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Tunisian Industrialists and the State

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During the past decade or so the field of development studies has performed a volte-face regarding the private sector's role in the development process. In an earlier generation of development theory, conventional wisdom put an enlightened state (and expanded state sector) center-stage in development strategy. Over time, however, development theorists grew disenchanted with state-led development given the sluggishness and inefficiency associated with public sector growth; increasingly, they focused attention on the dynamic (and corrective) role private sectors might play in the development process. Policies fostering private sector growth were pressed upon Third World countries; terms like *privatization* and *liberalization* became the watchwords of rhetoric—if not always policy—in much of the developing world. This change in rhetoric spread to parts of the Arab world as well; and, whether as cause or effect, it coincided with the emergence of "an entrepreneurial, production-oriented bourgeoisie" in the region (MERIP 16, no. 5, [September–October 1986]: 2).

The political implications of this development, however, remain to be seen. The question remains, does the rise of a production-oriented bourgeoisie in countries like Egypt, Tunisia, or Morocco signify the appearance of a dominant class, that is, a class able to dictate policy to the state? Or has the Arab bourgeoisie remained essentially parasitic, state-dependent, and hence politically submissive to initiatives from states that are still largely autonomous and self-directing? This question can be answered only after empirical research into the character of the bourgeoisie and its relation to the state in the context of specific Arab countries; this chapter is an attempt to carry out such an investigation in the case of Tunisia. By studying the origin, structure, and organization of the Tunisian industrial bourgeoisie, as well as its relation to the state, this chapter will explore the issue of who is servant and who is sovereign in the context of Tunisian politics (Batatu

1986, 12) and suggest the contours of the relationship between state and bourgeoisie in other Arab countries as well.[1]

■ Tunisian Industrialization

To trace the development of an industrial bourgeoisie in Tunisia we should begin by reviewing the history of Tunisian industrialization. Like other Third World countries, Tunisia was a latecomer to industrialization, though for centuries the country had produced and exported sophisticated consumer goods. Tunisian ceramics, textiles, and leather goods were world-famous in medieval times; items like wool *chechias* (caps) were prized and purchased throughout the Muslim world (Mahjoub 1978, 28). But despite large-scale production and distribution, production processes in Tunisia remained largely artisanal. Nor did the country's opening to European capital in the early nineteenth century alter the system of production. French and British capitalists saw in Tunisia a potentially profitable commercial venture, not a field for industrial development. They sought to procure Tunisian agricultural products (primarily grain, olive oil, dates, and wool) in exchange for European manufactured goods. In fact, Tunisia's first venture into industrialization was delayed until the mid-nineteenth century, when Ahmed Bey began an experiment in "defensive modernization" that involved the creation of mechanized oil presses, flour mills, and cannon and gunpowder factories (Mahjoub 1978, 84). But this first experiment in state-led industrialization was soon abandoned by the bey and, save for the mechanization of the odd flour mill or oil press by a local notable or foreign trader, Tunisia remained largely devoid of industrial structures well up to colonial invasion in 1881.

The imposition of French rule, however, did not necessarily speed the industrialization process in Tunisia. French colons, much like their merchant predecessors, regarded Tunisia as a source of agricultural exports; they invested primarily in olive, vine, and cereal culture. A near-exclusive focus on agriculture was expanded to include mining when mineral deposits (lead, zinc, iron, copper, and, most importantly, phosphates) were discovered in the late nineteenth century. Thus, for the first fifty years of colonial rule industrialization was not a priority; the main areas of economic investment were agriculture and mining. Moreover, the creation of a customs union with France in 1904 (redefined in 1928) opened the Tunisian market to French manufactured goods, a factor that stunted the development of local industry (besides destroying local artisanry). Official statistics from the period make this clear. For the year 1896, Azzam Mahjoub (1978, 234) counts only 103 industrial enterprises in Tunisia (the lion's share of which, 68, were in the agroalimentary sector). Thirty-four years later, in 1928, the number had only risen to 428, with Tunisian industry still heavily weighted toward the agroalimentary sector (358 firms, of which 256 seem to be little more than mechanized olive oil presses).

By the mid-1930s, however, Tunisia's industrial sector began to expand and diversify. But the biggest spurt in industrial growth coincided with World War II and the years immediately following the war (1938–1951). The timing of this spurt had more to do with external factors than internal ones. During the war North Africa was cut off from the supply of European manufactured goods; under these artificial conditions an indigenous industry grew up to answer local demand for manufactured products (Mahjoub 1978, 311–312). This process was expressly encouraged by the colonial state, which perceived the "underindustrialization" of Tunisia as a strategic risk. (France could not guarantee the provision of essential goods to its citizens in Tunisia during wartime [Signoles 1984, 556]). Consequently, the state issued a series of decrees designed to encourage private investment in industry. Between 1942 and 1956 four laws were passed offering tax breaks, customs exemptions, and guaranteed credit to all potential investors. During the course of this period, the French state provided more than six billion francs in credit to new industrial ventures (Gouia 1987, 201–202; see also Signoles 1984, 735 and Romdhane 1981, 180).

Given the protected market and the state's encouragement, local industry flourished. The production capacity of extant industries increased significantly (Mahjoub [1978, 315–317] estimates that the metalworks sector increased its capacity nearly seven-fold); and entirely new industrial ventures sprang up (e.g., food canning, textiles). Unfortunately, a good many of these firms, launched under the artificial conditions of war-imposed autarky, were not competitive enough to survive the resumption of foreign trade with Europe at the war's end. (Mahjoub [1978, 556] counts fifty-two food canning factories in 1947; by 1952 only twenty-two still survived.) Moreover, it should be stressed that although Tunisian industry may trace its roots to the World War II period, a Tunisian industrial bourgeoisie cannot claim such early origins. Throughout this period most industrial sectors were dominated not by Tunisian entrepreneurs but rather by large European trusts (this was certainly the case in mining, transport, and energy); even transformative industries were dominated by foreigners. A 1953 census of large industrial enterprises in Tunisia found that out of 141 establishments employing over fifty workers only 11 (8 percent) were owned by Tunisians (Mahjoub 1978, 338). This meant that Tunisia arrived at Independence in 1956 still lacking an indigenous industrial bourgeoisie of any real consequence.

