



December
2024

MONTHLY BRIEF

Tunisia Risk Environment



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POLITICAL RISK

SUMMARY

Key Developments:

- UGTT's Infighting Weakens National Political Influence
- Detentions of Political Activists Prompt New Protests
- Producer Frustration Grows Over Low Olive Oil Prices
- Social Media Post by President's Brother Sparks Debate Over Tunisia's Future

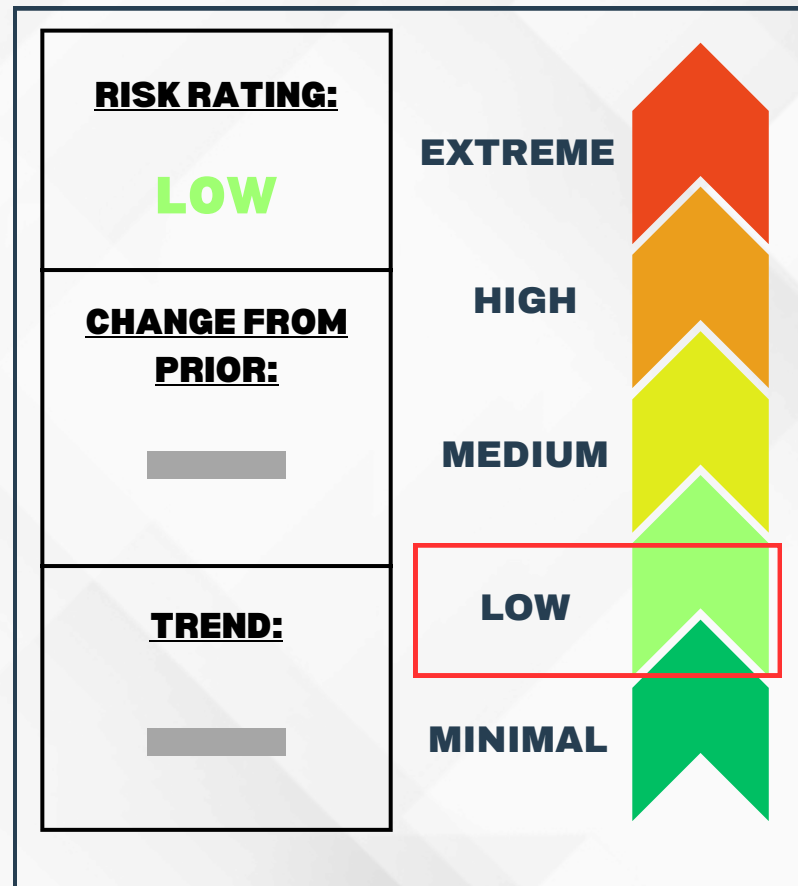
Bottomline for Decisionmakers:

- As President Saied's administration settles into a new term, major economic and social challenges remain in Tunisia.
- Internal political tensions remain, but are dampened, as various opposition political parties and figures seek to re-brand and re-establish influence.
- A social media post by the President's brother drew criticism as commentators discussed a potential effort to position Tunisia as an attractive partner to the new Trump administration.

RATING

The Political Risk Rating in Tunisia in December was **Low**.

The rating is driven by a generally quiet political environment, with the UGTT, a key political actor, struggling with internal debates over governance and leadership.



POLITICAL RISK

TOP HEADLINES

UGTT's Infighting Weakens National Influence

Latest: A group of five UGTT leaders organized a sit-in at the organization's headquarters in Tunis. The leaders announced they were protesting poor internal governance and called for extraordinary elections in response to Secretary General Nouredine Tabboubi's election to a third term, which some view as a violation of internal policies on term limits.

Implications: Infighting has eroded the UGTT's ability to impact national-level politics, with some criticizing Tabboubi's "weakness" in dealing with President Saied and his administration. The UGTT has remained on the fringes of politics, with concerns that it no longer wields the influence over its own members, let alone the political direction of the country, that it once did.

Detentions of Political Activists Prompt New Protests

Latest: Family members of imprisoned political figures protested in front of the Tunis Court seeking the release of those being held. Protesters called for an end to politically motivated arrests and for judicial independence. The protests followed new hearings related to the cases of "conspiracy against state security."

Implications: These protests are likely to continue as many have been detained for over 22 months without formal sentencing. Arrests and subsequent detentions perceived as politically motivated will continue to effectively silence most political and social activists while eroding Tunisia's international reputation.

