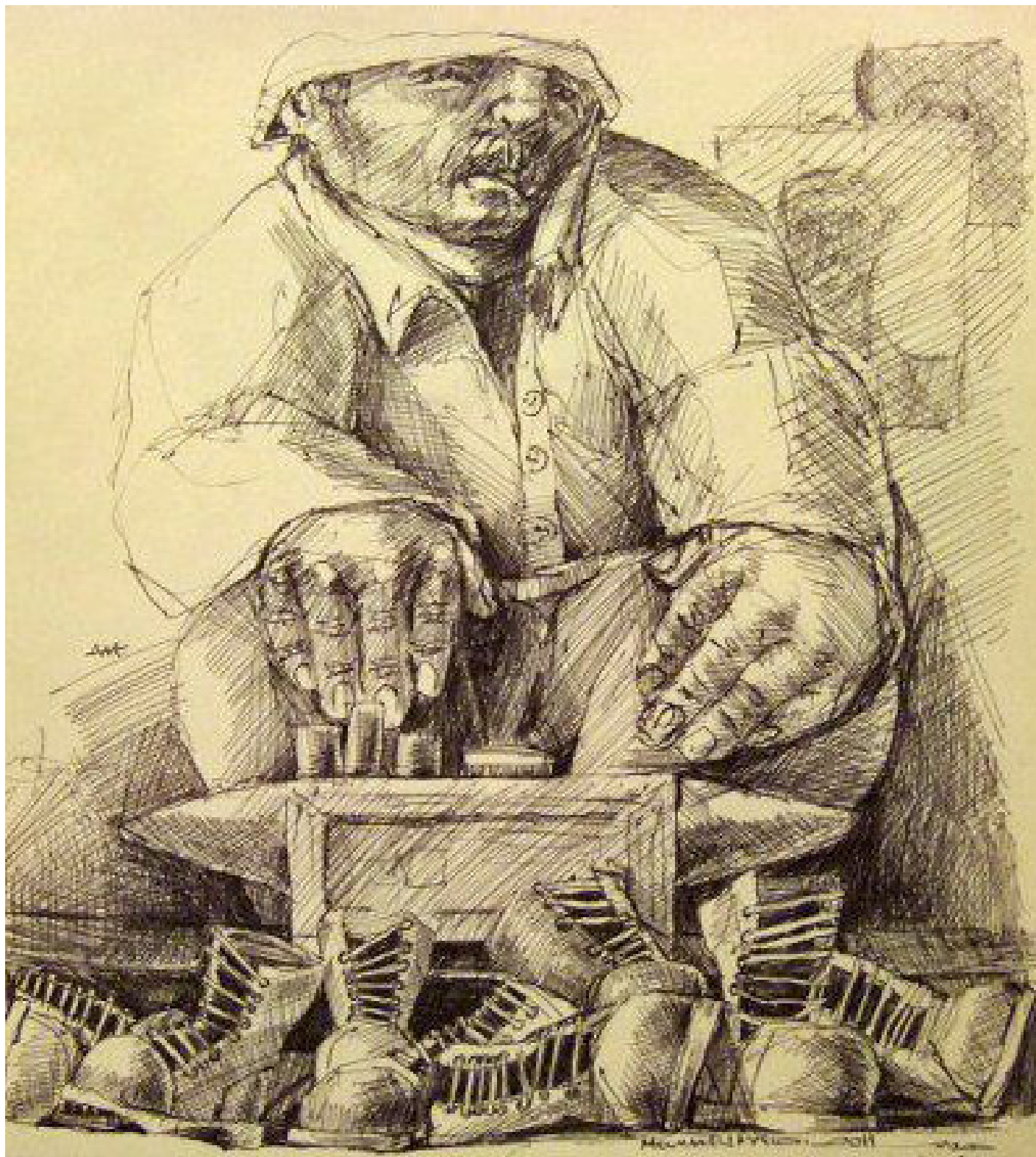


Informal Economy

in Algeria, Egypt, Tunis and Morocco



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Illustrations of the folders: **Houmam Al Sayed**

Translation of the articles from Arabic to English: **Sabah Jaloul**



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Informal Economy: “What Does this System Produce?”

The global hegemony of neoliberalism, as a mode of controlling the dynamics of wealth and production, gave a tremendous boost to the so-called “parallel economy”; also referred to as the informal or unregulated economy.

Although it is a general phenomenon which exists almost everywhere in the world, it remains particularly widespread in countries that are not at the center of the capitalist world. The traditional economic structures in these countries had already been dismantled by years of colonial dominance, whether it took a direct and violent form (the case of Algeria) or an intermittent one (Morocco or Egypt).

In later stages, this dismemberment continued with the same intensity, as imperialism shifted to a system that involved the center and the peripheries in one common dynamic.

Though it seemed that the period of direct colonialism, subjugation and subordination of these societies had ended, the efforts for emancipation and liberation were actually soon caught in the global market system. This was sometimes done in violent, even military ways, to prevent the formulation of a structured economy by suffocating and bankrupting it, or by sabotaging whatever was left of the traditional economy. This is the case in the agricultural sector especially, where land is extensively confiscated, water and seeds are controlled, genetically modified seeds or monoculture are widely used, even though these are not intended for domestic consumption but for export and industrial or commercial use in other countries.

The result of all this was a great and deep devastation.

Emerging national industries, weak and fragmented, have also been curbed and cut off. Eventually, these societies were unable to achieve any kind of self-sufficiency or capital accumulation.

They entered an advanced state of non-productivity, reinforced by the existing authorities’ deficiency, confusion, lack of vision and corruption, as these authorities played the role of imperialism’s local agent or acted as a mediator between this imperialism and some of the its beneficiaries. The authorities resort to repression to regain control, in the face of the growing misery of their people and the lack of any prospects or solutions.

In light of the authorities' withdrawal from their responsibilities towards society, and the spread of privatization based on "structural reforms" and the "restructuring" imposed by the dominant world order through its tools (The World Bank and The International Monetary Fund), the informal economy has become a means by which the poorest populations make a living.

However, that does not encompass the true role of the informal economy, which has become, in the recent decades, the largest pattern of economic activity practiced in these societies, reinforcing the schism between a narrow "elite" that dominates the industry, agriculture, trade and services sectors, and a large majority that governs itself, since it is excluded from the circle of production, which is characterized by being partial, based merely on facilitating consumption, looting raw materials and engaging in "manufacturing industries" at best.

Ironically, these same economic margins (which mobilize large capitals and also generate sizable returns) are not abandoned, but are, in fact, subject to a strict hierarchy in their economic movement. At the top of this pyramid, another "elite" is surely discovered (often intersecting with the first one), politically and economically powerful and pulling the strings of control in the country.

For instance, the smuggling of goods, human beings and contraband in all its forms is not done according to the personal initiative of the destitute people carrying bags across international borders. These activities are actually the result of a strong relationship between a political leader and an officer who share responsibility for these activities and either encourage or discourage their continuity.

No one can decide autonomously to set up a street kiosk or move their cart of goods, as these decisions are subject to a comprehensive system of regulations, conditions and power centers higher than the street vendors themselves, who are merely looking for subsistence. Things get even more serious when smuggling and distribution concern drugs, weapons, money laundry, brokerage deals or gaining special privileges.

A "silence system" prevails when it comes to these cases, and it becomes difficult to prove anything in the absence of accurate figures and statistics. People do not speak of or point out these issues in fear of the consequences which may even mean getting killed.

The following 14 texts do not merely aim to describe the situation but seek to answer the question “what does this system produce?”, while discussing all the ramifications of the informal economy in the region at the levels of urbanism, politics and violence, in addition to the economic level.

The following booklet combines the texts in chapters, each devoted to one country to cover the most significant features in each. It provides analyzes that try to explain the phenomenon and its mechanisms and to monitor its extent, causes and results.

The texts of this booklet cover four countries: Egypt, Tunisia, Algeria and Morocco. The researchers covered some of the most important aspects of “parallel” economic activity in these countries, and attempted to explain its historic development and mechanisms, taking into account the specific relevant factors that brought it into existence and its interconnection with the authorities.

In the introduction to his article, the researcher Ahmed Henni notes that “the key issue lies in finding out who benefits from these restrictions before asking a second question: are these restrictions compatible with economic rationality, or are they bureaucratic instruments in the hands of political governors?”.

We hope that this booklet can provide an understanding of each country’s situation, and a comparative perspective that allows understanding intersections and differences which signify the political and social particularities of each of the four countries.

We ultimately hope that the texts are able to help formulate a general definition of the informal economy and create a comprehensive picture of it as an existing reality.





Parallel Economy: A Counter-Society or a mode of Governance?

Ahmad Heni

University Professor and Researcher. He was the head of the General Directorate of Taxation in Algeria. His latest book is "The Capitalism of Rent: From the Industrial Labor Society to the Society of Rentiers", L'Harmattan, Paris, 2012.

When the freedom of transactions is restricted in the market, an informal economy necessarily arises. This is inherent to capitalism. The key issue relies in finding out who benefits from these restrictions before asking a second question: are these restrictions compatible with economic rationality, or are they bureaucratic instruments in the hands of political governors?

A prevalent rhetoric portrays parallel economy as a set of illicit underground activities that the ruling power either tolerates or overlooks, for a lack of alternative solutions.

These activities exist in the so-called “parallel” market and manifest themselves as second prices, different from those applied by the regulated market. For example, there is a parallel exchange rate for the U.S. dollar, different from the official one.

In the following analysis, I propose to consider two social dynamics connected to the very structuring of power: parallel economy as a counter-society and parallel economy as a set of bureaucratic instruments of command utilized by the power itself.

Even when no illicit activities are involved, bureaucratic instruments can act underground, in non-transparent ways, blocking the democratic right for all to access goods and services. Officials who have the authority to sign permits in the currency exchange or the real estate markets, with their political clientele, have the power to monopolize and thus exclude. The excluded ones then resort to illicit informal activities.

Parallel Economy as a Counter-Society

This aspect of parallel economy has been thoroughly described in literature and, if there is no need to elaborate further on the subject, I will, however, only say this:

The most common black market is that of hard currencies. When it comes to other scarce goods, a large number of unemployed people undertake reselling activities. The suppliers are networks involved in the currency exchange market, since the price of illicit imports must be paid. These operations are facilitated by complicities inside the bureaucratic apparatuses of control.

The various black markets appear to be segmented when they are, in fact, connected to each other. All together, they constitute “the one-and-only market”, which means that anything, from the exchange rates to the price of construction iron bars, is the same in the entire country. We are talking about a mafia.

Rather than undertaking industrial or service activities, owners of capital prefer to profit from the trafficking of exchange rates or from investing in

the storage of goods that require authorizations to resell them in the parallel market (such as land, for example). In order to do this, they need to pay networks of intermediaries and small-scale vendors working under their command, who earn their living through these activities, and represent a social force attached to the existence of the black market.

A counter-society is consequently structured. This economically powerful society (which sometimes represents up to 50 % of the Gross Domestic Product) is permeated by a market ideology that is often associated with Islam and which usually leads to Islamism – building on the status of the “excluded ones”.

