EU-LISTCO

Europe's External Action and the Dual Challenges of Limited Statehood and Contested Orders

Working Paper No. 10

April 2021

THE POLITICAL ECONOMY OF AREAS OF LIMITED STATEHOOD

Insights from Libya and Tunisia

Matteo Capasso

This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement no. 769886

The EU-LISTCO Working Papers are peer-reviewed research papers published based on research from the EU Horizon 2020 funded project no. 769886 entitled *Europe's External Action and the Dual Challenges of Limited Statehood and Contested Orders* which runs from March 2018 to February 2021.

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Phone: +90 312 290 2019

saime@bilkent.edu.tr
senemy@bilkent.edu.tr
yan.overfield@bilkent.edu.tr

EU-LISTCO PROJECT:
Elyssa Shea
Freie Universität Berlin
EU-LISTCO
Ihnestr. 22
14195 Berlin

Phone: +49 30 838 54830

Elyssa.Shea@fu-berlin.de

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This publication is part of a project that has received funding from the European Union's Horizon 2020 Research and Innovation Programme under grant agreement no. 769866. It reflects only the authors' view and the European Commission is not responsible for any use that may be made of the information it contains.

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AUTHORS

MATTEO CAPASSO is a Max Weber Research Fellow at the Robert Schuman Centre for Advanced Studies, European University Institute (EUI), Florence.

email: Matteo.Capasso@eui.eu

ABSTRACT

This paper discusses the governance of political economy in areas of limited statehood (ALS) and contested orders (CO) by focusing on the issue of state capture. By linking the notion of state capture to the idea of ALS, the paper investigates how a deterioration of governance can take place when the state fails to mediate the interests of the population vis-à-vis capital, thus favouring the personal gains and rent-seeking activities of the ruling class. Drawing on the cases of Libya and Tunisia, the paper will examine the extent to which processes of state capture dominate the political economy of countries of the EU's southern neighbourhood (SN). It will place unique attention on the enabling conditions that generate state capture and assess how this process can produce risks or become a source of threat to the EU. In doing so, the paper will also reflect on the implications of the main findings when approaching the question of resilience and how state capture contributes to the wider conceptual discussion on ALS and CO in the SN.

1. INTRODUCTION

This paper discusses the governance of political economy in areas of limited statehood (ALS)[1] by focusing on the issue of state capture. Drawing on the cases of Libya and Tunisia in the EU's southern neighbourhood (SN), it examines how state capture can produce risks or become a source of threat to the EU, presenting concrete challenges. The working paper will identify common themes across the two case studies while highlighting and preserving the specificities of each country. The paper links the notion of state capture to the idea of ALS by showing how a deterioration of governance can take place when the state fails to mediate the interests of the population vis-à-vis capital, thus favouring the personal gains and rent-seeking activities of the ruling class. Consequently, the process of state capture has important implications for the provision of governance and sources of resilience, negatively affecting the three identified sources of resilience: social trust, legitimacy, and institutional design.[2] This is mainly due to the fact that, as the paper aims to

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1 ALS are those areas in which central government authorities and institutions are too weak to set and enforce rules and/or do not control a monopoly on the means of violence (see Börzel and Risse 2018).

2 The first source, social trust, is referred to as "a cooperative attitude towards other people based on the optimistic expectation that others are likely to respect one's own interests" (Draude et al. 2018, 354). The second source refers to governance actors' empirical legitimacy, understood as the social acceptance they enjoy among the governed population. The third source, institutional design, indicates the degree to which institutions are fit for purpose and able to help ensure effective governance and is a decisive marker of societal resilience (for more on resilience, see Cadier et al. 2020).

show, the process of state capture triggers the under-provision of basic public goods and services, resulting into a breakdown of governance (Börzel and Risse 2018). In fact, it reveals how economic practices can become a vehicle through which certain services are provided only for exclusive groups and how collective goods are transformed into private goods accessible only to those who pay for them or are distributed to those loyal to the ruling class and wealthy elites.

The goal of the working paper is to present concrete findings while reflecting on the potential sources of threats and risks. The paper is divided in four main sections. The first one will discuss the central concept, state capture, from a conceptual level. The second and third parts will focus on the insights emerging from the cases of Libya and Tunisia.[3] The last section will discuss the main findings.

2. MAPPING THE CONCEPTS

Generally, the term *state capture* is used to refer to the process by which private actors seize public institutions and processes to realize their personal interests in accumulating power and wealth (Grzymala-Busse 2008; Hellman et al. 2000; IMF 2001). In this regard, the pursuit of rent-seeking activities is the most indicative practice of state capture; that is, an "activity broadly understood as non-productive or directly counterproductive efforts to capture 'excess' profit by creating or exploiting government regulation to avoid competition" (Heydemann 2004: 2). While the degree of rentierization of the economy can vary, what defines such activity is the gain of income derived from the ownership, possession, or control of scarce assets and under conditions of limited or no competition (Christophers 2019a). For instance, this can take place when private actors gain privileged access to national resources through public officials via informal practices, such as by bribery or corruption (Leitner and Meissner 2018). While this process allows private individuals to accumulate personal wealth and power, it also affects the accountability of several political processes, such as elections, fair distribution of goods and services, application of justice, and so on.

