	6,410.98
Exports (billion $)	16.14	6467.66

Table 1: Data from 2018 - Sources : www.donnees.banquemondiale.org, www.trademap.org.

Europe's liberal economic orientation in order to access the much-needed funds. In 2014, the country found itself in a similar position when the EU offered Tunisia a 300 million euro loan just before the launch of the DCFTA negotiations. As the Tunisian economist Mustapha Jouili has argued, there is always a link between indebtedness and 'free trade' dictates.[29] Maha Ben Gadha further argues that the conditionalities attached to the EU loans have been used to push for the adoption of laws in Tunisia that further the harmonisation with EU norms – these include laws governing sanitary and phytosanitary rules and Public Private Partnerships[30], as well as an Agreement on Conformity Assessment and Acceptance of Industrial Products, and a convention with the European Patent Office. These legal developments amount to a de facto implementation of some parts of the as yet unsigned DCFTA. Furthermore, referring to the EU's Neighbourhood Policy's 'more for more' strategy, an incentive-based approach which pushes for various reforms (including economic), Ben Gadha raises questions about Tunisia's legislative and regulatory sovereignty.[31]

Because of the historical and current power imbalances between Tunisia and the EU, the DCFTA process has developed in the same vein, reinforcing and depending on those fundamental inequalities and vested interests on both sides. In practice the DCFTA process has thus far unfolded as follows:

- The European Commission decided on the approach and content of the DCFTA according to the interests it represents;
- The technical assistance component (which ostensibly aims to increase Tunisian companies' competitivity) will strengthen an already operational and questionable programme run within the Tunisian administration;
- Local Tunisian political forces, dominated by the economic power of the rentier oligarchy, initiated the DCFTA process at the local level, with the support of local and international financial institutions;
- The EU and Tunisia launched the negotiation process, ensuring that only selected actors were involved. Principles that should have been discussed and negotiated nationally by different social and political forces were instead taken for granted, concepts were accepted, limits defined, and prospects decided in advance;
- Negotiations proceeded within a fixed political framework in which only those already committed to 'free trade' were included, irrespective of the actual political balance of power in Tunisia or the country's social and economic situation.

An opportunity and a necessary evil?

The DCFTA has been presented by successive Tunisian governments both as an opportunity to achieve Europe's privileged-partner status and progress towards integration into the prosperous EU market, and also as a necessary evil required to put the local economy back on track by boosting Foreign Direct Investment (FDI). The reality, however, is that recent Tunisian governments, entangled by external debt servicing, could see no alternative but to continue liberalising the local market in order to keep benefiting from European funding and technical assistance. Moreover, the negotiation has taken place under a set of extremely problematic circumstances - it has been negotiated by various Tunisian governments operating in a politically fragile, economically disastrous and socially explosive situation.

The Tunisian administration has not undertaken any of its own official studies, which led it to support the agreement. It instead relied exclusively on evidence selected and made available by the EU. Worse still, no studies have been commissioned to assess and measure the impact the DCFTA would have on key sectors or on the Tunisian economy in general. Unable to assess the impact of Tunisia's 1995 Association Agreement with the EU itself, the government instead commissioned a private international consulting firm to undertake this task on its behalf in December 2018.[32] No report has yet been produced.

Tunisian civil society and academics, however, have argued that the impact of the Association Agreement has been disastrous: it has led to pauperisation, huge unemployment, uneven development and the deepening of geographical inequalities, shrinking of the productive sectors, a trade deficit with the EU, devaluation of the Tunisian currency, and catastrophic consequences for small and medium enterprises (the loss of 500,000 jobs) in addition to the loss of income that would have come from taxing European products (around 2 billion dinars a year between 1996 and 2008). It also led to significant deindustrialisation - 55% of the industrial sector disappeared between 1996 and 2013.[33]

The involvement of different sectors of Tunisian society in the negotiation and evaluation processes has also been extremely limited and carefully controlled. Despite the EU ostensibly making formal transparency efforts in its FTA negotiations with countries like Tunisia and Vietnam (by publishing actual reference documents for negotiations), the whole process was in reality kept deliberately opaque. The negotiation process was led by the EU using a classic 'carrot and stick' approach. On the one hand it used the carrot of financing part of Tunisia's state budget by offering more conditional loans and technical assistance, to help to accelerate the implementation of the conditions and reforms associated with these loans. On the other hand the EU exercised pressure and blackmail by other means, for example by placing Tunisia on its black list of tax havens in December 2017, and on its money laundering and terrorist financing black list in February 2018.[34] In a similar vein, Tunisia's request to the EU for an additional duty-free quota to export more olive oil to Europe after an exceptional year of production in 2017-2018 was denied, even though such a quota had been granted the previous two years.[35]

These are the conditions under which Tunisia has been negotiating with the EU, conditions which are further exacerbating the already striking power imbalances between the two.

Problematic civil society consultation

The Tunisian government set up a Management Unit within the Presidency of the Government to work on the DCFTA. As part of the government's 'good governance' commitments, they also established a connected advisory committee, which comprised of a small and largely unrepresentative segment of civil society.

Several organisations, mainly mainstream trade unions and professional associations, regularly share their views and expertise via this mechanism, through formal consultation meetings where they present work and research funded by the EU itself.[36] However, the selection process to decide on the organisations who participate via this mechanism has been strongly questioned, with particular concerns raised about the nature of their mandate, representativeness and funding.