With the achievement of Independence, Tunisia was finally positioned to steward its own economic destiny. Confronting this task, the Tunisian elite was divided over the development strategy to adopt. One wing advocated a central role for the state in the development process, concentrating capital in the hands of the public sector and orchestrating investment through a careful system of planning. A second wing preferred to make the private sector the engine of growth, arguing that market signals, not planning directives, should guide the development of the economy. After considerable political struggle between these two groups, President Bourguiba ultimately opted for the second, "liberal" strategy. As the success of this strategy ultimately depended on a dynamic, industrializing bourgeoisie, the state proceeded to set in place various legal and institutional structures to foster their development. Colonial decrees offering tax holidays and guaranteed loans to industrial investors were preserved by the state; and more generous laws (such as that of February 1958 guaranteeing stable tax regimes for exceptionally long periods of time to firms with new investments exceeding fifty thousand dinars) were drawn up as well (Romdhane 1981, 179–189). Prohibitive customs tariffs were decreed to protect infant industries in the local market, and wholesale import bans were not uncommon in many sectors. Finally, a number of financial institutions were created between 1956 and 1961 with the express mandate to make credit easily available to potential Tunisian investors. (Among these were the Fond d'Investissement et Developpment (FID), Société Tunisienne de Banque (STB), and Société Nationale d'Investissement (SNI) (Dimassi 1983, 133).

Despite much encouragement, however, the response of the Tunisian bourgeoisie was disappointing. Investment funds made available for industrial projects went begging; Tunisian entrepreneurs apparently preferred to buy up abandoned French businesses rather than risk inaugurating new industrial ventures (Romdhane 1981, 200). Investment levels fell between 1956 and 1961 (a process exacerbated by the capital flight associated with the departure of the French), and many sectors of industry stagnated (pp. 191–192). During the first five years of Independence per capita GNP remained constant, and by 1961 it was at risk of declining. The disappointing performance of private capital and the consequent threat of negative growth disenchanted many political elites with the "liberal" approach to development and made them reconsider a state-led, planned strategy after all.

■ The State Takes the Lead

Reconsideration became official policy in 1962, the year Tunisia published its economic First Plan. The plan's publication marked the ascendance of the *dirigiste* wing of the political elite, an elite committed to setting Tunisia on a "socialist" path to development. But though socialist symbols and rhetoric were much bandied about in the Tunisia of the early- and mid-1960s (the Destour party renamed itself the Socialist Destour party in 1964), the socialist content of the economic program adopted was actually rather thin.

The state's attempt to make agriculture cooperative, monopolize trade networks, and manage the industrialization process represented an attempt more to centralize economic decisionmaking in the hands of state bureaucrats (*étatisation*) than to realize socialism in Tunisia (Signoles 1984, 754). Nonetheless, the Tunisian economy underwent some dramatic changes during the 1960s, and the state played a central role in this process. This is made clear by the investment figures from the period. For the decade 1962–1971, the Tunisian public sector accounted for 72 percent of gross fixed capital investment; in the industrial sector, its role was even more pronounced. State investment dwarfed private participation in nearly every branch of industry, as shown in Table 3.1.

There is no question then that the state took the lead in the industrialization of Tunisia during the 1960s. Under the direction of Superminister Ahmed ben Salah, state technocrats set up industrial ventures in nearly every industrial sector and geographical region of Tunisia—from sugar refineries in Beja to paper-processing plants in Kasserine. Moreover, this development program was carried out within a particular ideological context, one that prized the public sector as efficient, dynamic, and dedicated to the national interest while denigrating the local bourgeoisie as risk-averse, self-serving followers, not leaders, of the development process. Nonetheless, it is important to realize that even at the height of the etatist experiment, the regime never wholly discredited the private sector, either in rhetoric nor in policy. From the first days of "planned development," political elites from Bourguiba to ben Salah asserted their commitment to the private sector, arguing that the Tunisian economy would be the work of three sectors: state, cooperative, and private. (Even the earliest plan asserted that the state would act largely as "associated partner" to private capital, providing the capital and cadres necessary for private sector promotion and undertaking development projects that surpassed the capabilities of private initiative, such as water, energy, and transport [République Tunisienne, Ministère du Plan 1962–1964, 141].)

In terms of policy, the regime maintained and supplemented earlier decrees designed to encourage the development of the private sector. Throughout the 1960s, tax holidays; protected local markets; guaranteed loans; and subsidized credit, input, and infrastructure were still the rule for private entrepreneurs. These benefits were actually augmented by further decrees in 1962, 1966, 1968, and 1969 (Romdhane and Signoles 1982, 65; see also Dimassi 1983, 515–516). Even in its most aggressive attack on private interests, the state revealed an underlying commitment to private sector development. In the hope of "rationalizing" the commercial sector the state took charge of import and export trade, in addition to reorganizing wholesale and retail networks into a less redundant, state-supervised system. The state's goal was to chase propertied but speculative Tunisians out of the

Table 3.1 Public and Private Participation in Gross Fixed Capital Formation, 1962–1971 (%)

Industry	Public Enterprise	Private Enterprise
Industrial sector	77.7	22.3
Nonmanufacturing industries	76.8	23.2
Mining	98.5	1.5
Electricity, water	100.0	0.0
Petroleum	54.0	46.0
Manufacturing industries	79.3	20.7
Agroalimentary	70.6	29.4
Metal, glass, construction materials	91.0	9.0
Electromechanics	89.8	10.2
Chemicals	76.2	23.8
Textiles	70.7	29.3
Woodwork	30.4	69.6
Paper	78.4	17.6

Source: Gouia 1987, 280.

commercial sector and into more productive activities like industry. In fact, the process was less successful than had been hoped (even though one-third of former wholesalers in the town of Sfax moved into small-scale industrial activities such as shoe manufacturing and metalworks [Signoles 1984, 759; see also Asselain 1971, 111–139]). Nonetheless, it showed that the state, even at its most intrusive, was still at heart committed to the creation of a private industrial bourgeoisie.