Producer Frustration Grows Over Low Olive Oil Prices

Latest: Farmers in Kairouan blocked roads over low olive oil prices. The protests followed a halt in exports which producers claimed has prevented them from covering their costs. President Saied responded by emphasizing his support for farmers and ordering urgent measures to ensure the storage of oil and the facilitation of exports.

Implications: Tensions over olive oil prices will likely continue until prices reach a point that allows producers to recuperate costs and achieve a reasonable profit. With limited national storage capacity where producers can hold their stock, the issue risks causing more disruptive protests.

POLITICAL RISK

IN-DEPTH

Social Media Post by President's Brother Sparks Debate Over Tunisia's Future

In late December, Naoufel Saied, brother of President Saied, posted on Facebook a statement entitled "why President Kais Saied's political offer is salutary for Tunisia." The statement drew broad criticism, particularly once a presumably fake account posing as the US Ambassador to Tunisia interacted with the post.

Writing in English, Naoufel Saied, who managed his brother's re-election campaign, argued that the previous decade in Tunisia saw political parties forming an "elitist" agreement to distribute power amongst themselves in a way that had the appearance of a democratic process but did not actually fulfill people's economic and social demands.

In contrast to previous post-revolutionary administrations, Naoufel Saied stated that his brother's administration offers both domestic and international advantages.

He wrote that domestically "[President] Saied's approach has made it possible, for the first time in the country's recent history, to forge bonds of trust between the State and the people." Thus, "President Kais Saied was, and remains, an unquestionable guarantee of the country's stability."

Emphasizing the positive international impacts of President Saied's policies, he wrote he is "preserving Tunisia from becoming a zone of turbulence and instability that could affect the entire region."

These statements sparked criticism from observers who viewed Naoufel Saied's post as a solicitation of support from Western leaders, particularly the new Trump Administration, given that it was written purposely in English. While many Western commentators have criticized Tunisia's trajectory away from democracy, Naoufel Saied may be seeking to reassert a vision of Tunisia as a regional beacon of stability and democratic governance.

The statements of Naoufel Saied come as the National Salvation Front, the largest opposition bloc in Tunisia, has called for protests demanding the release of political detainees. The post also follows shortly after recent developments in Syria, which some analysts have framed as a warning to other dictatorial regimes around the world.

ECONOMIC RISK

RATING

The Economic Risk rating for Tunisia in December was **Medium**.

The rating is driven by continued risks from underlying issues in the economy, but balanced by a demonstrated commitment from European partners to maintain piecemeal loans and grants that support the economy.