Another term used to explain the structure allowing those processes of state capture is *neo-patrimonialism*. This is characterized by personal or clan rule whereby rent-seeking political businessmen rely on the appropriation of state apparatuses and on informal patron-client relations to maintain control and achieve economic goals (Derluguian and Earle 2011). Processes of rent-seeking are institutionalized within state structures and political leaders ensure loyalty by distributing patronage and

3 The section discussing the Tunisian case is about to be published as an academic paper. For a longer and more articulate discussion on state capture in Tunisia, see Capasso, M. (forthcoming).

licenses to seek rent (Markowitz 2013). In such contexts, the "redistributive effect of corruption serves as a legitimacy factor and a way to maintain the support of the elite and the bureaucracy" (Engvall 2017: 78). The consolidation of this logic based on multiple pacts has allowed for state functioning and stability, despite indicators of state weakness (Heathershaw and Schatz 2017), which some scholars have designated as the paradox of *strong/weak states* (Migdal 1988). Such activities are also referred to as *crony capitalism*, emphasizing predatory rent-seeking practices emerging from the mutually beneficial relationship between politicians and capitalists (Dana 2020) and constituting the basis of the ruling class. In other words, political authorities who make decisions do not simply lack the capacity to enforce them; rather, they pursue policies that, in turn, allow them to receive favours with great economic value. In order to capture the state, private actors rely on the systematic abuse and tailoring of formal institutions in order to accumulate power and wealth (Amundsen 1999). These forms of state capture are often associated with the presence of weak state institutions, corrupt ruling elites, processes of favouritism, and legal uncertainty. In fact, as the notion of ALS highlights, the distinction of public-private spheres is less applicable in countries where state institutions are so weak that government actors can easily exploit state resources for private purposes. In other words, the "implicit assumption of the public–private distinction according to which governments govern and private actors mind their own business, is often turned on its head in areas of limited statehood" (Risse 2018).[4]

In the SN, the historical development of political economies presents numerous similarities with the eastern neighbourhood, and this is reflected in the associated debates. For instance, economies in the SN are often described as based on deals between political and economic elites rather than on the enforcement of clear and impartial rules (Diwan et al. 2019). In particular, Schlumberger (2008) has coined the term *patrimonial capitalism* to describe those economic regimes that rely largely on informal mechanisms to grant privileges to political allies and exclude potential opponents, including protecting monopoly rights, access to privatization offers, loans, government procurement, and public resources. At times, families associated

[4] While not the objective of this report, it is important to point out that the ideas of state capture and crony capitalism are not uniquely applicable to ALS in the EU's neighbourhoods. Rather, those processes are highly prevalent in the wider capitalist system and its various formations, i.e., state capitalism and neoliberalism. Their intensity and scale, however, vary and remain subject to debate. In neoliberal states, like the US or UK, recent studies have documented how capitalism tends to create rentier mechanisms, where powerful rentiers engineer ways to commodify politics, while politicians use rental income to indulge in clientelist practices that help them to stay in office (Standing 2016), for instance, via processes of financial rentierism (Christophers 2019a, 2019b; Mazzuccato 2018).

with political regimes in one way or another came to dominate the private sector, in addition to exercising considerable control over public economic assets (Haddad 2011). In this vein, the roll-back of the Arab state is linked to a failing process of liberalization. Clement and Springborg (2010), for instance, have argued that politics have driven economic development in the Middle East and North Africa (MENA). They outline a dialectic of globalization and colonization where third moment elites adapted to American hegemony in new ways when old elites had to choose between accepting or resisting such hegemony. Governance in the region has varied with states dominating the economy via socialist rhetoric and/or patronage relationships and crony capitalism. In their analysis, the room for capital accumulation by the private sector has ranged from very limited, in the case of so called "bunker states" (Algeria, Iraq, Libya, Sudan, Syria, and Yemen), to limited in "bully praetorian states" (Egypt, Tunisia, and Iran). It is substantial in the "globalizing monarchies" (GCC, Jordan, and Morocco), while only the "precarious democracies" in the region have granted more far-reaching autonomy to private sector actors (Lebanon, Israel, and Turkey). In other words, Arab states have not allowed their population to fully benefit from the process of economic globalization, distorting the inherent degree of dynamism of a market-oriented society. Instead, they opted for the creation of what Springborg (2020: 62–63) defines as 'limited access orders';[5] that is, "systems in which order is based on political elites appropriating for themselves privileged control over parts of the economy, each getting some share of the rents". In other words, the developmental model adopted by states in the SN became much less inclusive than in the past; the private sector became increasingly informal; and there was little trickle-down to the disadvantaged. Nevertheless, while these interpretations provide very important and useful elements that explain the gradual emergence of dynamics of state capture in the SN, they fail to link those dynamics to wider geopolitical changes.

To this end, Ali Kadri (2012, 2015) traces the gradual de-development of the MENA region to the consequences stemming from the military-ideological defeat of the project of Arab Socialism that followed the period of national independence in the 1950s and 60s. While the state-led capitalist experience initially provided prosperous results for the population in the aftermath of colonization, military defeats by Israel in 1967 and 1973 provoked a wave of defeatism across the region (Kadri 2012, 2015,

[5] Springborg borrows this term from the work of Douglass North (North et al. 2009), which distinguishes between limited and open access orders. While the former are based on clientelism and rent-seeking activities, the latter are driven by innovation and productivity, guaranteeing that all citizens have the right to form contractual organizations.

2016). Many ruling elites not only dropped their egalitarian policies but became comprador classes of global financial capital, establishing a necrotrophic relationship with the national resources of their respective countries. While Heydemann (2004) describes these resulting structures as *networks of privilege* that emerged as the result of failed programs of economic reform that many states in the MENA undertook, Kadri instead stresses how the gradual incapacitation of the Arab state and the loss of its political autonomy over economic policies ultimately coincided with the aims of Washington Consensus reforms (Kadri 2016). With the adoption of liberalization policies, rulers linked their national resources to dollarized financial capital. While this process allowed US global primacy to continue, it required the pauperization of the national economies of countries in the Global South (Robinson 2011). The introduction of neoliberalism in the MENA region has resulted in the transformation from an even-distribution public sector-led economy with a paternalistic welfare state to a highly uneven private sector and a privately-owned, public sector-led economy. In doing so, the ruling elites further renounced their traditional constituencies of farmers, workers, and low-level civil servants, seeking instead the political support of the business elite and the middle class (Matar 2013).

