

TOWARD A PROGRESSIVE ECONOMIC & INDUSTRIAL POLICY IN NORTH AFRICA

WORKSHOP GOOD LIFE FOR ALL –Vienna 9-11 FEB 2017

I- HISTORICAL CONTEXT

II-KEY CHALLENGES

III- WHAT SHOULD BE PROGRESSIVE INDUSTRIAL POLICY (PIP) From NA PERSPECTIVE

IV-WHO ARE THE KEY STAKEHOLDERS

V- OTHER IMPORTANT ISSUES

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INITIAL HANDICAPS AND FURTHER AGRAVATIONS

Colonisation

Eurocentric Post colonial Developmental states

Liberal globalisation with higher EU-economic Integration (1995)

Dictatorship contexts and corruption

A new Revolutionary context and, Democratic Transition « failures »

THE INDUSTRIAL AND ECONOMIC DEVELOPMENT IN NORTH AFRICA :

Shaped by:

- Post colonial developmental states
- IMF/WB Structural adjustment plans 80's
- GATT 1995
- EU Association agreements 1995

Further oriented with:

- Deauvilles Partnership 2011
- New ENP 2011 & REVISED ENP 2015
- Enlargement Without Adhesion Syndrome : Further liberalisation of trade with a negotiation of a new DCFTA with a complete integration and regulatory conversion but strengthen security cooperation and border control , and restricted mobility.

THE INDUSTRIAL AND ECONOMIC DEVELOPMENT :

(In Tunisia) Characterized by:

- Assembly line for Europe (France, Germany, Italy...and a Field for Uk extractivism)
- Specialization in Textile, mecanic and electronic products ,
- Competitive social and fiscal dumping
- Low value-added industry, Degrading in GVC , Deindustrialization , Tertiarization
- Unemployment, Job insecurity, regional disparity , Poverty

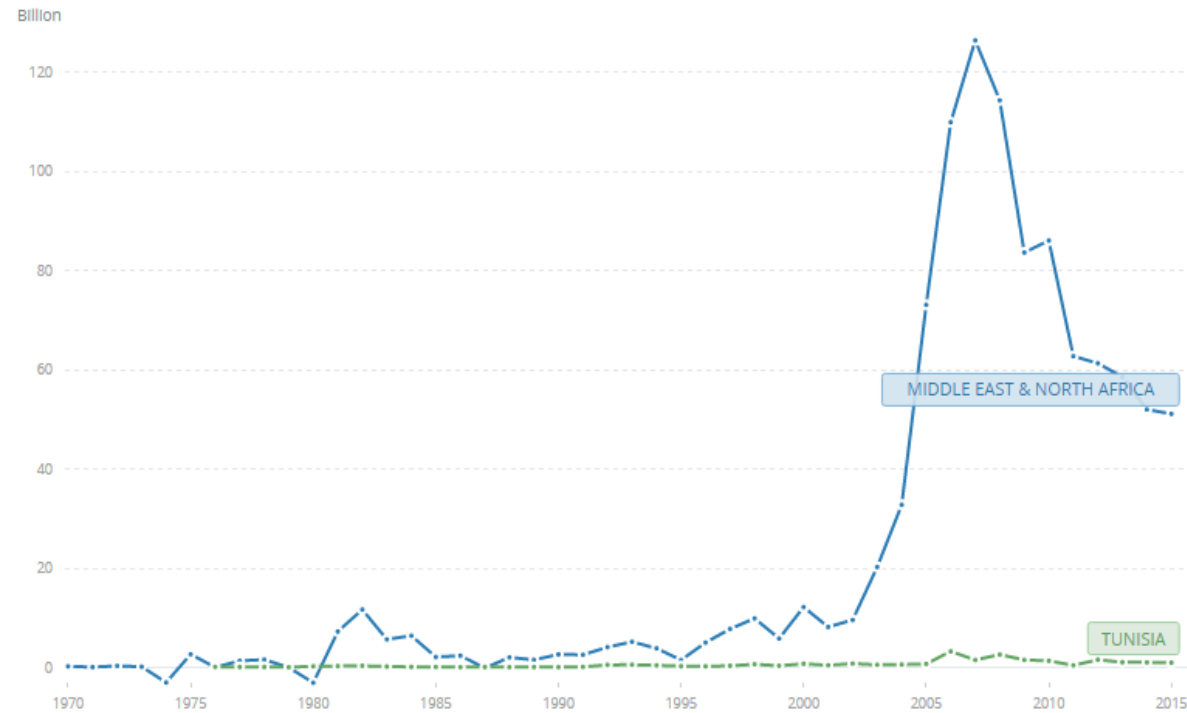
THE INDUSTRIAL AND ECONOMIC DEVELOPMENT :

