



EGF Maghreb Briefing:

Security and Stability in Wake of the Arab Spring

Executive Review of Country Cases

September 2011



1. ALGERIA

Key points:

- *Algeria remains relatively stable with little imminent sign that the regime of President Abdelaziz Bouteflika is about to fall, now that some eight months have passed since this year's 'Arab Spring' flared up in neighbouring Tunisia.*
- *In the current climate, however, the fact that the Front de Libération Nationale (FLN) remains Algeria's only 'official' political party, is a problem for longer term political stability.*
- *A further concern is that the Algerian regime retains tight control over the country's mainstay oil and gas export industry, whilst unemployment and poverty remain as high as ever.*
- *Social problems are likely to persist and spill over into bouts of political instability, given the regime's readiness to confront protests with relative heavy handedness, in parallel to showing little sign of embracing comprehensive reforms.*
- *Al Qaeda in the Islamic Maghreb (AQIM) remains a violent, anti-regime force, and the country has witnessed recent acts of terror. In late August, a suicide attack on a military academy claimed 18 lives.*
- *Algeria also remains vulnerable to numerous forms of illegal trafficking activity in wake of the Libyan civil war, including arms, drugs and trafficking of human beings.*
- *Yet President Bouteflika, in office since 1999, appears to retain the endorsement of Western governments, given his regime's continued efforts to confront Islamic radicalism (AQIM) and illegal trafficking.*

Historic Secularism and Islamist Challenges

In the wake of the "Arab Spring," Algeria causes concerns as its less than democratic past faces the region's democratic revolutions. Some eight months after the start of the unexpected uprisings in the region, however, Algeria remains relatively stable.

Up to 99% of Algeria's 35 million people are Sunni Muslim and of Berber descent, a homogeneity betrayed by the state's decades long history of clashes between Islamists, militants, and secularists. Following more than a century of French colonialism, Algeria won its independence in 1962 through the hard line leadership of the Front de Libération Nationale (FLN), today the country's only official political party. While limiting political freedoms, the FLN has encouraged secular nationalism to the chagrin of Islamic militant groups and political Islamists who were prevented from winning an early 1990s election by the Algerian military. The election of President Abdelaziz Bouteflika

in 1999, who remains in office today, followed years of military rule.

Violent Past - Vulnerable Present

The Groupe Salafiste pour la Predication et le Combat (GSPC), a radical Islamic guerilla movement emerging from the throngs of Algeria's civil war of the 1990s, had long waged a campaign of violence against the Algerian government. As global Muslim insurgency networks evolved following the New York terrorist attacks in 2001, GSPC linked with the international Al Qaeda movement and became Al Qaeda in the Islamic Maghreb (AQIM). Upon taking office in 1999, President Bouteflika released thousands of religious militants and offered amnesty to countless more which precipitated a marked decrease in violence. In the past dozen years, however, violence has again increased with AQIM establishing havens in Eastern and Southern Algeria as well as neighboring Mali. In

response, Algeria has established closer security partnership with Mali to combat cross-border terrorism and Algeria's improvements in international counter-insurgency measures have earned praise from the United States.

In July of this year, Mali arrested two men who allegedly backed AQIM through the purchase of food and arms. Morocco, on the other hand, has distanced itself from its neighbor, closing its border following a 1994 bombing in Marrakesh blamed on Algerian Islamic militants. In late July of this year, a Moroccan soldier was killed along the border in an armed clash with apparent Islamists. In mid-July, Al Qaeda claimed responsibility for 2011's first suicide bombings in Algeria. In a town 45 miles east of Algiers, a man set off his explosives-packed car outside a police headquarters. A follow on motorcyclist detonated his bomb while emergency personnel addressed the first incident.