In this paper, I link the process of state capture to the notion of ALS by showing how a deterioration of governance can take place when the state fails to mediate the interests of labour vis-à-vis capital, thus favouring the personal gains and rent-seeking activities of the ruling class. Drawing on the cases of Libya and Tunisia, I aim to show how the process of state capture emerges and the ways in which its governance mechanisms possess important implications for approaching resilience for EU member states.

3. THE CASE OF LIBYA

In the case of Libya, dynamics of state capture and the presence of rent-seeking elites have characterized the country's political economy for a long time, but to various degrees (Vandewalle 2006). While the first decade of the 1969 al-Fateh Revolution witnessed the implementation of progressive and egalitarian policies that benefited the majority of the population, raising their life expectancy and providing affordable healthcare and housing; the military-ideological defeat of the Libyan Army in Chad, coupled with years of multilateral international sanctions, reversed these progressive gains (Naur 1986; Capasso 2020). These dynamics reached their apex during the last decade of the regime when the family of Qaddafi, and particularly his sons, managed to gain exclusive access to the most lucrative sectors of the economy, controlling resources and possessing privileges of which ordinary Libyans could only dream. All of Qaddafi's children, in fact, occupied important financial, political, or military positions, which—in turn—translated into lucrative contracts and progressive accumulation of wealth.[6] For instance, in 2008, Mutassim Qaddafi demanded $1.2 billion from the chairman of Libya's national oil corporation, reportedly to establish his own militia (Shane 2011). The Panama Papers revealed that insiders of the regime had embezzled large sums of state-funds directed to build hospitals and public infrastructure in order to buy luxury properties in England and Scotland (Garside et al. 2016). While the corrupt practices of dividing the spoils of public wealth were institutionalized, unemployment had reached levels of 20–25% in the 2000s (St John 2008). Like many other countries in the SN, intra-elite divisions and growing societal discontent acted as a potent fuel for the civil strife of 2011.

However, in the aftermath of the NATO-led military intervention and the fall of the Libyan regime (Capasso et al. 2019), the ensuing struggle over state institutions and the monopoly of violence intensified the struggle over rent-seeking activities among armed groups and warlords. In Libya, a case in point is the situation of Tripoli, where four militias have consolidated their position and established the basis for a functioning monopoly of violence (Lacher 2018). Although tensions between the four factions exist, they have shown solidarity when other armed groups have challenged their territorial control. From 2012 to early 2014, the primary source of finance for militias was funds that were specifically allocated to them by the defence and interior ministries that covered the salaries of individual militiamen. By inflating payrolls and operating expenditures, militia leaders and their political allies were able to accumulate wealth, which was then partially reinvested in heavy weapons and other capital-intensive equipment (Lacher and Cole 2014) for the war to continue. However, as state funding contracted in successive years, armed groups searched for other ways to finance themselves. Kidnappings soared in Tripoli during 2015 and 2016, with the vast majority being financially motivated. During the same period, protection rackets emerged, with armed groups "taxing" local markets or private businesses in exchange for "security" (Chojnacki and Branović 2011).

Furthermore, another important practice that emerged after 2011 is for militias based in Tripoli to threaten officials, such as those working in banks, to facilitate their monetary demands (Pack 2020). This situation heightened the widening gap between the official and black-market exchange rates as well as the worsening cash shortages in banks. In such situations, armed groups were able to profit and control state revenues in numerous ways. Firstly, banks sought protection from armed groups to manage cash distribution. The banks pay the groups "guarding" their branches, while

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[6] For a more detailed explanation of the Qaddafi siblings' involvement in the country's affairs, see Chorin (2012, 103–6).

ordinary citizens face major difficulties accessing their salaries and savings (Lacher 2018). What has allowed the militias to profit most, however, are fraudulent activities linked to obtaining letters of access to credit. At times, branch managers or businessmen have even initiated dealings with militias in order to obtain letters of credit. Such networks have been central to the emergence of a militia cartel in Tripoli (ibid.). The knowledge and connections of influential businesspersons and political operators gave Tripoli's militias access to the resources they needed to expand across the capital. This suggests that one problem for a successful state capture is the wide and diversified range of actors involved in the network. Such activities also characterize the political economy of the Libyan National Army (LNA) led by General Khalifa Haftar, which controls most of the country's territory. Since 2016, the LNA has set up an institutional body called The Military Investment and Public Works Committee that undertakes predatory activities such as confiscating properties, extorting private economic actors, and taking control of public projects. Those practices were then followed by the imposition of monopolies over the smuggling of hard currency and refined fuel products, which further enabled the LNA to survive and maintain power by paying off its supporters (Noria Research 2019; Williams 2019).

