



# 7

## POLITICAL ECONOMIES OF THE MAGHREB

*Clement M. Henry*

MOROCCO, ALGERIA, AND TUNISIA exhibit three distinctive patterns of control over their respective economies that more nearly resemble those of their Middle Eastern neighbors than each other. Indeed, the Maghreb is a veritable laboratory of approaches to the economic challenges of globalization. Morocco is a bit more like the other monarchies than the republics in its immediate neighborhood. Like Jordan, Saudi Arabia, or Iran at the time of the shah, Morocco has preserved and supported a vigorous private sector, whereas Algeria and Tunisia engaged in socialist planned economy experiments after independence. Algeria, however, is a weak state, resembling Libya, Syria, or Iraq more than Tunisia, whereas Tunisia more closely resembles contemporary Egypt in rebuilding a private sector. The Maghreb, in short, displays a diversity of approaches to economic development. Such diversity has unfortunately hindered the region's economic integration, and each model is deeply dysfunctional, producing growth rates that cannot keep up with new generations in need of constructive employment.

This chapter will first examine the three distinctive trajectories of these core Maghreb units and identify the strengths and weaknesses of each political economy in light of the common challenges they face. Algeria, the weakest of the three states, also has the greatest economic potential. Economic integration would benefit all three countries if its weakest link could effect a simultaneous political and economic transformation. Current trends of social and political alienation in both Algeria and Morocco are also of concern and need to be reversed if the region is to evolve in harmony with its northern Mediterranean neighbors. Political change is much needed in Tunisia and could have a salutary impact on its Maghreb neighbors.



### POSTCOLONIAL TRAJECTORIES

The three core Maghreb countries achieved independence from France under circumstances that would define their respective postcolonial trajectories. Each had engaged in a struggle against French colonialism, but just as the length and intrusiveness of the colonial occupation varied, so also did the constellations of emergent social strata and political leadership.

#### *Tunisia*

In the 1960s Tunisia offered a paradigmatic illustration of a little country about to “take off,” following the prevailing conventional wisdom about economic development popularized by Rostow.<sup>1</sup> American academics could point to modernization dialectics in Tunisia in that heady era of modernization theory, when political science graduate students waved “Think Hegel” placards in some of the innumerable student demonstrations in Berkeley, California.<sup>2</sup>

The Tunisian colonial dialectic was modeled on that of Hegel’s slave, who first emulates the master but then, failing to achieve recognition, revolts and resists, playing the role of a stubborn slave. Through hard work meeting the master’s demands, however, the slave can achieve freedom. The master then comes to depend on the slave. By analogy in the colonial situation, an early generation of traditional elites (the Young Tunisians) would try to assimilate to their colonial masters but would not be accepted as equals. In reaction, a subsequent generation of more broadly based notables would resist the colonizer like a stubborn slave, by insisting on constitutional reforms in the name of traditional values (Old Destour Party). More activist elements of the national resistance, however, would hive off to mobilize rural village strata in a modern nationalist party (the Neo-Destour). The victorious forces of Habib Bourguiba would recover the sons of the resistant notables under the hegemony of a rural (Sahel) elite of French-educated leaders and administrators. They enjoyed widespread legitimacy at independence, and their members and sympathizers within the French protectorate bureaucracy would ensure a smooth transition.

After independence the ruling Neo-Destour Party would systematically promote economic “take-off” by means of state planning in the absence of an effective Tunisian private sector. But despite their well-intentioned efforts and relatively efficient administration, the Tunisians achieved slightly less rather than more economic growth than their Maghreb neighbors.<sup>3</sup> The rural property-owning core constituency would, however, modify state socialism after 1969 into a mixed economy developing a private sector dependent on the party-state monolith. The restructuring of the elite during the colonial period determined this postcolonial trajectory, although the eventual outcome of Zine el-Abidine Ben Ali’s police state might have been avoided, had the more liberal elements



within the Neo-Destour succeeded in their efforts in the early 1970s to subject President Bourguiba to institutional controls.

### *Morocco*

France gradually pacified and colonized Morocco from 1912 to 1934, more than a generation after the rapid conquest of Tunisia in 1881. Consequently, the colonial dialectic did not have as much time to restratify Moroccan society, and traditional elites achieved power at independence, whereas their modernizing counterparts would remain a minority.

Whereas Bourguiba easily eliminated Tunisia's traditional monarch, the Moroccan sultan, exiled by the French for refusing to rubber stamp decrees granting co-sovereignty to the settlers, returned in 1955 as the country's national hero.<sup>4</sup> He then succeeded in dividing and balancing off various nationalist factions while enlisting support from the same core of rural notables that had buttressed French rule under the protectorate. The emerging Moroccan state, being dependent on a variety of constituencies, was less monolithic than its Tunisian counterpart. On the other hand, the king's *makhzen* (royal household, literally a "magazine" or granary)<sup>5</sup> enjoyed relative autonomy and selectively negotiated to acquire settler property and distribute it among its strategic clients. Decolonization occurred more gradually than in Tunisia, and the state as such acquired a much smaller share of the former French properties. The king took over some of the richest lands and became the kingdom's largest landowner. Commercial and industrial properties were nationalized only in 1973, almost two decades after independence, and the proceeds went not to the Moroccan state but to various groups of private entrepreneurs, not least of which was the *makhzen*, which acquired the Omnium Nord-Africain (ONA), the largest French holding company, and dominant interests in major banks.

The king was able to divide and rule by co-opting political elites promoted by the independence struggle. The property of the departing French settlers and business interests offered further patronage resources the *makhzen* could distribute to Fassi (from the city of Fez) and other notables deserving of royal favor. By the late 1970s a variety of interlocking conglomerates became visible to discerning Moroccan scholars.<sup>6</sup> They appeared to be useful extensions of *makhzen* patronage networks.

### *Algeria*

Algeria's more protracted and intrusive colonial situation did not give rise to French-educated elites who could enjoy stable sources of social support like their Tunisian or Moroccan counterparts. Messali Haj's Parti Populaire Algérien/Mouvement pour le Triomphe des Libertés Démocratiques (PPA-MTLD)



developed significant social roots in Algeria after the massacres of Algerians in May 1945,<sup>7</sup> but it never acquired the organizational depth of the Neo-Destour in Tunisia. Algerian intellectuals were hopelessly marginalized in the repressive colonial settler state and subsequently surprised in 1954 by the outbreak of the revolution. Even the few self-educated intellectuals who were its historic leaders did not survive the protracted guerrilla warfare to lead independent Algeria. The hard core of Algerian leadership that emerged from the guerrilla military infrastructure developed principally on the Moroccan and Tunisian frontiers. Civilian political structures, promised originally by the Front of National Liberation's (FLN) congress, assembled in the Soummam Valley in August 1956, never took root either before or after independence, when FLN apparatchiks co-opted by the hard core promised each year a reorganization of the party. The FLN remained a "mirage," in the words of one of Algeria's intellectuals, co-opted by President Ahmed Ben Bella in 1963 and imprisoned by President Houari Bou-médiène in 1965.<sup>8</sup>

Consequently, the party-state constructed after independence remained considerably weaker than its Tunisian and Moroccan counterparts, which relied on the administrations established under their respective French protectorates. The abrupt departure just before independence of a large majority of Algeria's settler population, including most government officials, further weakened the old colonial administration. Those who moved into their offices, largely vacated during the summer of 1962, tended to view their new assignments as personal property, much like the apartments, villas, yachts, and other possessions that had been left behind to be vandalized. Much has been made of the idea that petroleum wealth undermines state capacity, but the disorderly rent-seeking of Algeria's immediate postcolonial period predated substantial hydrocarbon revenues. Algeria was a rentier state before it became a petro-state.<sup>9</sup>

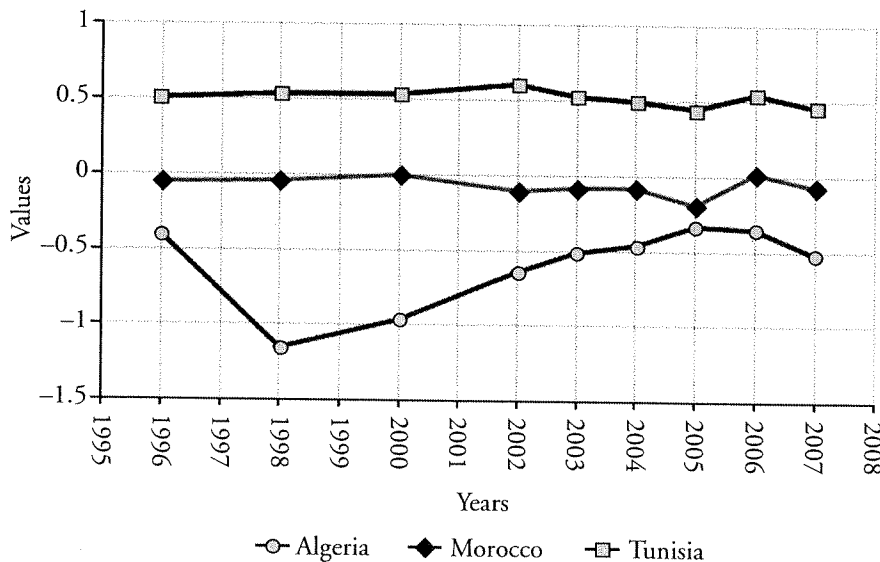
After Colonel Boumédiène's "readjustment" of the revolution in 1965, his "Oujda clan" tried to strengthen the state's administrative capacities, but agrarian reform, initiated in 1971, further undercut any emerging administrative elite. Algeria embarked on a more ambitious policy of state-led industrialization than its Tunisian neighbor, though it had much less administrative capacity. Consequently, large projects were favored over greater multiplicities of small projects that would have required more managers. The dramatic rise of oil revenues in 1973–1974, following the founding of a national oil and gas company that took majority control over French oil interests in 1971, further whetted Algeria's industrial ambitions. Advised by the same French economist who had served Tunisian planners (poorly) until 1969, when Tunisia moved away from state socialism, Algeria engaged its limited state capacities in "industrializing industries." But it could not even control its own oil fields from competing clans within the military establishment. *Mafioso*, as Belaid Abdesselam, the czar of Algerian industry, described them in one of his political memoirs,<sup>10</sup> infiltrated

the entire industrializing enterprise. Unfortunately, Boumédiène died in December 1978, before Abdesselam, already criticized for the shortcomings of Algerian industrial policy, had time to build up the light industries that in theory were to emerge from the foundations of heavy industry. Successors would reverse course without fundamentally altering the political core of the regime, based on an evolving military and intelligence establishment.