■ Private Sector Encouragement

But if nurturing a private industrial bourgeoisie was only implicit in the policies of the 1960s, it became explicit in the 1970s. Agricultural failure and fiscal crisis precipitated the fall of the *dirigiste* elite in 1969–1970; and the new executive team, led by Prime Minister Hedi Nouira, advocated a very different strategy of development.[2] Henceforth, they argued, the private sector would take the lead in national development; the state would only act as its handmaiden and guardian. Chedli Ayari, then minister of national economy, announced in 1974, "The state seeks to create a generation of industrialists who will be the masters of the country tomorrow" (Signoles 1984, 790–794).

To foster their development, the state spared no effort. A new series of decrees were announced in 1972 and 1974 designed to expand existing fiscal benefits, credit subsidies, infrastructure guarantees, and exchange facilities for private investors in industries. New institutions were created such as the Agence de Promotion Industrielle (API, to help entrepreneurs identify potentially profitable industrial investments and facilitate the realization process), the Agence Fonciere Industrielle (AFI, to make land available to industrial investors, often at subsidized prices) and the Centre de Promotion des Exportations (CEPEX, to help exporters identify market opportunities and improve their marketing techniques, packaging, and transport facilities). Financial measures were taken to make credit easily available to potential investors and one fund, Fonds de Promotion et de Développement Industriel (FOPRODI) was created with the express purpose of creating a new class of private entrepreneurs (providing generous grants of capital to potential entrepreneurs who were rich in know-how but poor in financial resources). A new furlough system was instituted in the public sector to encourage state employees to make the jump from public to private sector work: civil servants were permitted a two-year leave of absence to try their hand in the private sector, during which time their positions and seniority in the public sector would be guaranteed (interview with Fethi Merdassi, July 8, 1988).[3] Thus, many measures were employed to encourage the development of a private industrial bourgeoisie during the 1970s.

The results were not disappointing. The 1970s saw a decade of spectacular industrial growth. Pierre Signoles counts more than eight hundred new industrial enterprises created during that period, projects representing more than a billion dinars in investment (Signoles 1984, 568). Tunisia's industrial park doubled in just twelve years, as Institute National de Statistique (INS) statistics show. The following figures represent the number of firms with more than ten employees in selected years (Romdhane and Signoles 1983, 60–62):

1967	553
1970	640
1975	927
1978	1,205

Moreover, the private sector's share in all this growth was impressive. Private investment in industry surpassed that of the public sector for the first time in 1972, and it remained high throughout the decade (Signoles 1984, 597). Table 3.2 gives precise figures on private and public shares of industrial investment during the 1960s and 1970s.

As Table 3.2 shows, the private sector grew significantly in every branch of industry, save chemicals.[4] It dominated such sectors as agroalimentary, textiles, metalwork, and mechanics and ceded place to the state only in mining, chemicals, construction materials, and utilities. As Mahmoud ben Romdhane and Azzam Mahjoub (n.d., 77) make clear, this pattern of investment reflected a marked division of labor between private and public sector in the industrial field. Whereas the private sector focused on the

Table 3.2 Relative Share of Public and Private Sector Investment in Gross Fixed Capital Formation in Industry, 1962–1980 (%)

	1962–1969		1970–1976		1977–1980	
Industry	Public	Private	Public	Private	Public	Private
Agroalimentary	72	28	30	70	38	62
Glass, marble, construction materials	93	7	69	31	79	21
Electromechanics, metal	92	8	54	46	46	54
Chemicals	62	38	70	30	91	9
Textiles	83	17	18	82	13	87
Diverse	79	21	23	77	18	82
Total	84	16	47	53	61	39

Source: Signoles 1985, 807.

least capital-intensive, the least technologically sophisticated, and the most immediately profitable branches of industry, the state carried the burden of basic, heavy industries that were beyond the capability and interest of the private sector. (For example, while the private sector focused on simple finished goods like ready-to-wear clothes, canned foods, shoes, and carbonated drinks, the public sector concentrated on cement works, paper-processing plants, fabric weaving, and sugar refining. In fact, the state quite consciously followed this strategy, opening up new sectors of industry for production and then letting future investment opportunities in the sector fall to the private sector as soon as those sectors became profitable (Romdhane 1981, 267–268). But no matter the logic, the 1970s did see the expansion of the private sector in Tunisia; and by 1983 (the latest year for which reliable statistics are available) the INS counted 2,608 private sector industrial enterprises with more than ten employees (Table 3.3).

■ Tunisian Industrialists—Parasitic?