The most salient effect of this approach to civil-society engagement has been the exclusion of the main social groups who are negatively affected by 'free trade' agreements, namely small and medium producers, entrepreneurs and traders, as well as consumers and beneficiaries of public services. Not to mention the actors who truly represent the rural and informal sectors (small farmers, female agricultural workers, informal labourers) who have also been excluded.

The unsurprising result is that these handpicked 'civil society representatives' make limited and weak demands of the EU. These include: increasing the number of visas to the EU for Tunisians, raising export quotas for agricultural products, protecting certain local products, extending the enforcement schedule, etc.[37] However these are not the type of demands that will address the structural problems in the negotiation process and the proposed economic arrangements the DCFTA will lock in, nor will they solve the deep imbalances and inequities in Tunisia's economic relations with Europe.

As part of the fourth round of negotiations that took place in April 2019, a civil-society consultation meeting was convened, which gathered Tunisian and European negotiators and civil-society partners together. The event was disrupted by demonstrations from the Block ALECA Collective, who criticised the process and opposed the DCFTA, calling it neo-colonialism.[38] While the official joint report of the meeting briefly mentions the protests, it mainly ignores the concerns raised by the protestors, and instead documents the 'consultation' with an official civil society that appears to shrink from one round to the next.[39]

Civil society involvement via this official consultation framework has had several effects. It has contributed to:

- Endorsing and normalising the first phase of the integration process by adopting and uncritically accepting the DCFTA process and the 'free trade' assumptions associated with it;
- Implicitly endorsing the quid pro quo of conceding the opening up of markets in order to secure some free movement for people, which leaves no room to question the fundamentals of 'free trade';[40]
- Enabling the EU and Tunisian authorities to pretend that the DCFTA process has been consultative and transparent.

A more genuine consultation and involvement of a diverse array of civil society organisations and representatives would have posed a serious challenge to the ongoing negotiations, as it would have had to acknowledge the growing calls in recent years for a thorough, independent evaluation of the impacts of decades of economic partnership with the EU, before embarking on a new agreement.[41] Not surprisingly, this has not happened.

3. Modalities of the DCFTA: Draining Tunisia's wealth and subjugating its economy

The EU proposal for the DCFTA is divided into 14 chapters, each dealing with a set of 'barriers to trade and investment' (see Box 1). The main sectors targeted are agriculture, services and public procurement. The industrial and tourism sectors have already been liberalized, starting in the 1970s.[42] The full opening up of these sectors took place as a result of Tunisia's accession to the General Agreement on Tariffs and Trade (GATT) in 1990, its signing of the World Trade Organization agreements in 1994, and the 1995 Association Agreement with the European Union.

While it is beyond the scope of this paper to scrutinise in detail each chapter of the DCFTA, it will be instructive to examine a few specific areas, to understand the logic behind the agreement, which aims to subjugate the Tunisian economy and lock it into a particular production model. These examples will also highlight the rent and dispossession mechanisms that will accompany the DCFTA's entry into force, and their likely negative impact on the Tunisian economic and political system.

The **'subjugation of the economy'** involves setting up legal, administrative, financial or other mechanisms that condition production and trade systems so as to undermine the scope and policy space available for the country to implement policies to develop and strengthen the national economy. This can occur through laws designed to protect certain private interests rather than the common interest; through major infrastructure projects which favour 'free trade' flows to the detriment of local social,

BOX 1:

Areas covered by the DCFTA

- Trade in agricultural and fishery products
- Trade in services and investment
- Public procurement
- Customs procedures
- Provisions on trade in energy and raw materials
- Trade and sustainable development
- Sanitary and phytosanitary rules
- Technical barriers to trade
- Settlement of investment disputes and investment jurisdiction system
- Intellectual property protection
- Trade defence measures
- Competition rules and state aids
- Transparency rules
- Small and Medium Enterprises (more than 10 employees)

economic or environmental equilibriums; or through the dismantling of public operators and increased privatisation. These changes all have long-lasting impacts that shape future development choices, subjecting the peripheral economies (such as Tunisia) to the 'free trade' model, while anchoring them firmly in a subordinate position in the global capitalist economy. These initiatives, which are often described by their proponents as 'investment in liberalisation reforms' or 'opening up economies', involve significant expenditure and heavy reliance on external 'technical' assistance. This assistance is very difficult to challenge once it has been committed to, especially when financed by debt.

BOX 2:

The EU approach to 'free trade' and the DCFTA

The DCFTA approach is based on the following mechanisms:

- **Opening up protected markets** so as to expropriate added value through on-site exploitation of resources, export of national products and profit repatriation via offshore companies. The sectors specifically targeted by the DCFTA are agriculture, services and public procurement.
- **Removing customs taxes.** This reduces the state's revenues and its scope to use such revenues to support independent policy-making (for example policies to support infant industries), while undermining local production through competition with goods produced by highly competitive EU corporations.
- **Dismantling state monopolies and public enterprises**. The EU's approach seeks to push for increased privatisation. This particularly concerns public services, which may be integrated into Public-Private Partnerships (PPPs) and public enterprises active in sectors with very significant added value, such as extractive industries, telecommunications, energy and transport.
- **Facilitating and promoting the introduction of EU capital.** This capital benefits from the advantages granted to FDI, but also from the requirement that conditions of operation in Tunisia for foreign companies be 'no less advantageous' than those under which local companies operate. This is achieved by abolishing measures that protect, support or encourage national production.
- **Pushing for the adoption of current and future EU legislation and standards**. This mechanism of 'legislative harmonization', while bearing a seemingly harmless name, in fact serves to give the EU a permanent head start. Tunisia is expected to align with the *European acquis communautaire*, i.e. all treaties, legislation, court rulings and decisions taken within the framework of common European policies.[43] In other words, this would concretely secure the Tunisian market for EU products by giving competitive advantages to EU producers, while creating obstacles to Tunisian and other non EU-producers who do not currently adhere to EU norms and standards.
- **Ensuring (along with the IMF) that the outflow of dividends leaves no scope for the Tunisian state to regulate** currency inflows and outflows, control its balance of payments or hedge against capital flight.
- **Guaranteeing investments long term, and precluding any possibility for Tunisia to backtrack**, notably through the introduction of much-criticised **investor-state dispute settlement mechanisms**. Such a provision would mean that any change in Tunisian policy would give foreign investors the opportunity to engage the State in extremely costly international arbitration procedures, potentially costing the Tunisian people billions of dinars.[44]
- **Making Tunisia commit to costly sacrifices in return for an Upgrading Programme**.[45] This set of loans, grants, credits and technical assistance would, according those promoting the agreement, help Tunisia to maintain its productivity and competitiveness. This would mean yet more debts and increased economic dependency.

It is clear that the EU's strategy is not simply aimed at invading the Tunisian market and capturing the surplus value that can be derived from it. Beyond that, it aims to set up the conditions and instruments for long-term economic domination. This involves destroying domestic enterprises, dominating the local market, limiting regional integration, monopolising resources, destroying the state's regulatory role and locking in these conditions via a legal framework over which only the EU has control. What is proposed involves a hostage-taking of national productive forces (at a very low cost) to direct them, through "upgrading" and technical assistance, towards feeding the 'free trade' requirements of the EU.

To better understand the extent of this offensive on the Tunisian economy, it will be instructive to analyse some of these mechanisms by describing their likely impacts on the local economy. This will show how economic relationships will be conditioned and productive systems subjugated, while also ensuring that it is impossible for Tunisia to change course or reverse these changes.

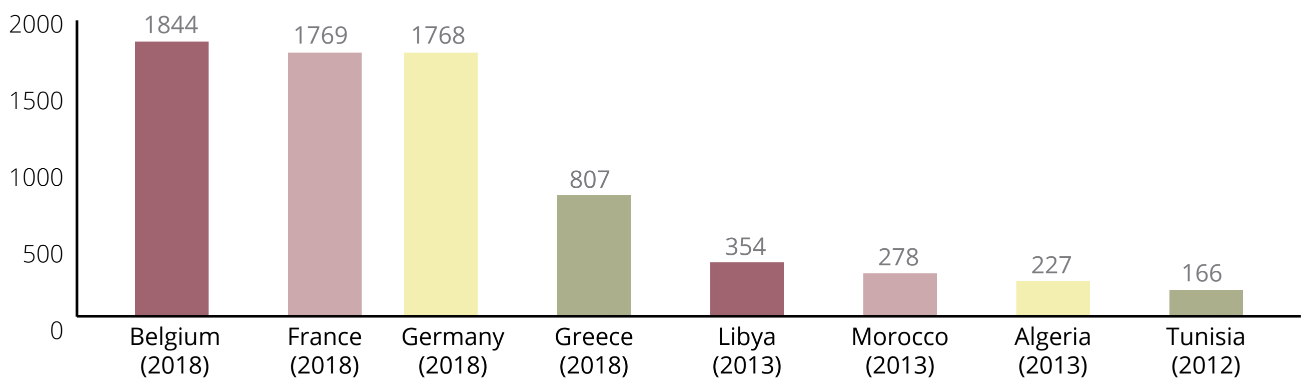
Tapping into Tunisia's reservoir of cheap labour

According to figures from Tunisia's National Institute of Statistics[46], the Tunisian economy currently provides about 3,300,000 jobs for a labour force of 4,152,000, which means that unemployment is endemic, standing at 20.5%. Jobs are roughly distributed as follows:

- 700,000 in the civil service – as well as about 50,000 precarious subcontracted jobs
- 500,000 in agriculture
- another 500,000 in trade
- The rest, about one and a half million jobs, are divided between industry and services.[47]

However, these figures only partially capture the real economic activity and the operational labour force, because the official economy is only part of the picture. A very significant actor in the Tunisian economy is the informal sector, which amounts to 53% of the total labour force.[48] Low wages are the main *comparative advantage* of Tunisia, and the DCFTA targets this (Graph3). These low wages are not natural, but the result of the global labour arbitrage system, where countries and corporations take advantage of lower wages abroad. And this is only possible because of unequal exchange and the higher exploitation of labour in poorer countries.[49]

Many jobs in Tunisia are provided by micro-enterprises (structures with less than 9 employees). The average salary in these enterprises is 432 dinars per month, or approximately 135 euro.[50] The average salary for women is notably lower at 332 dinars/105 euro. The minimum wage in Tunisia is 323.5 dinars per month, around 100 euro. The minimum wage in France is about 1,500 euro, meaning that an investor can employ 14 women in Tunisia for the price of one employee in France. The minimum agricultural wage in Tunisia is 15.5 dinars per day, i.e. about 5 euro, while in France it is about 10 euro per hour. Thus a day's agricultural work in Tunisia is equivalent to half an hour's work in France. Beyond these theoretical figures, the scenario is actually *worse* in practice, given that female agricultural workers are generally paid between 10 and 12 dinars (around 3 euro) per day, for working 10 hours or more.[51] Moreover, the significant devaluation of the Tunisian Dinar in the last few years exacerbated this situation, reducing even further the labour costs in Tunisia for European companies.