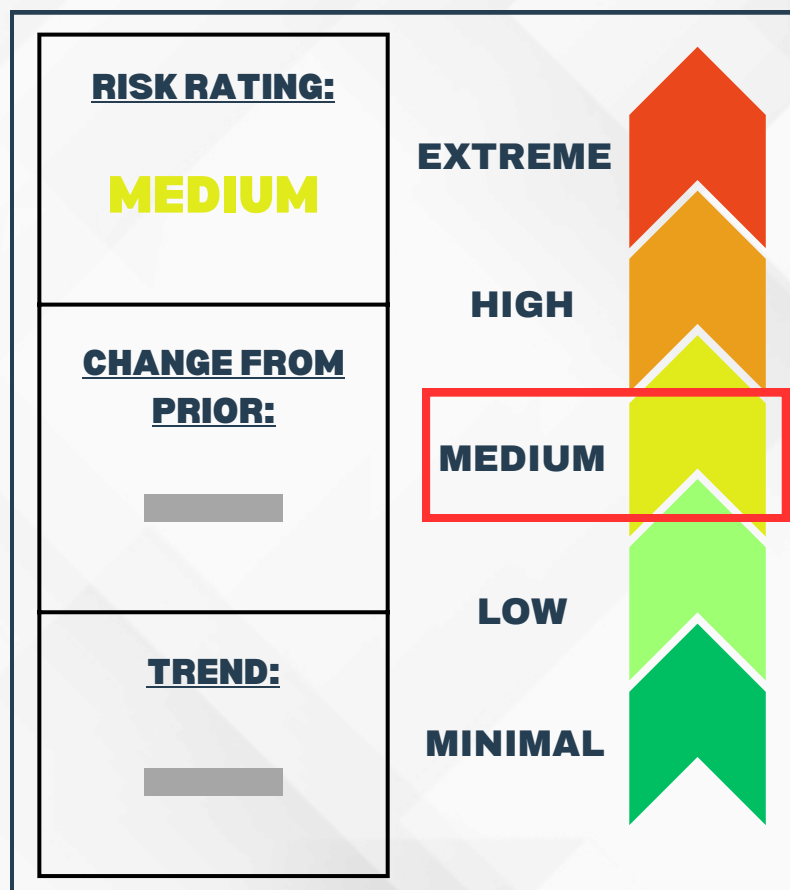
SUMMARY

Key Developments:

- World Bank Funds Health Sector Modernization
- Corporate Tax Hikes Risk Discouraging Foreign Investment
- Gafsa Phosphate Strikes Disrupt Production
- Parliament Approves Central Bank Lending to Government

Bottomline for Decisionmakers:

- The current administration remains committed to avoiding the austerity measures and cuts to the public sector many international lenders have encouraged.
- Efforts to boost the economy are largely taking the form of smaller loan and grant deals targeting specific areas of the economy.
- In the meantime, Tunisians are still frustrated with the economy, including rising prices, but sentiment remains trending towards apathy rather than overt expressions of discouragement.



ECONOMIC RISK

TOP HEADLINES

World Bank Funds Health Sector Modernization

Latest: The World Bank granted the Ministry of Health \$150 million in financing to support the modernization and digitalization of the health sector. Tunisia also signed an agreement outlining adherence to a crisis response framework that includes Tunisia functioning as a vaccine production hub in the event of future global health crises.

Implications: Tunisia is likely to continue soliciting smaller international loans and grants in an effort to piece together the resources and projects necessary to stimulate economic activity and keep public discontent at bay. This will remain necessary as the government budget is weighed down by the repayment of internal and external debts.

Tax Hikes Risk Discouraging Foreign Investment

Latest: The Order of Chartered Accountants of Tunisia (OCET) expressed concern over the 2025 finance law which includes raising the minimum corporate tax rate from 15% to 20%. OCET claimed that this increase is excessive and does not give sufficient incentives for investors and export companies.

Implications: These tax increases are a result of continued pressure on the national budget and hesitance to make cuts to the sprawling public sector. Further tax increases may discourage foreign investors at a critical juncture when North African countries are actively competing for foreign investment.

Gafsa Phosphate Strikes Disrupt Production

Latest: The UGTT organized a strike at Gafsa Phosphate Company (CPG) sites as workers remained unhappy with recent negotiations. Labor union leaders supporting CPG workers blamed leadership for failing to meet their demands and for deteriorating labor conditions at the sites.

Implications: Strikes have long hindered the phosphate industry and will likely continue. The government is leveraging the phosphate sector to increase its exports and revenues, but persistent labor issues could dissuade current and future investors.

ECONOMIC RISK

IN-DEPTH

Parliament Approves Central Bank Lending to Government

Members of Parliament (MPs) approved the proposition submitted by the Minister of Finance to add an amendment to the 2025 finance law that will allow the government to borrow funds from the Central Bank of Tunisia (BCT).

This addition to the finance law allows the BCT to grant loans to the public treasury up to 7 billion dinars. The loans are to be granted without interest and are repayable over 15 years, including a three-year grace period.

The parliamentary vote followed a meeting between President Saied with Zouheir Nouri, the BCT Governor, during which the President emphasized the importance of reviewing the legal framework governing the BCT to better align its objectives with the country's economic priorities.

Resorting to the BCT to finance the state budget points to the critical economic situation Tunisia faces as any such loans will be used primarily to repay prior loans.

Economic experts continue to warn that this path will likely lead to negative effects on the economy, such as increased inflation and a decline in the value of the dinar, in addition to an increase in public debt.

The government's current economic strategy focuses on hydrogen and renewable energy exports, support of start-ups, communal enterprises, and self-entrepreneurship. Economists have described this strategy as lacking concrete, near-term results and risking economic stagnation at a minimum, and, potentially, a much more serious currency and solvency crisis.