But if I have established that a private sector industrial bourgeoisie indeed exists in Tunisia, the question remains, What is its relation to the state? Is this class largely parasitic? In the context of Third World politics, the term *parasitic bourgeoisie* has rather precise connotations. It implies that the bourgeoisie is unproductive, that it preys upon the state, most often enriching itself by trading on contacts within the state rather than by contributing something valuable to the national economy. A very clear

Table 3.3 Private Sector Industrial Enterprises (More Than Ten Employees)

Industry	Number
Agroalimentary	613
Metal, glass, construction materials	314
Electromechanics	300
Chemicals	110
Textiles, shoes	841
Diverse	430
Total	2,608

Source: Table compiled by M. Sellami of the Institut Arab des Chefs d'Enterprise, based on INS statistics.

example of a parasitic bourgeoisie can be found in the "supply mafia" of Egypt so well described by Robert Springborg (1989, 81–82). These racketeers typically use their personal connections within the Egyptian Ministry of Supply to get access to state-subsidized goods (e.g., flour). The racketeers then sell these goods, at much higher prices, on the black market, pocketing the difference in price. The term *parasitic bourgeoisie* thus connotes private enrichment at public expense; and in some cases it has been extended to include any class of people who have profited from corrupt use of public office.

But does the term *parasitic bourgeoisie* accurately describe the private sector industrial bourgeoisie of Tunisia? No doubt there have been some spectacular cases of corruption in Tunisia. In early 1986, the scandal making the rounds was that of Moncer Bouzgenda. Apparently, Bouzgenda, the head of a construction and engineering firm, made his fortune from public works contracts he had won from the state (thanks to close personal relation to one or two ministers). Bouzgenda routinely failed to deliver the goods contracted or at best delivered bridges and roads way below the quality standard paid for by the state. However, he kept his operations running by bribing inspectors and playing the contacts game within the various ministries. Estimates have it that he bilked the Tunisian government out of millions of dinars.

No doubt the Bouzgenda story is only the most dramatic example of what must be more than a singular case. But is it paradigmatic for the way business fortunes are made in Tunisia? Corruption is notoriously difficult to document, so little irrefutable proof can be offered. However, interviews with over seventy-five Tunisian academics, public officials, and businessmen turned up a near-uniform rejection of this portrayal, at least for the case of the industrial bourgeoisie.[5] Repeatedly, interview subjects pointed out that the largest fortunes in the industrial community had been made in businesses that had no special relations (contractual or otherwise) with the state, whether referring to the case of Abdelwahab ben Ayed of Poulina (Tunisia's poultry king), or Hedi Jelani of Lee Cooper Jeans (an export-oriented textile manufacturer), or Abdessalem Affes of STPA (a major couscous manufacturer). And although most admitted that petty corruption greased the wheel of nearly all business operations (e.g., slipping a sample of free merchandise to a state inspector), interview subjects were unanimous in arguing that by and large Tunisian manufacturers owed their fortunes to shrewd management and hard work rather than to shady relations with the state.

Does this mean that personal contacts with officials in the state bureaucracy are irrelevant to business success? Certainly not. Nearly all the businessmen interviewed emphasized the importance of knowing someone on the inside to getting business affairs done. The businessmen argued, however, that this was important not because it gave preferential access to public goods but rather because the character of the state bureaucracy demanded it. Tunisia is plagued by an overly ambitious and overextended state that seeks to license, monitor, and regulate nearly every aspect of business affairs. A typical project may require signatures from over a hundred offices before it works its way through the bureaucratic approval process. Moreover, the laws and regulations that govern business life are constantly in flux. Consequently, it is extremely easy to get lost in the maze of state bureaucracy; a project may molder under a pile of dusty files for the want of a single piece of paper. Knowing someone on the inside may mean that the businessman's file will get read a little faster or that he will be better informed regarding the best supporting documents to submit with his file.

Personal contacts with state officials are thus important to business success. But in Tunisia one does not need to offer a cut of the action to a public official to get an industrial project approved. Nor is it necessary (as is the case in Syria or Iraq) to get the party's imprimatur to do business in Tunisia. In fact, a good portion of the businessmen interviewed were not members of the Destour party at all. The bureaucratic approval process is a cumbersome one, but it appears equally cumbersome for people of all political stripes. In fact, one might say that (save for businessmen at the extremes of the political spectrum) the bureaucracy is largely politically neutral vis-à-vis businessmen. The clearest evidence of this is the fact that not a few successful businessmen in Tunisia are former political activists who, for one reason or another, fell into disfavor with President Bourguiba. These men fled to the business world as a refuge from politics and, for the most part, were granted "the right to make money" free from politically motivated bureaucratic harassment.[6]

But even if we accept that business–state relations are not essentially ties of corruption and that Tunisian industrialists are much more than just influence peddlers, the question remains, Has the industrial bourgeoisie created enterprises that are truly productive and viable, or is this bourgeoisie parasitic in the sense that it lives off the largesse of the state?

Certainly, state largesse has been crucial to the development of nearly all industrial ventures in Tunisia. All the industrialists interviewed admitted they had benefited in one way or another from state support, whether that meant subsidized credit, protected markets, monopoly prices, or fiscal breaks. In fact, Tunisian industrialists have been so buffered and nurtured by the state that some Tunisian economists refer to them as a "rentier bourgeoisie," arguing that they owe their fortunes not to productive enterprise but rather to the rents that accrue from exclusive production licenses and monopoly conditions created by the state (interview with Abdeljelil Bedaoui, March 14, 1988). Lately, however, these rentier conditions have begun to change. A serious foreign exchange crisis in August 1986 brought in its wake an IMF-sponsored structural adjustment program; this program called for the liberalization of prices and imports (i.e., an end to monopoly conditions and the introduction of competition), reduced public spending (i.e., less subsidized credit to go around), devaluation of the dinar (i.e., accurate world market prices for imported inputs), and a stronger emphasis on export orientation (where prices would be set by the international market, not the Tunisian state). The program essentially demanded that Tunisia's infant industries grow up.