Graph 3: Average monthly wages in EU and Maghreb countries (in USD). Source: International Labour Organisation https://ilostat.ilo.org/topics/wages/

By liberalising the agricultural and service sectors and facilitating the introduction of EU capital, the agreement will allow the local labour force to be taken advantage of at the lowest price. This is rendered possible by the existence of a vast unemployed and under-employed reserve army of impoverished labour at the global scale, as well as the suppression of labour's free movement across borders. **The DCFTA will undoubtedly encourage EU investors to relocate labour-intensive activities to Tunisia so as to maximise their profits by capturing the value created by super-exploited low wage and low skilled Tunisian workers.** Tunisian productive forces are seen as a cheap resource to be exploited and disciplined. Wages must therefore be kept very low, jobs removed from their local territorial anchors (ties severed between jobs and local territories) and production driven to serve the EU's integrated economy.

Undermining the vast majority of Tunisian companies

Very Small Enterprises (VSEs): The expected disintegration

The Tunisian economy is essentially made up of very small economic units: out of a total of 735,043 enterprises in the country, 86 per cent have no employees and a further 8 per cent have one or two staff. Enterprises employing 10 or more employees account for a mere 3 per cent of Tunisian enterprises. Only 0.5 per cent of all enterprises have more than 50 employees.[52] Thus, it is clear that the Tunisian economy is a pyramidal structure with a very wide base and a very slender tip.

The official discourse used to promote the DCFTA focuses on "Small and Medium Enterprises" (SMEs), both in the EU and Tunisia. Presented as drivers of economic growth, innovation and job creation, clauses of the agreement specifically target the needs of SMEs. One could easily assume that the Tunisian economy, made up of small entities, will thus be strengthened by the DCFTA, but this is not the case. On the contrary, Very Small Enterprises (VSEs), or micro-enterprises, are not expected to evolve but to disintegrate and disappear, to the benefit of larger companies. Furthermore, given the fragility of the economy, Tunisia is an easy market to conquer for transnational corporations (TNCs) in the agribusiness, transport, construction and other services sectors. The entry of such TNCs into Tunisian markets will have an effect comparable to that of a huge supermarket destroying the business of the small traditional shopkeepers in a neighbourhood, but at a national scale. Peasants, small traders, liberal professions (such as architects, lawyers, engineers, and advertising agents), service providers and others will be heavily affected.

"Micro enterprises" or "Very Small Enterprises" (VSEs) in Tunisia are structures with less than 9 employees. Enterprises with between 10 and 200 employees are referred to as "Small and Medium Enterprises" (SMEs).[53] Consequently, on the Tunisian side, the SME acronym excludes micro-enterprises and refers to only 3 per cent of Tunisia's enterprises. For the EU, however, SMEs are enterprises with less than 250 employees, which account for 83 per cent of all enterprises, as opposed to the EU's larger categories of middle-market companies, large and very large enterprises, categories that functionally do not exist in Tunisia (large enterprises, with over 200 employees, account for just 0.001 per cent of all enterprises in Tunisia).

Put simply, this means that the DCFTA focus would potentially benefit 83 percent of EU enterprises, but only 3 per cent of Tunisian enterprises. As a result, the incentive policies in the DCFTA which target SMEs will have very different effects for the different parties to the agreement. In Tunisia, they will strengthen the top of the pyramid, whereas in Europe they will support its base. The potential social justice implications of this for the Tunisian people will be stark.

The very small businesses (VSEs), who make up the majority of Tunisian economic actors, currently operate in a protected market. They manage to provide income for several hundred thousand households through self-employment (operators, traders, service providers, etc. in about 632,000 businesses) and employment (a little over 192,000 jobs).[54] But they remain precarious, with very limited means.[55] Will they survive the tsunami of EU products and capital flooding into the country, especially without policies deliberately geared towards protecting and strengthening them? This is reminiscent of the colonial era, when a similar flooding of markets undermined any chance of industrial development, keeping the domestic economy subservient to the imperatives of accumulation in metropolitan Europe.

A survey[56] carried out by Tunisia's National Institute of Statistics in 2017 on non-agricultural VSEs showed that 43.9 per cent of the jobs created by them were in the service sector, 39.3 per cent in trade, 12 per cent in industry and 4.4 per cent in construction. Collectively, these VSEs provide 24 per cent of national non-agricultural employment. The productivity of these micro-enterprises is particularly high in activities related to human health, metallurgy and manufacture of metal products, accommodation and catering. In 2019, VSEs generated more than 11 billion dinars (around 3.5 billion euro), contributing 11 per cent of GDP.[57] Furthermore, micro-enterprises (VSEs) are geared towards activities that address the needs of local markets. They are therefore extremely important for employment and for a dynamic local economy.