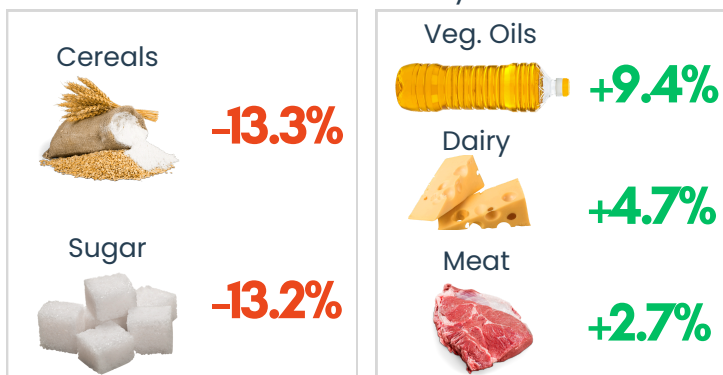
With President Saied's administration taking a firm stance against austerity measures, particularly cuts to the public sector, the government will remain reliant on loans, even as it becomes less attractive to international lenders. Domestic borrowing from the BCT and state-funded banks could eventually lead to a major economic crisis if the fundamental shortcomings of the economy are not addressed.

ECONOMIC RISK

BY THE NUMBERS

Global Food Price Fluctuations Continue

While some food prices have fallen, the benefit to consumers has been offset by other increases.



Source: Food and Agriculture Organization of the United Nations

Many Tunisian Children Impacted by Poverty

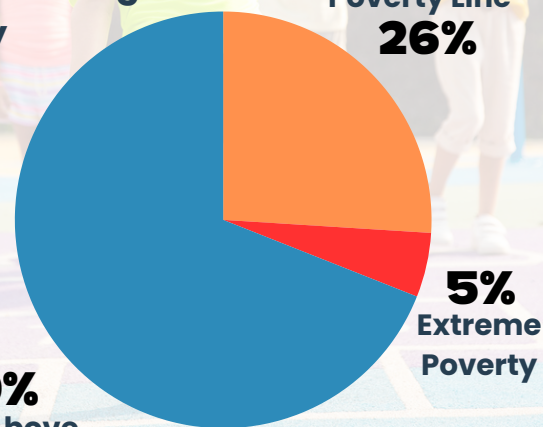
A recent study found that many Tunisian children live below the poverty line, with large gaps remaining in various social programs.

36%

Rural Tunisia:
Average Child Poverty

Overall % of Tunisian Children Living in Poverty

Below Poverty Line
26%



69%
At or Above
Poverty Line

5%
Extreme
Poverty

Source: CRES, Ministry of Social Affairs

The Dark Side of the Promises of Migration to Europe

While migration to Europe draws many young Tunisians, life for irregular migrants there is often a struggle, with many migrants caught up illicit activities, leading to incarceration and repatriation.

3,000

Tunisian migrants reportedly held in Italian prisons

Suicides and Self-Harm

are being reported amongst Tunisians held or formerly held in EU detention facilities



Tunisians died in Italian prisons in 2024

10

88%

of Tunisians held in Italy reported physical or psychological abuse

Source: Majdi Karbai, National Confederal Institute for Assistance in Italy, Lawyers Without Borders

SECURITY RISK

SUMMARY

Key Developments:

- Despite Criticism, EU Security Assistance Flowing as Migrant Arrivals Drop
- Cybersecurity a Growing Priority as Government Eyes Expanding Digital Services
- Crackdowns on Drug Dealers as Trans-African Trafficking Thrives
- Security Concerns Abound as Tunisian Jihadists Freed En Masse in Syria