- **Tunisian manufacturing industry** was subject to progressive tariffs dismantling with the hope of attracting FDIs, (Association agreement with EU 1995)
 - the argument that competitiveness will reallocate resources and allow more specialization, contributing thus to growth, employment and technology transfer.

II- KEY CHALLENGES

The reality is different:

Net inflows of FDI , Tunisia , Middle east and North Africa

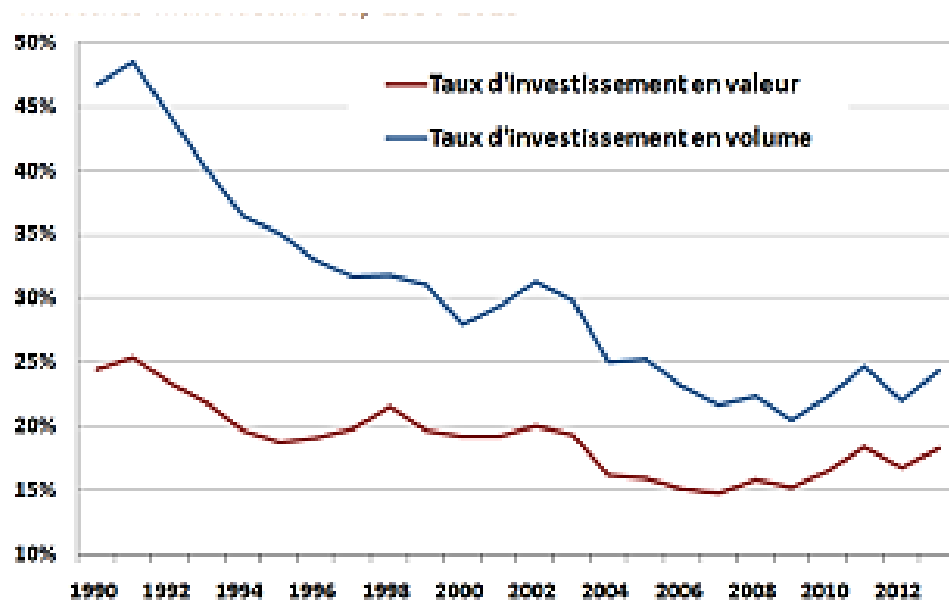


Source WB, 2016

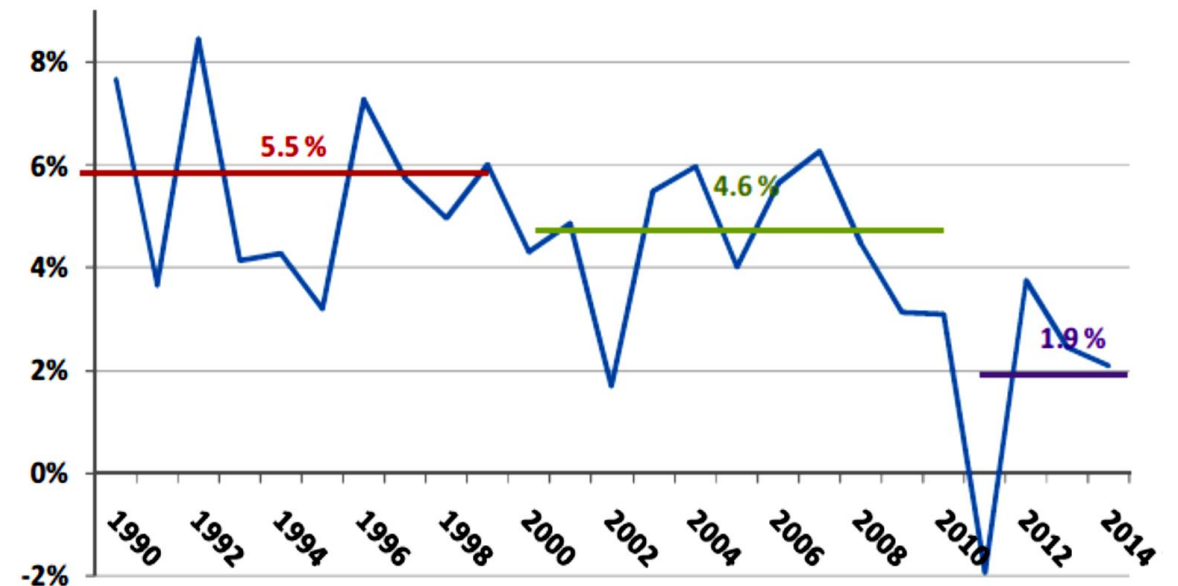
II- KEY CHALLENGES

The reality is different:

Tunisia Investment Rate Manufacturing 1990-2013



Tunisia, Average Growth Rate 1990-2013



Source : Jousour report October 2015

DEBT CONDITIONALITY AS A TOOL (IN THE HAND OF CREDITORS) TO FRAME ECONOMIC AND TRADE POLICIES

- **WB conditions:**
 - Changing the investment Law, to include more protections to investors
 - A Private-Public Partnership Legal framework,
- **EU conditions :**
 - IMF Agreement + DCFTA pre-regulatory convergence
- **IMF conditions:**
 - Changing the banking and financial sector laws
 - The Central Bank law,
 - The law on competition,
 - Banking regulations, bankruptcy law.
- + **Macroeconomic measures**
 - The reform of pension funds,
 - Wages and recruitments freeze
 - Energy subsidies suppression (the adoption of an automatic formula for oil prices)
 - basic foodstuff subsidies suppression

DEBT CONDITIONALITY AS A TOOL (IN THE HAND OF CREDITORS) TO FRAME ECONOMIC AND TRADE POLICIES

- In Morocco Active debt management program was designed to reduce external public debt through debt conversion mechanism
- But The conversion of debt into investments has enabled European companies to monopolize the most strategic sectors: water, electricity, sanitation, urban transport, etc.(ATTAC 2016)

DEBT AS A CONSTRAINT THAT REDUCES GOVERNMENTS POLICY SPACE:

- RISING EXTERNAL DEBT STRESS :
- African countries hold debt in dollars, euros, Swiss francs, pounds sterling, yen and special drawing rights,
- The more debt stock held in a given foreign currency by a country , the more vulnerable that country becomes to potential exchange rate and macroeconomic and political shocks in the foreign currency country.
- Maintaining adequate reserves to respond to an unexpected adverse development in debt and export trade markets is a priority for African countries (UNCTAD 2016)

DEBT AS VICIOUS DEPENDENCY CIRCLE

The external funds are generally needed to cover the need of hard currency which is caused by :

- Trade deficit derived from the lack of export capacity to cover imports (including tourism revenues)
- The decrease of foreign direct investment while continued transfer abroad of capital earnings by non-resident companies,
- The decrease in workers remittances, especially in a context of recession
- and expired deadlines for debt amortization,

aggravated by illicit transfers and fiscal evasion:

