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The Hidden Face of Informal Cross-Border Trade in Tunisia After 2011

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Summary

Despite the heavy-handed approach to security that has been adopted at Tunisia’s land borders, informal cross-border trade continues to thrive. Land corridors have been shut down, but the continued dynamic activity in maritime corridors has compensated for this loss, allowing Turkish and Asian consumer goods adapted to the declining purchasing power of the Tunisian population to penetrate local markets. The dynamism of Tunisia’s maritime corridors owes much to the emergence of small entrepreneurs and underprivileged outsiders who operate informally through trade networks connecting Tunisian and Asian ports. Some well-established firms also have adopted formalization strategies to circumvent trade barriers and restrictions against bilateral trade between Turkey and Tunisia. The rise of these informal networks and approaches reflects a growing trend: the progressive shift of Tunisia’s trade away from Europe and the rise of Turkey and China as major trade partners.

Introduction

Since 2013, the deterioration of the security situation in Tunisia—most notable in the assassinations of Tunisian politicians Chokri Belaid and Mohamed Brahmi in 2013 and the terrorist attacks on foreign tourists in 2015—has led to an increased securitization of the border areas between Tunisia and its neighbors.¹ However, even with more stringent border controls, the Tunisian authorities have been unable to reduce informal cross-border trade relations. In fact, Tunisia’s economy increasingly has been penetrated by flows of goods imported illegally or fraudulently, whether through the land corridors connecting Tunisia with its neighbors (namely Libya and Algeria) or through maritime corridors connecting Tunisian ports with Asian markets.

Over the years, the Tunisian government and observers usually have focused on the security issues involved in the rise of smuggling through land corridors. Yet this approach overshadows the importance of informal trade occurring through maritime corridors. According to a former Tunisian minister of trade, land corridors represent only 15 to 20 percent of the country’s total informal trade.² The predominance of maritime corridors is not a new phenomenon; many already were operating under the regime of former president Zine el-Abidine Ben Ali. However, after the closures and restrictions on land corridors—notably at the Tunisian-Libyan border, in response to the deteriorating security situation in Libya and the crackdowns on smuggling networks linked to terrorist groups—maritime corridors have become Tunisia’s preeminent illicit cross-border trade routes.³ The rise of these maritime networks likewise highlights the emergence of China and Turkey as Tunisia’s major trade partners over the past decade.

Since 2011, informal cross-border trade has been evolving and adapting to the security and regulatory changes on the ground. Tunisian authorities in the border regions, looking at the situation with a simplistic, naïve perspective that conflates informal trade with smuggling and terrorism, have responded with heavy-handed measures to suppress informal trade activity.⁴ Although this approach has reduced cross-border flows, it has had two major and counterproductive consequences: cross-border networks in the border regions have become more adept at evading state controls, and ports have become more important areas for informal trade. Beyond the resilience displayed by informal (as well as illicit) trade networks, the less visible but equally noteworthy development is that maritime routes and informal trade through ports have been key to supplying the Tunisian economy with more competitive equipment and consumer goods from China and Turkey. The dynamics of these maritime trade routes reflect a strategic and progressive shift in Tunisia's trade relations toward Turkey and China and a progressive decoupling from Europe.⁵

Cross-Border Trade Under Ben Ali's Regime

Informal trade flows have long been a driving force in the Tunisian economy, not least because of their illicit connections with government power and influence. During the twenty-three years of Ben Ali's regime, two main informal trade routes (along with smaller smuggling operations) ensured the supply of imports for Tunisian consumers: one over land, one at sea. The first route, known as "the line" (*al-khat*), was the land route connecting Tunisia with Libya.⁶ A vibrant trading route since the end of the 1980s, *al-khat* functioned as a system in which customs officers deliberately underassessed the tariff value of goods in exchange for kickbacks from the merchants who imported them.⁷ At times, the goods were never registered at all, meaning that their value was never assessed, and the only payments made for them were bribes from the importer to border officials. *Al-khat* played a significant role in supplying the Tunisian economy with a wide variety of goods, including household appliances, clothing, equipment, and electronic devices, though fuel from neighboring Libya was perhaps the most vital commodity.⁸ These goods transited fraudulently through the Ras Jedir border post in northwestern Libya, near the Mediterranean. Informal trade was not exclusive to the Tunisian-Libyan border. The Tunisian-Algerian border witnessed similar dynamism through smaller trade routes and smuggling operations.