The administrative capacities of all three regimes were largely set by their respective patterns of transition to independence: an orderly transition in Tunisia backed by a consistent strategy of modernization; a more gradual transition in Morocco accompanied by pluralism verging on paralysis as King Hassan II, who succeeded Mohammed V in 1961, balanced divided elites and survived attempted military coups; a chaotic transition in Algeria resulting in minimal administrative capacities as factions took possession of the vacated administrative infrastructure. The respective profiles are mirrored in Table 7.1, a World Bank summary measure of government effectiveness recorded since 1996.<sup>11</sup>

It is hardly coincidental that Tunisia registered the strongest economic performance over the entire postcolonial era. Figure 7.2 presents the evolution of per capita gross domestic product in constant (2000) dollars for the three countries

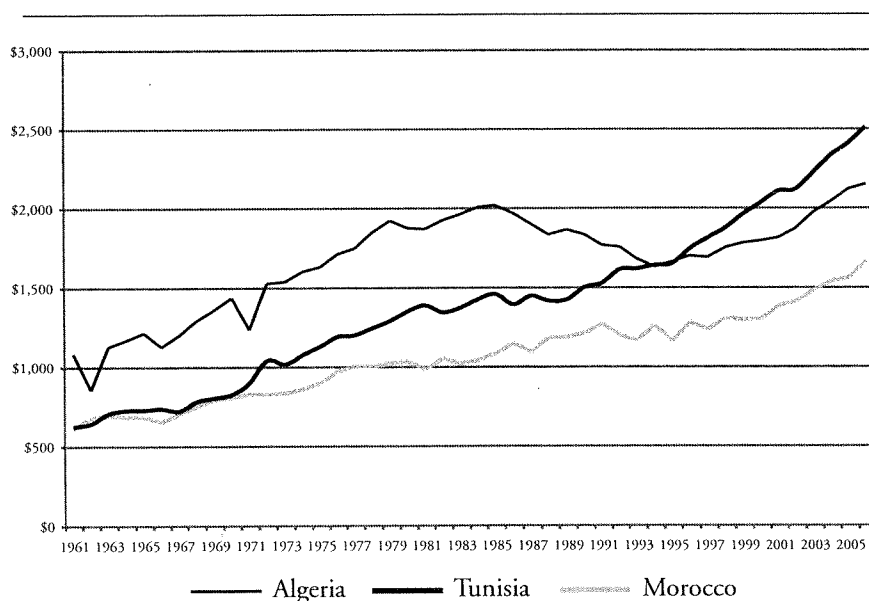
FIGURE 7.1: GOVERNMENT EFFECTIVENESS



Source: World Bank, World Development Indicators 2008, cited in United Nations Development Programme on Governance in the Arab Region, [www.pogar.org](http://www.pogar.org).

from 1961 to 2006. The strong single-party system was better able to adapt to the changing international climate, meet the challenges of globalization, and take better advantage of the opportunities than its neighbors. Only in the 1960s, when Tunisia had engaged in ambitious state planning, were its average annual growth rates slightly less than those of its neighbors. During the entire period Tunisian GDP increased almost tenfold, whereas Algeria's and Morocco's increased only sixfold and sevenfold, respectively. With vastly increased hydrocarbon revenues in the 1970s Algeria outperformed Tunisia during that decade, and Moroccan growth surpassed Tunisia's in the 1980s, the decade of painful readjustment, but then Tunisian growth doubled that of its neighbors in the 1990s, annually averaging 4.8 percent. But even these growth rates could not meet the region's principal challenge of generating sufficient jobs to reduce high unemployment rates.

FIGURE 7.2: PER CAPITA GDP, 1961–2000



Source: World Bank. World Development Indicators, 2008.

### STRENGTHS AND WEAKNESSES OF THE BUSINESS-STATE MODELS

Algeria and Tunisia were one-party states that originally practiced state socialism once they consolidated their respective regimes, whereas Morocco carefully preserved the private sector enterprise and colonial settler agriculture that

had emerged under French protection. While gradual transfers into the hands of Moroccans preserved the continuity of businesses in that country, state socialism destroyed older colonial enterprises in Algeria and Tunisia.

There were also significant differences, however, between Algeria and Tunisia. Some indigenous elites in both countries had prospered during the colonial period, much like their cousins in Morocco. But the wealthy Algerian entrepreneurs were usually viewed as French collaborators rather than welcomed into the revolutionary family, whereas their Tunisian counterparts were permitted to survive in the more flexible regime of Destour socialism. A residual private sector survived the years of intensive state planning in Tunisia (1961–1969), while Algeria's private sector vanished to France. State investment did, however, generate new private sector contractors and other businesses associated with the state enterprises. Young Tunisian entrepreneurs, led by such earlier pioneers as Bechir Belkhiria,<sup>12</sup> emerged in the 1970s in Tunisia, and Algeria's private sector finally began to achieve respectability in the 1980s, as the official socialist ideology lost its luster.

The international debt crisis sparked in 1982 by Mexico's default brought a halt to any economic take-offs the "development decade" of the 1960s promised, as well as high-commodity rents in the 1970s. From the mid 1970s easy credit from international banks recycling petrodollars had mitigated any declines in overseas development assistance, but rents fell sharply and international credit tightened in the 1980s. Morocco was most immediately vulnerable because of its mounting fiscal and current-account deficits but in a sense would have an easier time adjusting to the neoliberal demands of the international financial institutions. Despite a heavier debt burden, its average GDP growth rates in the 1980s surpassed those of both Algeria and Tunisia.<sup>13</sup> Having engaged in less excessive state planning and investment than its eastern neighbors, it had relatively less enterprise to privatize and faced fewer issues of deregulation.

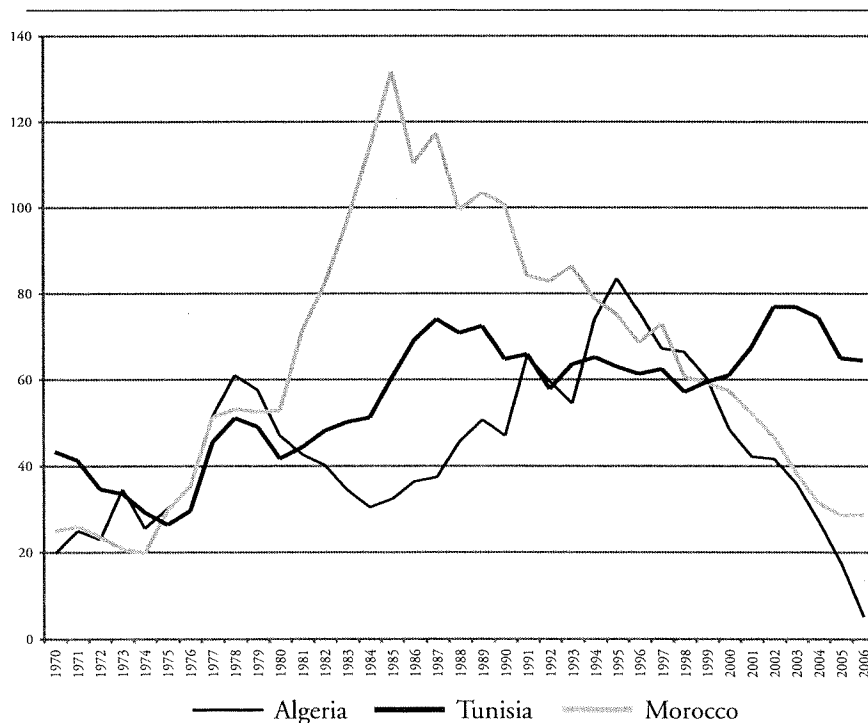
Tunisia effectively managed the transition from a planned economy of state enterprises to a mixed economy in the 1970s. The transition was easier than Algeria's in the 1980s because Destour socialism had engaged less fully with fewer resources in the 1960s in the drive for industrializing industry than Algeria, which had been flush with oil revenues in the 1970s. Even at the height of his enthusiasm for state planning, Bourguiba also supported a strong central bank that checked the excesses of the planners, whereas Algeria effectively subordinated its banking system and state treasury to the needs of industrial development. As a result, it faced much greater problems of economic adjustment in the 1980s and 1990s, once oil and gas revenues plummeted.