In a similar, yet even more deadly incident, a double suicide bombing claimed the lives of 18 people when on August 26 two suicide bombers blew themselves up in the officers' mess of the Cherchell Military Academy, with one bomber following the other. The second explosion took place as a crowd formed around the victims of the first (explosion), many of whom subsequently became victims themselves. AQIM quickly claimed responsibility for the bombings, and inflated the death toll to 36, in a taunting statement which pointed to the Cherchell Academy as "the most important symbol of the Algerian regime". While the Algerian security forces vowed to crush further terrorist activity, these suicide attacks underscore the fact that a handful of such acts continue to penetrate the country's security landscape each year. Although this may allude to a dangerous yet manageable situation, AQIM remains a strategic and difficult opponent for the Algerian security authorities.

While struggling with continued AQIM activity and sympathy for the Islamists from reportedly large population segments, Algeria has also had to cope with civil war in neighboring Libya. The nation's security forces are closely monitoring the Libyan border but with only moderate success. Authorities from Niger recently intercepted an Al Qaeda weapons shipment crossing into Algeria while Algerian officials announced that Russian-made missiles fell into AQIM

possession. In the midst of the Libyan civil war, Algeria remains vulnerable not just to arms trafficking but also that of people and drugs.

Algeria's Response to Regional Events

So continues Algeria's dual-front war for security. The military will continue its border defense, the government will continue its regional cooperation to curtail AQIM, and the two will together attempt to mitigate the impact of the Libyan war. But let's not forget Algeria's neighbor to the west.

Tunisia commenced the 'Arab Spring' – the popular uprising which led to the ousting of Tunisian President Ben Ali and later Egypt's President Hosni Mubarak. Tunisia's revolution began with the frustrations of a young, unemployed man who set himself on fire. Since then, Algeria has seen seven such self-immolations. Despite revenues generated from Algeria's oil and gas exports, unemployment and poverty remain high. Protests began in February in line with those throughout the region but the Algerian authorities' tight restrictions were successful in stamping out the beginnings of a popular uprising. Government bans on protests, mass arrests of hundreds at a time, and barricades outside the capitol all contributed to the waning of civil unrest.

Algeria's Investment Climate

Algeria's investment environment leaves a lot to be desired for, according to a number of independent evaluations, and both regime and country are highly dependent on aforementioned oil and gas exports.

Nevertheless, some efforts at economic diversification are in the pipeline, with the Algerian government recently announcing plans for its state-owned energy company to invest in the exploration of silicon in the hopes of powering microchips and processors. Meanwhile, the state also plans to establish a joint trade council with Iran to encourage bilateral trade and investment. Noticing the direction its economy may take, the government changed its budget laws to increase public spending by 25% and continues negotiations with the European Union (EU) to further enhance trade. However, continued

reliance on the natural resource industry leads some experts to doubt the potential of these policy efforts due to lack of vision on economic diversification and numerous risks associated with the hydrocarbons sector.

Despite the security concerns and protectionist policies that characterize the Algerian market, the Algerian authorities have made significant efforts to maintain the country's overall macroeconomic stability and develop national infrastructure. During the last 7 years the government has invested up to US\$486 billion to shore up infrastructures in order to, among other things, attract foreign direct investment (FDI). Moreover, the country has enacted the package of "Second Generation Reforms": a set of laws and regulations aiming to raise the (existing) levels FDI as well as make better use of foreign investments, helping to diversify the country's export base and creating more jobs. These reforms were underscored by numerous incentives offered to foreign investors in agriculture, tourism, real estate. The measures included fiscal exonerations, VAT franchise, subsidized mortgage rates, and easing of the unfriendly rules of the repatriation of capital invested in Algeria. Between 2007 and 2010, FDI in Algeria grew by 63%, in comparison to 30% and 28% in Morocco and Tunisia respectively during the same period.

how sustainable is such an approach – how long can it last?

Expecting the Unexpected?

Algeria has its hands full. President Bouteflika stood strong against popular protests when his peers either succumbed or defected.