This land route shaped the Tunisian-Libyan border economy. Although it was tightly controlled, the security services tolerated the informal cross-border trade. This tolerance was part of a low-cost governance approach pursued in the border regions. Given the border areas' overall lack of government-supported development, if the customs authorities and the police had refused to be flexible and instead opted to fight against informal cross-border trade, these regions would have become hotbeds of instability and protest. Aware of these constraints, the Tunisian security services saw *al-khat* as a

MAP 1

Cross-Border Trade Routes in Tunisia

safety valve that could prevent social protests and keep unemployment and poverty under control in border regions that otherwise had very little public investment.⁹ For a population suffering from the state's prolonged social and economic neglect, the incomes they derived from informal trade often were the only viable substitute. The security services' tolerance also functioned as a necessary component of a patron-client approach that encouraged cronyism among traders and currency dealers. Permission to conduct trade through *al-khat* was tied up with traders' acceptance of an informal system characterized by clientelism and corruption.¹⁰ As a result, informal cross-border trade was integral to the social pact binding Ben Ali's regime to the local populations, and was a key contributor to ongoing stability and state control in the borderlands.

For decades, the focus on land smuggling routes and the potential security challenges of illegal cross-border flows of goods and people overshadowed Tunisia's second informal trade route, the maritime networks—even though these structures were and still are the dominant channel of informal inflows of goods and finance. Much as with the land routes, many maritime traders sought to evade import tariffs on the maritime routes by underreporting the prices, quantities, and qualities of commodities brought into the country. Under Ben Ali's regime, maritime networks rose and prospered for multiple reasons. Those who imported goods by sea could trade higher volumes of goods than could be brought in by land, with even more lax reporting requirements and enforcement, and with additional opportunities to pay fewer taxes through underinvoicing. Maritime networks could also benefit from overinvoicing imports as this facilitates capital flight in strong currencies, which in return permits illicit accumulation of capital in strong currencies that gives more power to import more goods.

Maritime networks also could generate bigger profits for the elites and firms that operated in the sophisticated, politically connected networks related to the president and his family.¹¹ With Ben Ali's near relations and cronies acting as brokers with the customs and the state administration, companies and entrepreneurs who wanted to avoid institutional rigidities, nontariff barriers, cumbersome procedures, and tight regulations and administrative controls could pay those brokers to circumvent restrictions in port and enable their smuggling operations.¹² Together, the customs duty evasion and massive underinvoicing of imports benefiting the regime's cronies represented a form of "technical smuggling," in which more commodities are brought into the country through formal border posts than what is officially declared.¹³

Both the *al-khat* system operating through the border post of Ras Jedir (along with smaller smuggling routes on the Algerian border) and the "technical smuggling" conducted through politically connected economic elites at Tunisian ports were central to the political economy of Ben Ali's regime. These two channels used bribery and kickbacks to circumvent law enforcement and regulatory oversight. From a political economy perspective, they enabled Ben Ali and his supporters to maintain

a broad co-optation strategy aiming at controlling the population in the disadvantaged border regions and to secure the loyalty of cronies involved in the transnational informal trade.¹⁴ According to a 2015 World Bank report, during Ben Ali's period of governance, evasion gaps—defined as the difference between the value of exports to Tunisia reported by the exporting countries and the value of imports reported by Tunisian customs—were correlated with the imports made by politically connected firms.¹⁵ This association was especially strong for commodities subject to high tariffs and driven by underreported prices, such as electronic appliances, automobile equipment, or tobacco products. The prices that these politically connected firms reported to customs officials were lower than those declared by other firms. An estimation of illicit financial flows made by the United Nations Economic and Social Commission on West Asia in 2018 showed that these flows represented 16 percent of Tunisia's foreign non-oil trade between 2008 and 2015—the highest amount in the Arab region.¹⁶

This figure can be explained by the fact that Ben Ali needed a supply of consumer goods adapted to maintaining a development model based on low-wages competitiveness. Goods from China imported through maritime informal routes allowed him to meet these requirements by keeping the country's inflation rate under control and providing the population with affordable goods at the same time. Cheap consumer goods and low-cost imports were embedded into the calculations of the regime to survive and ensure domestic stability as well as the continued acquiescence of middle and working classes.