When asked about the operating difficulties they face, VSEs said these mainly related to sales, followed by shortfalls in financing current activity and investment.[58] This means that the vast majority of Tunisia's economic actors lack liquidity; are unable to save or access credit and have no secure business opportunities. They are therefore unable, under current conditions, to climb up value chains or increase employability due to their precarity. While it is argued that opening up to the EU market could help these companies to sell their products, in fact less than 3 per cent of these enterprises use the internet and only 0.8 per cent of them currently manage to export, which undermines that claim. [59]

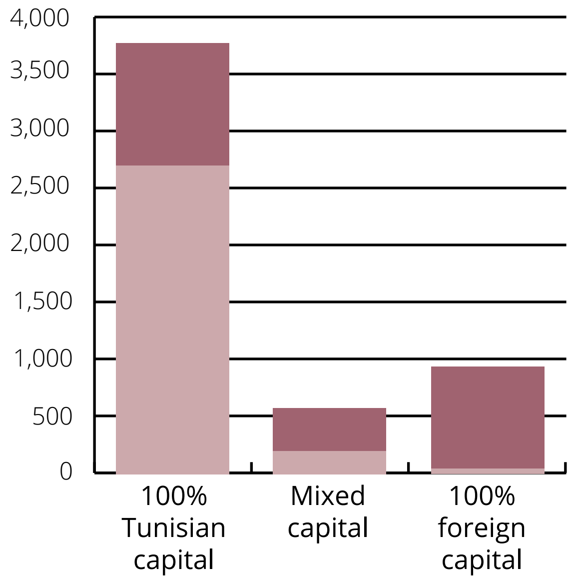
Under the DCFTA, these very small Tunisian companies would be competing with much more advanced and developed EU firms. It seems inevitable that such operators will lose out, becoming instead a provider of an army of reserve labour or, at best, service providers to the small number of Tunisian companies that manage to survive and integrate themselves into the European system.

Small and Medium Enterprises (SMEs): Producing and exporting to Europe

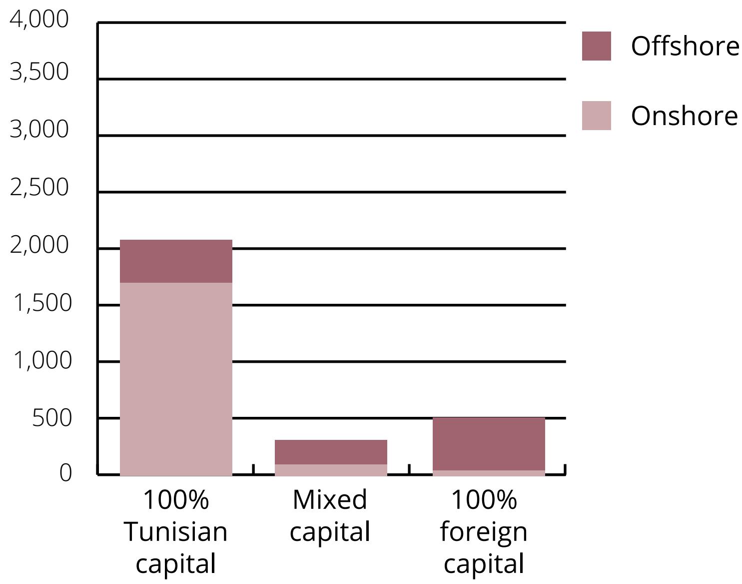
For the very small number of larger Tunisian companies (in this case SMEs), the DCFTA offers a different scenario. In this context it gambles that, once integrated into the EU 'free trade' system, they will be able to create jobs and absorb not only the current unemployed labour force, but also the workers who will lose their jobs due to the disintegration of micro-enterprises.

The overlapping interests of the Tunisian rentier oligarchy, political power holders and Western 'free trade' actors dominate the Tunisian economic model to the extent of shaping the development of the entire economy. Indeed, both the loan conditions imposed and the commitments made in 'free trade' agreements - particularly with the EU - direct the Tunisian economic model to exclusively support companies engaged in the market-integration process (see section c below for more on this in). However, as has been shown, these companies are a small minority, nested in exporting activities, who mainly take advantage of low wages and state privileges to host the EU's relocated activities in Tunisia. Thus, a core objective of the powers that be is to maintain the competitiveness of these export-oriented enterprises leading to the exclusion of smaller ones that are oriented towards the local market.

The Tunisian industrial sector has 5,328 SMEs (those with more than 10 employees), which employ an average of 99 people per company, while the service sector has 3,002 SMEs, with an average of 27 salaried positions per company. Tunisian enterprises fall into two categories, one



Graph 4: Number of companies with more than 10 employees in the industrial sector.
Source: http://www.tunisieindustrie.nat.tn



Graph 5: Number of companies with more than 10 employees in the services sector.
Source: http://www.tunisieindustrie.nat.tn

onshore (96 per cent of all enterprises) and the other offshore (only 4 per cent as of 2014). A minimum of 66 per cent of the capital of offshore enterprises is held by non-resident individuals/entities. The number of private offshore enterprises increased tenfold between 1997 and 2014 (compared to onshore companies which increased 1.82 times over the same period), and in 2014, they were responsible for 60 per cent of all Tunisian exports.[60]

Abdeljelil Bédoui and Mongi Mokadem argue that these offshore companies exercise unfair competition with their onshore counterparts, as they can also sell their products in the local market (up to 50 per cent of their production went to these markets since 2015), while benefiting from significant customs and fiscal advantages not offered to onshore companies. The World Bank estimated the amount of such substantial advantages to be one billion USD per year.[61]

SMEs in the industrial and services sectors have similar capital-allocation structure in both sectors; with a clear export orientation of foreign-owned firms: 80 per cent of foreign companies are offshore (Graph 4 and 5). The vast majority of foreign companies are from the EU and exhibit a clear tendency to be present in low-added value sub-contracting activities that offer low-paid jobs.[62] This offshore system, which offers the possibility of repatriating profits to the country of origin, has been criticised by many as being a mechanism which legalises capital flight, and that continues to lock Tunisia into the lowest echelons of global value chains.[63]

These SMEs are particularly oriented towards market-integrated, export-oriented and import-dependent activities, in particular food-processing, textiles and telecommunications services. The graph below gives more details of the distribution of industries amongst SMEs (Graph6).