- Between 1970 and 2008, Africa lost an estimated \$854 billion in illicit financial flows, roughly equal to all official development assistance received by the continent in that time. (UNCTAD 2016)
- **The inability to cover the current account deficit in foreign currency (causing more stress on the value of local currency) only through further external borrowing to cover the Financing Gap.**
(for example \$billion 1.7 of total \$billion 2.9 of the extended fund facility, obtained by Tunisia in 2016 From IMF will be used to repay the previous IMF Stand-By loan (IACE 2016)

Creating the policy space for PIP:

- Foreign reserve management should be improved by adopting consequent measures for non-productive/harming imports that are causing large trade deficits (The use WTO tools & targetted local regulation) and restrict cross border capital flows.
- Urgently stop implementing changes in domestic regulations and policies designed in the debt conditionality to comply with creditors interests.
- Geniunely negotiate debt rescheduling /conversion (as unilateral cancellation seems to be costly)
- Regional Blocks cooperation
- EU-DCFTA Negotiations :
- Remove trade and investment related ssues and regulatory convergence from EU-debt and financial assistance conditionnalities
- Comprehensive studies should be conducted locally on the expected effects of DCFTAs, not only on the economic sectors, but also conducted with a social and human rights perspective.
- Not separate mobility issues from trade negotiations, a win-win agreement on migration with europe to avoid a greater security and humanitarian crises

3,740 lives had been lost in 2016, 3,771 in 2015, 3000 in 2014 (UNHCR 2016) ; the likelihood of dying in “the central mediterranean route” between Libya and Italy, is one death for every 47 arrivals.

PIP : Implementing Sovereign Policies for the Benefit of People

- Sustainable development can only be realized through the appropriation of economic sovereignty by implementing sovereign policies that reduces economic, financial, energy, food and technological dependence:
- Promoting / Subsidizing agriculture in the direction of achieving the highest level of food sufficiency, and health security.
- Promoting and targeting incentives to high value added industry, that means : job creative-industry, climate friendly, and technologically open.
- Import substitution/export subsidies with imposed efficiency constraints
- Efficiency constraints must be focused on Job creation, inequality reduction (geographic and gender) and most important , imposing learning linkages between the exporting sectors and the rest of the economy.

PIP : Is a Political Project :

- Need to rethink the International financial and monetary system / sovereign monetary policy .
- Sovereign industrial policies should not only be focused on Structural transformation and growth performances,(that led to national capitalists accumulation of wealth more than its equal redistribution) It should be shaped with an objective of social justice,
- It should be thought politically with citizens fully engaged in shaping these policies in a democratic manner, to match their material exigences and social aspirations (improvement of the quality of living LOCALLY, will limit migration aspiration)

Who needs to be implicated ?

- REGIONAL BLOCS?:
 - Maghreb Union, (long uncertain process, due to divergent political paths)
 - AFRICAN regional blocs (Learn lessons from : EAC draft model investment treaty, SADC model)
 - African Union
- At the local Level:
- Civil society organisations ,for example:
 - Progressive political components, Trade Unions (Uggtt Nobel Price of Peace 2015) farmers, and professional corps, Seatini UGANDA (negociation advising for governments and stakeholders , FTDES TUNIS (strengthening links with European networks cooperation on the field of trade agreements, and socio economic rights) Attac MARROC , CadTm international network for Debt Cancellation, International NGOs
 - Alternative forums (i.e Peoples Forum Of Mali ...) But also :
- Academics (strengthen the links between critical currents, and political implication)
- Parliamentarians and political parties, administration(building capacities on technical issues related to trade and economic policies)

Time opportunity ?

HOW COULD POLICY MAKERS AND STAKEHOLDERS DESIGN ADEQUATE PROGRESSIVE INDUSTRIAL POLICIES ?
UNDER:

- Actual Changing International political context
- New security issues, and a greater need in military and security budget
- Constant deteriorating terms of trade & Debt enslavement
- Eurocentric technocratic neoliberal elites
- Donor-Dependant civil society organisations
- The long Time needed for such structural transformation VS short time of electoral cycles

JOB	شغل
FREEDOM	حرية
NATIONAL DIGNITY	كرامة وطنية

THANKS
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