The country's trade restrictions, whether based on tariff or nontariff barriers, were not simply procedural barriers. For the Ben Ali regime, Tunisia's arbitrary trade constraints served a vital political function: giving brokerage power to families connected to the president. A large group of cronies benefited from this position by gaining access to Tunisia's lucrative (and captive) import market. These trade restrictions separated the crony-supported firms and family-backed entrepreneurs from ordinary traders or companies who were unable to compete on these unequal terms. Companies who wanted access to the circle of well-entrenched insiders had to pay those powerful connected families to protect themselves against the predations of Tunisian law enforcement bodies, which had become accustomed to the system of bribes and kickbacks that accompanied cross-border trade. This brokerage system created a division between insiders and outsiders and acted as an incentive to entrepreneurs to rely on brokerage services to pay less taxes, avoid tighter controls, and underreport goods.

These arrangements tolerating tax evasion, massive underinvoicing of imports, and corruption reflect the extent to which, under authoritarian rule, national interests often are sacrificed on the altar of regime interest. For Tunisia, they led not only to serious fiscal losses for the state but also to distorted domestic markets, as they provided a cost advantage to comparatively inefficient but politically connected firms. New segments of economic elites sprang up in the import business through their

associations with the president and his extended family. The World Bank study found evidence that entry regulation of many sectors was captured and to some extent dictated by the Ben Ali clan's private business interests. The Ben Ali family's entrepreneurship was both extremely lucrative and significant from a macroeconomic perspective.¹⁷ Enterprises with direct ownership links to the Ben Ali family confiscated in the aftermath of the 2011 revolution accounted for 3 percent of all private sector output and appropriated approximately a fifth of all private sector profits.¹⁸

More strategically, land and maritime corridors, border and port economies, and entrepreneurs and traders straddled formality and informality. The various networks, embedded into supply and distribution chains across Tunisia, competed to supply Tunisian shops and marketplaces. Over time, informal networks became part of Tunisia's economy. Bribes and protection fees collected by the security services provided an incentive to remain loyal to the regime. The regime and its allied families played a central role as protectors and arbiters of the distribution of market shares and opportunities between trade networks by shaping a political economy of foreign trade where illegality was an integral part of the system.

Reconfiguration of Informal and Illicit Trade Networks After the 2011 Uprising

The 2011 uprisings in Tunisia and Libya disrupted the border economy and all of its internal agreements. The power vacuum allowed new networks to flourish on both sides of the border—especially in Libya, where anti-Muammar Qaddafi forces reorganized trade networks in western Libya.¹⁹ The fall of the Ben Ali ended the privileges of former cronies, who scrambled to find new protectors and new arrangements with the emerging political elites. Law enforcement bodies and state bureaucrats, freed from the control of Ben Ali and his relatives, engaged in a sort of “entrepreneurial corruption” whose sole objective was to accumulate personal profits with no political agenda (as opposed to the politicized motivations found under the former regime).²⁰ At the same time, fierce competition among and between land and maritime trade networks intensified. The collapse of the old political order dismantled the barriers and the arrangements that favored certain groups and excluded others. As instability created opportunity, new players emerged onto the scene.

In the two years immediately after the fall of the regime, the security services' difficulties in controlling the borders and the intensification of acts of terrorism led to increased stigmatization of smugglers and cross-border traders in the public eye.²¹ However, this situation did not last. Tunisia's war against terrorism, which began in 2013, sought to tighten the security situation and strengthen controls on cross-border networks. The digging of trenches along the borders; the building (with U.S. and European support) of a 125-mile (200-kilometer) fence along the Libyan border; and increased numbers of roadblocks and patrols carried out by the police, the National Guard, and the

army have all restricted the flows of goods and steadily reduced the numbers of traders active in cross-border trade.²² Although Libya once was a regional hub for informal trade, since 2015 this trade has fallen off sharply. The renewed deployment of the security forces and increasingly coercive regulation of informal trade have contributed to the decline of the border economy. Consequently, smugglers and traders have had to compete to position themselves under the protection of state agents in order to secure their profits as best as they can. Informal trade has been reshaped by the new security context.