The various black markets appear to be segmented when they are, in fact, connected. All together, they constitute “the one-and-only market”, which means that anything, from the exchange rates to the price of construction iron bars, is the same in the entire country. We are talking about a mafia.

When this parallel society reaches critical stages of development, it starts demanding more freedom of trade and seeks to access the power. This generates alliances between the black market and the bureaucratic authorities and leads to political rivalries for the “signature positions” that control access to currencies, loans, real estate, public markets, and so on.

Parallel Economy as a mode of Governance

The very first criterion is the exchange system that enables the classification of countries into two distinct categories: those who control the exchange rates and those that have a freely convertible currency. Only Saudi Arabia, Bahrain, UAE, Qatar and Kuwait have freely convertible currencies. In other countries, exchange operations are controlled more or less loosely and an authorization is needed to export money.

This generates two phenomena: first, the emergence of the “waiting-in-line” market where the decision-making is political. And, second, the emergence of a secondary currency market for those excluded from the former one.

Access to loans are often reserved to a few. In most cases, what really facilitates access to credit is not the possession of financial guarantees,

but the proximity to the political power. Prominent actors in the parallel economy with significant financial capabilities are excluded. They lend money to each other, not through the banks but through the retention of fiduciary money, stripping the state of its control over the money supply.

However, even when loans or exchange permits are obtained, access property is needed to implement a business or carry out real estate activities.

Access to estates requires another authorization. In a country like Algeria, where the state owns the majority of the real estate, scandals occur frequently. The same happens in Egypt, where the army is the main owner of properties in the country. “To be able to get land (in Egypt), one must go through the army to gain a foothold,” wrote Tewfik Aclimandos (*). In Morocco, several public figures secured plots of land from the state at ridiculously low prices, before reselling them for ten times their normal price. Radio France Internationale (RFI) explained on 27/07/2016: “Two of the king’s influential advisors, the governor of Rabat and two ministers seem to be implicated”. The allocation of land, even without resorting to bribery or corruption, creates loyal political clientele.

Awarding public contracts often happens through informal or, at least, vague mechanisms. The largest and most lucrative operations are those related to oil and arms.

The ‘Oil-for-Food Program’, imposed on Iraq between 1996 and 2003, exposed a parallel economic system that involved Iraqi officials, their political clients and foreign businessmen or politicians. In 2004, an Iraqi newspaper published a list of 270 people involved in the case, including 21 French (among them were French Minister Charles Pasqua, France’s ambassador to the United Nations, and the company groups Total and Renault, etc.).

These parallel transactions do not benefit the excluded population, but they tear the center of power. The removal of the Saudi oil minister, Ali al-Naimi, in May 2016 is one of the latest manifestations of this type of antagonism.

For example, the magazine ‘Le Moniteur du Commerce International’ revealed information about the “lack of transparency in public procurement” in Morocco. And in Algeria, we have the case of Mr. Ali Haddad, whose

work as a public contractor, “enabled him to become the owner of the largest public works enterprise in Algeria”, according to the online magazine Orient XXI in an article published on April 26, 2017.

Other Arab countries are no less immune to these kind of practices. Whether it is in Tunisia, Egypt, Saudi Arabia, the UAE, or Qatar, public contracts are “reserved” to a particular group. They depend on corruption and proximity to those in power.

All this forms a genuine parallel economy. As a result, the excluded ones, who are active in the parallel markets, try to form alliances with the bureaucratic class managing these administrations - sometimes through matrimonial relations. They either occupy these strategic positions themselves, or have their allies occupy them. The investment made, in this case, does not aim to create an economic enterprise, but to pay the expenses necessary to buy these kind of positions.

Access to loans are often reserved to a few. In most cases, what really facilitates access to credit is not the possession of financial guarantees, but the proximity to the political power.

Another aspect of informality, commissions and corruption concerns the importation of capital, goods and services. Restrictions and quotas make permits accessible to some, who can be equity partners in imported capital, and exclude the others. Foreign investors in Saudi Arabia no longer need local partners in some sectors, they have the right to freely invest in all activities except for those mentioned in the “exclusion list”. The Investment Services Center (ISC) decides to either grant or reject an investment license. In the UAE, it is still prohibited for foreign partners to own more than 49 percent of a local company’s capital. Special authorization is required for the banking, insurance, health, maritime transport, media and telecommunications sectors.

On the other hand, in Morocco, the investment regime has been liberalized, the only requirement is to notify the “Exchange Office”. However, special authorizations are still required in the financial sector and for hydrocarbons and mining. In Algeria, 51 percent of the capital or more must be owned by local partners. In Tunisia, a new law was passed in 2016 simplifying the procedures, but a license must be obtained from the Superior Office of Investments and the Department of Foreign Affairs must grant the needed permits. In all these cases, obtaining the necessary signatures is subject

to informal and non-transparent procedures.

In short, whenever the freedom of transactions is restricted in the market, an informal economy necessarily arises. This is inherent to capitalism. The key issue relies in finding out who benefits from these restrictions before asking a second question: are these restrictions compatible with economic rationality, or are they bureaucratic instruments in the hands of political governors?

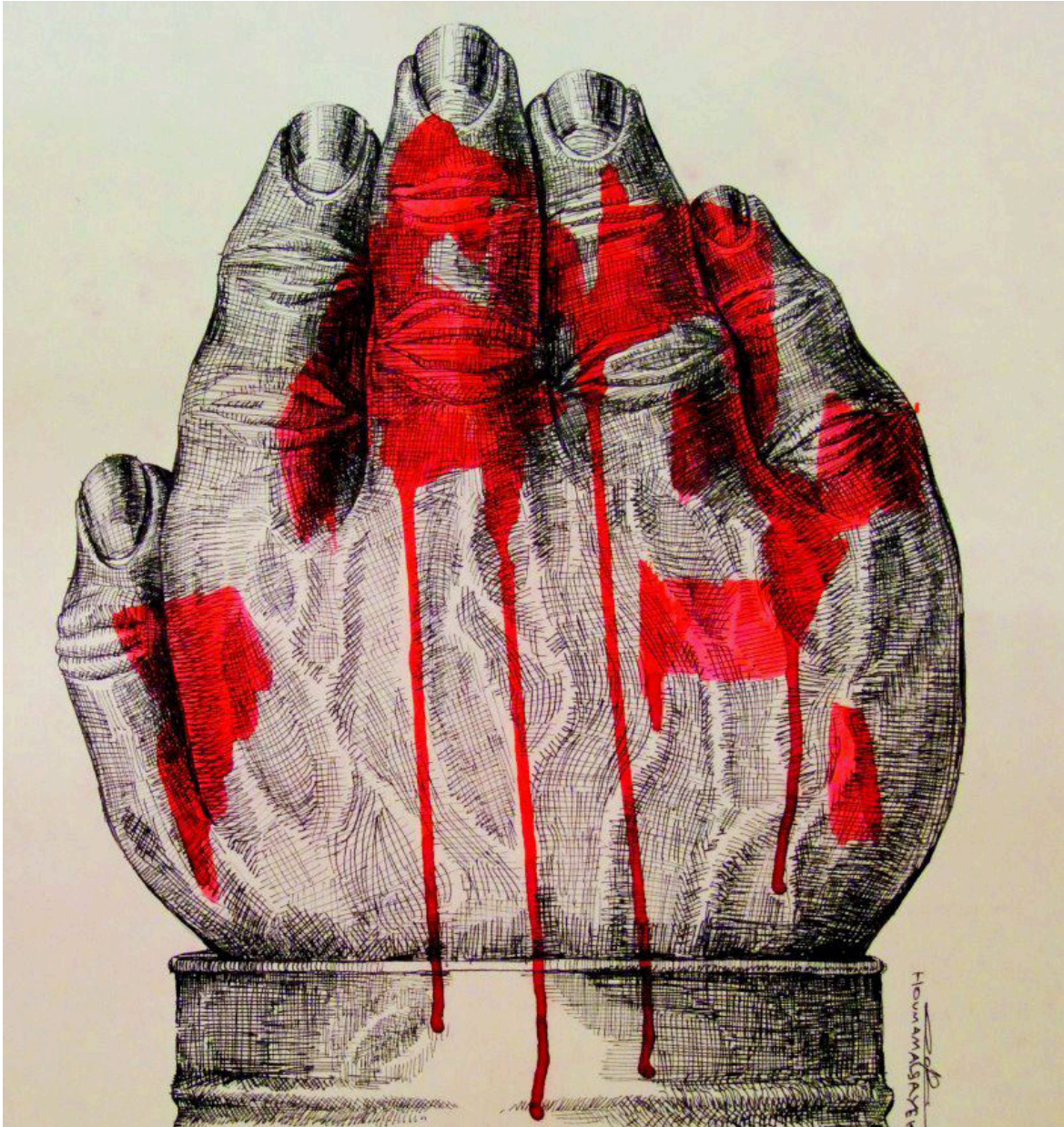
Most journalists cover stories about small vendors who work in the street markets often neglecting the highly profitable parallel signature market. Actors in this market of signatures work in the dark, away from suspicious eyes. Transporting, storing, and reselling products in the markets expose these actors and make them subject to indictment.

On the other hand, intermediates and politicians affiliated with the signature market keep a low profile. They constitute the actual “grey economy”, whether in Saudi Arabia, Egypt, Tunisia, Algeria, or Morocco.

Various antagonisms arise from these configurations. Two essential kinds are:

1- A competition for positions with the power of putting signatures to different authorizations (foreign exchange, loans, real estate, public transactions, etc.). These rivalries emerge within the power itself, as it is the case in the recent reshuffling of the power structure in Saudi Arabia.

2- A defensive attitude by people in positions of command in order to exclude aspiring contenders, whether they are competent new-comers (unemployment is prevalent among the young new-graduates), or skillful workers (some were able to build up fortunes in the parallel markets). These excluded components, forced to act in a counter-society, develop an offensive attitude. They want to work in broad daylight and expand the scope of their means and accumulated wealth. They often rely on liberal ideologies and, in order to persist in their activities, have found in the Arab countries an existing ready-to-use ideology: Islam.



Informal Economy and the Privatization of the State in Algeria

Omar Benderra

Algerian Economist

In Algeria, as elsewhere, the state is not less powerful than the informal market but it is dominated by interest groups that have no other aim than maintaining control over the country's resources.

The Algerian economy, dominated by the oil rent (98% of exports earning), is heavily dependent on foreign countries (70% of the country's needs are imported).

Faced with the inexorable evaporation of foreign exchange reserves and the mechanical contraction of its tax revenues due to the drop in oil prices, the regime panics.

The executive authority, without legal basis or legitimacy, undertakes stopgap measures to delay inevitable deadlines. This authority's agenda excludes both the revival of investments and the resorption of the very substantial informal sector (nearly half of the GDP!).

The celebration of the Prophet's birthday, "Mouled Ennabaoui El Sharif", is an annual celebration in Algeria. It is different from other religious events for its festive and particularly noisy nature.