Figure 7.3 shows the measure of indebtedness under which the Maghreb countries labored during those difficult decades. External debt as a percentage of gross national income (GNI) peaked earlier for Morocco, but Algeria would experience greater economic hardship in the late 1980s and early 1990s when its debt servicing requirements far exceeded Morocco's, as shown in Figure

7.4. Algeria's debt service ratio reached 76.6 percent of its export earnings in 1988. To pay off the debt, the government simply cut back on consumer imports, leading to the riots in October 1988 that ended the official single-party regime. The debt crisis subjected the economy to much greater pressures than Morocco had experienced in 1983, when its foreign exchange needs led it into negotiations with the International Monetary Fund (IMF). Algeria was in deeper water because it had never accepted the "advice" of international financial institutions, preferring to borrow freely from international private sector banks rather than suffer possible restrictions under subsidized lending.

Another interesting development shown in Figure 7.3 concerns Tunisia. In the first decade of the 2000s its debt crept once again over the 60 percent mark of GNI, though its debt servicing requirements remained well below the 28 percent of its export earnings that had obliged the country in 1986 to seek a standby agreement with the IMF.<sup>14</sup> The growing debt is symptomatic of the shortfall in

FIGURE 7.3: EXTERNAL DEBT AS A PERCENTAGE OF GROSS NATIONAL INCOME, 1970–2006



Source: World Bank. World Development Indicators, 2008.

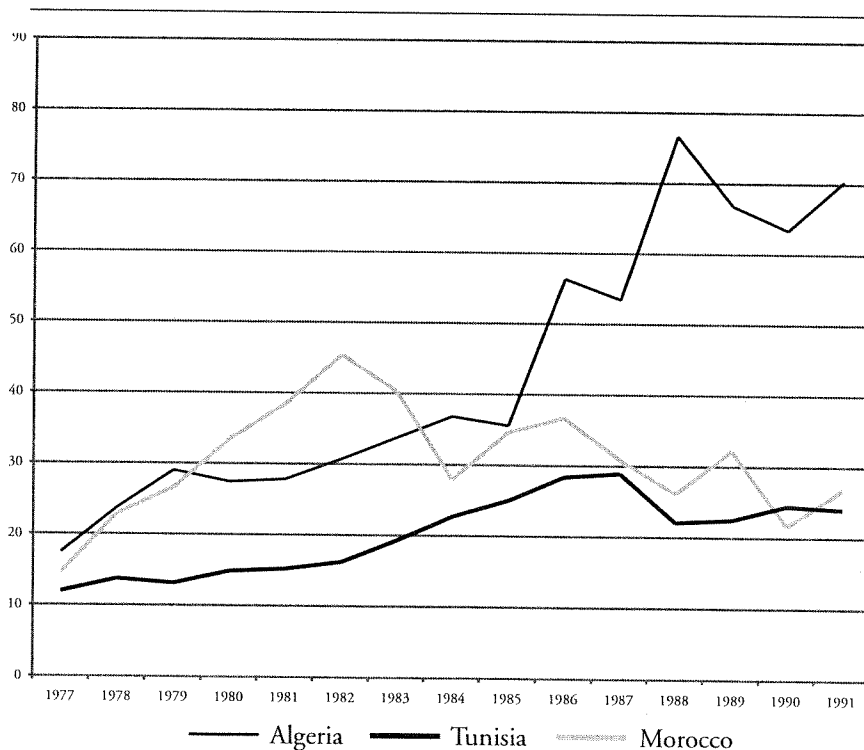


Tunisian private investment, to be discussed further below. The debt service of Algeria also dramatically increased in 2006, but only because the country was using its windfall oil and gas revenues to pay off the remaining external debt, diminished to barely 5 percent of GNI in Figure 7.3.

### Morocco

Confronted with rising fiscal and trade deficits, Morocco resorted to painful cuts in administrative personnel, engaged in an ambitious privatization program, and managed after a number of failures, starting in 1983, to complete its IMF adjustment programs by the mid-1990s to reduce its dependence on the IMF and reduce its debt servicing requirements to below 10 percent of GNI. As noted earlier, however, its overall economic performance compared favorably with those of its neighbors during this period. Morocco could engage in relatively credible programs of neoliberal reform because it had retained a relatively strong

FIGURE 7.4: DEBT SERVICE AS A PERCENTAGE OF EXPORT REVENUES



Source: World Bank. World Development Indicators, 2008.

private sector that the makhzen had carefully brought under its control. The regime's patronage requirements, to keep core civilian and security constituencies content, could be met through informal family control and shifting alliances within the top (predominantly Fassi) establishment. Curtailing administrative prerogatives perhaps reduced the authority of an earlier generation of royal clients, thereby enabling the makhzen to retain greater flexibility. To an international financial community more concerned with privatizing and deregulating markets than in ensuring their competitiveness, Moroccan oligopolistic controls were an acceptable substitute for discarded administrative ones.

At the core of the private sector lay strategic conglomerates, notably the ONA under the control of the makhzen, and a Moroccanized financial system that had brought Moroccan partners into the French financial establishment. Commercial banks allocate the capital that makes or breaks business enterprises, and this authority was wielded through their owners. In the late 1980s the makhzen's hand became increasingly apparent in changes of ownership, notably of the Banque du Commerce Marocain (BCM). The strongest of Morocco's big private sector banks, BCM subsequently took over the flagship of another leading conglomerate, Wafabank. Although Morocco also actively engaged in promoting a stock market that is far more vibrant than those of its Maghreb neighbors, stock market capitalization remains modest, and markets relatively thin. Despite official efforts, as in Tunisia, to promote young entrepreneurs, businesspeople probably have more difficulty getting financial support in Morocco than in Tunisia.

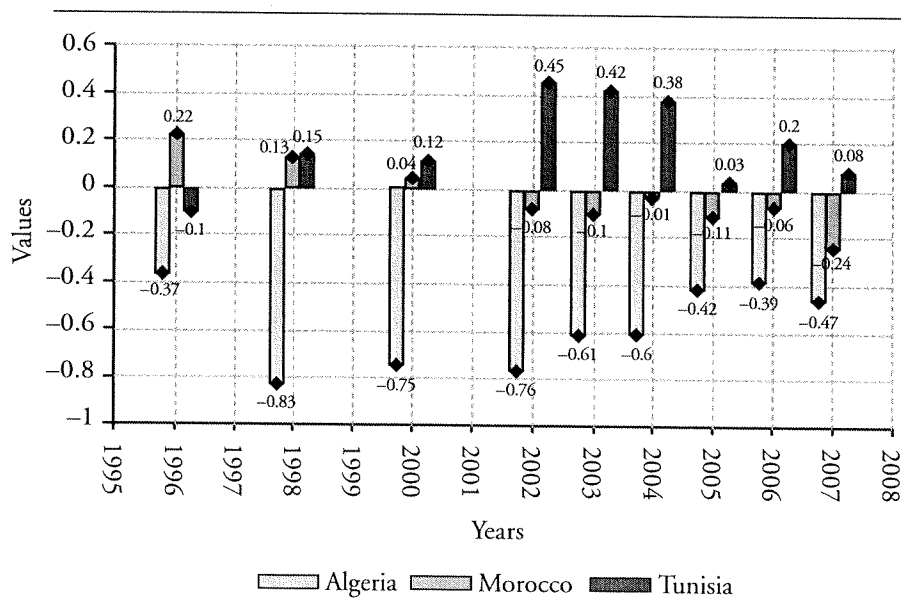
One sign of the relatively closed character of credit markets in Morocco is the concentration of the banking system. Relatively fewer banks in Morocco (and Algeria) than in Tunisia command larger market shares. The World Bank rates Morocco lower than Tunisia on its Legal Rights Index and Credit Information Index, and only 2.4 percent of Moroccan adults (and 0.2 percent of Algerians) are included in the public credit registry, compared to Tunisia's 14.9 percent. Another World Bank study concluded that only 28 percent of Moroccan adults had some access to financial services, compared to 31 percent of Algerians and 42 percent of Tunisians.<sup>15</sup> Young entrepreneurs and others who do not enjoy prestigious political connections may have better chances in more closely governed Tunisia than in Morocco to start their own businesses. Political favoritism perhaps undermines business ethics in all three countries, however, to judge from the nonperforming loans, discussed below, that their respective banking systems have accumulated. The World Bank does not publish data for Algeria, where the banks are in far worse shape than in Morocco or Tunisia, but the latter have also accumulated substantial shares of nonperforming loans.

The strength of Moroccan state-business relations has been to reinforce the regime's ability to deregulate without losing strategic control of the economy. The makhzen is able to extract sufficient resources to service its patronage needs.



The cost of relying on relatively narrow networks of business conglomerates over the years has been neglect of public infrastructure, especially in the countryside. From a starting point at independence that was weaker than Tunisia but stronger than Algeria, Morocco now trails at a considerable distance behind its neighbors on all indicators of functional literacy and educational attainment. Even though the country's degree of urbanization is catching up with the others, female illiteracy remains high even for youth ages eighteen to twenty-four. Only 60 percent of the youth had attained literacy in 2005, compared respectively to 86 percent and 92 percent of their Algerian and Tunisian sisters.