Notably, the crackdown on land corridors after the launch of the war against terrorism, with the accompanying decline of the border economy and massive corruption among law enforcement bodies, benefited maritime corridors. The tightening space for border economies ultimately favored large networks that imported commodities by sea directly from Turkey and the Asian markets, rather than smaller-scale, land-based networks that could not match their larger competitors' prices or volume of goods. These maritime networks reflect the permeability of the borderline between the formal and informal economies, forming a foreign trade sector whose activities appear to be governed by formal procedures but are in fact partly unregulated and unrecorded by the state.

The Slowdown of Border Economies and the Polarization of Cross-Border Networks

The securitization of border regions and the crackdown on smuggling networks with Libya have drastically increased the operating costs for *al-khat* trade networks across the border with Libya and limited the flows of goods and products that used to supply the Tunisian economy. Changes in Libya itself, including the fall of oil prices and the reform of subsidy regimes, have also slowed activity in the border economy. Increased police, army, and customs controls at the Libyan border continue to hinder informal cross-border trade, all in the name of greater security.²³ However, these counterproductive measures merely polarized the trading community between “big” and “small” land traders at the Libyan border and, more importantly, enabled the expansion and growing sophistication of the transnational informal maritime networks that took advantage of the marginalization of *al-khat* to fill Tunisia’s economic vacuum.

Despite the increasing securitization of the border regions, the Tunisian authorities have been unable to put an end to the *al-khat* land corridor entirely. Although the government reported the seizure of more than 2.5 billion contraband articles between December 2015 and January 2016 alone, other reports indicate that fence breaches and corrupt border guards have allowed smuggling to continue.²⁴ Moreover, the limitations on informal flows of goods have provided advantages to larger, well-structured smuggling networks that continue to operate, now with less competition from smaller operators. “Big” traders have warehouses and transporters working for them, and they use Libya as a transit point. Goods coming mainly from Turkey and China are delivered and stored in Libya, then

moved to Tunisia through arrangements with Tunisian security services and Libyan armed groups. The “small” traders operating through *al-khat*, by contrast, are merely sellers in the street markets or transporters who supply these shops. The fragmented security landscape in western Libya has left small Tunisian traders at the mercy of the forces controlling the Libyan side of Ras Jedir. Even as large networks operate with comparative ease, small traders often face extortion by the armed groups that control the trading routes.

Realizing that it had to alleviate the pressure on the borderlands, Tunis began to allow ad hoc civil society groups and local municipalities to engage in grassroots initiatives and people-to-people diplomacy, which resulted in cross-border trade agreements with localized Libyan power centers.²⁵ These grassroots agreements initiated by and between nonstate actors became the norm. However, given the fragility of the security situation and the rivalries between Libyan factions, these compacts have failed to provide sustainable mechanisms for the trade that Tunisia’s eastern borderlands need for survival. More importantly, the Tunisian side has its own fragmented trade landscape, characterized by the polarization of actors driven by divergent interests. Civil society groups and small traders, who want to secure a lasting agreement to support a viable economic future, accept the ceiling on the value of transported goods that the Libyan authorities require as part of their fight against smuggling and the management of shortages in the Libyan economy.²⁶ The larger traders, by contrast, seek to break free from the agreements and arrangements put in place at the border in favor of securing maximum profits and market share. They have the capacity to pay Tunisian security forces and Libyan armed groups services to ensure exclusive access to certain commodities and secure their transit through Tunisia.

Following the closure of the Ras Jedir border post during the summer of 2018 after a conflict erupted there between Tunisian and Libyan authorities, the traders’ association of the southeastern town of Ben Guerdane organized a sit-in with the slogan “You let us pass; we let you pass.”²⁷ It was a message to the Libyans that Libyan travelers would not be allowed to travel to Tunisia for healthcare or tourism if the passage of goods was not restored. After several meetings between representatives of civil society on both sides of the border, an agreement with the Libyans was reached (albeit under extreme pressure) before the Tunisian security forces dismantled the sit-in. This agreement authorized each traveler—understood as a trader in the Tunisian case—to transport small amounts of various goods (for instance, two air conditioners, three tires, or a few cans of fuel), up to a maximum of 10,000 Libyan dinars (\$2,225), in return for a tax of 450 TND (Tunisian dinars; this amount is worth about \$165) at Tunisian customs. However, such an agreement would have handicapped the activities of big traders who convey large quantities of goods from Libya. It is in their interest to ensure that there is no ceiling on the value of transported goods, or at least confirm that the ceiling is high enough to make their arrangements profitable. The large-scale traders managed to get this

agreement dropped in September 2019 and negotiated to raise the ceiling of imported goods to 150,000 TND (\$54,500), with 3,500 TND (\$1,275) in tax. A few days later, the ceiling was abolished entirely.

