Tunisia and the IMF's Diktats: How Macro-Economic Policy Triggers Worldwide Poverty and Unemployment

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General Zine el Abidine Ben Ali , the defunct and deposed president of Tunisia is heralded by the Western media, in chorus, as a dictator.

The Tunisian protest movement is casually described as the consequence of an undemocratic and authoritarian regime, which defies the norms of the "international community".

But Ben Ali was not a "dictator". Dictators decide and dictate. Ben Ali was a servant of Western economic interests, a faithful political puppet who obeyed orders, with the active support of the international community.

Foreign interference in Tunisia's domestic affairs is not mentioned in the media reports. The food price hikes were not "dictated" by the Ben Ali government. They were imposed by Wall Street and the IMF.

The role of Ben Ali's government was to enforce the IMF's deadly economic medicine, which over a period of more than twenty years has served to destabilize the national economy and impoverish the Tunisian population.

Ben Ali as head of state did not decide on anything of substance. National sovereignty was foregone. In 1987, at the height of the debt crisis, the left nationalist government of Habib Bourguiba was replaced by a new regime, firmly committed to "free market" reforms.

Macroeconomic management under the helm of the IMF was in the hands of Tunisia's external creditors. Over the last 23 years, economic and social policy in Tunisia has been dictated by the Washington Consensus.

Ben Ali stayed in power because his government obeyed and effectively enforced the diktats of the IMF, while serving the interests of both the US and the European Union.

This pattern has occurred in numerous countries.

Continuity of the IMF's deadly reforms requires "regime replacement". The installation of a political puppet ensures the enforcement of the neoliberal agenda while also creating conditions for the eventual demise of a corrupt and unpopular government which has been draw upon to impoverish an entire population.

The Protest Movement

It is not Wall Street and the Washington based international financial institutions which are the direct target of the protest movement. The social implosion was directed against a government rather than against the interference of foreign powers in the conduct of government policy.

At the outset, the protests were not the result of an organized political movement directed against the imposition of the neoliberal reforms.

Moreover, there are indications that the protest movement was manipulated with a view to creating social chaos as well as ensuring political continuity. There are unconfirmed reports of armed militias conducting acts of repression and intimidation in major urban areas.

The important question is how will the crisis evolve? How will the broader issue of foreign interference be addressed by the Tunisian people?

From the standpoint of both Washington and Brussels, an unpopular authoritarian regime is slated to be replaced by a new puppet government. Elections are envisaged under the supervision of the so-called international community, in which case candidates would be pre-selected and approved.

Were this process of regime change to be carried out on behalf of foreign interests, the new proxy government would no doubt ensure the continuity of the neoliberal policy agenda which has served to impoverish the Tunisian population.

The interim government led by acting president Fouad Mebazza is currently in an impasse, with fierce opposition emanating from the trade union movement (UGTT). Mebazza has promised to "break with past", without however specifying whether this signifies a repeal of the neoliberal economic reforms.

Historical Background

The media in chorus have presented the crisis in Tunisia as an issue of domestic politics, without a historical insight. The presumption is that with the removal of "the dictator" and the instatement of a duly elected government, the social crisis will eventually be resolved.

The first "bread riots" in Tunisia date back to 1984. The January 1984 protest movement was motivated by a 100 percent hike in the price of bread. This hike had been demanded by the IMF under Tunisia's structural adjustment program (SAP). The elimination of food subsidies was a de facto condition of the loan agreement with the IMF.

President Habib Bourguiba, who played a historical role in liberating his country from French colonialism, declared a state of emergency in response to the riots:

> While gunfire sounded, police and army troops in Jeeps and armored personnel carriers fanned out through the city to quell the "bread riot." The show of force finally brought an uneasy calm, but only after more than 50 demonstrators and bystanders were killed. Then, in a dramatic five-minute radio and television broadcast, Bourguiba announced that he was reversing the price hike. (Tunisia: Bourguiba Lets Them Eat Bread – TIME, January 1984)

Following president Bourguiba's retraction, the hike in the price of bread was reversed. Bourguiba fired his Minister of the Interior and refused to abide by the demands of the Washington Consensus.