In fact, the state has been reasonably prompt in implementing the IMF reform measures. By January 1988 interest rates had risen significantly, prices had been liberalized for 60 percent of industrial products, and imports had been liberalized for 67 percent of imported goods (*Courrier de l'industrie*, January 1988); the same was done for the rest of imports consisting of finished goods in March 1989. Although it is expected that local producers will continue to be protected by an across-the-board customs tariff (contemplated at 25 percent), the future holds more market competition for Tunisian producers and consequently the prospect of a less cushy rentier situation. No doubt, some producers will be unable to withstand the competition; and numerous bankruptcies may result. But at least according to official rhetoric, save for cases threatening severe political liability (e.g., the closure of a large public sector firm), the state will allow market discipline to prevail and will stand by as firms go under.[7] Foreign exchange crisis, then, has led to a measured retreat of the state from business affairs; and this in turn should lead to the demarcation of a leaner but more independent industrial bourgeoisie.

■ Tunisian Industrialists—Politically Powerful?

As established above, the Tunisian industrial bourgeoisie is by and large not parasitic and that it is now on the road to greater economic independence from the state. But does this class of industrialists constitute a dominant class, namely, one with sufficient political clout to dictate policy to the state? Or does it resemble most other groups in Tunisian society, which are, for the most part, the passive recipients of political and economic initiatives handed down to them by a state largely autonomous of domestic forces.

The political power of any social group is notoriously difficult to measure, especially in political systems where "electoral politics is not central to the design of policy" (Haggard and Kaufman n.d., 20). It certainly cannot be measured by observing policy outcomes, that is, by deducing a group's political strength from the number of policies passed that favor that group's interests. This would be to confuse class partiality with class capture, the inverse of Hassine Dimassi's caution not to confuse state autonomy with neutrality (1983, 65). On the contrary, the state may choose a certain policy thanks to a calculus of its internal interests; this policy may then simply coincide with the agenda of a particular class, without necessarily being the work of that class (Waterbury n.d.).[8]

This has largely been the case in Tunisia with regard to policies favoring the industrial bourgeoisie, at least until the 1980s. The advantageous policies enacted during the 1960s and 1970s were not the result of Tunisian industrialists' clamoring for state favors; nor can they be taken as a measure of pressure brought to bear upon the state by this class. Such a scenario would have been impossible, since, as has been shown, an industrial bourgeoisie hardly existed in Tunisia prior to 1970. On the contrary, the state adopted these policies for its own reasons (largely due to recognition of its own financial and technical limitations),[9] and in the process it *created the constituency* for these policies. Rather than interpret these pro–private sector policies as the measure of bourgeois strength, these policies should be seen as a "gift" bestowed on Tunisian society without struggle. In this they are similar to the liberal personal status laws enacted in the late 1950s, which were not wrested from the state by a powerful women's movement but rather were handed down with paternalistic largesse by President Bourguiba to a still largely inert female constituency.[10] Similarly, the most recent round of liberalization reforms (which serve the interests of at least certain segments of the industrial bourgeoisie) must also not be taken as a measure of that class's clout. Rather, it was a foreign exchange crisis and the IMF's insistence on a structural adjustment program that forced progressive liberalization of prices, imports, and interest rates in Tunisia. No doubt, the fact that a domestic constituency exists for these policies helps prod the state into keeping to the IMF agenda, something that is sorely lacking in Egypt, as Robert Springborg points out (1989, 260–261). Nonetheless, the decisive shove that overcame the state's inertia to liberalizing reform came not from potent domestic constituencies but rather from external forces (like the IMF) and the logic of integration into the world economy.

But if the industrial bourgeoisie has proven less than successful at mustering decisive clout on the domestic political scene, there are a number of factors that help explain it. First, the structure of the industrial bourgeoisie is one source of weakness. A profile of private sector industry shows that the majority of Tunisian firms are small-scale operations. An INS survey carried out in the late 1970s found that 62 percent of all firms in the industrial sector employed fewer than ten workers, while in branches such as textiles, leather, wood, metalworks, and electromechanics, the share jumped to 95 percent (Institut National de Statistique 1979, 41).[11] The small size of the Tunisian firms is confirmed in monetary terms as well; a recent API report found that the average industrial enterprises in Tunisia did not represent more than one-hundred-thousand-dinars' worth of investment, and 94 percent of all industrial projects fell under the five-hundred-thousand-dinar mark (API internal document n.d., 1).[12] Besides being small, most private sector firms are family-run operations with limited resources at their disposal. (Stockholding is still a relatively rare phenomenon in Tunisia [Gouia 1987, 422].) Moreover, most of these small-scale industrial firms are run by entrepreneurs from nonindustrial backgrounds who have little experience in the field and who have chosen to invest in simple, repetitive projects geared to the domestic market, such as brick works, biscuit factories, ready-to-wear textiles, and so on (API internal document n.d., 4).

Small, inexperienced, family-run enterprises lacking in resources, and producing for the local market in relatively crowded sectors are rarely conducive to a spirit of collective solidarity; on the contrary, a feeling of mutual suspicion and competitiveness prevails. (The smaller the firm, the less likely it is to participate regularly in the affairs of UTICA, the official businessmen's association, for example.) Add to this the fact that a good many Tunisian industrialists are guilty of tax evasion, and it is even more apparent why this class is less politically assertive than might be expected. Most industrialists prefer to keep a low profile rather than court the state's attention; their modus vivendi is more likely to be one of seeking favors on an individual basis than demanding rights for the collectivity.[13] Thus, although larger, better-placed industrialists have occasionally demonstrated collective assertiveness, the atomized structure of the industrial class as a whole—not to mention the diversity of this class—certainly works to limit its political clout.