The bottom line is that, for industry and services, the larger the firm, the more foreign capital they have and the more they export. Public policy has thus been geared towards concentrating capital in and around low-added value exporting sectors. Indeed, access to grants and loans is contingent on companies engaging in activities promoted by 'free trade' advocates and donors, as well as on whether applicants are close enough to the public authorities that grant financial and administrative privileges. This is how the infamous Trabelsi clan (the in-laws of toppled President Ben Ali)[64] made its fortune in the 2000s, and created a class of automatically privileged companies, with a rentier attitude towards the national economy.[65]

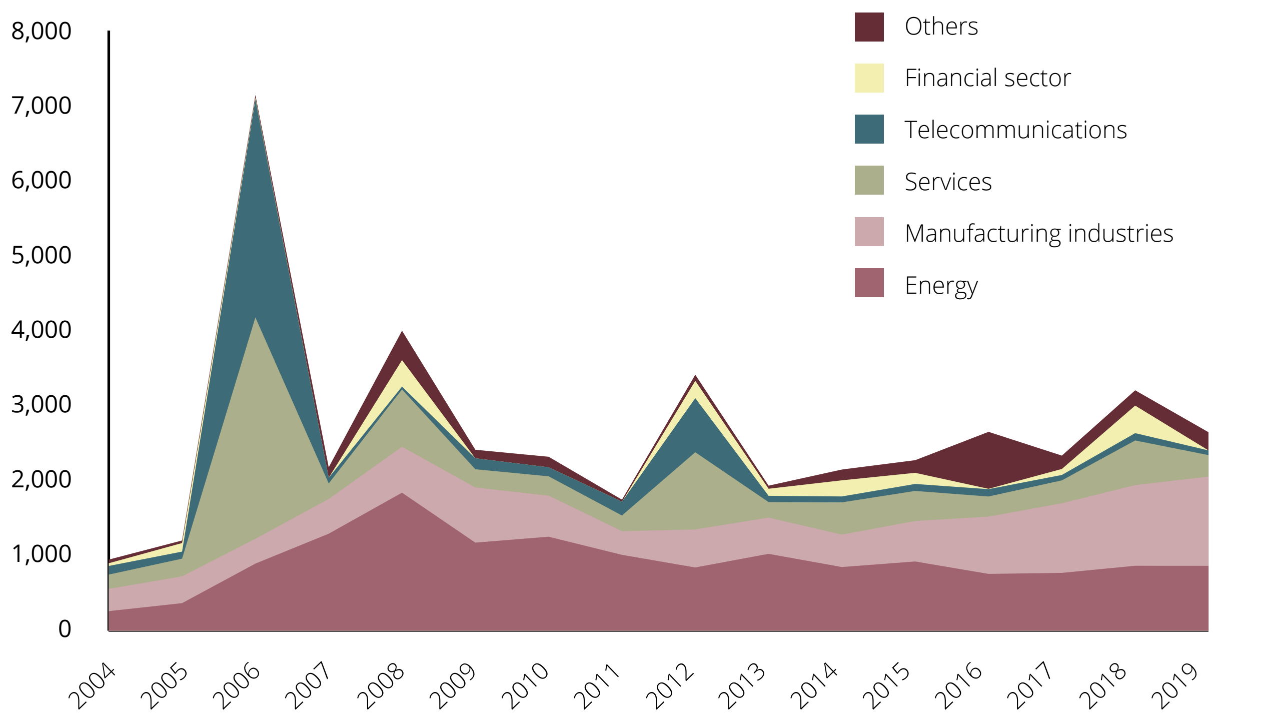
This existing subordination of the economic system to certain narrow interests will be reinforced and exacerbated by the DCFTA, with public policies increasingly geared towards sectors which have very low added value for the local economy, but which create rents for exporting companies and huge profits for European firms. Thus, domestic capital will become integrated into the international division of labour, at the very bottom of the value chain (the export of primary commodities such as oil, salt, phosphate and agricultural produce, as well as manufactured textile products),

Graph 6: Industry: distribution of SMEs by capital and sub-sector. Source: INS.

and move towards providing market services for foreign companies. This is no coincidence - Tunisian SMEs have been actively encouraged to do this for decades by public policies, benefiting from all sorts of advantages and incentives: tax exemptions, special authorisations, monopolies, credit lines, subsidies and a comprehensive upgrading programme, which will be discussed in more detail below.[66]

This trend of increasing primarisation (reliance on the export of primary commodities) and tertiarisation (expansion of the services sector) of the economy led to deindustrialisation and to Tunisia maintaining its dependent and dominated position within the traditional unjust international division of labour. This has been exacerbated by foreign direct investment (FDI), which has mainly targeted the energy sector (especially with the entry of British Gas (now Shell)), and the exporting manufacturing industry.[67] The graph below shows a peak in FDI in 2006, which corresponds to the privatization of Tunisie Télécom and the Ennakl company (the national car importing company),[68] amongst others, and another in 2012, which reflects the liquidation by the state of the shares it held in companies that were confiscated from Ben Ali's inlaws after the revolution. This approach, of pushing for privatization with the aim of attracting FDI, will likely be deepened after the signing of the DCFTA, with FDI going directly into low-wage and low-skilled activities once again, as well as the extractive sector and services such as tourism. This time though, public procurement will also be open for privatization, along with the services that have not yet been liberalized. Tunisian capital will flock to take advantage of the increasing rentier niche and ensure the continued connection to the EU market, while micro-enterprises will pay the price, and be pushed even further to the fringes of the system.