The traditional candles on the windowpanes and balconies are echoed, until late at night, by uninterrupted sounds of explosions and crackling bursts. Nothing alarming however as those are only fireworks. In a joyless country, young people celebrate the "Mouled" by blowing up tons of crackers, despite the likely risks of losing a one or two fingers or causing fires!

In just a few hours, literally tons of firecrackers go up in smoke which could seem banal to a distant observer except that, in Algeria, their import is strictly prohibited. So, where do these astronomical quantities of firecrackers come from? (1)

Everyone knows that dozens of containers, full of pyrotechnic devices, coming mostly from Hong Kong, unload in the main Algerian ports a few days before the festival of the Mouled. If this seems like a funny anecdote, the actual amounts of money involved in these transactions are quite serious.

No one is unaware that these containers represent tens of millions of dollars. It is also common knowledge that illegal importers of these illicit products are networks involving customs employees, policemen and high-ranking military personnel.

These goods are sold in the open, without invoices, payed in cash, undeclared, and, therefore, they evade taxes. The years go by and during each Mouled's celebration the same scenario that allows for a quick and disproportionate enrichment is inevitably reproduced. This is an informal

transaction model made possible by the weakening of the state and the incompetence of administrations wrought with corruption.

The Colossal Weight of the Informal

However, it must be emphasized that this parallel economy cannot be reduced to the underground economy or the deliberately covert, directly fraudulent activities. For example, many housewives traditionally engage in undeclared subcontracting activities (embroidery, weaving, confectionery, etc.) in order to generate complementary income. It is therefore necessary to classify the different categories that constitute this sector and, accordingly, rank its components by importance.

For years, numerous studies on this topic have been produced but, in the absence of reliable statistical instruments and verified data (2), no accurate assessment of the exact level of informal activities, the sectors concerned and what they exactly represent were ever published.

According to the sources, the size of the informal sector ranges from 40% to 50% of the gross domestic product (GDP) and represents more than 100 billion dollars (up to 130 billion according to certain estimates) (3). This exponential function is confirmed by the economist Mohamed Achir (4), a well-known expert, who finds that this sector accounts for about 45% of the GDP (5). This sector of monumental proportions is constituted of a wide range of undeclared activities that evade taxes, regulation, law and professional standards.

In reality, the size and nature of the informal sector show that it is no longer a technical problem that could possibly be resolved by a clear economic policy intelligible and accepted by all, by means of the law or by the mobilization of an effective administration.

According to the National Statistics Office (NSO), the informal economy employed nearly 4 million people (6) in 2012, which represents 46% of the total non-agricultural labor force. These precarious workers, without rights or social protection, suffer particularly adverse working conditions. According to experts in this field, informal institutions are often poorly managed and display low productivity.

For the most part, this sphere, lying outside the scope of national regulation and accounting, concerns commercial activities and services, construction and public works (where the labor force is largely composed of exploited workers from the sub-Saharan countries), and, to a much lesser extent, production activities.

Banks are Out of the Equation

A significant and particularly sensitive segment of the informal sector is the parallel exchange market.

Transactions are very difficult to appraise, but bankers believe the informal currency market in Algeria could reach 10 billion dollars annually. This market is not just for tourists who want to go shopping in Europe. It primarily interests companies and, in particular, the hydrocarbon sector which has long benefited from the significant difference between the official rate of exchange and the one used in the black market (7), allowing them to buy at low prices (from real covert trans-Mediterranean banks) the dinars they need for their daily activities in Algeria.

If they escape the tax department, informal transactions in the country do not go through the banking system which is often pointed out for its inefficiency as it is totally dependent on the realities of the environment in which it operates. Payments are made in cash, and notes are packed into ugly pollutant black plastic bags. It is worth noting that these bags, which have been banned by the Ministry of the Environment for years, are produced in illegal sweatshops in the country. Financial transactions that occur outside the banking systems naturally leave no trace or record of any kind. Attempts to force the use of checks when dealing with transactions of over one million dinars have failed.

The traceability of capitals and goods from the informal market is therefore impossible. Cash settlements help, with the absence of any billing or receipts, to blur the leads and anonymize the different parties involved in these transactions.

Public Impotence: Revealing the Absence of a State

Denounced in a purely futile way for decades, the informal sector's expansion seems irrepressible and unstoppable.

Administrative measures are regularly announced, first to supervise then

to contain this sector but they appear to be mere castles in the air. In fact, contrary to what they claim to achieve, these measures only increase the state's discredit by highlighting its impotence and the utter futility of the procedures - announced with great fanfare in the media- in controlling the commercial transactions.

For example, the law of the “voluntary fiscal compliance” promulgated in 2015, which in fact acts as a tax amnesty, was met with little enthusiasm: neither the banks nor the state's treasury had recorded significant revenues from amassed capital. The sporadic raids on the markets which try to put the kibosh on undeclared activities end up only punishing the small fry of hawkers, who are the weakest link in the network, without even slightly discomforting the main beneficiaries of the informal economy.

In reality, the size and nature of the informal sector show that it is no longer a technical problem that could possibly be resolved by a clear economic policy intelligible and accepted by all, by means of the law or by the mobilization of an effective administration.

What is revealed by this sector is the absence of a state. The impotence of the authorities is a clear confession to a general institutional dysfunction. Should we then consider that the informal sector is more powerful than the state?

The sporadic raids on the markets which try to put the kibosh on undeclared activities end up punishing the small fry of hawkers, who are the weakest link in the network, without even slightly discomforting the main beneficiaries of the informal economy.

This argument is made with much conviction by some experts who rightly point out the gap between what is said in official statements and the tenacious realities of the field. In fact, the informal sphere and its “mores” contaminating the entire economy, could be considerably reduced if the concerned administrations were allowed to play their full role.

The technical measures needed to resorb this sector, rehabilitate its workers and reintegrate its activities into official channels are known. Liberating the transactions and their physical supervision are proven ways to support the expansion of legal and declared activities.

“Unconventional” and Informal Financing

The real power lies outside the institutions that put a patch over the situation to gain time, even when this means sacrificing the essential. For instance, the independence of the Bank of Algeria, an acquis of the law on ‘Currency and Credit’ of 1990, was erased with a stroke of a pen at the end of 2017, by obliging the central bank to buy treasury bills amounting almost 20 billion dollars over a period of five years (a process known as “money printing” usually used in the case of a budget deficit).

However, this chosen solution is nothing but an escape forward; an effort made by the executive authority to compensate the decline in tax revenues caused by the deterioration of the oil prices since 2014.

With this “unconventional” financing, the government takes the risk of considerably increasing inflation, which is something that experts of all kinds strongly denounce. It is a risk taken in the context of a rent economy, where three quarters of the consumption of households and businesses are imported, and where the quasi-integrality (98%) of export revenue comes from hydrocarbons.

With an almost non-existent local production and growth levels well below the minimum thresholds required by demographic growth, this injection of unrequited capital can only increase pressure on imports and contribute to an inflationary spiral feared by everyone for its dangerous prospects .

Despite everything, this path has been chosen over the other (more complicated) path of reorganizing the economy through reviving investments and drying up speculative niches by effectively collecting taxes.

The choice of this economic policy – if escaping forward can be so characterized- accurately describes the nature of a system built on fraud, repression and the police denial of public liberties.

Political Police at the Heart of the Informal System

The continuous and widespread interference of the political police is the phenomenon that sabotages the functioning of the different institutions. The Algerian justice system, secular arm of a bureaucracy as corrupt as omnipotent, is totally powerless in the face of such a starkly clear disruption of public order.

This disorder installed by the regime evidently aims at diluting the responsibilities and render the structures of control and regulation inoperative. The *raison d'être* of this structural chaos are, indeed, the rapid enrichment facilitated by the lack of transparency and the will to preserve real monopolies constituted by the abandonment of state prerogatives. The question is not the incompetence of the personnel in charge of the administration of the commerce or the Public Treasury, nor is it problems of “governance”. But it is, indeed, a way of organizing the economy. The impotence of the administrations, just like that of the justice system, finds its origins in the guardianship of these institutions by the ‘*de facto*’ authority on which the regime is seated.

Those who preside over the collective destiny of the Algerians are accountable to nobody: the assemblies are institutional fictions built on fraud and deceit, the state and its devices are in fact at the service of a category which includes the military, policemen and opportunistic businessmen active in the formal and informal economies.

In Algeria, as elsewhere, the state is not less powerful than the informal market, but it is dominated by interest groups that have no other aim than maintaining their acquisition of the country’s resources. In these conditions, where the public interest is absolutely not the priority of those who assume, behind institutional smoke screens, the real power, it is nothing but an illusion to wish for corrective measures.

The drift towards the informal is therefore part of the “source code” of a political system incapable of reform. The paralysis of the regime is all the more critical as no sign or indication allows to anticipate that the oil prices will increase back to their levels in the early 2000s. However, things will stay unchanged as long as the levels of foreign exchange reserves remain sufficient to cover vital imports; for two or three years, under optimistic assumptions.

Unless the political change desired by the majority of Algerians happens, it is a safe bet that for the next Mouled (and the ones after), the sellers of firecrackers would still be doing good business.

1) *Brahim B.: “Who Brings the firecrackers to Algeria? Published in French in El Watan Newspaper. December 3, 2017.*

- 2) For a socio-political reading of the informal economy (in the 1990s) cf. article by Deborah Harrold "The Menace and Appeal of Algeria's Parallel Economy" Middle East Report No. 192, Algeria: Islam, the State and the Politics of Eradication (Jan-Feb, 1995).
- 3) These figures from various sources are provided for the sole purpose of signifying exponential functions. Even if they are close to reality, caution is needed with such data which is easily available in quantity but whose quality is problematic.
- 4) Younès DJAMA, "Its weight is estimated at 45% of the national gross domestic product (GDP). Informal economy: yet another study launched ", Le Soir d'Algérie, March 4, 2017.
- 5) Ryma Maria BENYAKOUB, "Informal markets: the gaping wound of the economy", El Watan, July 21, 2017.
- 6) Quoted by Algeria-Eco, March 2017.
www.algerie-eco.com/2017/03/04/secteur-informel-represente-45-pnb
- 7) Official rate on 5 April 2018: 1 euro = 140 Dinars; the "parallel" (black market) rate: 1 euro = 213 Dinars (sources: Bank of Algeria)



Algeria: Informal Economy and the Black Market of the Economic Decision-Making

Yassine Temlali

Algerian Journalist

The “secret economy” has acted as both an instant and dangerous solution, exploited by political regimes to mitigate the social impact of crises resulting from their own liberal policies.

The discrepancy in the estimates of the size of informal activities and the variety of the terms used to describe them in the media and political discourses (parallel, irregular, informal, etc.) are indicators of the complexity of the phenomenon. In the following text, I shall use the term “informal economy” due to its generic nature.