Another indicator of the monarchy's narrow social bases may be the perceptions of corruption that hurt its business reputation. Figure 7.5 presents the perceptions of outside experts and businesspeople collected by the World Bank, and they pretty much agree with the findings of Transparency International. Morocco was only barely ahead of Algeria, despite the fact that it was one of only three countries in the Arab world to tolerate a fully established chapter of Transparency International.<sup>16</sup> Tunisia's grip on corruption also seemed to be diminishing, although it remained—barely—in positive territory, ranking slightly better than the world average.

FIGURE 7.5: CONTROL OF CORRUPTION<sup>17</sup>

Source: World Bank, World Development Indicators 2008, cited in United Nations Development Programme on Governance in the Arab Region, [www.pogar.org](http://www.pogar.org).



The World Bank's Country Assistance Strategy progress report gave Morocco high marks for its reform efforts, as did the IMF, but the reforms were not reflected in its World Bank ranking on the ease of doing business—only 128th among 181 countries and not much higher than the Palestinian West Bank and Gaza, Algeria, or Syria.

### *Tunisia*

Tunisian state-business relations also enabled it to weather the adjustments of the 1980s. Whether running a “socialist” model of industrialization, a “liberal” model of import substitution, or, by the 1990s, a neoliberal model of export-oriented growth, the state has always exercised tight control and centralization. In 1987, when foreign currency reserves had dwindled to less than two weeks' worth of essential imports, Tunisia embarked on a radical stabilization plan with the IMF that transformed a state banking system overnight into one still regulated, to be sure, by the Tunisian Central Bank, but by managing market forces rather than directly allocating credit. Such reform was possible because the central state, even during Bourguiba's final year in office, remained an unquestioned “monument without cracks”<sup>18</sup> that was simply continuing economic reforms from above as during the early period of state socialism. His successor by quasi-constitutional coup, President Zine el-Abidine Ben Ali, gave the economic reform his unquestioned support.

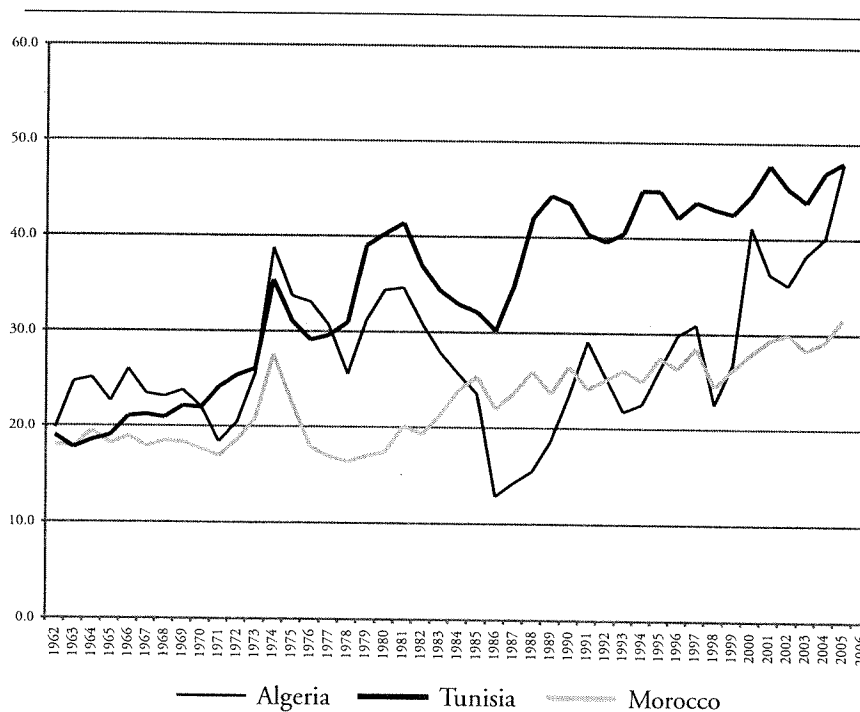
From the early 1970s Tunisia encouraged foreign direct investment, notably in the apparel industry where European investors hired Tunisian labor in off-shore sweat shops. Although it enjoyed some oil revenues in the 1970s, just as Morocco enjoyed a boom in phosphate revenues in that decade, the rents were never sufficient to dwarf the country's traditional agricultural exports, much less discourage new manufacturing. Although Tunisia continued after its break with state socialism in 1969 to encourage import-substituting industries, the state was also sufficiently strong to balance the demands of inefficient textile producers with those of apparel exporters and thereby pursue systematic policies of export-oriented growth in the 1980s and 1990s. The vaunted administrative efficiency of the Tunisians also enabled them to absorb a share of the European Union's Middle East Development Assistance (MEDA) that was quite disproportionate to its small population. In the early years of MEDA (1996–2003) disbursements to Tunisia exceeded those of any other Middle East country with the possible exception of Palestine.<sup>19</sup>

Evidently efficient state management enabled Tunisia to vault ahead of Morocco, constrained by its oligopolistic groups mired in import-substituting industrialization and protected by their brothers and cousins in government. Tunisian and Moroccan exports as a percentage of GDP were neck and neck through the mid-1960s, but Tunisia took off in the 1970s to double Morocco's

rate by the end of the decade. Morocco never caught up with Tunisia, whose exports surged past those of hydrocarbon-rich Algeria after 1976. Only in 2008, as oil prices temporarily surged, did Algeria catch up with Tunisia, each exporting goods and services worth 48 percent of their respective GDPs, while Morocco, despite considerable progress, lagged at 33 percent, as Figure 7.6 indicates. Tunisia has displayed consistent progress over the years because it already diversified into apparel exports in the 1970s while its modest oil and gas revenues offered a cushion for economic diversification. Both Tunisian hydrocarbons and Moroccan phosphates enjoyed peak rents in 1974, reaching almost Algerian heights, as the chart indicates, but these rents did not distract rational Tunisian policy makers from continuing to diversify their export bases in manufacturing and textile processing. Algeria's exports, by contrast, went lock in step with oil prices.

Tunisia suffered, however, from idiosyncratic rule after 1987 that threatened to undermine the state. The president who retired Bourguiba was a former military intelligence officer, hardly up to Bourguiba's political stature, much less inheritor

FIGURE 7.6: EXPORTS AS A PERCENT OF GDP, 1962–2006



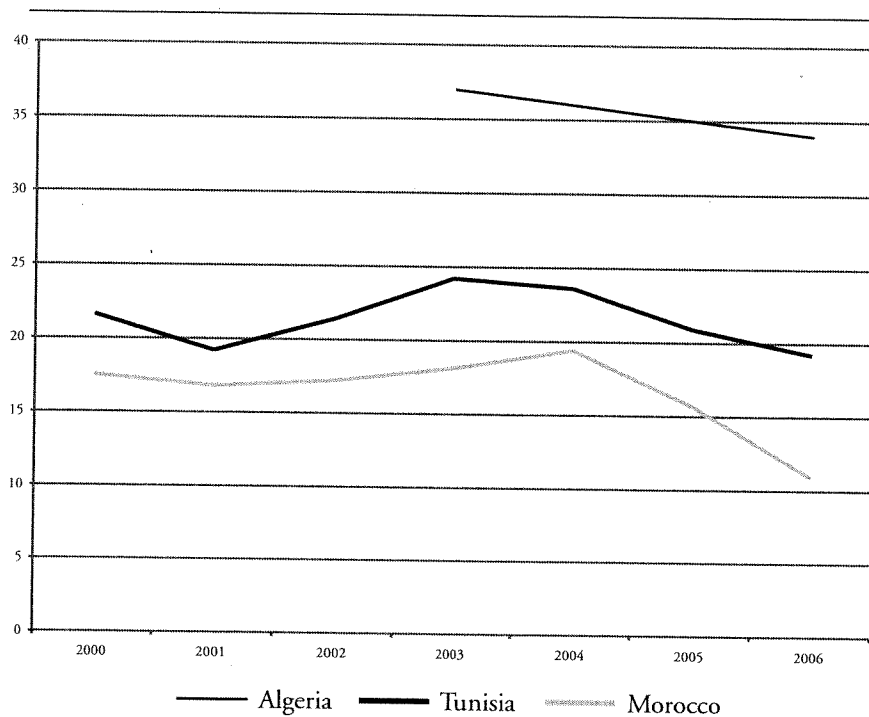
Source: World Bank, World Development Indicators online (October 2009).

of any historic legitimacy,<sup>20</sup> yet he exercised the same cult of personality. Sustaining the act required a vastly increased police force, one that dwarfed both Algeria's and Morocco's even in absolute numbers, for a population one-third the size of each of the others.<sup>21</sup> It is impossible to estimate the real costs of Tunisia's vast infrastructure as a police state or the extent to which it takes funds that might otherwise be invested in productive expenditures. However, one sign of the political environment, as reported by the World Bank, is the diminishing level of Tunisian investments in their private sector. It may be not so much the foreign investor as the local who is most concerned about good governance or its lack. The World Bank noted that "special treatment of well-connected individuals is a growing concern of the Tunisian business community and may partially explain the low level of domestic private investment"—a finding hotly contested by the Tunisian government.<sup>22</sup>