In both cases, it is possible to draw some conclusions about the type of dynamics that characterize these armed groups' attempts to capture the state. The first structural factor that generated this cycle of predatory economy was the lack of monopoly of violence that followed the events of 2011; that is, the ALS and CO that arose with the involvement of different international actors via the initial provision of weapons and arms to the various groups aiming to overthrow Qaddafi (see Capasso et al. 2019). Following the fall of the regime, these armed groups relied on their acquired power and violence to take control of public infrastructure and private property and to extort and bring lucrative economies under their control. The third step involved the reinvestment of these funds in the security-military complex in order to solidify or maintain their power. Subsequently (and simultaneously), these same groups either imposed a monopoly over several export businesses, notably of refined petroleum products, or branched out to find alternative sources. The consequences of this process were largely detrimental to the population, since the provision of goods and services became tightly linked to people's support for a certain armed group or gang. Therefore, when these groups became direct or indirect providers of state functions—including security, the economic costs associated with their actions were typically much higher and more detrimental to the population. Despite the diversity of its actors and factions, this new ruling class of warlords came into being and operates under a united political vision that has very close ties to the international powers sponsoring them, which aim to adjust democracy to enable them to remain in power and rule with an iron fist.

Elwert (2018) uses the notion of markets of violence to describe how certain accumulative economic logics become dominant after extended conflicts where state institutions break down and the monopoly of violence becomes fragmented. In other words, while the origins of the conflict might not be economic, the continuation of violence is premised on the economic behaviour of various state and non-state actors, particularly warlords. The continuing reliance on violence to accumulate resources, and thus power, allows militias to govern without the support of the majority, thus fatally detracting from accountability. Markets of violence function by linking nonviolent commodity markets with the violent acquisition of goods. At the same time, the high levels of societal militarization do not translate into peace or security for the communities that live there (Tricontinental Institute 2019). In these ALS, where states has completely lost their monopoly of violence, violent dynamics can become a defining characteristic of the political economy, which inevitably lead to the rise of new modes of security provision (Raineri 2019; Wehrey 2018), also called *hybrid security* (Sayigh 2015).

Nonetheless, those new or hybrid arrangements remain very precarious, and, thus, a potential source of risks and threats. In fact, when the possibilities for profit depend on actors' relative ability to exercise violent control of resources and social relations, ALS face two main interrelated risks of governance breakdown. First, those arrangements may last only a very short time and result in progressive cycles of governance breakdown; in other words, war becomes the new normal. This situation relates to how long providers of security can maintain their access to resources and wealth, and, thus, their political power. The second point links to the question of accountability and entails the creation of *chains of authoritarianism(s)*. Even though one authoritarian ruler is gone, different, and no less authoritarian, political personalities and strongmen succeed each other (ICG 2018) while the country remains in a state of ongoing conflict.

In such contexts, putting an end to the conflict and the imposition of an international arms embargo appear to be fundamental conditions for fostering societal resilience (Capasso et al. 2019; Capasso 2020). However, the issue of an arms embargo cannot be tackled only at the local or regional levels because it requires thinking through the role of global actors, including EU member states. In other words, external actors can also represent a source of risk and threats to Libya and the SN, more generally through the continuing flow of weapons (from European and other countries) to regional countries (PAX 2017; Wintour 2019). Germany, for instance, has approved arms exports worth €331 million ($358 million) to countries accused of supporting warring parties in Libya, according to a report from the German Economy Ministry seen by news agency DPA (*DW* 2020). Similarly, Italy has sold a total of €872 million of weapons to Egypt (Rete Italiana per il Disarmo 2020).

This process raises serious questions with respect to not only Egypt and the UAE's crucial role in the conflict in Libya, but also the diversion of weapons and the breaches of arms embargoes (Emirates Leaks 2019; PAX 2017), forcing a reconsideration of how war can become a source of profit at the international level. Therefore, while, under Qaddafi, Libya had a ruling family that regarded the public sector as their private property and treated the armed forces as their guards, multiple private armed actors now compete for exclusive control of public properties and private businesses. In the absence of a state, predation and capture of national resources have reached new and unprecedented levels.

4. THE CASE OF TUNISIA

The liberalization of the Tunisian economy, begun by Ben Ali in the late 1980s, had highly disruptive consequences for the country since the introduction of market forces allowed the ruling elites to consolidate the process of state capture (Tsourapas 2013; Joya 2017; Brésillon 2020). This process, in fact, led to a significant shift in the economy by the end of the 1990s, whereby the inner circles around Ben Ali and his wife Leila Trabelsi (Kchouk 2017) started to control investments and private projects (Heydemann 2004; Santini 2018). The Trabelsi-Ben Ali clan created a "networks of privilege" system through alliances (i.e., marriages) and obedience (i.e., by controlling business associations or sanctioning voices of dissent) in order to consolidate their position (Arouri et al. 2019). Ben Ali's clan managed to establish a vast and lucrative business empire, capturing the state through a process of perverted privatization accompanied by tax evasion. For instance, in the case of the automobile market, the family first appropriated public firms through privatization, and the connected firms subsequently experienced a policy-induced surge in demand while evading import taxes (Arouri et al. 2019). In the years preceding the uprising of 2011, clientelist networks and security forces gained total control of the job market, creating a system of distribution of resources that only increased the economic divide between the north and south of the country (Meddeb 2017). For instance, in the 20 years following the restructuring of the economy in 1985, 10,000 jobs were suppressed with dramatic effects on job creation and the youth in the region (Allal 2010). The 2008 revolt in the Gafsa mining basin, for instance, was sparked in January 2008 by a fraudulent recruitment procedure organized by the Gafsa Phosphates Company (GPC), which offered coveted jobs in mines re-opened by the government to young candidates from outside the region and connected to the regime to the disadvantage of the local population (ibid.). Jobs, in fact, would be distributed among local patrons and regional administrations according to a quota system. In turn, the latter would redistribute these jobs among their clients on a tribal or partisan basis, or even sell them to the highest bidder (Meddeb 2017). While this system of redistribution of resources was delicately implemented over two decades in the Tunisian periphery, it also fuelled the fragmentation of local society, consolidating tribal identities and social grievances (ibid.). In addition, local residents were left with environmental damage that, in turn, affected agricultural production, another important source of income (Ghilès and Woertz 2018).