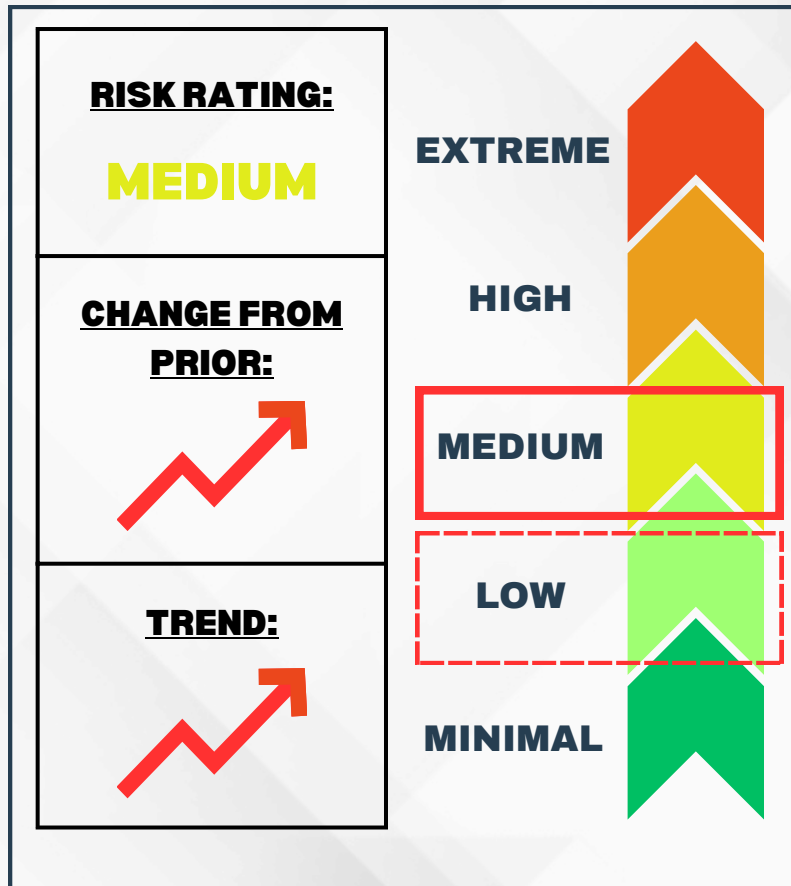
Bottomline for Decisionmakers:

- Migrant arrivals in the EU from Tunisia have dropped drastically with EU technology, training, and funds, but EU support remains heavily scrutinized and on shaky legal ground.
- Cybersecurity awareness and capabilities are coming into focus as Tunisia looks to expand digital services for citizens and investors.
- Tunisian jihadists released from Syrian prisons may be seeking formal or informal repatriation, creating a significant security challenge for the government.

RATING

The Security Risk rating in Tunisia for December was **Medium**, with a trend toward growing risk.

The rating is driven primarily by emerging risks from Syrian Jihadists potentially returning to Tunisia after the fall of the Assad regime in Syria.



SECURITY RISK

TOP HEADLINES

Despite Criticism, EU Helping Tunisia Curb Migrant Flows

Latest: European Commission President Ursula Von Der Leyen stated that the number of irregular migrants arriving in the EU from Tunisia decreased by 80% in 2024 as compared to 2023. Meanwhile, the Tunisian and Italian Interior Ministers agreed to further modernize Tunisia's Coast Guard alongside plans to improve technical surveillance and real-time intelligence sharing to curb illegal sea crossings.

Implications: Europe is seeing practical results from the agreement signed with Tunisia in July 2023, despite controversy within the EU. The current level of cooperation has granted some legitimacy to Tunisia's approach to managing migrants entering its territory, even as that approach remains the source of significant criticism.

Cybersecurity Prioritized as Digital Services Expand

Latest: Tunisia hosted the 4th session of the International Cybersecurity Forum, entitled "Trust and Cybersecurity: Pioneering Innovations and Strategies for a Safer Digital Future." The Communication Minister also met China's Vice Minister of Cyberspace Administration discussing communications infrastructure and applications of AI.

Implications: As Tunisia continues to work toward digitalization and the creation of digital platforms to facilitate investments, securing the Tunisian cyberspace will be essential to build public trust in these resources. Hosting international conferences on cybersecurity will help drive the necessary dialogue and partnerships.

Crackdowns on Drug Dealers as Trafficking Business Thrives

Latest: Police arrested 269 individuals on drug trade related charges in greater Tunis. They seized large quantities of drugs along with bladed weapons and cash. Meanwhile, a 37-year-old man of Tunisian origin, suspected of leading a heroin trafficking network in Europe, fled from Italy to Tunisia.

Implications: In addition to rising drug consumption, Tunisia sits at a crossroads for illicit drug flows from suppliers in Asia and South America to the rest of the world. The drug trade can entice young men, particularly those lacking official work permits in Europe or Tunisia, making migrants especially vulnerable.

SECURITY RISK

IN-DEPTH

Security Concerns Abound as Tunisian Jihadists Freed En Masse in Syria

The fall of Bashar El-Assad in Syria raises uncertainties about how detainees held by the former regime due to their terrorist group affiliations will be managed. As many Syrian prisons were emptied with no system of tracking or accounting for prisoners, the risk has increased that radicalized individuals could begin returning to their countries of origin, including Tunisia.