In their negotiations, the major Tunisian smugglers also had a big ally on the Libyan side: forwarding agents from the city of Zuwara, who operate in the vicinity of the border post of Ras Jedir. The Zuwara forwarding agents are not an official body; rather, they are brokers who are paid by the big traders to facilitate transactions at the Ras Jedir border crossing where they have set up offices. When the 10,000-Libyan-dinar ceiling agreement obtained by the small traders was being drafted, the Zuwara freight forwarders went armed in front of the Zuwara municipality, on the Libyan side of the border, to denounce it. “They besieged the municipality and managed to derail the agreement within twenty-four hours,” explains a member of Ben Guerdane’s traders’ association.²⁸ On the Tunisian side, Zuwara’s forwarding agents coordinate with Tunisian brokers, who act as intermediaries to facilitate the passage of goods with the help of their connections to Tunisia’s multiple security corps. For these reasons, the Libyan freight forwarders of Zuwara and the Tunisian brokers have no interest in seeing the existence of a clearly established agreement with a ceiling and a defined amount of tax to be paid, as they take advantage of the border’s opacity and possibility of negotiating taxes illegally.

Another group seeking to profit from the deteriorating security situation in Ras Jedir and the tensions between traders in Ben Guerdane and Zuwara is the smugglers of Dhehiba. Those who operate through Dhehiba—a secondary crossing point in the Tataouine region of southern Tunisia, close to the Libyan border—have inserted themselves as transporters into a supply chain that stretches from Tripoli to Ben Guerdane and beyond. Dhehiba’s smugglers became solid partners for Ben Guerdane’s big traders, who were looking for other crossing routes to transit highly taxed or prohibited goods, such as tobacco. The smugglers of Dhehiba are in charge of moving goods from the nearby Libyan town of Wazen to Dhehiba. Their transport chain includes the Libyans, which makes their trade more secure and provides an incentive to share the gains. In a visible sign of the major cross-border networks’ capacity to adapt over recent years, the large-scale smugglers are now equipped with four-wheel-drive Toyota land cruisers—among the only cars capable of driving in the desert, crossing the sand dunes, and being effective in car chases with the security forces. Small-time smugglers, who start in the business with only limited equipment, cannot compete with these well-organized, well-supported groups.

Nevertheless, the general uncertainty at the Tunisian-Libyan border, caused by a chaotic security landscape and unpredictable shutdowns, explains why the border economy is struggling to survive. Only the most powerful informal networks have been able to remain in business. Although the border economy used to be a source of income for thousands of people from the southern areas of

Tunisia and helped to supply souks in the interior regions, this is not the case any longer. The volumes of goods being transported have dropped drastically, and anything that is brought in must rely on the larger smuggler networks that can cope with local instability. With the falling-off of trade over land corridors, the traders who service Tunisia's souks and bazaars are seeking to secure their supply chain through maritime networks.

The repression of Tunisian-Libyan land-based suppliers has reconfigured cross-border networks by galvanizing activity in maritime corridors. As the souk of Ben Guerdane is being replaced by greater activity in Tunisian ports such as Sousse, Sfax, and Tunis, even the big land traders are finding it difficult to compete against the maritime traders and networks.