Tunisian banks were perhaps offering credit to a wider public than their Moroccan counterparts, but the World Bank insisted that "low levels of public accountability" were "strengthening the hand of 'insiders' . . . and discouraging risk taking by less well-connected entrepreneurs." Moreover, the banks were even more heavily saddled with nonperforming loans than their Moroccan counterparts, a sure sign that soft loans had been distributed too generously to friends of the regime. Figure 7.7 presents the available data; Algerian banks were in even worse shape but no data are available. Tunisia's cozy single-party system seemed unable to bring nonperforming loans under control despite almost two decades of financial structural adjustment financed by the World Bank.<sup>23</sup> Efforts to privatize the Tunisian banking system also foundered because the two principal public sector banks were too encumbered with political patronage obligations. And even so, by 2005 private sector bank portfolios were just as riddled with nonperforming loans as public sector banks because the government informally controlled them and could extract favors for its clients. By contrast, Morocco had been able to privatize the Banque Marocaine du Commerce Extérieur, placing it in reliable hands. Both regimes carefully vetted their bankers, whether the banks were publicly or privately owned, but with greater discretion in Morocco.<sup>24</sup> The CEO of Tunisia's leading privately owned bank, by contrast, was forced to resign in 1993 when he made statements that could be interpreted as opposing President Ben Ali.

Indeed the banking system seemed to be more highly politicized in Tunisia than in Morocco, just as nonperforming loans took a greater toll on the Tunisian system. Tunisia's presidential monarch and entourage, despite much adverse publicity, probably had accumulated fewer resources than the Moroccan makhzen and hence was in greater need of the leverage a banking system could provide. Inefficient financial allocation, however, limited Tunisian growth. Private investment was not forthcoming in sufficient volume, limiting economic growth. The government tried to compensate by borrowing funds but was again, as in the mid-1980s, reaching limits—with external loans again exceeding 60 percent of gross national income.

FIGURE 7.7: NONPERFORMING LOANS AS  
PERCENTAGE OF TOTAL LOANS, 2000–2006



Sources: World Bank, World Development Indicators, IMF, Article 4 Consultations, various years.

In short, Tunisia's superior administrative efficiency could not compensate for the heavy-handedness of a police state. With an estimated 110,000 police personnel—or more than ten for every thousand inhabitants—the Tunisian per capita policing levels far exceeded those of its Mediterranean neighbors to the north as well as to the south.<sup>25</sup> But it was probably not so much the actual security expenditures that limited economic growth but rather the atmosphere of surveillance and fear that corroded the business and university climate. Tunisia's economy grew on average at a somewhat higher rate than its neighbors' but its average of 5 percent annual growth was not sufficient to diminish the chronic unemployment, notably of the youth including those with a university education.

While the regime seemed secure as long as patronage kept the political elite loyal, the prospects for a genuine "take-off" of the Tunisian economy to the Asian levels needed to stem unemployment seemed remote, and the corruption at the summit of the presidential family projected a more vulnerable image than the

Moroccan monarchy. Meanwhile, private Tunisian investors were deterred from investing in their own country.

### *Algeria*

In the final years of Chadli Bendjedid's presidency Algeria made valiant reform efforts to convert from official state socialism under the auspices of a single-party regime into a market-oriented multiparty political economy. Prime Minister Mouloud Hamrouche, a former protocol officer in the presidential entourage, presided over these ambitious restructuring efforts but was removed from office in June 1991, before they could be fully implemented. The effort to move from an administered to a market economy had stepped on too many powerful toes within the country's core military leadership. And the reform team he had supervised in the presidency before officially taking office in October 1989 did not enjoy significant support either within Algeria's marginalized private sector or within the wide spectrum of some sixty parties constituted under the revised constitution of 1989. A tacit understanding with the Islamic Front of Salvation gave the Hamrouche government temporary relief from active opposition, but efforts to transform public enterprises into market-oriented firms could not succeed in such a short time period. Ambitious financial reform resulted in a powerful and autonomous central bank on paper, but subsequent administrations would undermine its autonomy. Perhaps the biggest impediment to sustained reform was the private sector of the economy that theoretically had the most to gain from restructuring the public sector.

Under the socialist regime the private sector barely survived, with about half of the little credit offered by the banking system going to registered veterans recognized as guerrilla freedom fighters (*moujahidines*) in the war for independence. In 1992, the first year for which comparable data are available, the Algerian private sector was receiving credit amounting to only 7 percent of GDP, compared to Morocco's 42 percent and Tunisia's 66 percent.<sup>26</sup> Algeria may have had many small privately owned firms, but few of them benefited from the formal banking system.<sup>27</sup> The private sector was virtually invisible in the political economy: It enjoyed neither the oligopolistic influence wielded by Moroccan conglomerates nor the dependent patronage relays operated by the Tunisians.

Algeria's liberal reformers did manage, however, to abolish various state monopolies, notably concerning foreign trade, and subsequent reforms undertaken under the 1994 IMF standby agreement further liberalized trade by reducing duties on imports. The results, however, were not what the liberal reformers had intended. Instead of promoting a more competitive local economy, economic liberalization resulted in new oligopolies of importers commanded by the ruling core of generals and their friends.

The civil war that raged between 1992 and 1998, after the generals halted parliamentary elections being won by the FIS (Front Islamique du Salut or Is-



lamic Salvation Front), had two major consequences for the political economy. First, under cover of widespread loss of life and destruction the authorities liquidated much of the public sector, with losses of hundreds of thousands of jobs. Second, the violence facilitated control of lucrative import markets by some of the ruling clans. Curiously, too, this violent restructuring of the political economy led to the appearance of a young and dynamic private sector.

Abdelmoumen Rafik Khalifa was a young pharmacist, born after independence, who used his father's connections to enter the lucrative pharmaceutical import market.<sup>28</sup> He then gained permission in 1997 to open a private bank and used his personal connections to attract substantial deposits from various public funds, including workers' pensions. The bank enjoyed spectacular growth, gathering up to 8 percent of the total deposits of the Algerian commercial banking system by the end of 2002. Khalifa Bank in turn financed Khalifa Airways, a private airline that by the turn of the millennium rivaled the state-owned Air Algérie. It rapidly achieved a reputation for much better service than its competitor, having lured away some of the better flight personnel with better salaries. Khalifa, the "golden boy" of Algerian business, cemented his reputation by sponsoring soccer clubs and showbiz extravaganzas with Catherine Deneuve, Gérard Depardieu, and other French stars. A master of public relations, he set up a cable TV network and, perhaps now coming into competition with regime heavyweights, also bought a German construction company to be positioned for lucrative state contracting once the state's oil and gas revenues ballooned in the new decade. A spectacular business conglomerate emerged, burnishing President Abdelaziz Bouteflika's image as a brave reformer, elected in 1999 to rescue Algeria from the dark decade of civil strife.

When the news broke in January 2003 that the Banque d'Algérie had frozen Khalifa Bank's foreign assets, a local press polemic ensued over the political motivations for attacking the golden boy and whether he had double-crossed Bouteflika in preparations for the 2004 presidential campaign, rather than any concern about how such featherweight enterprises built on feckless public sector deposits and nonperforming loans could have survived for so long. By the summer of 2003 Khalifa enterprises had vanished, airline and all, and the golden boy took refuge first in Paris, then London. The Algerian authorities have not shown serious intent to have him extradited back to Algiers for a trial that could embarrass too many of their core leaders. Trials of minor figures related to the banking scandal were conducted in 2007, and some of the testimony raised issues of regulation and control that implicated the top officials of the finance ministry, the central bank, and the presidency, while exonerating the former governor of the bank, whom the court had unjustly convicted in absentia.<sup>29</sup>

Nor was Khalifa Bank the only private sector bank to fail in 2003. Union Bank and Banque Commerciale et Industrielle d'Algérie (BCIA) were also shut down, and by 2006 none of the seven privately owned Algerian banks chartered between 1997 and 2002 was still operating. Khalifa alone lost at least

\$1.5 billion, and the losses of BCIA cost the state an additional billion. The only surviving private sector financial institutions were subsidiaries or affiliates of foreign banking groups.

Despite liberalization and efforts to build up the private sector, the political economy rested more than ever on state favors and patronage manipulated by the military hard core and their friends. The mafioso castigated by Belaid Abdesselam when he served in the 1970s as Boumédiène's economic czar had taken new forms but continued to prosper, living off the hydrocarbon and other rents to the state that had accrued. Reelected to a third term by a landslide in 2009 after having his rubber-stamp parliament amend the constitution, President Bouteflika consolidated his power with the help of key military allies, but there was little effective power to wield. The private sector remained fragmented and dependent on political favor. The vestiges of the FLN remained part of the quasi-official ruling coalition but had even less institutional weight or respect after being purged in 2003–2004 and then readmitted to the ruling coalition. The leader who had purged it became prime minister but was subsequently replaced by the leader of the ruling coalition's rival party. Algerians had become so disinterested in their parties that a large majority abstained in the 2008 parliamentary elections.