The National Observatory for the Defense of the Civil State warned of the potential for thousands of Tunisian jihadists to seek to return to Tunisia, calling on authorities to be extremely cautious and to develop a clear plan for managing these returnees.

Tunisia was a main source of foreign fighters in Syria and Iraq, especially from March 2013 and June 2014 when the Islamic State in Iraq and Syria officially announced the establishment of a caliphate.

Various estimates of the number of Tunisian fighters in Syria and Iraq range from 3,000 to 6,000, with the UN reporting some of the higher numbers.

With Hayat Tahrir Al-Sham (HTS) now in control in Syria, many of the foreign jihadists may be seeking to leave Syria quickly as HTS has disavowed ISIS and al-Qaida. In light of this development, Tunis-Carthage Airport announced that flights arriving from Istanbul will be received at an alternative terminal where additional controls may be in place to monitor the arrival of former jihadists.

Opinions remain divided regarding how Tunisian authorities should manage returnees, with some arguing they should be prevented from returning and deprived of citizenship, while others propose they be prosecuted under Tunisian law for their jihadist activities.

However, fears remain that, if imprisoned in Tunisia, returnees could have a radicalizing influence on other prisoners, creating significant long-term risks to Tunisian security and society.

EXTERNAL RISK

SUMMARY

Key Developments:

- Tunisia Expanding Cooperation with Tripoli Government as Interests Align
- Algeria Announces Trilateral Agreement to Manage Groundwater Resources
- Detained Tunisian Smugglers Released by Libya
- Defense Cooperation with NATO Remains Robust Despite Criticism

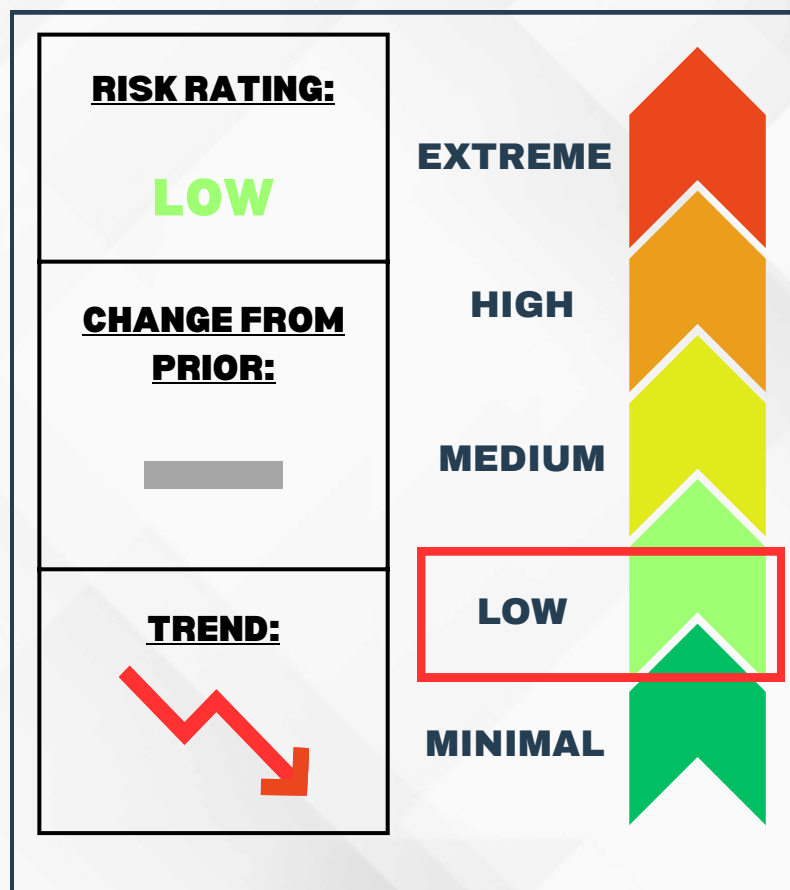
Bottomline for Decisionmakers:

- Tunisia continued to expand cooperation and confirm its alignment with the Tripoli-based government in Libya as various parties scramble for influence and position in Libya.
- Smuggling and its security implications remain a significant concern along the Libya-Tunisia border, particularly as the Tripoli-based government seeks to exert control.
- The US approved the \$100 million sale of a weapons system to Tunisia as defense cooperation with NATO continues at a steady pace.