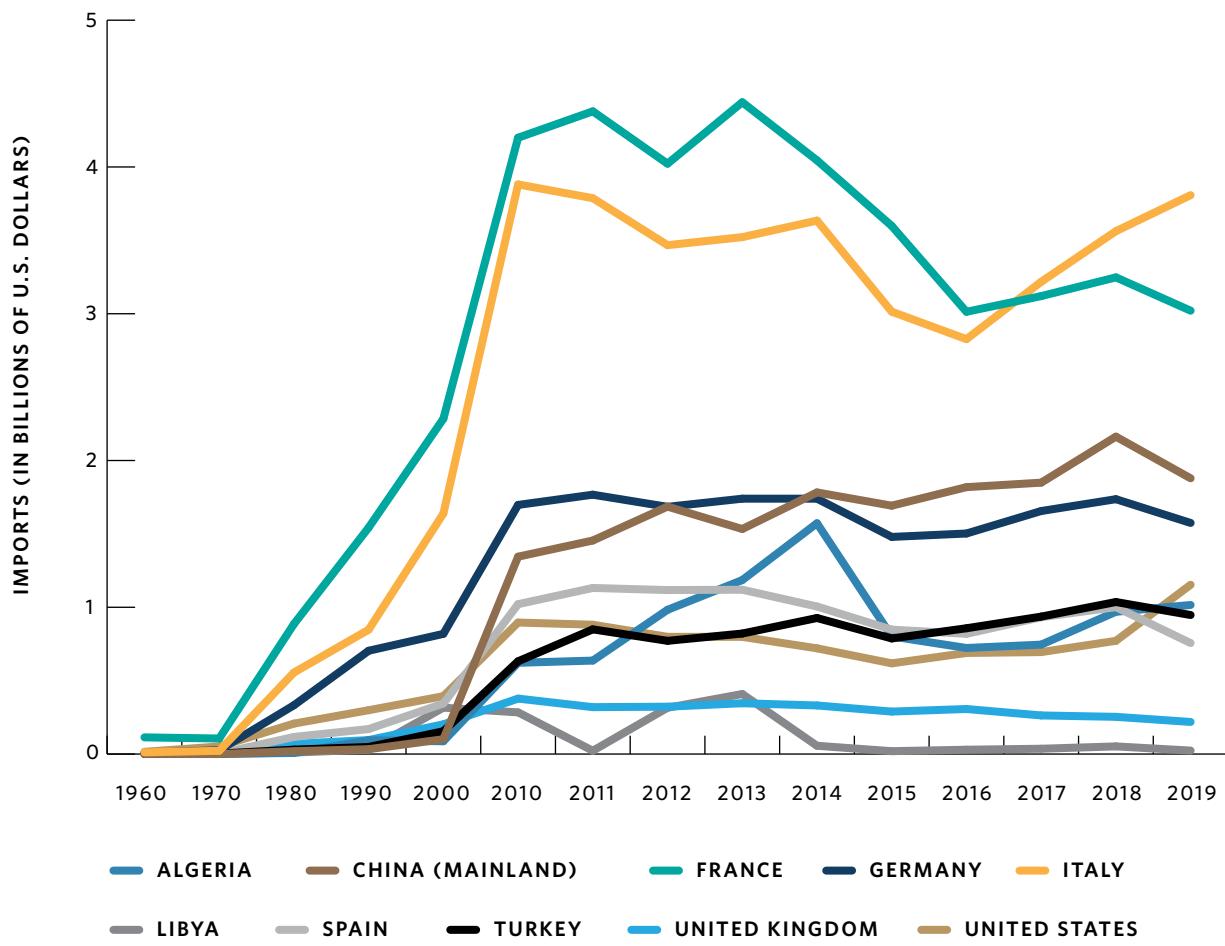
The Informalization of International Trade and Trading Partner Complicity in Transnational Trade Networks

Tunisia's post-2011 governments have witnessed the steady rise of informal trade through maritime corridors. Tightening security has been a crucial element in the reorganizing of these informal trade networks. Tunisian traders who used to import goods produced in China or Turkey over land routes from Libya have come to rely instead on maritime networks and Tunisian ports. Many of these operators are informal actors, but some companies in the formal economy have been ready to adopt informal economic strategies to reduce their corporate costs, bypass the restrictions that have been imposed to trade between Tunisia and Turkey since 2018, and circumvent regulations and reduce taxation on imported Chinese goods.

Informalization may happen through any number of processes. As imports via Tunisian ports increase, so too do the illegal processes associated with imports. One such process is the rise in payment outside formal banking channels, such as letters of credit issued to importers via illegal cash transfers. Informal money transfer operators ensure the transfer of money between Tunisia and suppliers in Turkey, Dubai, and Asian countries, allowing Tunisian traders to pay for their imports from Turkey and Asia directly in Tunisian dinars and to bypass the use of hard currencies. The fact that companies and entrepreneurs in the formal sector have adopted or adapted informal practices further supports the argument that the formal economy and the informal economy should not be understood as mutually exclusive.²⁹