The neoliberal agenda had nonetheless been instated, leading to rampant inflation and mass unemployment. Three years later, Bourguiba and his government were removed in a bloodless coup d'Etat, "on the grounds of incompetence", leading to the instatement of General Zine el Abidine Ben Ali as president in November 1987. This coup was not directed against Bourguiba, it was largely intended to permanently dismantle the nationalist political structure initially established in the mid-1950s, while also privatizing State assets.

The military coup not only marked the demise of post-colonial nationalism which had been led by Bourguiba, it also contributed to weakening the role of France. The Ben Ali government became firmly aligned with Washington rather than Paris.

Barely a few months following Ben Ali's November 1987 instatement as the country's president, a major agreement was signed with the IMF. An agreement had also been reached with Brussels pertaining to the establishment of a free trade regime with the EU. A massive privatization program under the supervision of the IMF-World Bank was also launched. With hourly wages of the order of Euro 0.75 an hour, Tunisia had also become a cheap labor haven for the European Union.

Who is the dictator?

A review of IMF documents suggests that from Ben Ali's inauguration in 1987 to the present, his government had faithfully abided by IMF-World Bank conditionalities, including the firing of public sector workers, the elimination of price controls over essential consumer goods and the implementation of a sweeping privatization program. The lifting of trade barriers ordered by the World Bank was conducive to triggering a wave of bankruptcies.

Following these dislocations of the national economy, cash remittances from Tunisian workers in the European Union became an increasingly important source of the foreign exchange earnings.

There are some 650,000 Tunisians living overseas. Total workers' remittances in 2010 were of the order of US$1.960 billion, an increase of 57 percent in relation to 2003. A large share of these remittances in foreign exchange will be used to service the country's external debt.

The Speculative Hike in World Food Prices

In September 2010, an understanding was reached between Tunis and the IMF, which recommended the removal of remaining subsidies as a means to achieving fiscal balance:

> Fiscal prudence remains an overarching priority for the [Tunisian] authorities, who also see the need for maintaining a supportive fiscal policy in 2010 in the current international environment. Efforts in the last decade to bring down the public debt ratio significantly should not be jeopardized by a too lax fiscal policy. **The authorities are committed to firmly control current expenditure, including subsidies**,… IMF Tunisia: 2010 Article IV Consultation – Staff Report; Public Information Notice on the Executive Board Discussion; and Statement by the Executive Director for Tunisia http://www.imf.org/external/pubs/ft/scr/2010/cr10282.pdf

It is worth noting that the IMF's insistence on fiscal austerity and the removal of subsidies coincided chronologically with a renewed upsurge in staple food prices on the London, New York and Chicago commodity exchanges. These price hikes are in large part the result of speculative trade by major financial and corporate agribusiness interests.

These hikes in food prices, which are the result of outright manipulation (rather than scarcity) have served to impoverish people Worldwide. The surge in food prices constitutes a new phase of the process of global impoverishment.

> "The media has casually misled public opinion on the causes of these price hikes, focusing almost exclusively on issues of costs of production, climate and other factors which result in reduced supply and which might contribute to boosting the price of food staples. While these factors may come into play, they are of limited relevance in explaining the impressive and dramatic surge in commodity prices.
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> Spiralling food prices are in large part the result of market manipulation. They are largely attributable to speculative trade on the commodity markets. Grain prices are boosted artificially by large scale speculative operations on the New York and Chicago mercantile exchanges. …
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> Speculative trade in wheat, rice or corn, can occur without the occurrence of real commodity transactions. The institutions speculating in the grain market are not necessarily involved in the actual selling or delivery of grain.
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> The transactions may use commodity index funds which are bets on the general upward or downward movement of commodity prices. A "put option" is a bet that the price will go down, a "call option" is a bet that the price will go up. Through concerted manipulation, institutional traders and financial institutions make the price go up and then place their bets on an upward movement in the price of a particular commodity.
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> Speculation generates market volatility. In turn, the resulting instability encourages further speculative activity.
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> Profits are made when the price goes up. Conversely, if the speculator is short-selling the market, money will be made when the price collapses.
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> This recent speculative surge in food prices has been conducive to a Worldwide process of famine formation on an unprecedented scale." (Michel Chossudovsky, Global Famine, Global Research, May 2, 2008, http://www.globalresearch.ca/index.php?context=va&aid=8877)

From 2006 to 2008, there was a dramatic surge in the prices of all major food staples including rice, wheat and corn. The price of rice tripled over a five year period, from approximately 600$ a ton in 2003 to more than 1800$ a ton in May 2008.