The International Labor Organization (ILO) defines informal economy as “all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements.” This definition includes the activities of the informal sector, carried out by unregulated economic institutions that do not qualify as legal entities. However, it also includes the activities of certain individuals within the formal sector itself, as in the case of the legally-founded companies that abstain from declaring their workers to the social security fund. In this sense, the term “informal economy” appears to be more precisely representative of these activities than the term “parallel economy”, which fails to take into account the intersections between the informal and formal economic activities (such as the domestic labor inside some registered economic units).

There is much proof of the importance of the informal economy in the Algerian economy.

With the expansion of the “liberal reforms”, and as the structural adjustment program was being implemented between 1994 and 1998, its importance peaked. Public companies were shut down (818 companies between 1994 and 1997, according to the Labor Inspectorate statistics), and there were mass layoffs of 405 thousand people from their jobs.

Perhaps the most telling manifestation of the rise of informality is the vast difference between the official exchange rate of the Algerian dinar (114 dinars to the U.S. dollar) and the exchange rate in the “black market” (174 dinars to the U.S. dollar), with a 60-dinar difference between the two prices!

Scarce and Partial Data

Based on a study by university researcher Ahmed Heni published in 1994, the informal economy is structured in the form of networks, each headed by what can be considered “a real economic agent”, given the breadth of activities it supervises. These networks are capable of creating the structure of a genuine “counter-society”.

The Algerian authorities appear to be indifferent to a serious systematic assessment of this counter-society's economy, even though the State launched initiatives aimed at integrating some of the informal economic activities.

As a result, the data concerning the informal economy are very scarce and partial. The numbers are limited to those that can be deduced from statistics about the labor market, such as the surveys periodically conducted by the National Bureau of Statistics (NBS) and those published from time to time by trade union organizations (Traders' Union, Employers' Union, etc.), international bodies (the International Labor Organization) or included in academic studies, many of which are regional "case studies" which do not cover the whole country.

The systematic studying of the informal economy is a challenging task in any country, not just in Algeria, as noted by the International Labor Organization (ILO) and other international bodies.

However, it is not entirely impossible, if the necessary means are provided. The conducted studies ought to typically set the ground for a comprehensive economic reform instead of a temporary and partial economic rehabilitation. In a manual entitled "Measurement of the Informal Economy", published by experts of the ILO, it is stated that it is necessary to develop statistics that measure the magnitude and nature of the informal economy "as the basis for the formulation and evaluation of effective policies to support the transition to formality; as an advocacy tool for the population groups involved; in depicting global and national employment trends; and in analyzing linkages between growth and employment".

Conflicting Estimates

Estimates of the size of the Algerian informal economy vary vastly.

The former Prime Minister Abdelmalek Sellal, declared in March 2015 that the money supply within this economy was estimated to be 3700 billion dinars (40 billion dollars), while his successor Ahmed Ouyahia estimated it at 1700 billion dinars (18.5 billion dollars) in September 2017. The Finance Minister of the current government, Abdel-Rahman Rawya, is skeptical about the very possibility of measuring the informal economy. In early January 2018, he did not hesitate to contradict his own Prime Minister Ahmed Ouyahia, stating that all these estimates are but "media statements".

In February 2018, the Central Bank governor, Mohamed Lokal, estimated the money supply in the informal economy to be somewhere between 2,500 and 3,000 billion dinars, halfway between the estimates of Sellal and those of Ouyahia.

He also brought attention to another significant monetary supply located outside the banking system, comprised of 1500 to 2000 billion dinars of the savings of different economic actors, including domestic savings.

Many, from outside the governmental circles, are also calling for caution when considering statistics on the informal economy.

The financial expert Farhat Ayet, although known for his fierce criticism of minister Ahmed Ouyahia, shares his perspective on the informal money supply. He agrees that Sellal's assessment is highly exaggerated, and estimates that the informal money supply does not exceed 1,600 billion dinars, or 30 percent of the cash in coins and banknotes (one-third of the general cash supply), according to the latest figures in 2017 (i.e. 4700 billion dinars out of the total 14574 billion in the country).

The Central Bank estimated the money supply in the informal economy to be between 2,500 and 3,000 billion dinars, while bringing attention to another significant monetary supply located outside the banking system, comprised of 1500 to 2000 billion dinars of the savings of different economic actors, including domestic savings.

The conflicting estimates share two main traits.

First, they are stated without explanation nor reference to their measurement tools, which makes them appear to be either purely intuitive or biased by the hidden desire to defend or undermine the government's achievements.

Second, they promote the idea that integrating the allegedly enormous informal money supply into the banking system can magically resolve all the problems of financing the national economy, especially after the decline in budget revenues since the collection of taxes on hydrocarbons fell in the summer of 2014.

Contrastingly, the suspicions of some, in the government and the opposition alike, about the magnitude of the informal money supply are always combined with encouraging comprehensive reforms that would inevitably bring the informal economy to an end, as if it was nothing but a

symptom of the economic crisis.

Some Aspects of the Informal Economy

Though outdated, the figures of The National Bureau of Statistics are still relevant in light of other evidence.

These figures indicate that 50.4 percent of the population engaged in professional activity in the second half of 2009 (9.472.000 people) were not declared workers in the social security fund. This percentage rises to 69.1 percent among non-permanent workers and to 81.1 percent among freelancers or independent workers.

Algerian researcher Yogurtha Blach notes that the current state of the informal labor market is part of a more global situation, steadily growing since the early 2000s, and affecting the workers from the most vulnerable social classes, such as the non-permanent wage earners and independent workers. According to Blach's study, this expansion in informality could explain why the unemployment rates in Algeria have dropped from 29.7 percent in 2000 to 12.3 percent in 2017.

While the high percentage of informal labor in agriculture is not surprising (given the domestic nature of most agricultural work), the proliferation of informality in manufacturing industries (where production units have legal statuses) calls for reconsidering the extent to which the black labor market has penetrated the fabric of the formal economic sector.

A study by Ali Sawag, Philippe Idar and Nassereddine Hammouda, published in 2016 and based on data from the years 2001 to 2010, found that the informal Algerian labor force in 2010 was mainly distributed in the following sectors: 30 percent in the construction sector; 24 percent in trade, hotels and restaurants; 19.6 percent in agriculture and 13.2 percent in manufacturing.

While the high percentage of informal labor in agriculture is not surprising (given the domestic nature of most agricultural work), the proliferation of informality in manufacturing industries (where production units have legal statuses) calls for reconsidering the extent to which the black labor market has penetrated the fabric of the formal economic sector. This study shows that in 2010, agriculture came in first place among economic activities regarding the ratio of informal workers to total workers in the sector, with

84.4 percent. It was followed by the construction sector with 77.8 percent, trade, hotels and restaurants with 71.3 percent, manufacturing with 63.6 percent, and transportation and communication with 49.9 percent.

The figures published by economist Abdelrahman Mebtoul in December 2015, citing the National Trade and Craftsmen Union, are sufficient to highlight the importance of informal activities in the trade sector.

80% percent of officially registered traders do not declare their non-permanent workers to the National Social Security Fund, 80 percent of commercial transactions are done without being invoiced, and 70 to 80 percent of transactions are paid in cash.

According to other figures circulated in the media in September 2014, the number of weekly unauthorized markets is almost 1,500 and these employ about 100,000 people.

Besides the lack of social protection for the workers in these markets and the impossibility of controlling the quality of the goods, there are other issues that rise from their presence.

The State's treasury loses great revenues because of these markets, and according to Abdelrahman Mebtoul, the Algerian Traders Union has estimated the annual losses at about 3 billion dollars. The aforementioned union did not disclose the way in which it concluded this figure, but it does not seem to be a suspicious number, as the union has access to the necessary data for such an account (the average of the declared taxes, the number of traders nationwide, etc.).

Government Initiatives

The available (conflicting) figures on the size of the Algerian informal economy are all very high.

The smallest of these figures estimates it to be worth 1600 billion dinars (17 billion dollars), which is equal to 1.5 times the Algerian trade deficit in 2017 - estimated at 11.19 billion dollars. T

he highest figure, 3700 billion dinars (40 billion dollars), exceeds the total value of Algerian imports in 2017 - estimated at about 46 billion dollars.

The Algerian authorities are trying to attract this money supply to the banking system through several initiatives whose efficiencies are difficult to measure.

I mention here four of the most recent initiatives, overlooking the government's suggestion to adopt Islamic banking systems in 1991, since these banks have failed, for over 26 years, to convince the owners of "informal capitals" to deposit their money in the banking sector.

In fact, the refusal to invest in these banks has proven that the reason for dismissing the integration into the banking systems was not the "fear of God's punishment" for practicing "Riba" (usury).

The first of these four initiatives was the mandatory use of financial instruments (checks) for all transactions that exceed a certain value.

The initiative was approved in 2004 and 2011, but the government interrupted its implementation both times.

There was another shy attempt in 2014 for imposing the use of checks in transactions of one million dinars (10 thousand dollars) and above, but it remains unclear how far this mandatory procedure was implemented on the ground.

The second initiative was launched in 2015, with the campaign to persuade the owners of the informal economic capitals to deposit in the banking system in exchange for paying a tax levy.

This was not applicable to the money that had been gained from "illegal" activities, although these activities were not clearly defined (is cross-border smuggling illegal in the same way as drug trafficking is, for instance?). The concrete outcome of this campaign cannot be assessed, but in February 2018, the Finance Minister insisted - without much explanation - that "huge sums" had been deposited in the banks since the campaign had begun.

Today, only one figure is available, stated by the Director General of the State's Local Development Bank in November 2015, who declared that the initiative resulted in the deposit of 3 billion dinars in the banking system 3 months after its inception. The said number seems miniscule and insignificant when compared to the government's estimates of 3700 billion dinars of informal money supply.

The refusal to place informal money in Islamic banks has proven that the reason for dismissing the integration into the banking systems was not the "fear of the God's punishment" for practicing "Riba" (usury).

The third initiative was the sale of sizable public bonds in 2016 to finance public expenditure and investment. This was supposed to persuade part of the informal capital holders to safely invest their capitals for interest rates ranging from 5 percent to 5.75 percent, depending on the underwriting period (3 or 5 years). Eventually, the banks purchased a total of 158.9 billion dinars in bonds, which is under half of the total sum of sold bonds, according to the Central Bank.

But what about the other half? Was it really (at least partially) “informal money” coming out of the shadow into the system? Perhaps it was. However, it is more likely that the government would not have hesitated to brag about it had the total sum of money been sizable, as a part of its regular habit of self-praise for its own achievements and the “achievements of Mister the President”.

In April 2018, the State’s fourth initiative to absorb the money of the informal economy was launched when the governor of the Central Bank instructed all banks to establish a line between their main task; i.e. the collection of financial resources, and the task of gathering financial intelligence, which is a matter assigned by the law to other official bodies.

This instruction was clearly intended to inhibit some banks from “excessively preventing money-laundry”, in the governor’s words.

Can Transparency Be Partial?

These initiatives raise some serious questions about the sincerity of the government’s intention to maintain economic transparency when, in reality, the entire economy is conducted in an ambiguous way. There is evidence of this ambiguity in everything, from the unreliability of many published statistics to the existence of a “black market for economic decision-making”. It is no secret that sometimes the finances granted by a State bank (most banks in Algeria are State banks) are not the product of the bank’s free and sovereign will.