Commenting on the informalization trend, a well-established entrepreneur remarked that “the challenge today is not the formalization of informal trade but the informalization of what is currently formal.”³⁰ Indeed, interactions between formal and informal sectors are currently shaping Tunisia’s supply chains, boosted by growing engagement of Turkey and China in Tunisia and the deeper penetration of Turkish and Chinese goods in Tunisian markets. Although Tunisia’s trade relations

FIGURE 1
Tunisian Imports From Select Countries



SOURCE: Observatoire Tunisien de l'Economie (OTE).

with European partners have been on a downward slope since the 2011 revolution, its economic relations with China and Turkey in particular are part of an upward dynamic. The increase in imports from China and Turkey (40 percent and 50 percent, respectively, between 2010 and 2019) corresponds to an almost equivalent decrease in imports from France and Italy (-28 percent and -2 percent, respectively) (see figure 1).

Turkey, as an emerging regional economic power, is aspiring to expand its sphere of influence and promote its interests in Tunisia through its private sector and by intertwining formal and informal economic strategies.³¹ In 2005, Turkey and Tunisia signed a free trade agreement that entered into force on June 1 of that year.³² Since 2005, the average value of their annual bilateral trade has amounted to \$1.25 billion; Turkey seeks to increase it to \$2 billion.³³ This growth is connected to deliberate changes that Turkey has made in its post-2011 foreign policy toward North Africa. Turkey

has sought to strengthen its influence in the region through economic, political, and cultural means, and recently by its military presence in Libya.³⁴ In the new Turkish strategy, North Africa is both a goal and a means: it is a target for Turkish trade, with a market of about 250 million consumers, and a source for potential strategic alliances as a gateway to sub-Saharan Africa and a key player in the Maghreb.

Nonetheless, the increase in trading volume between the two countries resulted in an alarming trade deficit at Tunisia's expense, with a loss of 277.7 million TND (\$100 million) for the first two months of 2017, for example.³⁵ Following the signing of the free trade agreement, the elimination of customs taxes on certain consumer and equipment products widened the trade deficit between Tunisia and Turkey. This trend led to the expansion of informal practices and the diffusion of Turkish (as well as Asian) goods through Tunisian ports. The revision of the free trade agreement between the two countries in 2013 and the partial suspension of the later in 2018 have not reversed the deficit trends. Informal procedures in administrative controls and financial transfers have only added to and in fact have encouraged the trade deficit.

Since 2011, voices within the Tunisian business community and political class have criticized the increasing trade deficit with Turkey, claiming that the free trade agreement is imbalanced. From the nationalist perspective of Tunisia's political and economic elites, the trade agreement largely favored the access of Turkish products to the Tunisian market.³⁶ Tunisian elites feel that their government has done little to protect Tunisian companies, making local businesses reluctant to take further steps toward economic integration. The overflow of the deficit with Turkey is caused by the increase in imports of clothing and other products for local consumption. These imports, Tunisian elites feel, do not contribute to their countries' economic development and are in direct competition with equivalent goods available on the local market.³⁷ Nationalist elites point out, for instance, that the local textile industry cannot compete with Turkish textile products, and so imports of the latter are destroying the Tunisian textile industry. Over time, part of the public opinion has begun to turn against this situation, as people criticize what they call "anarchic imports."³⁸ The political polarization between Islamists and secularists in Tunisia has also exacerbated the anti-Turkey feelings among certain elites; Turkey is perceived as supportive of Tunisia's Islamist Ennahda Movement.

In 2018, the Tunisia government suspended the free trade agreement with Turkey. Since then, Turkish products have been subjected to high taxation.³⁹ However, these restrictions have failed to curb the widening flows of Turkish goods: from 2017 to 2019, imports from Turkey grew from 2.26 billion TND (\$936 million) in 2017 to 2.74 billion TND (\$1.04 billion) in 2018 to 2.86 billion TND (\$948 billion) in 2019.⁴⁰ Turkish imports have thoroughly penetrated the Tunisian domestic market, helped by the depreciation of the Turkish lira since 2018, which has made Turkish goods more affordable to North African markets such as Tunisia's. As a result, Tunisian entrepreneurs

importing sought-after Turkish goods continue to adopt informal economic strategies in order to avoid trade restrictions and difficulties in accessing foreign currency. As in previous years, misinvoicing of imports and illicit financial flows continue to be the main informal strategies to bypass banking constraints and other restrictions to Turkish imports.