The revolutionary fire in the neighbouring countries does not present an immediate threat to Algeria but does leave the country vulnerable to criminal trafficking and the facilitation of armed violence and AQIM. Unemployment isn't improving and self-immolations continue. All of this is in small doses, however, while the Arab Spring faces an uncertain future. President Bouteflika preempted calls for his resignation and the next election is not until 2014. In the meantime, if he continues to fight against AQIM and illegal trafficking, the West is likely to remain comfortable with this definition of Algerian "stability." The only caveat here is, as the Arab Spring has already shown via the experience of neighbouring countries, is

2. MOROCCO

Key points:

- *Morocco's relatively soft ride through this year's Arab Spring may be the result of a combination of several decades of reforms, stability and monarchy. Such a combination has not been previously seen in the region.*
- *A recent referendum of the constitutional reforms adopted by King Mohammad VI showed overwhelming support amongst the 73% turnout. Yet critics point to the existence of voter fraud and claims that millions of eligible voters were deemed ineligible to vote.*
- *The Moroccan security environment is less alarming than that of Algeria. Yet Morocco's image of stability in security terms was harmed by an apparent suicide bombing in a café in Marrakesh on April 28, which left 17 persons dead.*
- *Al Qaeda's main threat to the country is less via direct attacks and more through its recruitment of young Moroccan men, many of whom venture off to Mali and Algeria for training.*
- *Despite of the expansion of Morocco's economy during the last two decades, high unemployment (particularly amongst the youth) and persisting poverty continue to ensure fertile grounds for terrorist recruiters.*
- *The disputed territory of Western Sahara remains a vexing challenge for Morocco in its relations with its neighbours. UN sponsored talks on resolving this long standing conflict continue, although little progress has resulted in recent negotiation rounds.*

A Track Record with Liberalizing Reforms

As Algeria clamps down on democratic movements, Morocco seemingly embraces change and moves toward reform. While its people and history share much in common with its Maghreb peers, Morocco's constitutional monarchy has made different and pivotal choices pointing it toward a responsive and responsible future.

Like their neighbors to the east, Moroccans are also 99% Muslim and of Berber descent and unemployment is a continuing problem, especially among the country's youth. Notably, their 1% Jews, Christians, and Baha'i worship freely and enjoy religious protection. The Alaouite Dynasty reign began in 1649 and continued through sequential periods of colonization by varying European powers. Following World War II and the newly emphasized principle of self-determination, the Istiqlal (Independence) Party called for independence in 1944, eventually achieving it twelve years later after the French ousted the respected sultan and protests ushered in

independence in 1956. Istiqlal remains Morocco's leading nationalist party and supported King Hassan II through his economic and political liberalization. His son, Morocco's current King, Mohammed VI, ascended to the throne upon the death of his father in 1999 and continues such reforms.

Modern Progressive Reforms – Too Good to Be True?

Modern Moroccan reforms began in 2004 with the Moudawana – the reform of the family code. The changes within this batch of reforms maintained the philosophy of women as the center of family life and the foundation of Moroccan society, but also granted more rights to women in issues of marriage, divorce, inheritance, and child custody. In 2005 religious reforms included the retraining of religious leaders to ensure strong academic backgrounds for their teachings and training of women to be effective counselors. The same year saw the National Initiative for Human Development which fought rural poverty and promoted social inclusion while also addressing improvements to healthcare, education, and housing

access. The king invites international Muslim leaders each year during the holy month of Ramadan to preach messages of peace and tolerance found in the Koran and weaved throughout Muslim history.

The 2006 Equity and Reconciliation Commission even examined human rights abuses allegedly taking place in the country during 1956-99. Political openness continued to increase incrementally with new parties joining Istiqlal, including the Islamist Party of Justice and Development, the Socialist Union of Popular Forces, and the Party of Progress and Socialism. Most recently, the king endorsed *L'Instance Centrale de Prévention de la Corruption* (ICPC), Morocco's national anti-corruption agency. Its leaders proclaim the value of voting, freedom of speech, and chiefly, the rule of law. All of these developments meant that Morocco's 2007 elections were widely regarded as legitimate, though with a disappointing turnout. The king's reforms, the activity of such political participation, and the agendas of the parties which reflect their names are indicative of the communalism and inclusion missing in the Maghreb.