Another factor contributing to its political reticence derives from the structure of state supports and incentives. For years, the state provided a variety of encouragements to private business, whether fiscal breaks, tariff protection, or subsidized credit. These benefits were distributed in discretionary fashion, usually after evaluation of the investment project in terms of stated policy objectives (e.g., the degree of employment creation, energy conservation, or economic integration). In addition, the state sought to regulate many aspects of business affairs. As noted, bureaucratic approval had to be won to launch an enterprise, acquire credit, set prices, or get access to import licenses and foreign currency. This system certainly enlarged the discretionary power of the state over business fortunes, a factor that could not help but hamstring the political assertiveness of businessmen; for although businessmen by and large do not pass a political test to do business in Tunisia, nonetheless, the petitionary quality of their relationship with the state certainly does not encourage an aggressive or confrontational approach vis-à-vis their benefactor.

Finally, organizational weakness comes into play in limiting the clout of the industrial bourgeoisie in Tunisia. Typically, organization (that is, the capacity for collective action) is the power source of labor, not capital; on the contrary, capital finds its classic source of leverage in individually exercised decisions like capital flight or investment strike (Panitch 1981, 27). Nonetheless, organization can be an important source of power for businessmen as well, especially in the Third World, where data is scarce and information is power. Organization (specifically businessmen's organizations equipped with highly skilled research staffs) can wield significant influence by gathering together information on the economy (information often unavailable to overworked and poorly trained civil servants) and using this information to support a particular vision of the economy. An example of such an influential organization is TUSIAD, the Turkish businessmen's association whose widely distributed, well-researched economic studies contribute much to shaping economic opinion throughout Turkish state and society (Arat 1989).

Unfortunately for Tunisian businessmen, an organization of similar character never emerged in Tunisia. In the years prior to Independence the few existing Tunisian industrialists were grouped together with Tunisian merchants and artisans in a coalition called the Tunisian Union of Artisans and Traders (UTAC). The organization ostensibly represented general business interests to the colonial state but in fact acted as an appendage to the Destour party, participating in the Independence struggle and acting as cover for the party when the latter was forced underground (Chekir 1974). During the first fifteen years of its existence the organization went through a variety of structural changes and finally added *Industrialists* to its name in 1963 to become the UTICA; but its character remained essentially the same—a hodgepodge of bourgeois and petty bourgeois interests grouped together in an organization that was organically and financially linked to the party. Although designated the sole corporatist representative of business to the state after Independence, the UTICA remained essentially weak due to its domination by the party and the heterogeneous character of its membership. The organization lacked vision (as well as the research capability to define that vision), and its approach was largely defensive. For the most part it reacted to state initiatives and sought to defend the short-term interests of business (e.g., the price of tomatoes next season, the provision of imported supplies for hairdressers). In the words of the UTICA's long-time director, the organization believed its role was "to rectify rather than to propose" (interview with Abdallah ben M'Barek, June 15, 1988). Consequently, the UTICA did not offer industrialists an effective vehicle for defining and promoting their collective interests; and given the corporatist structure of interest representation imposed by Bourguiba, businessmen did not feel free to organize alternative associations until well into the 1980s.

Despite these organizational and structural impediments, a number of factors have served to augment the political clout of Tunisia's industrial bourgeoisie in the last few years. The most important of these are the result of financial difficulties faced by the state. To start with the most dramatic, Tunisia faced a severe foreign exchange crisis in August 1986, resulting from a long-term decline in petroleum revenues and foreign exchange remittances. As mentioned above, the foreign exchange crisis brought in its wake an IMF-sponsored structural adjustment program that sought to introduce greater efficiency into the Tunisian economy, in part by introducing more market mechanisms and reducing the discretionary power of the state in economic affairs. Among the polices recommended by the program were withdrawal from a license-based system of importation (for example, all firms exporting 15 percent of their production were granted nearly unrestricted rights to import inputs); an end to state administration of prices in favor of their determination by the market (in sectors where monopoly conditions did not prevail); and the replacement of qualitative and quantitative restriction of imports with a standard, across-the-board tariff for the protection of local industry. The decrease in discretionary power for the state introduced by these measures meant that the businessmen would no longer be required to wheedle individual bargains from the state for their prices, protection, and imports. This certainly enlarged the possibility of political autonomy for Tunisian industrialists, since it meant that the state would wield significantly less retaliatory power over potentially "troublesome" members of this class. Moreover, these policy reforms were likely to encourage more collective action on the part of industrialists, since benefits (like tariff protection and access to imports) would no longer be the stuff of individual bargains cut by particular firms with the state but rather would be standardized for distribution on a broader, often sectorwide, basis.

Besides foreign exchange deficits, state fiscal crisis also contributed to a stronger position for the industrial bourgeoisie. From the late 1960s, fiscal constraint forced the state to realize that it did not possess sufficient technical or financial resources to guarantee the growth necessary to provide Tunisians with a rising standard of living. Consequently, the state increasingly shifted economic responsibility to the private sector, calling on the latter to make up for public sector shortfall in investment, job creation, and export earning.

And in fact, the private sector lived up to a large part of the demands placed upon it. For the period 1971–1975 an API report showed that 91 percent of all new jobs in industry were created by the private sector (cited in Gouia 1987, 361). A more recent report by the same agency shows that 72 percent of all industrial workers in Tunisia are employed in the (predominantly private sector) small-scale enterprises (API internal document n.d., 1). In terms of investment, Ministry of Plan reports show that the private sector provided 43 percent of investment during the first four years of the Sixth Plan (1981–1986), and it expected the private sector to play an even larger role in the future (République Tunisienne, Ministère de l'Industrie et du Commerce 1986). In terms of exports, manufactured goods have fast been replacing petroleum and phosphates as a major export earner (the Sixth Plan expected manufactured goods to constitute 57 percent of total exports of good and services by 1986); and the largest share of these manufactured goods come from industrial branches like textiles, shoes, and leather—branches where the private sector predominates (Signoles 1984, 810).