The decisions to grant financing to a big investor or to an unemployed person from a youth employment program could equally be the result of a direct order from one of the (many) invisible powerful “decision-makers”.

On the other hand, we have established that these initiatives are centered around attracting money supplies that circulate in the informal economy towards banks to provide additional liquidity that would be able to finance

the economy at a time when its fiscal resources are exhausted.

But, what about illegal forms of work such as employment without declaring to social security or limited-term contracts that are renewed periodically, even though the law requires them to become permanent contracts after a certain period?

Regulating the labor market, to say the least, is not one of the State's priorities. On the contrary, ever since the treasury resources declined in the summer of 2014, the State's discourse has insisted on more "flexibility" and competition in this market. Additionally, concerning the elimination of illegal trade, the initiatives are few, improvised and always factored by critical political circumstances. That was obviously the case in 2011, when the decision to impose transactions exclusively through legal instruments was suspended in the wake of the "Arab Spring", in fear that the protests of young people in some neighborhoods of Algiers would develop into an uprising similar to the Tunisian one.

This tolerance of some aspects of the informal economy indicates two important things.

First, this "secret economy" has acted as both an instantaneous and dangerous solution, exploited by political regimes to mitigate the social impact of crises resulting from their own liberal policies. The informal economy in Algeria was the child of the financial crisis that followed the decline of the country's external resources due to the oil counter-shock of 1985-1986.

Second, the suppression of certain aspects of the informal economy, such as violations of the labor law, means monitoring private sector activity. It is something the government is clearly not willing to put on stake, encouraged by international financial institutions to facilitate the investments and expansion of the private sector, and hereby allowing it to have the upper hand over the public sector.



Critical Views on the Informal Economy in Algeria: Eradication or Integration?

Mohamed Saib Musette

Sociologist, Research Director at CREAD, Algeria

Several attempts have been made to legalize the informal economy in Algeria through facilitating the integration of unregulated workers into the formal economy. However, success is yet to be achieved.

Since the inception of the term “Informal Economy” in the 1970s by the anthropologist Keith Hart, followed by the International Labor Office (ILO) in its “Kenya Report”, the expression has taken several meanings and been the subject of a series of theoretical analyzes and it would be tedious to return to them.

This economy exists in both developed and developing countries.

In Algeria, there is a general consensus that “informal activity” includes all activities that are not declared to the social security system, which is a legal obligation. It is also questionable whether this criterion is sufficiently accurate for classifying its agents. In other countries where registration with the social security is not compulsory, this criterion must be reconsidered.

In any case, exploring this world is not easy.

It can be accessed through the door of “employment”, or, in other words, through the relationship between the worker and the employer, in a reading centered on the individual. Whoever works without social security and whoever employs a person without any kind of insurance, whether with or without a contract, is in violation of the labor market regulations. In this case particularly, it is only the employer who is liable and subject to an administrative penalty by the labor inspectorate, while the employee is a victim. At first glance, this way of regulating the labor market seems symptomatic of a dysfunction of the economy as a whole.

According to statistical data published in 2017, there are more than 6.2 million people in Algeria who are not registered in social security, versus 4.7 million who benefit from social coverage. The percentage of non-affiliation is thus in the order of 57% of overall workers, who are therefore considered to be part of the informal sector.

According to the official data, we can estimate the rate according to different indicators: age, sex, marital status, place of work, professional status, economic sector, etc.

Hence, the informal world can be decrypted through individuals, families and economic sectors, from a social-analytical point of view.

Similarly, it can be approached and understood from the regulatory and administrative perspectives.

The Norms

The following questions arise: Why does this economy exist? Why is it not regulated?

The existence of this economy seems to be essential to the functioning of the general economy and the labor market. Its coexistence with the “normal” economy is thus real and formal economy even “tolerates” the informal one, as it implicitly acknowledges its role as a “safety valve” to avoid social conflicts and ensure social stability in the country.

As a whole, this economy has led to a substantial reduction in the unemployment rates, from almost 30 percent in 2000 to 12 percent in 2017.

According to statistical data published in 2017, there are more than 6.2 million people in Algeria who are not registered in social security, versus 4.7 million who benefit from social coverage. The percentage of non-affiliation is thus in the order of 57% of overall workers, who are considered to be part of the informal sector.

However, the Algerian authorities constantly claim that the informal economy is detrimental to the social security and tax revenues and that it undermines the economic health of the state as a whole.

There are various evaluations of its actual contribution to the creation of wealth; it is estimated to be around 40% of GDP (Gross Domestic Product). However, there is no direct survey on the informal economy to date (1), even if, of course, there are several partial or microeconomic studies, reflections, reports and many speeches that use data from the employment survey of the National Office of Statistics of Algeria.

The vital function of the informal economy is no longer disputed: it seems to guarantee social peace and contributes to the formation of national wealth.

So, what can be done? Experts in the International Labor Office, which has long produced analysis on this economy worldwide, recommend some solutions, knowing that the capitalist system needs this economy for its viability and growth.

The main recommendation is integration into the modern economy

through organizing the transition from the informal economy to the regulated one, particularly in developing countries. Some procedures are recommended to organize this transition with the least friction possible, since the workforce would be very useful for the production and services of the liberal economic system.

As a first step, economic activities must be classified according to the legal norms, which are, in turn, usually determined by the system of social values. Legally recognized activities may be subject to legal treatment, with flexible procedures.

For example, a gradual “localized regularization” system may be endorsed without retroactive effects. In other words, informal activities can be legalized without any penalty for having previously been exercised without social insurance. The same procedure is recommended to attract money from the informal sectors into the banks.

These observations on the dynamics and the essence of the informal economy cannot be made outside the logic of the capitalist world system which continues its growth, especially in the dominant economies of the triad: Europe, North America and Asia. This system leaves the subjugated economies at the “peripheries”, manipulated and used to provide a cheap labor or the raw materials needed for production.

The second step would be the exclusion of “illegal activities” from the informal economy. These activities do not conform to the prevailing social norms and are condemned according to the relevant international conventions. This includes all types of smuggling, trafficking in counterfeit products, services prohibited by national legislation, smuggling of migrants, human trafficking, etc. Measures must therefore be taken to combat the actors involved in such activities.

The legality of economic activities varies according to the legislation of the countries.

Some activities may be lawful in one country and classified as illegal in others, such as the sex industry or the production and consumption of cannabis. The aforementioned ILO recommendation has the merit of distinguishing between a “healthy” informal economy and an underground economy activated by organized agents of transnational networks according to the standards of lawfulness, which must be translated into national legislation.

Governmental Measures of the Algerian State

The measures taken so far by the Algerian state to combat the informal economy can be summarized by targeted actions that show an intent to correct the dysfunctional labor market.

Operations are conducted periodically and sporadically against “parallel markets” and target unlicensed street sellers who sell all types of products. These “sweeping” raids result in the confiscation of goods traded at prices so low that the formal sector simply cannot compete.

Some procedures also targeted informal savings, by allowing those with financial liquidity to deposit their money in banks, without necessarily declaring the source of their funds. Other measures involve promoting small businesses as part of the schemes to create economic activities and job opportunities, with a subsidy from the state, either through direct assistance or with an interest-free bank loan, repayable according to a time schedule.

The case of the creation of businesses through microcredit is interesting for more than one reason. Activities are created at home, with the help of the state which facilitates the purchasing of raw materials. These activities are supposed to help families with irregular income or no income. However, home-based activities are classified as part of the informal economy! Similarly, the social and solidarity economy is a non-existent segment of the economy in Algeria. Numerous associations and NGOs also hire people to work on a regular basis but without any registration in social security.

These few measures taken by the state indicate that there is a desire to integrate the informal economy into the regulated sector. This integration, though targeted, makes no distinction between lawful and unlawful activities. A social legitimation of informal employment is thus in place.

The dynamics of the informal sector stem from the inadequacy between supply and demand (job creation is scarce while the demand for additional employment is strong) and the “costs” of employment to be borne by the employers (taxes and charges which are considered too high) in the modern sector.

Studying the informal economy from this perspective thus calls for a profound revision of the “right to work”, which is supposed to be guaranteed by the State. In the recent years, a draft for a new Labor Code has been proposed, but it remains under discussion until now. This preliminary

draft is intended to provide the labor market with a legal framework that enables the State to play its adjusting regulatory role in economic activity. The draft leans in the direction of an illegalization of all informal activities!

These observations on the dynamics and the essence of the informal economy cannot be made outside the logic of the capitalist world system which continues its growth, especially in the dominant economies of the triad: Europe, North America and Asia. This system leaves the subjugated economies at the “peripheries”, manipulated and used to provide a cheap labor or the raw materials needed for production.

However, this division between a dominant economy and a dominated economy is not systematic. The international capitalist system also invades the dominated economies, through branches of multinational corporations that transgress economic rules everywhere, with the support of a class of contractors who survive on oil rent, just as in Algeria, the African country seeking to emerge.

The effects of globalization on the economy led to a restructuring of the Algerian society. This social structuring has given rise to a class of “nouveaux riches” who often do not have the culture of the “bourgeoisie”. However, the social agents of the informal sector are not as clear. For a moment, it was believed that the informal sector was mostly driven by the middle class, who, being poorly paid, engaged in complementary activities in the informal economy to make ends meet. As for the working class, they are for the most part underpaid workers in the nascent private sector while another part works at home or in inappropriate places, for the benefit of the contractors who own the necessary capital and legal institutions.

This social structuring is not without social impact. Social conflicts are evident, often accompanied by acts of direct and indirect violence. The social ladder operates in a chaotic manner, changing with ups-and-downs at any given moment, always according to the power equilibriums between those who are close to the “decision centers” and those who refuse allegiance to the ones in power.

1) It was not until 2017 that a standard study was launched by CREAD (Center for Research in Applied Economics for Development), in partnership with the Ministry of Commerce in Algeria.



The Bazaar Trade in Algeria's Cities and Villages

Mohammad Marwani

Writer and researcher from Algeria

Many of the “disorganized” merchants rejected the attempts of the municipal officials to integrate them into the organized “trade centers” that had been established under a project called “One hundred shops in each municipality”. Instead, they continued to sell in the bazaars before the eyes of the authorities.

In the center of Oran, the capital of West Algeria, dozens of young men offer affordable commercial goods which are widely consumed by the Algerian families who still prefer popular markets to official shops, especially for buying vegetables, fruits and essential consumables such as cooking oil, sugar and milk. The distribution of milk in particular has been irregular for some time in Algeria, sparking sarcastic comments on social media platforms. People mocked the scarcity in the markets, recalling times when, in the eighties of the past century, after the terrible economic crisis caused by the sudden fall in fuel prices, Algerians had to stand in long queues to acquire bread or milk.