Algeria's primary challenge in the new decade of relative peace was to avoid major social unrest by spending the hydrocarbon revenues. Riots lasting several days immobilized parts of Oran in July 2008, and unauthorized demonstrations in January 2009 against Israel's three-week war on Gaza enabled political Islamists to raise slogans of the banned FIS. Fortunately for the authorities, widespread popular anger was as disorganized as the ruling political parties. The World Bank monitored Algeria's Programme Complémentaire de Soutien à la Croissance, a massive public investment program, in 2005 and 2006. In agreement with the government, the bank was to advise on accounting and management techniques for efficient use of the funds, especially in the sectors of transport and public works, water, education, and health. Deliberately ruled out, however, was any analysis of the distributional impact of public spending, the role of civil service in the efficiency of public services, and the evaluation of strategic options for the use of hydrocarbon resources.<sup>30</sup> The final report did, however, gingerly suggest that "large front-loaded budget authorizations" carried certain risks and it urged slowing the process and attending more to the upkeep and maintenance of projects that had often been underestimated or ignored in previous budgets. Of course, "large front-loading" facilitated the commissions and other forms of political patronage associated with big Algerian projects since the 1970s.

One Algerian asks whether the oil rents and the Khalifa affair illustrate corruption of the political system or a political system of corruption, and he suggests that it is the latter.<sup>31</sup> Indeed, Algeria has exhibited a chronically weak set

of state institutions that have always been “prey to rapacious political clans and clienteles,” ever since the French administration was captured in 1962. Boumediène achieved a measure of control over them in the 1970s but even this incorruptible leader had to tolerate the corrupt activities of colleagues: “*Personne n’est en mesure de résister à la tentation de goûter au miel*”<sup>32</sup> (“No one can resist the temptation to taste the honey”) is his famous saying. Bouteflika has attempted to repeat his former master’s feat, albeit without any coherent national project like “industrializing industry.” As Marx once said, paraphrasing Hegel, history never quite repeats itself, as recall of the revolutionary moment of enthusiasm turns into a farce.

### DIVERGENCES AND POSSIBLE CONVERGENCES

The three North African trajectories hardened into distinctive postcolonial political economies. Morocco, least intensively colonized, displayed the greatest continuities in economic development, replacing French with Moroccan business elites close to the palace. The presidential monarchies, by contrast, destroyed the old elites but displayed striking differences in their administrative capacities to replace them. Favored by a strong national party at independence, the Tunisians infiltrated and then took over and managed the colonial state apparatus, whereas the Algerians seized and virtually destroyed theirs.<sup>33</sup> The strong Tunisian state nurtured a politically connected business class of entrepreneurs and contractors that was newer and less concentrated than its Moroccan counterpart. Being more dispersed, the Tunisian entrepreneurs tended to be more dependent on the ruling party and various state agencies than the Moroccan oligarchs, who enjoyed direct connections with the makhzen. Each business community served as a source of regime patronage, but in Tunisia the wiring still ran through the ruling party.

Personality cults, first of Bourguiba, then of Ben Ali, undermined the party as a source of legitimacy, but it remained a useful patronage channel under its various incarnations.<sup>34</sup> It not only mobilized masses but also vetted key economic actors, such as bank managers. In Algeria, by contrast, the FLN had never been a mass party although its self-co-opting club of revolutionaries used it to channel patronage before Algeria officially converted to a multiparty system in 1989. In fact, the FLN never enjoyed the Destour’s supremacy because the state, enriched by petroleum revenues, offered many other outlets, such as the ministry for revolutionary veterans (moujahidines). Public sector jobs alone constituted almost 60 percent of total employment in 1990<sup>35</sup> but diminished to 28.7 percent in 2000 after the dismantling of much public enterprise during the tragic decade of violence. The government was still substantially larger than those of Tunisia and Morocco, which employed only 12.0 percent and 6.7 percent of their respective workforces.<sup>36</sup> Government jobs were a major source of

political patronage needed in Algeria to keep the masses in line. Algeria's government also offered much juicier morsels for its elites, such as tenders for major contracts and project management. A former prime minister estimated in 1990 that Algerian expenditures for development in the 1970s and early 1980s (while oil revenues were plentiful) had netted corrupt Algerians officials some \$26 billion, roughly the equivalent of the country's external debt at the time.<sup>37</sup>

In Algeria, patronage derived from command of the state treasury, which depended on hydrocarbon revenues for at least 60 percent of its income, whereas patronage in Tunisia and Morocco depended more on interactions between the state and private sector businesses. Tunisia and Morocco had stronger states and more structured private sectors. Put differently, the two former French protectorates had stronger traditions of private property rights than Algeria, for which private property had literally been theft, equated with colonial exploitation.<sup>38</sup> The resulting patterns of patron-client relations were therefore more durable, grounded in private property, in the two former protectorates. The private sector lacked any real autonomy but it buffered changes in the corridors of power. In the more egalitarian Algerian society, networks depended on exchanges of favors, effects of family, friendship, and transient power relationships, rather than on the more durable but asymmetrical exchanges of loyalty for goods and services characteristic of classic patron-client relationships.

Despite foreign exchange reserves reaching \$140 billion in 2009—sufficient to cover three years of imports—Algeria's political economy remains fragile. Elected to a third term in April 2009, President Bouteflika has concentrated power but remains in need of effective intermediaries to channel popular demands and implement an economic strategy of diversifying the economy. The reserves cushion the economy but growth remains slow, incapable of offering employment to an increasingly frustrated youth.

The Khalifa affair dramatically illustrated the emergence of new economic interests centered on the various private monopolies accumulated in the import sector. The golden boy clearly had influential friends within top military circles. These included Larbi Belkheir, who had served as the director of Chadli Bendjedid's presidential cabinet and *éminence grise* of the regime until President Bouteflika redeployed him to be Algeria's ambassador to Morocco in 2005. As late as the spring of 2003, after a government sequestrator was put in charge of the Khalifa Bank, General Belkheir was still pressing for a refinancing of the bank rather than liquidating it.<sup>39</sup> Virtually the entire *nomenclatura* of the Algerian political elite had been involved in the bank's patronage networks. The full story of the Khalifa group's emergence and disappearance illustrates the system of corruption under which Algeria is governed, but it also carries another implication.

The traffickers and their influence peddling implicated the entire regime. The *nomenclatura* clearly desired to stabilize their influence by acquiring stakes in a dynamic private sector. The fragile networks of influence and power need

to be grounded in private property relationships. How else could the revolutionary generation still in power pass on its legacy of power and influence to its sons and daughters?

The liberalization of foreign trade undertaken by the Hamrouche reform government (1989–1991) in theory opened up lucrative import businesses to skilled entrepreneurs, but in practice, once the reformers were dismissed from office, each sector came to be dominated by a few actors enjoying strategic connections with the Algerian military. In short, state monopolies gave way to private sector monopolies protected by those in power, by force when necessary. For instance, in the pharmaceutical sector that Khalifa penetrated, at least four of the other five major actors had important military or police connections.<sup>40</sup> By 2008 the six firms had roughly 60 percent of the sector, but new legislation was finally promoting rather than discouraging the domestic production of generic drugs.

Political elites needed stability to ensure that the conversion of their transient political influence into economic goods and services could be kept in their families. Some conglomerates, such as Issad Rebrab's Cevital, already offer some foundation for a competitive private sector. Rebrab is involved across a number of sectors including the press, where he owns one of Algeria's principal French-language newspapers.<sup>41</sup> Rebrab, too, like others who benefited from privatized state monopolies, had his start in imports (iron bars for reinforced concrete) with help from political allies, but he moved to import-substituting industries and currently intends to export some of the household appliances that are to be manufactured in Setif in a joint venture with Samsung. New would-be conglomerates, such as Mohamed Abdelouahab Rahim's Groupe Dahli, competing for a megaproject to develop Algiers, also need legality, a comfortable and transparent business environment, and property rights above all. As Rahim argues, speaking of financial markets and reflecting the perspective of a new entrepreneurial class, "The informal market creates chaos. We have become the world's garbage heap. We need a bit of organization."<sup>42</sup>

### TOWARD A MAGHREB OF OLIGOPOLIES?

Maghreb unity has long been a popular aspiration, but the loose-knit Union du Maghreb Arabe has stagnated since 1989, and trade between its three core countries actually diminished from 2 percent to 1.2 percent of their total trade in 2004. The World Bank still argues the virtues, however, of deeper, broader economic integration of the core Maghreb countries with the European Union. Economies of scale and competition within the market of 75 million people would lead to greater growth as well as a better bargaining position with the northern countries. The Bank estimated in 2006 that a free trade area accompanied by concerted reforms of services and investment climates could raise per capita growth rates between 2005 and 2015 by an additional 57 percent,

38 percent, and 51 percent for Algeria, Morocco, and Tunisia, respectively, compared to the growth rates projected under the status quo. Such reforms, in fact, could impel average annual per capita income growth rates in the range of 6 percent in all three countries—sufficient to make a significant dent into the region's serious unemployment problem.

Technocrats of the three countries participated in the writing of the report and would no doubt find large areas of agreement with colleagues in their home countries. But the border between Algeria and Morocco remains closed, despite Morocco entreaties, except for infrequent and expensive cross-border flights by the two national airlines between Casablanca, Oran, and Algiers. Although Morocco would agree to open the border without Algerian acquiescence in Morocco's occupation and annexation of the former Spanish Sahara, the Algerians have refused to forgive Morocco for having falsely accused the country of promoting Islamist terrorism in the kingdom. Technically Algeria would be the principal beneficiary of the World Bank's proposed reforms, but a legacy of distrust persists from the 1963 border war between the two countries that was fueled in part by vigorous ideological opposition between the monarchy and the Democratic and Popular Republic.