(Michel Chossudovsky, http://www.globalresearch.ca/index.php?context=va&aid=9191, For further details, see Michel Chossudovsky, Chapter 7 Global Poverty and the Economic Crisis in Michel Chossudovsky and Andrew Gavin Marshall, editors, *The Global Economic Crisis, The Great Depression of the XXI Century,* Global Research, Montreal 2010, http://globalresearch.ca/index.php?context=va&aid=20425)

The recent surge in the price of grain staples is characterized by a 32 percent jump in the FAO's composite food price index recorded in the second half of 2010.

> "Soaring prices of sugar, grain and oilseed drove world food prices to a record in December, surpassing the levels of 2008 when the cost of food sparked riots around the World, and prompting warnings of prices being in "danger territory".
>
> An index compiled monthly by the United Nations surpassed its previous monthly high – June 2008 – in December to reach the highest level since records began in 1990. Published by the Rome-based Food and Agriculture Organisation (FAO), the index tracks the prices of a basket of cereals, oilseeds, dairy, meat and sugar, and has risen for six consecutive months." (Jill Treanor, World food prices enter 'danger territory' to reach record high, The Guardian, January 5, 2011)

Bitter irony: Against a background of rising food prices, the IMF recommends the removal of the subsidies with a view to reaching the goal of fiscal austerity.

Manipulating the Data on Poverty and Unemployment

An atmosphere of social despair prevails, people's lives are destroyed.

While, the protest movement in Tunisia is visibly the direct result of a process mass impoverishment, the World Bank contends that the levels of poverty have been reduced as a result of the free market reforms adopted by the Ben Ali government.

According to the World Bank's country report, the Tunisian government (with the support of the Bretton Woods institutions) was instrumental in reducing the levels of poverty to 7 percent (substantially lower than that recorded in the US and the EU).

> **Tunisia has made remarkable progress on equitable growth, fighting poverty and achieving good social indicators**. It has sustained an average 5 percent growth rate over the past 20 years with a steady increase in per capita income and a corresponding increase in the welfare of its population that is underscored by **a poverty level of 7% that is amongst the lowest in the regio**n.
>
> **The steady increase in per capita income has been the main engine for poverty reductio**n. … Rural roads have been particularly important in helping the rural poor connect to urban markets and services. **Housing programs improved the living conditions of the poor and also freed up income and savings to spend on food and non-food items with resulting positive impacts on poverty alleviation. Food subsidies, which have been targeted to the poor, albeit not optimally, have also helped the urban poor.** (World Bank Tunisia – Country Brief)

These poverty figures, not to mention the underlying economic and social "analysis", are outright fabrications. They present the free market as the engine of poverty alleviation. The World Bank's analytical framework is used to justify a process of "economic repression", which has been applied Worldwide in more than 150 developing countries.

With a mere 7 percent of the population living in poverty (as suggested by the World Bank "estimate") and 93 percent of the population meeting basic needs in terms of food, housing, health and education, there would be no social crisis in Tunisia.

The World Bank is actively involved in cooking the data and distorting the social plight of the

Tunisian population. The official rate of unemployment is 14 percent, the actual level of unemployment is much higher. Recorded youth unemployment is of the order of 30 percent. Social services, including health and education have collapsed under the brunt of the IMF-World Bank economic austerity measures.

Tunisia and the World

What is happening in Tunisia is part of a global economic process which destroys people's lives through the deliberate manipulation of market forces.

More generally, "the harsh economic and social realities underlying IMF intervention are soaring food prices, local-level famines, massive lay-offs of urban workers and civil servants and the destruction of social programs. Internal purchasing power has collapsed, health clinics and schools have been closed down, hundreds of millions of children have been denied the right to primary education." (Michel Chossudovsky, Global Famine, op cit.)

What is required is to direct the protest movement not solely against the government but against the US Embassy, the Delegation of the European Union, the IMF and the World Bank Tunisia country missions. *[M. C. added on January 22, 2010]*

The Globalization of Poverty and the New World Order

by Michel Chossudovsky

In this new and expanded edition of Chossudovsky's international best-seller, the author outlines the contours of a New World Order which feeds on human poverty and the destruction of the environment, generates social apartheid, encourages racism and ethnic strife and undermines the rights of women. The result as his detailed examples from all parts of the world show so convincingly, is a globalization of poverty.

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