While the past decade included substantive reforms not found elsewhere in the region, recent months have hosted a remarkably concentrated period of reform increasing the independence of the judiciary, augmented powers of the prime minister and the parliament, and the strengthening of anti-corruption measures. In July, the Interior Ministry introduced election reform bills for consideration of Morocco's key political stakeholders, including provisions such as incremental funding for political parties of specific sizes, guaranteeing funds for all parties but also potentially encouraging the establishment of hollow parties just for financial support.

A recent referendum of the king's constitutional reforms showed overwhelming support amongst the 73% voter turnout. Critics, however, have argued the existence of voter fraud citing empty ballot boxes and skewed representation by 13 million people, while millions of others in the total eligible population were deemed ineligible to vote. Further skeptics cite superficial reforms of the past as reason for their doubts while arguing the hasty timetable indicates that the king's real desire lay not with improving the lives of his people but instead the pursuit of a course different from his neighbors. These proposed changes and election complaints are to be ironed out before

the next legislative elections in October. Regardless of domestic doubt, all of these areas of reform are of particular interest to Morocco's Western partners and echo the calls of protesters in Tunisia and Egypt who precipitated a different fate.

Moroccan Security – Impressive for the Region

The Moroccan security environment is less alarming than that of Algeria. Unlike its neighbors, Morocco has been involved in the global war on terror and supports the post-Saddam stabilization of Iraq. The country faced a spate of suicide bombings in the 2000s which included strategic and simultaneous attacks, often against Westerners, killing dozens of people.

More recently, Moroccan authorities have focused their attentions on suspected terrorists, arresting more than 60 persons in 2008 and 2009 with alleged links to Al Qaeda. These efforts have been largely successful in mitigating against the terrorism threat, although a major blow to Morocco's largely stable image took place last April, when an apparent suicide bombing in a café in Marrakesh led to the deaths of 17 persons, including 11 foreign nationals. Moroccan authorities claimed that the fatal terror blast, the deadliest single act of terror in the country since the 2003 bombings in Casablanca, was detonated remotely by a group with links to Al Qaeda. There was no immediate claim of responsibility for the atrocity from Al Qaeda, however. Security experts suggest that Al Qaeda's main threat to the country is currently through its recruitment of young Moroccan men, many of whom venture off to Mali and Algeria for training. This training is most often applied in Iraq but concerns mount about the fighters bringing their acquired skills back home. Continued diligence of Moroccan security officials should effectively curtail such activity but it will remain an area to watch in the coming months and longer.

Western Sahara

The disputed territory of Western Sahara has posed the most vexing challenge for Morocco in its relations with its neighbours and, in that context, with greater Africa.

Its claims to the territory to the South of recognized Morocco are based on the historical allegiance of the region's Sawrawhi tribal leaders to the Moroccan sultan. These claims are matched, however, by the popular aspirations for independence of local people made by Frente Popular para la Liberación de Saguía el Hamra y Río de Oro (Polisario). Agreements between Spain, Morocco, and Mauritania have caused ambiguity in governance for decades and necessitated United Nations involvement since 1976. Recently, the national reforms of Morocco have not supported any movement on the Western Sahara issue. In a fall 2010 protest, thousands of people set up camps to argue the unfair distribution of jobs, housing, and benefits; the government disbanded the camps leading to cries of human rights abuses. Despite this, the most recent UN-led informal party talks concluded in July without progress.

Investing in Morocco

The unrest in Tunisia, civil war in Libya, and closed conditions in Algeria arguably position Morocco as the most stable economy in the Maghreb. Many of its major companies have used the past two decades of stability to form strategic partnerships with other companies and government clients. Their success has enabled the establishment of numerous smaller companies operating in the country. Morocco's stability has also meant government investment in infrastructure and technology which has led to an increase in e-commerce. With internet penetration rates in Morocco now said to be at 30% of the population, e-payments and internet marketing have further increased business opportunities.