Through the economic liberalization of Tunisia, regime elites were slowly incorporated into an international capitalist class, although "they were on the margins of network of power, in that they extracted rent from the circulation of capital (into and out of Tunisia) rather than being at its productive heart" (Murphy 2017). In other words, the political economy of Tunisia was erected around structural hierarchies of power beneficial to the ruling class, thus to powerful political and economic elites. This process triggered a dual and interrelated process. On the one hand, the formal sector remained under the control of rent-seeking elites who reaped the benefits of opening the economy to international capital, which significantly affected the distribution of wealth and power within and among the local population. Those differences clearly emerged in the imbalance of economic and social reforms and developmental policies that the state predominantly implemented in the coastal areas and the capital, Tunis, which effectively led to the marginalizing of the other regions (Santini 2018). Such disparities not only hindered societal resilience at the local level but also led to several rounds of contestation and governance breakdown, as was the case in the Gafsa revolt. On the other hand, the gradual capture of the state enabled the increasing informalization of the economy, such as a rise in smuggling activities in the long-neglected regions in the South. As Santini (2018) argues, the emergence of the informal economy in some regions and policy arenas does not reflect an attempted but unsuccessful state penetration. Rather, its origin and flourishing "epitomizes a rational decision by the Tunisian central authority to concentrate investment and resources in areas more economically developed and politically more loyal" (Santini 2018: 63).

The political economy of Tunisia reflected a wider process of reconfiguration and modification of governance mechanisms induced by national and international transformation (Hibou 2006). While pressures from the international economy became more direct, the state increasingly started to delegate its regulatory or even sovereign functions to private intermediaries, what Hibou calls "privatization of the state" (Hibou 2011). The capacity of the previous regime to carry out those policies lay in how it devised a discourse of reformism that, while hiding practices of domination and coercion, was heavily invested in a language of negotiation and fighting against corruption. The latter emphasized the tradition of listening on the part of Tunisian officials and highlighted the consensus around liberalism with a dash of attention to the social sphere—in other words, cosmetic changes. This process remained untouched by European officials and masked the reality that the regime depended on its coercive control over the political apparatus and wider society in order to sustain its own survival and enrichment (Hibou et al. 2011). Under the regime of Ben Ali, international institutions praised Tunisia for its substantial progress in economic growth and poverty reduction. Tunisia enjoyed an annual average gross domestic product (GDP) growth rate of 5% between 1997 and 2007. It experienced a strong recovery following the 2008 global recession and a 3.7% GDP growth in 2010. However, growth did not trickle down to large sections of the population, and economic grievances and societal discontent ended up playing a significant role in fanning the flames of the 2011 revolution. A small incident blew up into a huge popular uprising that resulted in the ousting of Ben Ali on 14 January 2011, less than a month after mass demonstrations had begun. Tunisia experienced a revolution driven in large measure by "structural vulnerabilities" (Magen et al. 2020) related to social, economic, and political exclusion. In a poll conducted after the revolution, most of the respondents believed that the revolution had been induced by the youth (96%), the unemployed (85.3%), and the disadvantaged (87.3%) (SIGMA Group 2011).

After 2011, Tunisia continued to be praised as a successful revolutionary story. However, despite such international praise, the status quo has largely remained the same; economic elites have further entrenched their position by hijacking the transition process, and unemployment—particularly youth unemployment—is on the rise (Schaefer 2018). In other words, the structural vulnerabilities characterising Tunisia under Ben Ali have not disappeared, and, thus, the political-economic conditions continue to represent a possible source of governance breakdown in the country. The transitional government seized the assets of the Ben Ali-affiliated clan, resulting in several prosperous state-linked companies being sold in a call for tender opened to local investors. While, on the surface, this suggested a restructuring of the political economy, the power relations underpinning Tunisia's economic hierarchies have not significantly shifted, and much-needed changes in job creation and the conditions of access to the labour market are still lacking. For example, according to the Egyptian think tank Economic Research Forum, three car dealerships previously under the control of the Ben Ali clan were seized and purchased through an auction by factions of the extant business elite (Oubenal and Ben Hamouda 2018). Indicative examples of this process are how two notable businessmen, Poulina and Ben Yedder, bought the majority shares in the holding company Ennak, while Bouchamaoui and Chabchoub became the new main shareholders of City Cars, and the Loukil group bought the company Ennakl Vehicules Industriels (ibid.).

Furthermore, in order to understand the post-2011 rentierization of Tunisia's economy, it is also important to understand how rent-seeking elites can further profit vis-à-vis the global economy. In this regard, tax evasion provides an important example. By way of illustration, in 2018, employees paid 5,488.4 million dinars in taxes, double the amount paid by the companies that employ them (i.e., 2,713.8 million dinars) (Abderrazek 2020). Furthermore, oil companies only contributed 4% of total tax revenue, despite generating very large profits (ibid.). The issue of tax evasion also shows the interlinkages between national wealth and global capital since Tunisia has been ranked fifty-ninth among the countries with the largest sums of money hidden in the accounts of Swiss banks, comprising more than $52 million and 256 customers (Sbouai and Khadharaoui 2015). Among them, it is possible to identify the same names of the families of the large groups mentioned above, but also the name of the ex-first lady of the Trabelsi family. The Panama Papers show how big industrial tycoons operate offshore accounts instead, and the documents include the names of, for instance, Raouf Bouchamaoui, whose business operations range across oil and gas, real estate, and financial services (Ben Hamadi et al. 2016).