The positive role played by the private sector in the creation of employment, investment, and exports has resulted in a changed image for the industrial bourgeoisie. Whereas in some developing countries the private sector bourgeoisie is still reviled by official rhetoric, in Tunisia the private entrepreneur is increasingly regarded as the new hero of national development. Business leaders are frequently spotlighted in the press; official institutions like API sponsor seminars on "how to become an entrepreneur," and public officials regularly consult businessmen on the direction of the state's economic policy. Recognition of the private sector's contribution to the economy as well as the positive image ascribed to businessmen in the public eye has given this class new confidence; consequently, they have become more outspoken advocates of their interests. The change is especially evident in the associational activities of businessmen. Whereas the UTICA was once the domesticated mouthpiece of the Destour party, the businessmen's organization has taken on new life since Bourguiba's ouster and the subsequent détente in the politics of national associations. A new executive team was permitted to take hold in the UTICA; and led by a highly dynamic, well-educated, export-oriented textile manufacturer, the UTICA has vast plans underway to carry out survey research on the Tunisian economy, draft a businessmen's version of the Five Year Plan (an alternative to the official one), and rally businessmen to more active roles in local and national politics. There is even talk of weaning the UTICA from state-controlled financing in the hope of making the organization more autonomous of the state (Interview with Hedi Jelani, July 22, 1988).

Besides a more dynamic UTICA, an increase in collective assertiveness among businessmen has also been manifested by the creation of another businessman's association, the Institut Arab des Chefs d'Enterprise (IACE).

Founded in 1985 by former minister and current bank president Monceur Moalla, the IACE was designed to serve as a "club" where the elite of the business community would meet with public officials and academics in forums of reflection and debate on the Tunisian economy.[14] Committed to creating an environment "hospitable to the flourishing of enterprise," the institute conducts economic research, organizes conferences, and publishes reports to promote its views. Funded entirely by private subscriptions and contributions, the institute has served as one of the most autonomous channels of business communication to the state and in recent years has emerged as an increasingly influential opinionmaker on the Tunisian political and economic scene.

None of this is to overestimate the role played by businessmen's associations in Tunisian politics. The IACE representatives, for example, were careful to distance their organization from any likening to U.S.-style business lobbies or pressure groups. The IACE, they insisted, served more as an intellectual forum for long-term reflection on the economy rather than as a pressure group promoting the short-term interests of a particular economic constituency. And even leaders from the UTICA, the designated representative of business interests, resisted the term *pressure group* and the antagonistic relationship between state and association that the term implies. They insisted that the relationship between the UTICA and the state was not one of pressuring and weightslinging but rather one of mutual consultation and cooperation (perhaps indicative of their still-limited capacity to "force" their will upon the state).

Moreover, associations are not necessarily the most important venue of communication between business and the state. Tunisia is still a small-enough country that leading businessmen and public officials can often meet face-to-face. This may be at the instigation of either party. Most businessmen pointed out that the largest industrialists rarely relied on collective action or associational networks to solve their problems with the state; rather, they spoke directly to the relevant minister involved. Moreover, as was pointed out by one industrialist, once an enterprise gets to be a certain size, "the ministers come calling on you" (Interview July 14, 1988). Informal consultation by public officials with leading businessmen on economic policy has become routine in Tunisia; and businessmen are regularly called to serve as consultants to commissions at the Central Bank, the Ministry of Plan, and the party. Businessmen thus actively participate in the policymaking process and do so on both an individualistic and collective basis in Tunisia.

To return to the original question—Does Tunisia's industrial bourgeoisie constitute a dominant class?—the answer would have to be *not yet*. First, Tunisian industrialists cannot constitute a dominant class because their role in the economy is still significantly circumscribed. Although the private sector's share of the economy is growing, the state continues to play a large role—even a commanding one—in many branches of the economy. Moreover, the state still provides over half the country's annual investment as well as employment for nearly a quarter of the active population; thus, it cannot help but retain a position of predominance. Second, though programs of structural adjustment and liberalization are gradually weaning the industrial bourgeoisie from dependence on the state (in addition to reducing the discretionary power of the state over business fortunes), still, the state can be expected to play a large role in promoting the private sector for the near future, buffering it (at the very least) from the vagaries of integration into the world economy.[15] Thus, we can expect that a certain degree of dependence between business and state will persist and that the petitionary character of the relationship will never wholly disappear, though it may diminish. Third, Tunisian businessmen cannot expect to play a domineering role in politics so long as they persist in one common illegal practice, that is, tax fraud. Such fraud is standard procedure for Tunisian entrepreneurs (so much so that when Monceur Moalla was minister of plan he appeared on television saying that given Tunisia's quite high tax rates, no businessman could possibly pay all the taxes legally due and still expect to stay in business).[16] Many observers consider this rampant evasion of taxes evidence of state weakness and society's relative strength. In fact, the result shows that the contrary is the case. Tax fraud becomes the sword of Damocles that hangs over the head of nearly every businessman; and, like state-sanctioned corruption elsewhere (Waterbury 1976), it serves as a control mechanism that muzzles the political assertiveness of the offenders. More than one well-placed businessman confessed he had blunted his criticism of the state for fear of retribution from some vengeful bureaucrat armed with a well-documented dossier on his business affairs.

One further issue that can only be touched upon here but has been developed at greater length elsewhere (Bellin 1991) concerns the impact that Tunisia's experiment with democratization will have on the political power of the industrial bourgeoisie. Although it might seem counterintuitive at first, there is reason to believe that the democratization process will serve the interest of this numerically small (and hence vote-poor) segment of Tunisian society. This is because ben Ali's program of democratization has called for the separation of party and state. Specifically, the president promised to wean the government party, the RCD, from financing by the state by January 1989. This left the party scrambling for new sources of funding, and the most likely suppliers turned out to be well-heeled businessmen. The fall and winter of 1988 saw the solicitation and recruitment of many businessmen by the party (in just a few months businessmen had pledged over three million dinars to the RCD); such increased reliance of the party on business financing cannot help but make the party more sympathetic to business interests. And although it is unlikely that the party will make a radical break with its image as party of the entire Tunisian people or abandon its organized rural constituency and metamorphose into an exclusively businessmen's party, still it is not beyond the ken to expect that the party will move rightward, perhaps toward an alliance of business and rural interests, an alliance likely to exclude organized labor and the urban lumpen proletariat.