It's not all roses, however. The Moroccan government has announced its plans to sell off part of its stake in Maroc Telecom to pay for the costs assumed in calming its protests and to boost public finances. Unemployment has risen by half a percent to 8.7% over 2010 and 30% of Moroccans under the age of 34 are unemployed. These are official figures, however. The situation on the ground is likely to be even worse. Morocco and Libya are the only North African states which rank in the top 5 Arab economies in relation to attracting foreign direct investment (FDI).

How Effective Will Reform Be?

Of course, it's too soon to tell what impact the king's recent reforms will have. If the skeptics are correct, the dashing reforms meant to counter the possibility of an overthrow will amount to little and bring unnoticeable change in the coming years. If King Mohammed VI is genuine in his steps towards liberalization, then Morocco may replace Tunisia as the focal point of the Maghreb's ties to the west and hotbed of investment and progress.

3. TUNISIA

Key points:

- *Although 80% of Tunisians supported the country's interim authorities following the overthrow of long-standing President Ben Ali, recent polls suggest a loss of faith in the leadership.*
- *While it is expected that over 50% of eligible voters intend to participate in the elections for the constituent assembly scheduled for October, substantial skepticism exists that full and fair participation will prevail in an environment with roughly 110 registered political parties, while others are banned from the poll.*
- *Tunisia's once exiled Islamist Al-Nahdha Party, which has drawn much attention in the 'new Tunisia', withdrew from the national reform commission established following the revolution, questioning its authority and reach.*
- *Although the interim Tunisian authorities have aimed to root out corrupt judges and weaken executive powers, many of 'Ben Ali's judges' remain in office. Protests have taken place in front of the Palace of Justice in Tunis as a result.*
- *In comparison to its regional peers, Tunisia does not have a vivid history of violent struggle with Islamic radicalism. The security situation in the country remains calm for the most part, despite the recent unrest.*
- *Tunisia's main security concern in recent months has been the possibility of Al Qaeda militants reaching Tunisia through Algeria's porous borders. Tunisian security officials have clashed with suspected AQIM personnel on the border with Algeria in recent months. Domestically, violence seems negligible.*
- *Western business is highly visible in Tunisia, yet the country's tourism sector is yet to rebound from this year's political upheavals.*

From Authoritarianism to Liberalism and Back Again

Despite more than a half-century of authoritarian rule, Tunisian citizens are beginning the pursuit of democratic reform and civic participation. While economic and social indicators remain problematic (in line with the neighbouring countries), the influence of Islamic radicalism appears virtually non-existent. Will the liberal leanings of the past return and usher in real democracy or will the corruption and wealth disparity from that era continue under a new form?

Tunisia takes no departures from its westward Maghreb neighbors in its demographic makeup. Its 10 million people are 98% Arab Muslim - with a touch more European influence. Its local monarchy was replaced with French protectorate status in 1881, until Habib Bourguiba founded the Neo-Dustour (New Constitution) Movement to call for independence from France. Paris would later grant Tunisia self-governance and then full independence in 1956.

Consequently, Bourguiba earned the nickname of "Supreme Combatant" and as president successfully raised nationalist spirit and increased western ties and influence. He consolidated power and minimized opposition which made his liberal reforms unexpected. His "code of personal status" challenged Muslim tradition by banning polygamy, conferring rights to women in marriage and divorce and setting a minimum age for a marriage which must be mutually consensual. These reforms raised the status of women in Tunisian society and precluded the selling or manipulation of women for tribal or familial politics.

While enacting such radical domestic reforms, Bourguiba was also firm against militant Islam and in the 1980s arrested and sentenced to death several militant leaders to the chagrin of his nominal political opposition. In 1987, citing fears of a civil war over the treatment of the Islamists, Tunisian Prime Minister, Zine al-Abidine ben Ali, led a bloodless coup to unseat Bourguiba and replace him as Tunisian President.

Ben Ali, irreverently called “Ben A Vie” (a tongue in cheek reference to his status as president for life”) went on to serve as president for 23 years, winning five elections with a fraudulent 90% of the vote. His opulence and fiscal irresponsibility was resented by the people for years and later revealed in the WikiLeaks of US State Department cables.