The question of food dependence further shows how the global economy affected the process of state capture in Tunisia (Ayeb and Bush 2019). The political lexicon concerning the objectives of agricultural policy changed dramatically from the end of the 1980s. The integration of Tunisia's agriculture into the global market created a structural food dependence and a general impoverishment of the peasantry that is unable to supply its own food security (for a deeper discussion, see Ayeb and Bush 2019). This shift was based on the reorientation of agricultural, economic, and natural resources to the benefit of investment in agribusiness, promoting the interests of those who benefitted from state investment in irrigation to the detriment of family farming (El Safi 2016). Far from being a simple political slogan, those policies produced large-scale changes. Tunisian agricultural strategy no longer focused on producing more for those in need but became instead a strategy to produce more to export (Ayeb and Bush 2019: 93–122). In such a context, while liberalization of the economy has turned out to be a source of profit and wealth for the ruling class, it has also acted as a source of potential risks and reduced resilience for those in the lower strata.

The recent EU-Tunisia talks on agricultural agreements could further entrench this dynamic of food dependence. While its aims are to capitalize on the comparative advantage of Tunisia's nearly year-round sunshine, forcing a shift toward production of fruit and vegetables for export, it also creates a dependence on imports for the basic cereals that make up most Tunisian diets. The EU-Tunisia trade liberalization agenda (DCFTA) is an example of the inherent risks in opening up the local economy to global competition without any form of protectionism for local production. This process, in fact, has a tendency to reduce the resilience of a local society exposed to the pressures of global markets and competition while allowing ruling elites to enrich themselves further. While the agreement brings an increase of Tunisian exports—mainly from the sectors of fruits, fish, and olive oil, due to their high competitiveness in the EU market, some agri-food subsectors—mainly animal products, milk and dairy products, and cereals—remain unprepared to support the costs of the DCFTA, due to their low competitiveness (Mergos and Papanastassiou 2016). While Tunisian authorities could propose a progressive trade liberalization strategy with the EU or encourage foreign direct investment in these sectors to improve their competitiveness, one main risk remains. As past studies have shown, such trade models lead to the development of a dual agricultural market, further marginalising small producers for the benefit of local elites and European exporters (Kourtelis 2015).

5. DISCUSSION OF THE MAIN FINDINGS

It is possible to identify two main findings in relation to the cases discussed above. First, state capture, cronyism, and predatory economic behaviour by the ruling class is rampant and endemic in the SN, and it comes with huge social and political costs for the population. As the 2011 protests in the SN region showed, political-economic factors represented a major issue of concern. The lack of jobs and deteriorating economic conditions acted as a potent fuel for popular protests, which then turned into governance breakdown. Therefore, state capture remains a possible source of risks in the SN, since many of the structural vulnerabilities remain unaddressed. The major problems are linked to the widespread corruption, poor implementation of the rule of law, and lack of transparency. Private and public actors often collude to manipulate the rules of the political game in order to accumulate wealth and/or acquire personal benefits. In the SN, the corrupt practices of dividing the spoils of public office have become institutionalized. Moreover, as Kakachia and Lebanidze (2020: 37) have pointed out, social orders based on state-capture can be stable, as long as they provide the population with basic goods and services. However, should an economic deterioration take place as a result of a global economic downturn, social orders based on state capture could reach a tipping point and contribute to popular uprisings, violence, or governance breakdown.

More specifically, based on the case study on Libya, it is possible to note how the collapse of statehood has produced an increasing formation of ALS, now under the control of non-state actors. In fact, the ensuing possibility to access sources of income linked to the previous regime has given rise to different levels of governance breakdown. In Libya, the collapse of the central authorities has heightened reliance on predatory economic practices, which, in turn, have come at the expense of the local population. Therefore, while dynamics of state capture and crony capitalism existed before the protests, they have now exponentially increased because one of the key sectors normally under the control of the state—that is, the monopoly of violence—is now also up for grabs. Non-state actors aggressively compete to capture national resources, while simultaneously shaping the creation of a lacking central authority. The case of Tunisia further demonstrate the existence of state capture and cronyism by wealthy elites and how this process undermines the political process where elites take advantage of their power and connections at the official level through the use of arbitrary justice and media.

The second important finding is the role played by the global economy in contributing to the consolidation of these dynamics of state capture. The norms governing arms control and non-proliferation are eroding, and there is "a risk of increased weapons of mass destruction … and of a renewed arms race between superpowers" (Magen et al. 2019: 31). For instance, in Libya, the international sale of military equipment and weaponry to regional players further creates the conditions for war in the SN. In Libya, militias and warlords acquire military equipment to make territorial and military gains on the ground. These same groups then compete in extracting resources from the local population, particularly in lucrative sectors. In this process, it is important to understand how warlords and militias display the capacity to extract profit in conjunction with global actors, undoing all the links of accountability with the local population and the national economy. In the case of Tunisia, tax evasion further shows how wealthy elites can relocate their capital abroad, avoiding investing it in the national economy. The discussion of food dependence also illustrates the potential risks for countries in the SN when opening up their economies to the global market. In the case of Tunisian agriculture, political and economic strategies focused more on the production of exports than in satisfying those strata of the population in need of food. In such a context, while the liberalization of the economy has provided opportunities to make a profit, it did so only for agri-business and wealthy elites. At the same time, it has had a negative impact on the more marginalized strata of society, further increasing existing socio-economic inequalities.