The impact of this approach will be so disastrous for the core small Tunisian economic actors that a vast Upgrading Programme (PMN, after its French acronym *Programme de Mise à Niveau*) will be needed to save the Tunisian economy, according to the EU.[69] Such a programme is included in the agreement and is the main area of interest for the Tunisian government. It is this "carrot" that the next section will address. What should be expected from the DCFTA's Upgrading Programme? We can reach some conclusions based on what is known about the results of the previous PMN, which was part of the implementation of the 1995 Association Agreement.



Graph 7: Evolution of foreign investments in Tunisia by sector (in millions of Tunisian dinars (MTD). Source: Central Bank of Tunisia.

The Upgrading Programme (PMN): Deepening inequalities and concentrating capital

The PMN is often presented by the EU, successive Tunisian governments and some other organisations, as the main benefit of the DCFTA for Tunisia.[70] Indeed successive governments have perceived it to be so valuable an advantage that it necessitates all the other sacrifices and concessions Tunisia may make. It is argued that the PMN will not only save the Tunisian economy from bankruptcy, but will also make Tunisian farms and businesses as competitive as their European counterparts.

Such promises are not new. They were also made at the outset of the earlier liberalization processes. The original PMN in Tunisia, initiated under the Association Agreement with the European Union, was further developed under the EU Neighbourhood and Partnership Instrument since 2008, and aimed to "*support companies operating in an increasingly competitive environment*" through loans.[71]

BOX 3:

Upgrading Programme (PMN)

> "*The Upgrading Programme can be defined as a continuous process that aims to prepare and adapt the company and its environment to the requirements of international competition. The measures included in such a programme are designed to support enterprises (i) to circumvent certain constraints related to the business climate (institutional and regulatory framework, infrastructure, etc.), (ii) to improve competitiveness in terms of costs, quality, innovation and, lastly, to strengthen the capacity of these enterprises to follow and harness the evolution of techniques and markets.*"[72]

Launched in 1995, the upgrading programme had an overall budget of 2.5 billion dinars, 60 per cent of which was allocated directly to the upgrading of enterprises.[73] The same year, the total budget of the Tunisian State was 8 billion dinars, which shows the magnitude of the programme.[74]

PMN funding originally came from 5 donors: the EU, the French Development Agency (AFD), the German Development Bank (KFW), German Agency for International Cooperation (GIZ) and the United Nations Industrial Development Organization (UNIDO). The purpose of the PMN was to offer selected companies the possibility of taking out new loans.

And yet, for more than two decades, this programme has in fact created a double marginalisation mechanism. The PMN excluded all micro-enterprises (VSEs) from the upgrading process despite their large number, fragility and centrality to the Tunisian economy, while also directing public and private, national and foreign investments towards the exporting (textiles) and services sectors.[75] This shifted the economic emphasis away from productive sectors such as agriculture, fishing, manufacturing and other industries. It has also been argued that the EU technological and scientific assistance to Tunisia in the last three decades failed in its claimed objectives and has not supported Tunisia to move beyond the sub-contracting stage within the global value chains. It has instead perpetuated unequal exchange (to the benefit of the EU in this case) and maintained the dominated status of Tunisia within the world capitalist system.[76]

While there were about 350,000 Tunisian enterprises when the PMN was launched, over a period of more than two decades only 3,500 enterprises benefited from the programme - all of them with more than 10 employees, i.e. exclusively SMEs. The PMN thus clearly supports only the elite 3 per cent of Tunisian enterprises, which are already more competitive and less in need of support than the other 97 per cent of enterprises which make up the majority of economic actors in the country. The PMN has in fact contributed to widening the gap between a minority of privileged companies which are integrated into the global 'free trade' system and the rest of the local economy. The main beneficiaries have been the largest local exporting companies, and foreign capital, which found a welcoming territory with minimal constraints, very low wages, tax haven advantages and phantom competition. Foreign SMEs, particularly French ones, were also key beneficiaries – they found a tailor-made market which was ensured through credit lines financing the purchase of French products by Tunisian companies.[77]

Moreover, the geographical distribution of companies benefiting from the PMN shows that it deepened colonial-era regional inequalities between bustling coastal areas and the underdeveloped hinterlands in Tunisia. Around ninety four per cent of approved applications were located in the Greater Tunis, North East and Central East regions (all coastal zones), compared to around 7 per cent for the rest of the country.[78] Thus the PMN in fact exacerbated the problems afflicting the national economy, particularly the very low level of average income, the marginalisation of non-exporting activities, regional imbalance and dependence on the European market.

While we know that between 1995 and 2018, the number of VSEs doubled from 340,000 to more than 720,000, the new PMN that will accompany the DCFTA, and cover the services and agricultural sectors, is on course to follow the same logic as the previous one. It builds on the same theories, relies on the same actors and aims to meet the same objectives, meaning that it will inevitably do further damage to an already weak and fragile economy rather than addressing the needs of the majority of Tunisian economic actors.