These are called “chaotic markets”, according to the municipal and local authorities. In the various 48 Algerian provinces, there is a large sector of vendors who are absent from any commercial registry department. In the streets of the cities of Constantine, Oran, and Algiers, selling goods on the sidewalks is a typical and regular scene. Hundreds of vendors, mostly young people, impose their presence on the local authorities of the different municipalities and provinces.

“No” to Integration into the “State Market”

Hundreds of those who carry out commercial activities in the different provinces of Algeria refuse any kind of integration into projects carried out by the public authorities to regulate and organize the informal trade sector inside the municipalities (there is a total of 1541 municipalities nationwide).

Figures from the local sectors show that 63 percent of the municipal shops are not being used by their owners, although the government had allocated a substantial financial sum for their completion. Some of them were turned into offices for organizations or, into cafés.

One of the young men in the city of Mostaganem, in the West of Algeria, is a mobile phone dealer in the popular market of Ein el-Safra’. Though, he describes himself as being unemployed. “Many of the shops established by the municipality do not correspond to the flow of trade. Sometimes, their location is not suitable or encouraging for commercial activity, so they make very little money. Working in one of those shops would not

even allow me to make a daily living or regular income.” He adds that in the Souk (market) of Ein el-Safra’, a vendor does not need a shop as it is enough to display the limited number of goods in his possession anywhere for the customers to gather around him in dozens. These customers go to the souk for two reasons: first, the relatively low prices of the commodity compared to those of the organized shops, and second, the opportunity to resell used items in these parallel markets to other parties, who might resell them, in turn, in the “regular” shops. The young man explains that this second reason is actually one of the basic ways to cheat and sell fraudulent merchandize.

Many of these “disorganized” merchants rejected the attempts of the municipal officials to integrate them into the organized “trade centers” that had been established under the project called “One hundred shops in each municipality”. Instead, they continue to sell in the parallel markets, practicing the “bazaar trade” right before the eyes of the authorities.

According to the latest figures, one hundred thousand of the shops established by the municipalities in Algeria are still underutilized and poorly managed. These shops have been deserted and empty for many years.

Figures from the interior and local sectors show that 63 percent of the municipal shops are not being used by their owners, although the government had allocated a substantial financial sum for their completion. Some of them were turned into offices for organizations or, into cafés.

Why did the Authorities Fail to Eradicate Parallel Trade?

The question has been asked repeatedly on the Algerian media platforms: Why hasn’t parallel trade been eliminated despite the authorities’ efforts in this area, whether through developing commercial centers or encouraging the unorganized merchants to integrate into a regulated culture of organized trade?

Most of the answers given by the economic specialists agree that many of the problems facing the economic policies in Algeria are a direct consequence of the prevailing governing mentality, which is based on administering the central State’s decisions through local authorities and institutions.

The absence of a sustainable, adapted strategy by local officials and governors of the provinces to manage the escalation of the parallel trade has allowed it to grow into an octopus extending its tentacles to the smallest municipal areas in Algeria, where there previously were no markets for seasonal or parallel trade. For instance, the small municipality of Hajaj, located in Mostaganem, more than 450 kilometers away from Algiers, now has a market where dozens of young people display goods such as home appliances and clothes.

On the other hand, the intentional stalling of some of the “Amyar” (a term that refers to the “mayors”, derived from the French word “maire”) in facing the proliferation of irregular vendors in their municipalities implies the possibility of the involvement of local officials in in various forms of parallel activities.

Many of the elected representatives who run municipal councils in Algeria exploit these markets in their electoral campaigns. They promise the many young vendors to maintain the status quo and to refrain from compromising their interests. This is an informal agreement between the local municipal officials and the young merchants, and the municipality’s treasury does not gain a single Dinar from it.

Damages done to the Algerian Economy

The latest estimates of official institutions and committees in Algeria indicate that the number of workers in the parallel economy has exceeded 60 percent of the labor force during the last three years.

The reason for these numbers is the country’s critical financial situation, despite the pro-government political circles trying to promote a margin of state-controlled maneuvering to manage the situation.

However, the eradication of parallel trade does not seem to be a priority for the governors and local officials who prefer to focus on housing and reconstruction programs rather than chasing young men selling their goods on the sidewalks. The young vendors in Algerian cities purposefully display their merchandize in areas near to governmental offices, banks and administrative institutions and, so far, the authorities have confined themselves to imposing fines on these violators.

In the absence of alternatives to the issues of unemployment and poverty,

this activity becomes one of the telling manifestations of the fragility of the Algerian economy.



EGYPT



Informal Economy in Egypt: Realities of Marginalization and Illusions of Empowerment

Amro Adly

Assistant Professor in the department of Political Sciences at the American University of Cairo.

The private sector in Egypt is the informal economy. It makes up most of the Gross Domestic Product (GPD) and employs most of the wage-earners. This sector, however, is characterized by activities of low productivity and limited developmental benefits. Most of these activities are motivated by seeking sustenance rather than by plans of development or accumulation.

Since the outbreak of the 2011 revolutions and the subsequent political and social events, the informal economy in the Arab world has become a major topic of discussion.

Many observers and analysts (from the political Left and the Right alike) considered it an expression of economic and social marginalization. Although their opinions regarding its causes and factors may differ, they agree that informal activities expose the absence of development for large sections of Arab societies, especially for the young people. “Informality” has prevailed over a wide range of economic activities in the Arab countries that have witnessed popular uprisings, causing many to correlate this proliferation with the economic and political marginalization that the people of the region suffer from.

The breadth of the informal economy is by no means confined to the Middle East and North Africa, of course, but extends to many aspects of economic activity in many “developing” countries in South and South-East Asia, Sub-Saharan Africa, Central America and Latin America.

As a general rule, the presence of informal activities can be said to increase whenever the levels of income decrease, which can be considered as an indicator of the decline of economic and social development.

What is Informal Economy?

As the term itself indicates, informal economy is defined by a negation, i.e. it is the absence of the characteristics of formality in economic activities. This usually refers to activities related to the production or distribution of economic values in the form of final goods or services, as well as to self-employment or the employment of others in a manner inconsistent with the rules, laws, resolutions and regulations of the state’s institutions.

Thus, the informal economy encompasses the virtual and material area that produces and distributes economic values without compliance with the laws of registration in the government’s institutions.

The informal economy includes units based on the production and distribution of goods and services, such as unregistered enterprises and production units operating without official authorization from the legal authorities.

These activities cover everything from the workshops and factories of “Beer el-Sellem” in the province of Qalyubia - especially in the city of Shubra Al-Kheima adjacent to Cairo-, to the family businesses based in and around houses, and to the hawkers and sidewalk street vendors who

explicitly violate the established rules of law or occupy parts of the public spaces.

This issue is not only limited to productive units. In fact, informal economic transactions may also include different elements of production.

This type of work is an exemplary manifestation of informal activity in developing economies, such as the Egyptian one. Any work that results in small or large values, carried out in violation or disregard of the official rules and regulations, is part of the informal economy. This includes the unpaid work of women and children in micro family projects directed towards self-sustenance, especially in agriculture, or the selling of their cheap food or goods in the markets of the cities. It also includes the various forms of self-employment in which people work for their own accounts using a limited capital; street vendors are a prominent example, as well as craftsmen such as electricians, carpenters and plumbers - especially the ones who do not have workshops or fixed work stations.

The informal economy is not completely separate from the formal economy; it permeates all economic and social life through its widespread transactions that may be carried out by institutions that are themselves official, or even by members of the state itself. These transactions are nevertheless informal, as long as they are not organized according to legal regulations.

The informal economy includes all forms of paid work which is not subjected to the labor law, and where the workers are denied formal employment contraction and social security. This applies to informal workers in formal establishments too. In factories and, in some cases, in government agencies, workers are employed without contracts or through seasonal or temporary contracts, and without any insurance. Of course, this case also applies to work in informal establishments that operate without obtaining permits or registration in the first place.

The most distinguishing feature of the informal economy is that it contains all transactions of economic value that are not regulated or registered by the state apparatuses or public authorities and which are carried out without recourse to, or in direct violation of, the rules established and presumably enforced by the State.

According to this definition, the informal economy is not an “informal sector” separated from the formal economy. It is the widespread transactions that permeate all economic and social life. It may be practiced by institutions which are themselves official, and even by some state institutions.

This does not necessarily mean that informal activities violate the law in the sense of breaching the public order, such as drugs, arms and human beings trafficking, financial or in-kind bribery and other criminal activities, which are informal by definition, as they intrinsically defy the legal system. Most of the informal economy does not involve a violation of public order as much as it involves alternative regulation and subjection to social mechanisms supervised by non-governmental institutions, such as families, friends or other private ties, which may be more effective in enforcing the various commitments of the different parties involved in the economic process.

By adopting this flexible definition of the informal economy, the size of the phenomenon can be better grasped. In 2010, the economist and statistician Friedrich Schneider estimated the size of the informal economy to be 40 to 50 percent of Egypt’s gross domestic product (GDP), which means it accounted for the largest part of what was produced and distributed annually, and included the bulk of private sector enterprises and working manpower (1).

Egypt is not an exception. Schneider’s estimates in some developing countries reveal that the informal economy is the predominant mode of production and distribution in most countries of the South, and that it also has a presence, albeit smaller, in the high-income countries of the North, which confirms the relativity of the phenomenon.

What is the “Problem” with Informal Economy?

Is it a problem at all? The predominance of the characteristic of informality in economic activity in modern times is usually associated with low rates of development.

Economically, informal activities tend to be characterized by low productivity, poorly skilled workers, and a limited share of capital, both financial (such as bank loans), or physical (such as land, machinery, equipment, etc.). Such characteristics are in accordance with the small size of informal businesses, which, no matter how prolific they may be, usually remain limited to one or two individuals (usually members of the

same family), or take the form of micro enterprises employing a small number of workers or family members. These activities are weakened by the fact that poor skill levels and limited access to capital translate into diminished opportunities for growth and expansion.

Consequently, most informal activities are marked by low productivity and low returns. Their goal is usually earning daily livelihood rather than generating profits sufficient to accumulate and grow. This has prompted several economic schools, from both the Right and the Left, to consider that informality and the extent of its proliferation are expressions of “economic backwardness” in the literal sense of the word, meaning the absence of the features and institutions of a modern economy.

Marginalization is evident not only in the distribution of income, wealth and power, but also in physical space. Most of the people who practice informal forms of work in the cities of the “Third World” countries inhabit the “slums” or “shantytowns”; the unplanned human colonies created in the mid-20th century due to the influx of rural migrants to the cities.

When the term “informal” appeared for the first time in the literature of the International Labor Organization (ILO) in the 1970s, it was used to describe situations in African countries where the agricultural sector represented the biggest part of their economies (2), and where the labor force was subject to informal rules, reflecting the low levels of development and leading to the perpetuation of these levels. In other words, informality in this case expresses underdevelopment and implies the narrow chances of circumventing it. In the Right, the writings of the neoclassical founding economists, such as Hernando de Soto, correlate the expansion of informal transactions with the absence of free market relations, where production leads to a financial exchange driven by the relative prices that reflect the forces of supply and demand (3).