In short, there are numerous factors at work to enhance the political power of Tunisian industrialists. However, this process is not ineluctable, and the most significant obstacle to political influence may be the industrialists themselves. Thus far, Tunisian industrialists have shown little inclination to test the boundaries of their power, largely because they have not felt the need to do so. The fact that for the last twenty years the Tunisian state has largely anticipated their needs and legislated an extremely favorable context for investment has nurtured a degree of political apathy among Tunisian industrialists. The true measure of their power will come only when the state enacts policies that seriously contradict the interests of this class (or at least a significant portion of it). This opportunity may come sooner than expected, such as when the true impact of liberalized import laws (regarding finished consumer goods) becomes felt in the coming year or two. Only then will we be able to test the political mettle of Tunisian industrialists (their unity, their independence, their capacity to organize) and see whether this class can effectively challenge the state that was its father.

■ Notes

1. I would like to thank John Waterbury, Atul Kohli, Nacy Bermeo, and L. Carl Brown for reading earlier drafts of this paper.

2. The reasons for ben Salah's fall and the abandonment of the *dirigiste* strategy of development are complex and might easily merit an article in itself. Suffice it to say that a variety of factors were involved, including a clash of political personalities, the discontent of the rural bourgeoisie who were threatened by ben Salah's plan to subject their land to cooperative control, the fiscal crisis faced by the state, and the bad luck of consecutive years of drought and poor harvests. For a fuller discussion of these issues see also Dimassi 1983 and Signoles 1984.

3. In fact, a good many of the biggest private entrepreneurs got their start in the public sector. Gouia counts 30 percent out of his sample of 140 large-scale private industrialists as originally hailing from the public sector (1987, 431).

4. As Pierre Signoles points out, the increase in public investment in industry that began in 1975 should not be seen as an abandonment of the state's commitment to private sector growth (1985, 807–808). Rather, the need to overcome certain structural blockages (e.g., the provision of basic goods like cement and the expansion of hydraulic, energy, and transport infrastructure) led to a surge in public spending during the late 1970s. However, the state's goal

remained the creation of conditions most conducive to private sector growth and prosperity.

5. No doubt one would expect some response bias when asking businessmen whether shady connections with the state were essential to business success. Nonetheless, the fact that nearly every businessman interviewed rejected the importance of such relations (even while admitting the prevalence of petty corruption) and the fact that independent academics corroborated this view made a relatively convincing case for the argument that corrupt relations with the state were not the typical way industrial fortunes were made in Tunisia.

6. None of this is to underestimate the important role that *copinage*, or cronyism plays in all aspects of Tunisian life, especially in business. In a small country like Tunisia where everyone knows everyone else, a great deal of business in conducted "among friends." Moreover, in a country where statistical and technical information is scarce, falling back on social networks for data is not necessarily reproachable. In the case of dispensing credit, for example, a bank may lack the technical staff to evaluate properly the merit of a given project. Consequently, bank officials may fall back on personal contacts ("friends in the business") for advice on whether a project is sound or the borrower reliable. So long as such networking provides valuable and true information (rather than mere promotion of meritless friends and projects), it neither introduces economic inefficiency nor can justly be called cronyism (at least not in its most negative sense). Similar processes of networking are no doubt evident in the state bureaucracy's interaction with business. Similarly, the resulting favoritism that accrues to "well-connected" businessmen cannot be accurately called corruption, for there is no misuse (or necessarily inefficient use) of public funds involved. The bottom line in Tunisia is that insider contacts can help a good project get approved faster and may favor the case of a mediocre one; but it will rarely get a thoroughly worthless project approved. Moreover, all the businessmen I spoke to affirmed that a good project could get through even without connections. The process would simply require greater patience and greater persistence on the part of its promoter. (I am indebted to Salah Brik al-Hannachi for his insight into the issue of cronyism.)

7. In the spring of 1988 the state did undertake a program to save approximately 250 firms from the jaws of bankruptcy. Various measures were implemented, such as rescheduling debts and forgiving fiscal arrears. However, when interviewed, the civil servant responsible for the program asserted that the state chose to aid only the firms that were viable (i.e., had a chance of regaining profitability). He claimed the state would not offer a generalized safety net for all failing firms even though there were obvious political incentives for doing so (Interview of July 7, 1988).

8. Ilya Harik also developed this idea in a discussion during the spring of 1988.

9. The hope was that a dynamic industrial bourgeoisie would help fuel the growth process and thus help shoulder the burden of creating employment (among other things), which was a key political goal. Not to be discounted in the state's choice of a pro–private sector strategy is the ideological predisposition of the political elite of the time, especially that of Hedi Nouira.

10. Thanks go to Mondheur Gargouri for this insight.

11. These figures actually exaggerate the size of private sector firms, since the INS calculations average in the public sector firms as well, firms that are generally large and hence skew average firm size in the industrial sector upward. A more recent survey published by the INS for 1983 confirms the tendency of

private sector firms to be small, counting 2,649 industrial firms with ten or more workers but only 358 firms with one hundred workers or more.

12. Again, the figures are biased upward for the private sector, since public sector investments (generally large) are factored into these figures.

13. I owe this insight to Abdelgelil Bedaoui.

14. At one thousand dinars for a first-year membership, the institute certainly screens out any but the largest and most prosperous businessmen.

15. I owe this insight to John Waterbury.

16. Thanks are due to Salah Brik al-Hannachi for this story.