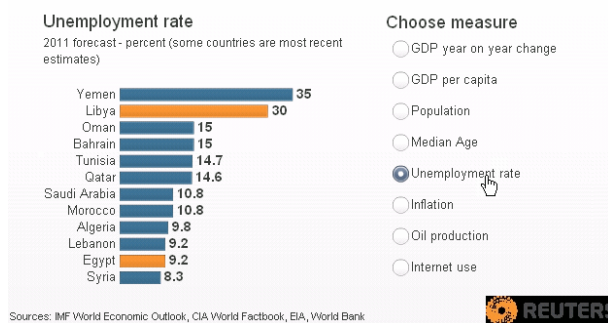
Ben Ali’s terms were not marked by any major national-level accomplishments. Unemployment rose significantly to 14% in 2010, while the corruption of the president and his extended family slowed the country’s economic growth rate by an estimated 15%. Despite officially allowing opposition parties, the government remained closed. The upper house of parliament, introduced in 2005, was dominated by Ben Ali’s party, the authorities protested the alleged biased reporting of Al Jazeera, and journalism was limited and discredited.

a Tunisian court has found the former-president guilty of trafficking drugs, weapons, and archeological artifacts and sentenced him to a collective fifty years in prison and a US\$72,000 fine.

Reform and Reconstruction

Immediately following the revolution, Tunisia’s interim government banned the sole organized political party for its loyalty to Ben Ali. The interim government is comprised of independent technocrats. Some 80% of Tunisians were initially supportive of this approach in the euphoria following the revolution but recent polling suggests a loss of faith in its leaders. Still, 93% intend to vote in the first elections for the constituent assembly scheduled for October but international elections experts are skeptical of the chances for full and fair participation in an environment with roughly 110 registered political parties and hundreds of people banned from running. Similarly, while awaiting an economic turnaround to respond to the exceedingly high unemployment rates, many potential investors are anxious to install experienced governors able to pass legislation to usher in economic reforms rather than support domestic party politics.

Middle East - country comparison



Enough is Enough – Tunisians Revolt

College educated 26 year old Mohammed Bouazizi could not face joining Tunisia’s “army of unemployed youth” and killed himself through self-immolation. Hundreds of thousands of people protested in the wake of Bouazizi’s funeral and continued to reject Ben Ali’s attempts at appeasement as empty and meaningless. Ben Ali’s authorities killed more than 200 people in the protests that elicited official responses ranging from rejection, assurances of open elections, and promises of resignation. With zero flexibility among protesters, who called for his resignation, Ben Ali finally boarded a plane with his family and sought exile in Saudi Arabia. Since his exile,

Of these countless parties, few have released the types of platforms or stances expected in democratic elections elsewhere. One party has gained much attention, however, and caused more than a little concern. The well-funded Al-Nahdha Party had been banned under Ben Ali and its leaders jailed for decades for their belief in political Islam to supplant Tunisia’s historical secularism. Some view the party as uncorrupted because of its absence during the Ben Ali years while others believe the party’s calls for moderation and tolerance are resulting in its lead in current polls. Its leader, Rached Ghannouchi, has made moderate public statements and radical ones in mosques, even calling for the application of Islamic Sharia law. Al-Nahdha (and Congress for the Republic party) withdrew from the national reform commission established following the revolution, questioning its authority and reach. The Prime Minister has called both parties to return to dialogue and highlighted international concerns about the ability of the country to sustain democracy if politicians walk away from true dialogue.

No progress in terms of judicial reform

Although the Association of Tunisian Judges (Association des magistrats Tunisiens, AMT) has aimed since the beginning of the protests to root out corrupt judges, to weaken the executive, to support the principles of judicial independence, to recognize the High Council of Justice as a constitutional institution with headquarters outside the Ministry of Justice and to create a transitional judiciary committee, no progress has been made since February. Mokhtar Yahyaoui, member of the Higher Political Reform Commission, recently deplored the continued presence of the government in the judicial process, the corrupt judges and slow procedures, as well as the failure to prosecute criminals from Ben Ali's regime.