De Soto and others believed that the informal economy demonstrated pre-capitalist (and thus pre-modern) patterns of economic activity, mainly caused by the inability of state institutions to protect the rights of private property or to intervene to enforce contracts. It raises the costs of economic transactions and increases risks in market exchanges, whether by representatives of the public authorities themselves, who may use their powers to attack private property rights, or by other market players who may take advantage of the weakness or corruption of some state

institutions such as the judiciary system and the police, to evade their contractual obligations.

Therefore, one possible solution to avoid this and minimize risks would to limit the production and exchange of goods and services to the direct circles of individuals and families. Needless to say, this is done at the expense of opportunities to maximize the economic value that characterizes the functioning of the free market.

The prevalence of informal activities is almost always linked to low standards of life and underdevelopment, irrespective of the implicit or explicit ideological bias in the economic analyses of the Left and the Right. It is always discussed in the context of the social marginalization of those associated with the informal economy, especially wage earners and self-employed workers in small and micro-enterprises who are often part of the lowest social classes. Their informal activity often reflects their lack of social protection, job security, or exploitation prevention, both from employers and even within the frameworks of family work where economic exploitation is intertwined with gender inequality and domination of women and children.

Marginalization is evident not only in the distribution of income, wealth and power, but also in the physical space. Most of the people who practice informal forms of work in the cities of the “Third World” countries live in “slums” or “shantytowns”; the unplanned human colonies created in the mid-20th century after the influx of rural migrants searching for employment in the cities of most developing countries in Latin America, Africa and Asia. In the absence of advanced levels of industrial activity, the majority of these workers have ended up in marginal, informal, service-oriented activities characterized by poor productivity, small returns and, hence, poverty. The wave of migration led to the emergence of these slums which are illegally constructed and deprived of many basic services. They are an economic and social embodiment of the lack of formalism and an expression of the weak capabilities of the governments to control and regulate such economic activities, including housing and migration.

The Political Aspect of the Informal Economy

Not only does the informal economy have economic implications and manifestations, but it also has political ones that involve the relationship

between the state and the society in many developing countries, including Egypt and other Arab countries. The prevalence of informality in economic transactions reflects the fragility of the state, or even its complete powerlessness, as the responsible public authority, in controlling and organizing a large part of the society's activity. Writers such as Nazih Ayyoubi regarded this as a sign of the state's weakness, its lack of institutional and political capabilities, its inability to penetrate the societies it governs, and, even, its lack of legitimacy (4). Many aspects of the economic and social activity of large groups of people remain independent from the State's control. It cannot manage work relationships, such as protecting workers or rectifying the status of women or child workers.

The government is incapable of coordinating capitals in specific sectors to achieve goals that serve economic or social development, and is likewise incapable of extracting economic resources from society through tax collection. Its ability to redistribute income and wealth diminishes, as a result. All of these are signs of the institutional frailty of the state and the decline of its political legitimacy - no matter how authoritarian it may be - versus the society.

Ayyoubi went as far as asserting that the excessive repression practiced by many Arab governments and the frequent use of violence by regimes to assert control are further evidence of these governments' utter weakness.

The neoclassical proposition bypasses the problem. It ignores the social and political conditions for creating markets in a capitalist system which is capable of growth and development. The conditions are ignored in favor of a largely technical conception that involves building the efficiency of bureaucratic and judicial apparatuses in certain domains that are usually affiliated with foreign capital, represented by the major companies or the grand local enterprises.

There is no denying that the predominance of the informal economy reflects, from a sociological standpoint, the state's weakness. It indicates the presence of several entities and organizations, other than the state, that have the capacity to control and regulate, regardless of the official laws. Informality may even reach the point of penetrating the state bodies themselves and subjecting them to the private interests of individuals or groups. In such cases, the representatives of the public authority may engage in illicit activities that are in clear violation of the laws.

All these are proving signs of the decline of the state's ability to organize society and govern its activities. These are indicative attributes of a non-modern economy and society, where informality is a feature that easily permeates all activities.

It must be noted, though, that informality does not necessarily imply pre-modern economic, social or political arrangements. It is not a traditional remnant of the Middle Ages that has been able to survive the pressures of modernization.

Nowadays, informality is easily detectable in human activity in developing countries and in sectors that are not directly related to agriculture, like the services sector. It is clear that migration to the city and the escape of large groups of people from the dependence on agriculture are all undeniable parts of the process of modernization itself.

Urban informal and non-agricultural economy is thus a reflection of the problems of modernization in most countries of the South. It results from the difficulties in maintaining an industrial sector, leading to a structural imbalance in these economies due to their inability to absorb the migrants from the agricultural sector into high-productivity activities or stable working conditions. Instead, the marginal service sectors, characterized by poorly skilled workers and limited capital, grow and inflate, outpacing the ability of developing countries to regulate or control, especially when these countries already suffer from weak institutional capacities and an inability to properly collect taxes.

In these countries, the infiltration of public institutions by private interests gravely undermines the "public" nature of the state's authority, rendering it a tool of service for the direct material interests of certain officials or of powerful social groups capable of exploiting the state for their own advantages.

Emergence from the Margins

How can the afflicted countries emancipate themselves from the informal economy which suppresses financial and social progress and which is synonymous with underdevelopment?

The neo-classical economists argue that the solution is first and foremost legal and institutional. It involves finding legislative, executive and judicial frameworks to protect private property rights: shortening the procedures for registering real estate such as land and apartments, increasing

the efficiency of the judicial system that deals with property disputes, bankruptcy cases and companies' liquidations, and enforcing contracts and agreements at a low cost for investors.

These economists further argue that making the state an effective guardian of private property rights, trusted to reduce corruption and inefficiency, means free market relations can be created, encouraging all to engage in production, exchange and labor, and thereby increasing the opportunities for improvement.

The neoliberal concept of development, which revolves around enabling as many actors as possible to engage in free market exchanges, is based on the assumption that the generation of growth is reflected positively on everyone through the creation of jobs and the expansion of consumer markets.

The neoclassical proposition bypasses the problem. It ignores the social and political conditions for creating markets in a capitalist system which is capable of growth and development. The conditions are ignored in favor of a largely technical conception that involves building the efficiency of bureaucratic and judicial apparatuses in certain domains that are usually affiliated with foreign capital, represented by the major companies or the grand local enterprises.

The creation of a developmental capitalism in a country like Egypt is not only about the equal distribution of private property rights, especially when the majority does not own any property in the first place, but rather about the requirements for integrating this majority.

The general presumption is that the market is capable of absorbing everyone and providing better opportunities through labor, production and consumption. One cannot talk about broadening the role of the state in the first place, as its role is confined to protecting property rights, enforcing contracts and raising the efficiency of litigation in legal cases involving commerce and investment.

This means that the state would have no role in the redistribution of income and wealth or in the investment in education, vocational trainings, health care and social security; which are areas that fundamentally affect the conditions of the “integration” or “assimilation” of large segments of the poor and marginalized population into the free market.

Even when the workers want to or have to join the labor market, finding high-paying jobs remains an impossible task for the majority of the population which is deprived of proper education and lacks the required vocational skills. The situation is also very critical for small and microenterprises.

If they are unable to have access to capital in the form of land and credit or to the data needed for market exchange, it becomes impossible to grow or survive in such volatile economic markets in developing countries.

The creation of a developmental capitalism in a country like Egypt is not only about the equal distribution of private property rights, especially when the majority does not own any property in the first place, but rather about the requirements for integrating this majority in the economy.

The expansion of the informal economy in the markets of goods and services, in the legal formalities of productive enterprises, and in the labor and capital markets (informal loans and loans from family / friends) is merely a sign of the defective integration of the poor and the marginalized in urban and rural areas. In a free market theoretically dominated by the private sector, this marginalized group owns neither material nor symbolic capitals (in terms of skills and education).

In reality, marginalization continues and the private sector itself becomes the informal economy in countries like Egypt (and Morocco, Tunisia, Jordan and other non-oil-producing Arab countries). It comprises most of the GDP and provides work for most of the wage-earners or self-employers. However, it is a false private sector composed of low-productivity activities of low developmental returns. Most of these activities are driven by making a daily livelihood rather than growth and accumulation.

This sector and its activities are thus characterized by stagnation.

Today, in Egypt, work relations are not formal, regardless of whether the establishments are officially registered with the state or not. This practice affects unskilled laborers in the major formal establishments that try to circumvent the fulfillment of their obligations to their employees by treating workers unequally with regard to wages or capital contributions for their insurances.

The spread of informal economic transactions is an expression, a cause and a consequence of weak development and economic and social

backwardness. This vicious circle can be broken only by allowing larger groups of people access to capital (desert land, credit facilities, skills, education, training, etc.), particularly the young adults of both sexes (especially women who bear the greatest burdens of unemployment and masked unemployment), both in the cities and the villages (with the rural areas suffering the greatest portions of impoverishment due to neoliberal transformations in the Arab region).

If integrated into the free market, these young people can produce valuable and profitable goods and services. Once this happens, social and political norms will be formulated to support the development of institutions that protect private property and achieve justice and efficiency, and not the other way around. Even though the World Bank and the American Aid organizations would promote the establishment of such institutions as preconditions to the creation of a capitalist system of development, this is actually unattainable on the ground. It contradicts the historical development of the advanced capitalist countries in North America and Western and Central Europe, where the bourgeoisie accumulated capital first, and then became capable and interested in reshaping state and societal institutions. Otherwise, the situation would be more like placing a cart in front of a horse and then waiting for the cart to move forward on its own.

It is necessary to consider the constraints and opportunities that the globalized economy has come to offer in the past few decades.

The economies of developing countries have been merged into the globalized economy, especially those that do not have enough weight and importance to define the rules of economic exchange, unlike influential developing countries such as China (and, to a lesser extent, India and Brazil).

This economic model, with its market centers, major financial institutions and investment banks, adopts the premises and outcomes of the neoliberal ideology, and consequently imposes certain criteria and requirements on the policies and institutions of developing countries.

This model thus reinforces the above-critiqued concepts, and narrows down the chances of creating institutional arrangements at a national level that may create a capitalist pattern of development.

Annex: Inspecting the Informal Economy in Egypt

Some Definitions

Informality, according to the aforementioned definition, is a key feature of economic activity in Egypt.

The phenomenon involves many, if not most, economic transactions, the majority of economic establishments, and the bulk of the labor force. This means that a substantial part of the economic activity occurs under the radar, unmonitored by the official institutions, unregistered, unorganized, and irrespective of the laws, regulations and procedures. It is difficult to determine accurately whether the informal economy is an old phenomenon that had only been detected later on, or whether it is indeed a relatively recent phenomenon that can be attributed to excessive urbanization or to the disintegration of the state's economic development models (since these models rely on expanding the public sector and the government assuming a central role in allocating resources through production, distribution, redistribution, and the direct employment of the labor force). It is a question that may not be answered at all.

However, it should be pointed out that the problems of the informal economy are modern by definition.