One way out of the ideological cul-de-sac would be to depoliticize integration and work on functional cooperation. Such efforts were attempted and failed in the late 1960s, however, and again seem doomed to fail in the absence of vigorous parastatal actors. The Union du Maghreb Arabe (UMA) has been paralyzed over the past two decades, despite obvious economic interests in functional integration, which has failed to materialize. Where such processes bore fruit, as with the European Union that originated from an iron and steel community, rich varieties of interest groups made the critical contribution of discovering convergent interests and, even when they disagreed, acquired a stake in transnational institutions that reduced their transaction costs.<sup>43</sup> Civil society in the Maghreb, however, does not feature the rich variety of relatively autonomous interest groups that supplemented governmental efforts to build the European Union. The numbers of NGOs (nongovernmental organizations) were increasing in all three countries, but they enjoyed little autonomy in the former single-party states, where the authorities systematically instrumentalized associational life.

Algeria led the way in absolute numbers, totaling 58,000 associations in 2001, or roughly 187 per 100,000 inhabitants, compared to much lower associational densities of 103 and 54 in Morocco and Tunisia, respectively.<sup>44</sup> As a seasoned Algerian journalist recently observed, however, "This civil society has been artificially manufactured and it constitutes, in its overwhelming majority, a simple clientele of local administration and security services."<sup>45</sup> Tunisia, too, despite a much richer associational past, now resembles Algeria. Fewer than a half dozen of Tunisia's 7,500 associations counted in 2001 are really autonomous, and they are subject to continual harassment by police thugs and infiltration by

ruling party loyalists. Only in Morocco is some space allowed for NGOs to breathe, for their very divisions help to legitimate the monarchy. Business associations have occasionally demonstrated real initiative in conjuring up collective action against incumbent cartels, in the textile and apparel industry, for instance, as ably demonstrated by Melanie Cammett.<sup>46</sup> Shortly after she wrote, however, the old guard regained control of the *Confédération Générale des Entreprises du Maroc* (CGEM), the umbrella organization of Moroccan private sector business. And the controls over associational life in neighboring countries were not about to be lifted. In Algeria the shadowy presence of al-Qaeda served to justify a state of emergency that has been in force since 1992, just as the specter of political Islam also served incumbent leaderships with excuses to violate human rights in Morocco and Tunisia.

How then might the reforms suggested by the World Bank come about, assuming Algeria and Morocco could reach agreement on opening their borders, without the sorts of active interest groups that propelled Europe's economic integration? The story of the Khalifa group suggests one possible sort of convergence of interests that might lead toward a Maghreb of enterprises. As the nomenclatura that benefited from market reforms in the 1990s tries to consolidate its conversion of political influence into economic enterprises, it may push for a more credible legal framework to guarantee the hard-won property rights it wishes to pass on to its children. In coming years new and more firmly based Khalifa groups may come to dominate a growing private sector. The Khalifa experience itself anticipated the vision, and its negative outcome has not destroyed the underlying interests that supported its enterprises. Private sector development was viewed as a miracle to the ex-socialist elite expecting miracles. "We were all just fooled," claimed the hardnosed incoming prime minister, Ahmed Ouyahia, on June 3, 2003.<sup>47</sup> Were the Algerian private sector to develop along Moroccan lines, the traditional antitheses between a medieval monarchy and a progressive popular socialist regime would vanish under the power of their collective media representations.

Another catalyst that might stir reforms along the lines of the World Bank technocrats could be a change of regime in Tunisia that liberated its highly developed civil society. Tunisia is economically and administratively the most advanced of the three countries, and its police state serves as a model for Algeria's search for law and order. The president's family, however, seems far more economically dysfunctional than the Moroccan monarchy, and tight police surveillance is needed to repress the resentments of a business community. Tunisian businesspeople can exit in the sense of not investing but they cannot exercise voice: They are silent but refuse to become visible in major projects when it is generally known that the president's family members will extort a good 25 percent of commissions to implement any major investment. They even tried to steal funds from Yasir Arafat's widow.

Were the dysfunctional ruling family of Tunisia to be somehow removed, its patron perhaps retired like Bourguiba for medical reasons if not by fair and free elections, the Algerians would observe a new model in place of Tunisia's unnatural police state. The press would be liberated along Algerian lines but with greater underlying transparency, as the preponderant one-party regime adapted to new collective leadership. Tunisia's evolution would become more visible. In a more gradual way the Tunisian single-party nomenclatura has quietly converted its political prestige and influence into solid property holdings that are better guaranteed than in Algeria. With the return of a liberated judiciary and a strong state temporarily corrupted by excesses of personal power, Tunisia could show its Algerian counterparts the way to better security for their newly gained holdings. Such business-friendly reforms are part of the concerted efforts proposed by the World Bank, leading to a Maghreb of enterprises in which oligopolies would become more competitive in the expanded markets.

Algeria is obviously the center of any prospective Maghreb, but all three countries face dire threats of revolt by a younger generation of unemployed. It was not Algeria or Morocco but rather the slightly more affluent Tunisia that supplied the four suicide bombers who blew themselves up in Iraq in April 2009.<sup>48</sup> The national visions of the 1960s have worn thin everywhere, and all three regimes as currently constituted face dismal futures unless they can harness their demographic "bulges" of youth reaching their respective labor markets. Perhaps—at least one might hope—the colonial trajectories discussed in this chapter have outlived their usefulness.

## NOTES

1. Walt Whitman Rostow, *The Stages of Economic Growth, a Non-Communist Manifesto* (Cambridge and New York: Cambridge University Press, 1960).

2. Charles Micaud with Leon Carl Brown and Clement Henry Moore, *Tunisia: The Politics of Modernization* (New York: F. A. Praeger, 1964); Clement Henry Moore, *Tunisia Since Independence: The Dynamics of One-Party Rule* (Berkeley: University of California Press, 1965); Moore, *Politics in North Africa* (Boston: Little, Brown, 1970); Elbaki Hermassi, *Leadership and National Development in North Africa: A Comparative Study* (Berkeley: University of California Press, 1972). Moore taught at Berkeley, where Hermassi was a graduate student given access to an earlier draft of his 1970 publication. Readers may judge how carefully the graduate student used the text.

3. From 1961 to 1970 Tunisia's gross domestic product (in constant 2000 dollars) increased by 36.9 percent, whereas Algeria's and Morocco's increased, respectively, by 39.5 percent and 39.2 percent. Source: World Bank Development Indicators 2008, author's calculations.

4. Had Tunisia achieved independence a generation earlier, in 1943, its traditional ruler, Moncef Bey, might have achieved a status comparable to that of Mohammed V of Morocco and then succeeded in balancing off various factions of the Destour Party.





5. The “granary” consisted of reserves of wheat that precolonial sultans stored for favored tribes during hard times.
6. The outstanding reference is Mohammed Said Saadi, *Les groupes financiers au Maroc* (Rabat, Morocco: Okad, 1989).
7. Mohammed Harbi, *Aux origines du Front de libération nationale: la scission du PPA.-M.T.L.D.: contribution à l'histoire du populisme révolutionnaire en Algérie* (Paris: C. Bourgeois, 1975), pp. 88–99. Messali Haj created the MTLN in 1946, to succeed the PPA, which France had banned in 1939.
8. Mohammed Harbi, *Le FLN, mirage et réalité* (Paris: Éditions J.A., 1980).
9. For more on this theme, see C. M. Henry, “Algeria’s Agonies: Oil Rent Effects in a Bunker State,” *Journal of North African Studies* 9, no. 2 (Summer 2004): 68–81.
10. Belaid Abdesselam, *Le hasard et l'histoire: entretiens avec Belaid Abdesselam* (interviewed by Mahfoud Bennoune and Ali El-Kenz), vol. 2 (Algiers: 1990).
11. Government effectiveness is a subjective governance indicator aggregated from a variety of sources and measuring perceptions of the following concepts: bureaucratic quality, transaction costs, quality of public health care, and government stability. Estimates range between -2.5 and 2.5; higher is better.
12. From the same Sahel village as chief planner Ahmed Ben Salah, Belkhiria decided upon a private business career in the early 1960s, unlike his classmates, who almost universally gravitated into government service of one form or another. Tunisian business groups celebrate his exemplary career.
13. From 1981 to 1990 Morocco’s GDP grew by 33.3 percent in constant 2000 dollars, whereas Tunisia’s and Algeria’s increased by only 25.7 percent and 21.6 percent, respectively. Source: World Bank, WDI 2008.
14. Figure 7.4 stops after 1991, the last year of available statistics from Algeria. In 2006 Tunisia’s debt servicing amounted to only 14.4 percent of its export earnings.
15. World Bank, “Getting Credit,” Finance For All research project 2007, <http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTRESEARCH/0,,contentMDK:21546633~pagePK:64214825~piPK:64214943~theSitePK:469382,00.html>, Table A.1, Composite Measure of Access to Financial Services.
16. The other two full national chapters—no longer simply “national chapters in formation”—were those of Lebanon and Palestine.
17. Control of corruption is defined as “a subjective governance indicator aggregated from a variety of sources and measuring perceptions of the following concepts: corruption among public officials, corruption as an obstacle to business, frequency of ‘irregular payments’ to officials and judiciary and perceptions of corruption in civil service.” Estimates range between -2.5 and 2.5; higher is better. Source: World Bank.
18. An expression once used by Bourguiba to play up the importance of having a strong state. Several Tunisians stressed the significance of the expression to the author during his fieldwork in those vintage Bourguiba times, 1960–1962.
19. Aid per capita to Tunisia amounted to 77 euros 1995–2003, almost double Morocco’s receipts and far more than Egypt’s or Syria’s. Patrick Holden, “Strategic Intervention or Showcase: EU Aid (MEDA) as a Force for Change in Morocco?” pp. 541–567, [www.fscpo.unict.it/EuroMed/EDRC5/ecofincom03.pdf](http://www.fscpo.unict.it/EuroMed/EDRC5/ecofincom03.pdf), cites official MEDA data on p. 555.
20. Hedi Baccouche, who also came from Ben Ali’s home village of Hammam-Sousse, had protected Ben Ali immediately after independence from being sanctioned