6. IMPLICATIONS FOR THINKING ABOUT RESILIENCE

The evidence shows that the deteriorating socio-economic conditions in the SN are a source of risks and potential threats, including governance breakdown. As this paper has argued, the roots of these conditions are related to the presence of state-capture and cronyism that sustain the ruling class and wealthy elites, and a political economic structure that allows them to acquire political and economic capital. The first case showed how rent-seeking elites tend to rely on the simultaneous use of public and private means to maintain their power and adjust the political game in their favour, thus pursuing strategies of control via networks of privilege. The lack of income-generating opportunities pushes people into involvement in the system of patronage and clientelism via, for instance, jobs in the public sector. In fact, there is a widespread perception that nepotism and corruption play a role in the allocation of public jobs in the SN, which reflects the potential of such allocations to be used as discretionary tools of political patronage, creating further inequalities in access (Hertog 2017).

A central challenge facing countries in the SN today is the urgent need to renegotiate a more just, inclusive, and sustainable social contract between the state and its citizens. Re-establishing trust in the institutions of the state and developing new national narratives to rally the population around promises for a better future will be key to this gradual healing of the rupture between states and societies. While the re-structuring of the social contract is going to require acknowledgement by the EU, the solutions to the above challenges can only be effective if they are home-grown and not imposed from afar, or top-down in the absence of public engagement and oversight (Ranj Alaaldin et al. 2017). Restructuring the social contract in the SN will, in turn, also depend on: 1) accounting for the responsibility of capital towards society, thus promoting reforms that aim to curb the process of state capture; 2) regulating the links between national wealth and the global economy; and 3) empowering the rights of those at the lower margin of society, particularly those involved in the informal sectors. In the SN countries, it is not currently only the states that fail to mediate the interests of their populations vis-à-vis capital, thus favouring personal gains and rent-seeking activities that inevitably deteriorate governance. The failure of the state and the ruling class is further exacerbated by its integration into the global economy. In such a situation, increasing resilience means strengthening local ownership (by the population and societal actors) and weakening the monopolies of elite-driven global transactional policies that appear to produce more inequality.

For instance, the Tunisian state has attempted to fight the role of the rent-seeking elites via reforms aiming to tackle public administration and corruption, yet, in both cases, they were met by strong resistance from vested interest groups who feared that their political and financial interests were at risk of being undermined. The next problem is a lack of "vertical trust" (Börzel and Risse 2016), not only in the effectiveness and neutrality of local institutions and procedures, but in the state. As a key component of societal resilience (see Cadier et al. 2020), a lack of vertical trust weakens the capacity of society, as many disappointments caused by several coalitions and governments of different political orientations produce apathy toward political institutions. Of course, people continue to vote in elections, but it becomes more of a habit than a civic act of political engagement. To strengthen societal resilience to state capture, it is important to support civil society, independent media, and NGOs working on human rights, transparency, and democracy, which then reinforces vertical trust.

The case of Tunisia is emblematic because it shows how crucial political will is to the success of any development/reform-focused effort. While many development agencies today are attempting to sidestep political inertia by de-centralising their aid and granting local initiatives preference over a state-centred framework (Giusti 2020), studies (Platteau 2003; Banks et al. 2015) show that these grass-roots approaches remain of little avail in the absence of political will. Influential civil society representatives frequently replicate state capture locally. A successful example of increasing societal resilience at the level of institutional design with spill-over effects on social trust might be the Bolivian *Renta Dignidad* (Dignity Pension) programme, introduced in 2008 to protect the basic income of all people aged 60 years and older. This universal non-contributory solidarity pension increased non-conditional cash transfers to the older population by over 100%, reaching over 800,000 beneficiaries by 2010, 55% of whom were women and 83% of whom did not previously receive any income or pension. By 2013, the scheme had reached 97% of the total eligible beneficiaries. One effect was a 5.8% reduction in extreme poverty by 2009, particularly in rural areas (Gonzales 2011). While the demographic configurations of countries across the SN vary, such a reform program could help strengthen social trust toward the institutional design and help reduce economic inequalities.

Undoubtedly, more egalitarian rent, land, and resource distributions redressing the dispossession of the working population represent the necessary conditions for effective demand enhancement and a successful development strategy. However, for those policies to succeed, it should be remembered that the success of whatever programmes are introduced will heavily depend on the macro environment; otherwise, they will be short lived and doomed to failure. Economic development depends on autonomy over policy, resource recirculation within the economy, and an adequate interface between policies and outcomes. These, in turn, also depend on weakening the links between national wealth and the global economy. In the case of Libya, there has been a proposal to facilitate and support the establishment of a Libyan-requested, Libyan-led International Financial Commission (Pack 2019). While this might seem to be a feasible option, it is not clear how it could be implemented in the absence of control on the arms industry and the flow of weapons to various local political actors. Similarly, Tunisian decision-makers could pursue reforms that would limit exports and invest in sustainable and responsible agriculture, which considers the right to food and food sovereignty, enabling people to have the right to define and control their own local food systems. In other words, the EU could support safeguard measures by developing countries to protect local markets from cheap imports, although this would also entail placing limits on the EU's own export-oriented agricultural policies. While it remains unclear whether the EU is ready to rethink those policies, it is vital to assess in advance and carefully monitor the implementation and impacts of trade agreements on employment and social, as well as environmental, rights (Alternative Trade Mandate 2014).