For this reason, protesters manifested their dissatisfaction during demonstrations in front of Tunisia's Palace of Justice in August, calling for social justice, democracy and economic development. They called for more rigorous judgement of the ministers from the old regime, the arrest of corrupt judges just as much as the end of corruption and the release of prisoners detained unfairly.

The protests broke out early August when Saida Agrebi, associated with corruption, and Leila Ben Ali, the former president's wife, was allowed to leave the country and two former ministers were released from custody who had been blamed of corruption and abuse of power. Political parties have accused the judiciary of exercising too much leniency as a consequence. Until now, Ben Ali's judges are still in office.

Security and Stability...Even After a Revolt

As arguably the most Western-oriented and Western-influenced Maghreb state, Tunisia's security situation remains calm, despite the recent unrest. With European and American business visible throughout the capital and surrounding cities, the Tunisian authorities have done well in limiting the influence of domestic and foreign militant groups. The main security concern in recent months has been the possibility of al-Qaeda militants reaching Tunisia through Algeria's porous borders. In response, the Tunisian Interior Ministry announced a new border security plan. National guards have begun patrols of the border following the recent capture of four suspected AQIM militants in the area. In early July,

two Tunisian military members were killed in a clash with AQIM personnel on the border but Tunisia evened the score by killing an armed Libyan and Algerian suspected of AQIM membership, also near the Algerian border. In fact, many security experts argue AQIM's influence has decreased in the wake of the Jasmine Revolution which was brought about through peaceful and democratic means in stark contrast to the violent message preached by Al Qaeda and other Islamic militant groups. Domestically, violence is negligible and is mainly characterized by the state's response to protests which may occasionally turn violent. In mid-July, for example, police fired tear gas and only a handful of people were injured.

Debatable Investment Environment

The pre-revolution Tunisian economy allowed for significant corruption, particularly among the Ben Ali family, so hopes were high for a post-revolt economic upsurge. Tunisian officials and civil society members flew to Washington and Brussels in large number to fundraise and emphasize their need for economic help over socio-political aid. Experts are divided over the prospects of their success, however, some claiming an improved investment environment and while others arguing the opposite. The Tunisian Foreign Investments Promotion Agency (FIPA) says that FDI has contributed more than 6,000 jobs in the first half of 2011, up 3% from 2010, with most jobs concentrated in energy and manufacturing. Also according to FIPA, 85 foreign companies began Tunisian operations in the past six months and 112 existing foreign endeavors in Tunisia extended their operations.

Still, in late July, Standard & Poor's Rating Services lowered its outlook on the country's economy to negative. Partly to blame for the change is the impact of Libya's civil war, which has reportedly cost the Tunisian economy between US\$1-2 billion USD this year in lost tourism and trade revenue and contributed to Tunisia's 14% decline in the Tunindex, Tunisia's benchmark. At the same time, other experts argue the opposite citing the increase in industrial production resulting from the closure of Libya's



manufacturing plants. Despite this difference, all experts agree that a rebound in tourism is the necessary factor required to revitalize the Tunisian economy. Further, Tunisia has been, like many other countries, affected by a price increase for food, energy carriers and minimum wages due to the unrest in the beginning of the year. Inflation is projected to rise from 4.7% to 5% during 2011

of forging political consensus, trimming unemployment rates and raising investor confidence.

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A Telling Fall

Tunisia's outlook for the medium term is optimistic. In relation to its neighbors, Tunisia began peacefully, progressed liberally, and was sidetracked by two decades of greed and corruption. But, that's the worst of its tale. Throughout its history, militant movements like al-Qaeda have not been able to successfully permeate Tunisia's borders and culture. Tunisia's 10 million people actively chose peaceful protest over a violent response to diminishing economic prospects and the result is, at least so far, open dialogue and political development. Reforms will continue through commissions and committees until October, when the nation's attention will turn to its first free and fair elections in more than fifty years. The outcome of the elections is impossible to predict but all indications are that democracy is likely to flourish, at least from an electoral perspective. The important variable, however, is whether those elected will be experienced enough and properly focused to enact policies capable

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