for a relative's alleged collaboration with the French colonial power and enabled him to get a scholarship for Saint-Cyr, the French military academy. In need of some historical legitimacy, Ben Ali made another former Tunisian student leader, Tahar Belkhodja, write about his mythical exploits as a young officer defending against the French bombardment of Sakiet Sidi Youssef in 1958 as a condition for publishing his book in Arabic. Belkhodja had served as minister of the interior, 1980–1983, and Baccouche was Ben Ali's first prime minister, the reputed brains behind Ben Ali's coup, before being dismissed in favor of a more pliable successor.

21. See Michel Camau and Vincent Geisser, *Le syndrome autoritaire: Politique en Tunisie de Bourguiba à Ben Ali* (Paris: FNEP, 2003), pp. 204–205, for various estimates of the police force in 2000. Tunisia's police density exceeded that of Montserrat, the country with the highest density at 7.8 per 1,000 inhabitants in an online data set that included the major European countries, Japan, and India, but not China, only Hong Kong. See [www.nationmaster.com/red/graph/crime/crime-police-per-capita](http://www.nationmaster.com/red/graph/crime/crime-police-per-capita).

22. World Bank, Country Assistance Strategy Progress Report, Report No. 38572-TN, August 13, 2007, p. 4.

23. The World Bank supported reforming Tunisia's financial system in 1991, if not earlier. See Economic and Financial Reforms Support Loan, Loan No. 3424, December 13, 1991. A Tunisian Financial Stability Assessment paper published by the IMF in June 2002 (Country Report 02/119: [www.imf.org/external/pubs/ft/scr/2002/cr02119.pdf](http://www.imf.org/external/pubs/ft/scr/2002/cr02119.pdf)) indicated that nonperforming loans declined from 34 percent in 1993 to 25 percent in 1996 and 19 percent in 1999, but it seems the progress could not be sustained. A. Bedoui, p. 28, reports that the nonperforming loans had increased under Ben Ali from 15.9 percent in 1989 to 39.4 percent of outstanding loans in 1994.

24. There was more overlap between politicians and bankers in Morocco than in Tunisia, however, as discovered by Matias Braun and Claudi Raddatz, "Banking on Politics," Policy Research Working Paper No. WPS 4902, April 15, 2009, [www-wds.worldbank.org/external/default/WDSCContentServer/TW3P/IB/2009/04/15/000158349\\_20090415165247/Rendered/PDF/WPS4902.pdf](http://www-wds.worldbank.org/external/default/WDSCContentServer/TW3P/IB/2009/04/15/000158349_20090415165247/Rendered/PDF/WPS4902.pdf).

25. Camau and Geissner, *Le syndrome autoritaire*, pp. 203–205, give a range of 80,000 to 133,000 police in 2000. Earlier, between 1972 and 1976, the combined police and constabulary had doubled from 6,600 to 13,000 officers.

26. In the early 1980s total credit to the economy amounted to 65 percent to 70 percent of Algeria's GDP, but balance sheets of the public sector banks suggested that no more than 5 percent of their loans were going to the private sector, half of which was constituted by the moujahidines.

27. In 2000–2005 the World Bank counted 580,000 small or medium-size enterprises in Algeria, or 18.7 for 1,000 inhabitants, whereas Morocco only had 450,000, or 15.4 per 1,000 inhabitants. World Bank, *World Development Indicators 2008*.

28. His father, Laroussi Khalifa, had served as cabinet director of Abdelhafidh Bousouf, the Provisional Government's minister of armaments and general communications, the famous MALG, from 1958 to 1962.

29. Mohammed Hachemaoui has written an excellent of the available evidence—all of it published in the Algerian and French presses—in an unpublished manuscript, *Généologie du système de corruption en Algérie*. The present narrative draws heavily on

his analysis as well as the author's observations from fieldwork in Algiers in January and February 2003, when the scandal first broke.

30. World Bank, *People's Democratic Republic of Algeria: A Public Expenditure Review: Assuring High Quality Public Investment*, Report No. 36270-DZ, August 15, 2007, 2 vols., 1: 9.

31. Hachemaoui, *Généologie du système de corruption en Algérie*.

32. Cited by Hachemaoui, *Généologie du système de corruption*, p. 61. Further, President Boumédiène is quoted on p. 301 as saying at an important public debate in 1976, "Il est difficile de mélanger le miel sans le goûter!" ("It is difficult to mix honey without tasting it!") And his foreign minister at the time, Bouteflika, admitted three decades later that "Il n'y en a pas un seul qui n'a pas mis le doigt au miel" ("Everyone has put his fingers in the honey pot"). *El Watan*, July 28, 2008, [www.elwatan.com/Bouteflika-et-les-voleurs](http://www.elwatan.com/Bouteflika-et-les-voleurs), accessed April 27, 2009.

33. In one telling remark in 1977, Boumédiène is quoted as saying "ruser pour voler l'Etat semble être devenu la règle, comme si l'Etat était un Etat étranger" ("Plotting to steal from the state seems to have become the rule, as if the State is a foreign state"). Hachemaoui, *Généologie du système de corruption*, p. 301, italicizes and cites *Révolution Africaine*, September 28–October 4, 1977, cited by Luis Martinez, *La guerre civile en Algérie*, p. 21.

34. In celebrating the fifty-third anniversary of Tunisian independence in 2009, two youths presented President Ben Ali with a CD containing the party-state's latest mobilization effort, a Youth Pact signed by 1,322,929 youth. A coalition of official parties organized the campaign to collect the signatures, and the official ruling party apparently mobilized the masses more effectively by staying in the background. See *La Presse*, March 21, 2009.

35. World Bank, *Unlocking the Employment Potential in the Middle East and North Africa: Toward a New Social Contract* (Washington, DC: World Bank, 2004), p. 98.

36. Elizabeth Ruppert Bulmer, "Rationalizing Public Sector Employment in the MENA Region," World Bank, Working Paper Series No. 19, 2000, p. 5.

37. In his *L'économie algérienne: défis et enjeux*, 2nd ed. (Algiers: Editions Dahlab, 1991), Adelhamid Brahimi attempts to document his accusation, which had been widely reported in the Algerian press.

38. Pierre-Joseph Proudhon, *What Is Property?* (1840).

39. *Algeria interface*, June 13, 2003, cited by Mohammed Hachemaoui, *Généologie du système de corruption*, p. 231

40. Djillali Hadjaj, *Corruption et démocratie en Algérie* (Paris: la Dispute, 1998), p. 170, cited by Hachemaoui, *Généologie du système de corruption*, p. 173.

41. *Liberté* is traditionally understood to be owner Rebrab's mouthpiece, although he recently reinstalled his chief editor and promised him greater editorial freedom. The French-language press collectively claims roughly as many readers as its Arabic-language counterparts—each in the neighborhood of 750,00 readers, many of whom are the same bilingual readers.

42. "Groupe Dahli: Le montant levé en deçà des espérances," *El-Watan*, February 22, 2009. The CEO said, "Le marché informel engendre le chaos. On est devenu la poubelle du monde. Il faut un peu d'organisation."



43. The seminal sources are Ernst B. Haas, *Beyond the Nation-State: Functionalism and International Organization* (Stanford, CA: Stanford University Press, 1964), and Robert O. Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy* (Princeton, NJ: Princeton University Press, 1984).

44. Selim Nasr, *Arab Civil Societies and Governance Reform: An Analytic Conference*, United Nations Development Programme, Conference on Good Governance in the Arab Countries, Dead Sea, Jordan, February 6–7, 2005, pp. 8–9.

45. Abed Charef, “Zerhouni fait une ‘découvre,’” *Le Quotidien d’Oran*, July 10, 2008.

46. Melanie Claire Cammett, *Globalization and Business Politics in North Africa: A Comparative Perspective* (Cambridge: Cambridge University Press, 2007).

47. Hachemaoui, *Généologie du système de corruption*, p. 231.

48. “Petraeus: Tunisian Militants Behind Recent Attacks in Iraq,” *Boston Herald*, April 24, 2009.