China is Tunisia's third-largest supplier of products. In 2018, Tunisia's imports from China amounted to \$2 billion, including consumer goods, electrical and electronic equipment, plastics, and organic chemicals. These figures do not reflect the reality of Chinese imports, as part of these imports are informal, but they do reflect the growing role of China as a trading partner in Tunisia. Yet China has not faced the same levels of opposition among Tunisian elites for two reasons. First, Tunisia is by no means the only country in the world to have a trade deficit with China. Unlike the case of Turkey, there appears to be less resentment against China for its trade practices. Second, many Tunisian elites do not regard China as a major geopolitical player in North Africa, despite China's growing economic and political activism through the Belt and Road Initiative (BRI). Tunisia has shown an interest in developing relations with China by joining the BRI and becoming a member of the Asian Infrastructure Investment Bank. It has joined the BRI since September 2018, with a view to attracting Chinese investment, particularly in infrastructure that would compensate for the trade deficit.⁴¹ As an alternative trading partner, China has much to offer Tunisia; however, it is evident that much of this trade will be facilitated by informal trade networks, with the same potential for corruption and cronyism found elsewhere in the Tunisian economy.

Conclusion: Informality and Geopolitics in Tunisia

The growing informalization of the formal sector in Tunisia reflects the fragmentation of the country's economic elites. Unlike well-established economic elites who are connected to Europe and operate in the exporting sector, emerging Tunisian elites are operating in trade and import circles that are increasingly related to Asian and Turkish suppliers. The latter have opted for informalization strategies. This fragmentation among political and economic elites carries potential risks of destabilization in the context of a trade war between nations and the use of informality as a geopolitical tool in the competition in the Maghreb between Turkey and European countries. This situation echoes a historical episode from the nineteenth century, when colonial powers were fighting for control of North African markets. The British used their colonial outpost on Malta as a smuggling point to convey British goods into Tunisia against the will of the French colonial government.⁴²

The rise of China and Turkey as Tunisia's major trade partners and the active role of these networks in informal transnational trade reflects a progressive and slight strategic shift of Tunisian trade relations. Tunisia, and North Africa in general, is witnessing the emergence of new trade partners

beyond the region's historical European trade networks. Despite its dependence on Europe's external financing and investment, Tunisia has so far been dragging its feet in its negotiations over the European Union's proposed Deep and Comprehensive Free Trade Area. Multiple civil society groups and academics have expressed doubts about broadening Tunisia's connections with the European single market.⁴³ Moreover, the newly emerging populist movements that have sprung up in Tunisia's 2019 elections aim to reaffirm and strengthen Tunisia's national sovereignty and reduce its political and economic reliance on Europe.⁴⁴

Regardless of the larger geopolitical dynamics, informal trade continues to pose problems for Tunisia's domestic constituencies. Unlike Ben Ali's regime, which used the border economy in a pragmatic way as a safety valve, Tunisia's post-2011 governments opted for securitization that destabilized local communities. Protest movements in southern Tunisia reflect the crisis of these regions in the absence of alternatives to border economy. Border economies that exerted stabilizing forces under the Ben Ali regime can no longer function in this role. The rise of maritime networks that followed the crackdown on land-based border economies illustrate the absence of a comprehensive strategy to address the issue of informalization of trade networks. The informalization of supply chains has been encouraged in part by Tunisian entrepreneurs' eagerness to avoid trade restrictions and also in part by the interest shown by potential Turkish and Asian trading partners who desire a greater share of North African markets and are equally interested in circumventing local restrictions. Far from being a marginal or negligible part of regional trade flows, informal economies appear to be a critical part of the current geopolitical game in the Mediterranean.

Note on Methodology

This paper draws on interviews with merchants, smugglers, and members of trade associations as well as economists, civil servants, and members of the Tunisian security services. Conducted in the capital, Tunis, and in Tunisian-Libyan border cities in the summer and fall of 2020, these interviews constituted the fieldwork undertaken for the paper and were supplemented by the author's first-hand observations.

About the Author

Hamza Meddeb is a nonresident scholar at the Malcolm H. Kerr Carnegie Middle East Center, where his research focuses on economic reform, political economy of conflicts, and border insecurity across the Middle East and North Africa.

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Notes

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