4. Conclusion

It is time for Tunisia to reflect deeply, and make an objective assessment of 64 years of independence and economic exchanges with Europe. It is no longer sustainable to turn a blind eye to the reality of the Tunisian economy, the nature of its relations with the EU and the interconnections between the structure of local political power and the systematic move towards 'free trade'.

For a country that has recently emerged from dictatorship and is seeking a new path to development, the question of which economic development approach to adopt is of fundamental importance. The main challenge for Tunisia is to both redress past injustices and respond to present-day conditions. To do this, an economic plan must aim to put the country on the path to sustainable and equitable development. A new development model is thus imperative, responding to an autonomous national development strategy that outlines policies and lays out clearly and strategically planned reforms. This strategy must first be democratically debated and chosen by the Tunisian people, and only then can it be translated into laws, public investment, standards and partnerships.

The Tunisian State authorities' uncritical adoption of the 'free trade' doctrine is deeply questionable. Why are the many potential negative impacts of the DCFTA on Tunisia not even acknowledged? Likewise, why does the official discourse insist on acting as if integration into the European market were an obvious and normal, inevitable development for Tunisia's economy, rather than a questionable political and economic choice? Some of the answers to these difficult and important questions have been provided in this paper, and relate partly to the complicity and subordination of the Tunisian political and economic elites to the EU establishment, enforced by mechanisms of debt and loans.

The EU's approach is dictated by its own commercial interests and based on a history of imperial domination. It is thus naive to think that such a 'free trade' agreement with the EU can contribute positively to Tunisia's local and national development. The DCFTA is designed to insert the most profitable companies on Tunisian soil into the European free market and to condition the Tunisian market to supply the EU. These two objectives, although they may enrich a small elite in Tunisia, are contrary to most Tunisians' political, economic, social and environmental interests.

For the EU, the benefits of the DCFTA are clear. An increase in companies' profitability and competitiveness will occur due to the amount saved in a country that offers such low wages. While low wages are advantageous for the EU, they do not benefit Tunisians, nor does tax inequity or the pollution brought by the EU externalising its environmental costs. **Moreover, Tunisia is increasingly turning to trade with partners beyond Europe, as emerging countries become more attractive trade partners. The challenge for the EU is therefore to condition the Tunisian market to buy exclusively from Europe and to lock in that pattern, subjecting the country to the EU's sphere of influence in an attempt to establish unrivalled hegemony.** It continues to do this through debt and technical assistance, and programmes (such as the PMN) which bridge the gap between donors, the administration, the Tunisian economic and political oligarchy and European companies.

In the decontextualised theoretical framework of economic liberalism, 'free trade' agreements are tools for optimising trade. In reality, they are the means for a dominant economy to subdue a weaker one, relying on the help of a rent-seeking local oligarchy. In more general terms, 'free trade' or rather *unequal exchange* is a mechanism of domination and exploitation, affecting less developed economies, leading to their submission to the rich capitalist countries.

The collusion between foreign economic, local rentier and ruling political interests leaves no room to question the peripheral economic model or its orientation. It is clear, given the fundamentals of the Tunisian economy, that supporting Very Small Enterprises (VSEs) would be much more strategic and impactful for local development than supporting SMEs. Very small enterprises supply the local market, are less dependent on imports and circulate money locally, thereby boosting the domestic market. However, they need a minimum level of protection from competition with foreign companies - this would require the Tunisian state to acknowledge VSEs, support them financially and actively promote their development. Such a move would need to be undertaken in the framework of an overall autonomous state development model which would include just and sustainable agricultural and industrial policies that promote local production for local needs.

Yet, politically, the DCFTA will instead strengthen the grip of the rentier oligarchy (outward-looking economic elite) over the local production system, by further cementing its role as the exclusive 'free trade' actor in Tunisia, and significantly increasing its profits. This will in turn escalate inequality, land grabbing, tax evasion, corruption and capital flight. Furthermore it will aggravate disparities and continue to shape an international economic division that works in accordance with the interests of the most powerful imperial centres (the EU in this case).

It would be unreasonable to expect that the deepening of inequalities and entrenching of subordination that will result from the implementation of the DCFTA will have no political effects. It is therefore wise to remember that the core slogans during the 2010-2011 uprising in Tunisia called for social justice, sovereignty and the fall of the ruling oligarchy's privileges.

In this context it is of paramount importance for activists and Civil Society Organisations (CSOs) on both sides of the Mediterranean to:

- Highlight and amplify the voices of the actors and sections of society who will be negatively affected by the DCFTA (small-scale food producers, informal workers, the working poor).
- Make sure that key issues are raised by these actors themselves inside and to governments, and within working people's representations.
- Demystify the dominant doctrine of 'free trade' and show how it promotes unfavourable terms of trade for Tunisia, locking the country into an intractable cycle of unending debts, accompanied by harsh conditionalities.

Ultimately, to stop the bleeding of Tunisia's wealth and the suffering of the less privileged in society, as well as to unmask the local profiteering oligarchy, a change in the economic approach which has been followed in recent decades is desperately needed. The only way forward is to walk firmly on the path of decolonisation towards a new liberating and transformative alternative economic order, not just for Tunisia alone, but also for other subjugated countries in the region and across the global South.

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