The case of Tunisia under Ben Ali, for instance, shows how the regime was, for many years, capable of devising a discourse of reformism while hiding practices of domination and marginalization of the lower strata of society who remained largely unknown to European officials. In such situations, unrestricted foreign direct investment should not be considered a magic bullet that automatically benefits host countries. Rather, it is necessary to understand how globalization can enrich certain classes while further impoverishing others. Strengthening resilience at the local level also requires rethinking the question of tax evasion in the SN, an issue intimately linked to the global economy. In fact, if globalization means ever-lower taxes for its main winners—the owners of big multinational companies—and ever-higher taxes for those it leaves out—working-class families—then it probably has no future (Saez and Zucman 2019). Tax havens, in this regard, are the emblematic example of antisocial and illegal activity that disproportionately impacts the poor. Concerted action by the EU—together with the UN, IMF, and OECD—could be taken to tackle this issue in developing and developed countries and achieve a fairer distribution of wealth. Big business and multinational corporations could be regulated by the creation of improved accounting standards to show what is being done offshore and by whom , while also taxing profits on an international basis (Murphy 2005). This would help ensure countries can retain within their economies the profits and tax revenues that are vital to their development by removing the incentive for them to be taken offshore. Moreover, the process of automatic information exchange that the EU has pioneered could, and should, be extended internationally and must carry economic sanctions for any country that refuses to participate.[7]

Otherwise, as recent research has shown (Broz et al. 2019; Milner 2019; Crouch 2018), there are significant risks that more and more individuals and voters, falsely convinced that globalization and fairness are two incompatible phenomena, will fall prey to protectionist and xenophobic politicians, eventually destroying globalization itself (Cox 2017). Populist leaders claim to offer policies combining strongly nationalist and anti-democratic practices, as seen in countries such as Hungary and

[7] A 2019 EU parliamentary committee report showed that seven of the European Union's own member states—including Ireland, the Netherlands, and Luxembourg—behave like tax havens. Despite this, other EU institutions, including the European Commission and EU Council, have so far refused to acknowledge that any of the EU's member states are tax havens (European Parliament News 2019).

Poland (Milner 2019). More widely, these are direct challenges to the liberal international order (Crouch 2018). In his most recent work, Piketty (2020) further highlights how today's identity politics and increasing economic protectionism are being fuelled by the lack of an internationalist egalitarian platform. Therefore, protectionism and populism are not the substitute for welfare-oriented policies at the global level. For these reasons, the EU approach to social and local forms of resilience should also emphasize the importance of global reforms to positively affect the SN, thereby promoting a new international political-economic model.

7. CONCLUSION

The political economies of many states in the SN are dominated by processes of state capture that have been enabled and supported by the poor condition of political-economic institutions, as well as by their integration into the global economy. Rent-seeking elites capture the authority of the state by exercising disproportionate influence over the institutional design governing not only economic activities and transactions but also political accountability of the state vis-à-vis the population. Such processes of accumulation of wealth and unequal redistribution of resources to the population show an increasing tendency to generate endemic and rampant corruption, poor implementation of the rule of law, and a lack of transparency. Private and public actors often collude to manipulate the rules of the political game to accumulate wealth and/or acquire personal benefits. Moreover, these same elites benefit the most from the opening up of their domestic economies to global markets, which in turn has contributed to substantively reducing the capacity of states to deliver goods and services to their respective populations. In this regard, it is possible to say that state capture, as a process, plays a very important role in the creation of ALS. The uprisings and protests over the last decade have not necessarily put an end to state capture but rather triggered a re-configuration of the participating elites who, nonetheless, continue to rig the political game in their favour. In Libya, dynamics of state capture have now exponentially increased because one of the key sectors normally under the control of the state—that is, the monopoly of violence—is now also up for grabs. Non-state actors aggressively compete to capture national resources while simultaneously shaping the creation of a weak or absent central authority. In Tunisia, the fall of the Ben Ali regime did not translate into an undoing of these structural imbalances that characterised the political economy of the country before 2011. Popular discontent remains high, as the ongoing protests in the country further prove. State capture, therefore, remains a possible source of risks and threats in the SN since many of the structural vulnerabilities have remained unaddressed. Moreover, should an economic deterioration take place as a result of a global economic downturn, the outbreak of popular uprisings and violence, and thus governance breakdown, is highly likely.

Any policy intervention should simultaneously aim to address the structural problems of state capture, while creating more secure and safer job opportunities and working conditions for those who are engaged in these sectors. Those insights appear to be even more relevant considering the current Covid-19 crisis, which has reinforced already-existing social and economic inequality in several ways. Lower paid workers involved in informal economies are at a higher risk of becoming infected than the wealthy. They also are exposed to a significantly higher mortality risk because pre-existing medical conditions are unevenly distributed within societies (Powers 2020). Well-paid jobs can often be continued by working from home, whereas millions of low-wage workers, often engaged in informal economies, only receive payment for short-term work or unemployment compensation, which leads them to suffer severe losses (ILO 2020). All these phenomena widen and aggravate the social divide.

To strengthen societal resilience, it is essential to continue promoting reforms at the institutional level that aim to improve transparency, accountability, and the rule of law. However, resilience at the local level cannot be fostered without addressing global challenges. There is a concrete danger that local problems in the SN will persist if the link between how capital is governed globally and shared locally remains unaddressed. The paper has pointed out three issues: trade policies (particularly in relation to agriculture), tax evasion, and the international trade in weapons. These three dynamics further sustain processes of state capture in the SN. Considering the rising tide of populism and protectionism at the global level, it is suggested that the EU act more proactively in the promotion of a new international political-economic model that could regulate the rights and responsibilities of local and international capital in the interest of all.

Finally, by reflecting on the role that the intimate linkages between the global neoliberal economy and countries in the SN, the paper reflects on whether the definition of ALS requires going beyond a purely Weberian definition of statehood to incorporate having a monopoly on violence and distribution of goods and services and takes the process of circulation of capital at the global level into account. In fact, as we have seen, those interlinkages cannot be underestimated, and they should be kept in mind when thinking about sources of risks, threats, and resilience in the cases of Libya and Tunisia.

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This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement no. 769886