RATING

The External Risk rating for Tunisia remained **Low** in December with a trend toward lower risk.

The rating is driven by improving relations with key neighboring countries and Western partners, particularly on defense.



EXTERNAL RISK

HEADLINES

Expanding Cooperation with Tripoli Government

Latest: The Libya-Tunisia Joint-Trade Chamber meeting concluded in Tripoli after the signing of several MoUs covering plans to construct an overland trade route linking the two countries to sub-Saharan Africa. The MoUs also laid out plans for free trade zones and the further modernization of the Ras Jedir border crossing. The overall intent of the agreements is to expand cross-border trade by over 40%.

Implications: Tunisia and the Tripoli-based government in Libya are likely to continue working on mutual economic interests given their geographic proximity and the volume of people and goods moving between the two countries. The re-opening of Libyan markets to small businesses in Tunisia is likely to help Tunisian residents in the south to create (and re-create) jobs in Libya as was the case before the 2011 overthrow of Muammar Ghaddafi.

Algeria Announces Trilateral Groundwater Agreement

Latest: Algerian President Tebboune announced an agreement on groundwater management signed by Algeria, Tunisia, and Libya in April 2024. The agreement creates a coordination center in Algiers to manage groundwater resources shared by the three countries which are contained within the North-Western Sahara Aquifer System.

Implications: Cooperation on fairly distributing shared non-renewable water resources is essential as shortages strain economies and communities across North Africa. The effectiveness of Algeria's leadership remains to be seen, with unresolved tensions over Algeria's claims to a majority of the aquifer and intensive use of the water for its extractive industries.

Detained Tunisian Smugglers Released by Libya

Latest: The Libyan courts released 30 Tunisian citizens who had been arrested for smuggling along the Libyan-Tunisian border. The released individuals spent 20 days detained, had their goods seized, and were fined.

Implications: These arrests come as Tripoli-based customs and security officials are seeking to slow smuggling at the Ras Jedir border crossing as part of a broader effort to assert control and demonstrate stability. The releases followed calls from Tunisian organizations and their families, as many in Tunisia's south engage in smuggling for lack of other economic opportunities.

EXTERNAL RISK

IN-DEPTH

Defense Cooperation with NATO Continues Bearing Fruit

The US Defense Security Cooperation Agency made public US State Department approval of the possible sale of 184 Javelin man-portable anti-armor missiles to Tunisia, as well as 30 launchers. The sale included ongoing support to the weapons system including logistics, maintenance training, and provision of a simulation system with a total cost of \$107.7 million.

Meanwhile, the Minister of National Defense, Khaled Sehili, discussed military cooperation with the French Ambassador to Tunisia, Anne Gueguen. Sehili stressed the need to advance this strategic partnership via the Joint Military Committee meeting scheduled for January 2025.

Tunisia also participated with Algeria, Libya, Mauritania, Morocco and EU partners France, Italy, Portugal, and Spain in the 20th meeting of the "5+5 Defense initiative" which was hosted in Madrid on 12 December.

These latest developments reflect Tunisia's regional importance for Western military agendas as it provides a strong partnership in the Mediterranean Region upon which the NATO community can build regional influence.

Tunisia maintains a strong interest in cooperating with NATO partners as these partnerships garner not only defense and security assistance, but also broader assistance programs focused on supporting Tunisia's economy. Additionally, this cooperation deters armed groups in Libya and the Sahel which might otherwise encroach on Tunisia's borders as has been threatened previously.

However, Tunisia faces internal and regional criticism as many observers are questioning the Defense Ministry's latest moves because of the absence of parliamentary participation in the process. Other critics have questioned the utility of purchasing advanced missiles while the country is witnessing economic difficulties with major challenges in healthcare, education, and infrastructure.

As defense cooperation remains strong, the Tunisian government has sought to limit foreign influence in other areas with a continued focus on deterring foreign influence on politics and limiting foreign funding to civil society organizations. This could lead to increasingly one-dimensional relationships between Tunisia and its Western partners.



Empowerment > Through > Insight

A circular image with a blue and grey border showing a view of several domed buildings, likely a historical or religious site, under a clear sky.

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