The issues of regulating and registering economic activity and dealing with it as an area where the rule of law must prevail came into being relevant only when modern states took their current bureaucratic form at the end of the nineteenth century in Western Europe and the United States. That was when the organic link was revealed between the rule of law and the protection of private property rights on the one hand, and the evolution of the capitalist system on the other, especially in the process of industrialization, which in turn was linked to the expansion of cities physically, in terms of population, and politically and economically in terms of weight and importance.

When the majority of the countries of the South - known as the "developing countries" after World War II - became independent, the problem of informality in its relation with development was raised. This largely applies to the Egyptian situation.

Historic Context

Until the First World War, the Egyptian economy was purely agricultural, with most of its international relations almost entirely dependent on producing and exporting raw cotton.

The majority of the population lived in rural areas and worked in agriculture through a web of diverse and interrelated relationships. During the years of World War One and throughout the following decades until the independence of Egypt in the mid-1950s, tireless efforts were made by the national Egyptian bourgeoisie (and its non-Egyptian allies, contrary to the common narrative). These efforts were encouraged and supported by the state after the 1936 treaty which enabled the government to acquire regulatory prerogatives in economic matters of vital importance, such as enforcing customs, protecting national industries, and finally extending the authority of the national judiciary system to gradually include all forms of capital activities.

Simultaneously, the cause of national independence, in its economic dimension, forced the governments of the 1940s to address workers' rights and social security, and worked on nationalizing foreign capitals operating in Egypt. In any case, the government's role in regulating economic issues was amplified and continued to increase until full independence was achieved in the wake of the 1956 Suez War and the subsequent nationalization of French and British interests in Egypt (in addition to the capital owned by Jewish people of various nationalities).

This formed the nucleus of the emerging public sector, especially after Abdul Nasser's regime carried out large-scale nationalizations in the early sixties, wiping out the sizable Egyptian private sector, while striking heavy blows to senior landowners through implementing the laws of agrarian reform starting from the year 1952.

At that time, the informal economy was not much of a hot topic since the government's role in Egypt and in other developing countries was focused on industrialization.

According to the modernization theory, agriculture is the traditional sector that employs the majority of laborers while using the most underdeveloped technologies, and its place was the rural areas. Opposite the agricultural sector are the modern industrial and service sectors, which the state developed in various ways, either through cooperation and partnership

with the private sector - as in Turkey and many Latin American countries between the 1940s and the 1970s - or by replacing the private sector with the public one, as was the case in the communist countries of Eastern Europe, the Soviet Union, China, and -to a large extent- Egypt in the 1960s.

In the decade that followed, several political and economic changes coincided to produce the current situation in Egypt's economy, where informality prevails. It is difficult to consider a particular singular factor to track the outbreak of the informal economy without considering its relationship to, and interaction with, other factors on the ground. On the one hand, the economic liberalization since 1974 marked the revival of the actors in the private sector with the support of the state, after a decade of encroachment of property rights through expropriations and nationalizations. This was the backdrop of the scene whilst Sadat's regime tackled the complicated economic and financial imbalances that Egypt suffered after six decades of war with Israel. He attracted capital from abroad in the form of grants, loans and investments, especially from the Arab Gulf countries (and Iran prior to the Islamic Revolution) which had huge surpluses of petrodollars. Indeed, Egypt had its share of oil wealth, not only in the form of official revenues that went to the government's pocket, but from the financial remittances sent by Egyptian workers in the Gulf and Libya, which generated new patterns of consumption in cities and rural areas.

Sadat's economic openness was not based on ideological liberal economic convictions or on biased principles regarding the market economy. It was rather a confession of the fracture of Abdul Nasser's "public-sector-based" model of development, either as a result of its internal contradictions or due to the blow of the 1967 defeat. The Egyptian state was simply too weak to continue to dominate economic activity, and it was time for the private sector to re-emerge. But has the private sector really been "gone" in the first place?

The short answer to the question is "no". The Nasserist measures did not eliminate the private sector, but eliminated institutions, companies, individuals and families with a high concentration of capital, whether it was foreign or Egyptian. The small and micro private sector that existed in the cities, in the form of workshops, grocery stores and shops, had

remained the same. Some may find it strange that small-scale enterprises continued to dominate the construction sector even in the prime of the Nasserist era. Less than one third of the housing units constructed during that period were established by the public sector, despite all the constraints and risks that afflicted the private sector. The same applies to the wholesale and retail trade sector, which remained almost entirely in the hands of small and major merchants of the private sector, proving their upper hand, versus the public sector, in accessing the different corners of the Egyptian market.

The small private sector, and perhaps even the micro-private-sector, (as we do not have reliable details to estimate the size of enterprises in terms of capital, labor or volume of transactions) has never disappeared. However, the period of nationalizations and the upsurge of the public sector weakened the institutional link between state agencies and private sector enterprises that were regarded as residues of a traditional economic activity that is technologically underdeveloped and unqualified to participate in the industrialization process, let alone the incitement campaigns against the small private sector accusing it of being a manifestation of capitalism's greed. In 1966, Abdul Nasser talked about the plans to nationalize wholesale and retail trade. However, the project did not come to realization, either because of the war or due to the difficulty of implementing such procedures (5).

Then came the 1970s which witnessed an outbreak of the private sector, not only of the macro Egyptian or foreign private activities (as most studies argued at the time), but also of the small and the micro private businesses (often defined as businesses employing less than five workers). These are largely informal in their nature, and have become prosperous in urban and rural areas in sectors such as construction, trade and services. These activities benefitted from the explosion of private consumption, the influx of rent revenue from the oil countries, and the continuous migration from rural areas to the cities - especially Cairo with its extreme administrative, economic and political centrality. As the trade movement recovered, the market made room for the private sector in its various forms and sizes.

With the decrease in the growth rate of public employment since the end of the 1970s, both in the State administrative system and in the public sector, the private sector (mostly informal) expanded with millions of self-

employed workers. They are neither owners of enterprises nor part of the “petty bourgeoisie”, as some from the Right and the Left would call them, but they are closer to the proletariat who do not have access to the paid labor market. They are forced to work for their own accounts in the hope of making a viable living for themselves and their families. Often, they do this kind of work while waiting to find other paid jobs.

The Status Quo

Egyptians of working age rushed to get paid jobs in the private sector establishments. The labor relations in general were informal, i.e. they were not conducted according to the Labor Law, and did not enable workers to enjoy insurance protection or job security. This applied to micro-enterprises (employing fewer than five workers), which included 45 percent to 47 percent of the total private sector wage earners between 1998 and 2012. According to ‘Assaad and Krafft’ (6), 88 percent of workers in these establishments in 2012 were working in an informal manner.

A study by the International Labor Organization (ILO) in 2014 reported that about 90 percent of young people work informally. In a report by the Egyptian Ministry of Commerce issued in 2003, informal (unregistered) small and microenterprises accounted for 83.5 percent of all private sector establishments in 1998, in comparison with 82.8 percent in 1988, registering an increase in a decade’s time, while indicating that the phenomenon is actually relatively older (7).

Today, in Egypt, work relations are not formal, regardless of whether the establishments are officially registered with the state or not. This practice affects unskilled laborers in the major formal establishments that try to circumvent fulfilling their obligations to their employees by treating workers unequally with regard to wages or capital contributions for their insurances.

Since the 1970s, the private sector has been expanding continuously. It now constitutes two-thirds of Egypt’s GDP and employs almost the same proportion of wage earners and self-employers. However, the development of this private sector is characterized by its limitedness, low productivity, informality, and high concentration of workers. This guides us back to the same points mentioned in the article’s introduction about the political

and social requirements of a capitalist model of development at both the national and regional levels. These political and social criteria inevitably influence the institutional procedures that govern the relationships between the State –with its agencies, laws and regulations- and the macro and micro private economic activities at the levels of capital, labor, and everything in between.

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Informal Economy in Egypt: A Problem of Governance or an Economic Crisis?

Ali Al Raggal

Egyptian researcher in socio-politics, specialized in Security Studies.

Exploring the dynamics of the correlation and interaction between informal economy and the general structures of the economy in Egypt, and consequently, the nature of the prevailing political economy, far beyond the 'criminal economy' such as smuggling, drug or arms trade.

Informal economy is one of the most widely discussed issues in Egypt's academic and political spheres. This economy is so divergently widespread that it touches almost every aspect of life. The Left and the Right in the country are both interested in applying their own reasoning regarding the causes of the issue and its possible solutions.

After the 2011 revolution, informal economy became a central issue in its relation to feminism in Egypt, especially as it was linked to the subsequent security threats, the violence inflicted on women, and the high rates of sexual harassment. Evidently, it is a recurrent and important question in terms of feminist thought, since it has always been associated with the marginalization of the role of women placing them under the heaviest of burdens.

Women, far from being granted their basic legal rights in the public sphere in Egypt, are also completely deprived from their rights in the informal sector. That is unless they are somehow partly granted some of their rights by virtue of the "benevolence" of patriarchal elders who wish to "guard their honor".

The informal economy is part of a complicated equation in Egypt. It is the product of the collapse in the economic and developmental structures, but it has also come to act as one of the tools that reproduce this collapse: it is the cause of the problem and it is, in itself, a problem.

Informal economy is considered to be every economic activity which is not legally state-registered and which does not appear in the tax records or adhere to employment laws. However, it may be necessary to consider, in addition to this common definition, other aspects of informality, such as unregistered real estate activity, "Ghofra" (the fees paid in exchange for certain services or protection), the misuse of power in brokerage activities, and the business relations in which the formal and the informal economies overlap.

This kind of 'parallel' economy would also include those engaged in formal and regulated economic activities in the private sector, but who are not officially registered with the relevant authorities in clear binding contracts, social security, health insurances or employment security.

Why is this very important?

To answer this question, we must first consider statistics. Informal

economy accounts for about 40 percent of Egypt's economic process. Informal economic transactions in the Egyptian economy are estimated to be somewhere between 50 and 60 percent of the gross domestic product (GDP), according to Frederick Schneider estimations (1). More than 60 percent of the jobs created between 2006 and 2010 were jobs in the informal sector, according to a UNDP report on Egypt (2012). Amr Ismail, a political economist at the Carnegie Institute, points out that the informal economy cannot be considered an irregularity or a mutation of the economic system in Egypt, but that it is, in fact, the very foundation of the private sector's activities.

The annual turnover of informal capital in Egypt is about 288 billion dollars. This figure comes from a recent study by the Federation of Egyptian Industries, which includes the market of unregistered real estate in this economy. This is an important aspect in Egypt, as most of the available opportunities for maximizing wealth lie in investing, speculating shares, or in placing money in real estate instead of banks and productive businesses, because it provides a good return and a minimal risk.

For example, there are 2 million housing units registered in the "land registry", while there are 25 million units allocated for leasing, which means only 8 percent are declared, and the rest are subject to customary unofficial contracts. The study adds that there are 45 thousand illegitimate factories and 1200 marketplaces throughout Egypt, with about 8 million unregistered employees, who have no job security or insurances.

These statistics and several anthropological surveys prove that the parallel economy stretches to every aspect of life. Any given transaction in Egypt, big or small, is destined to encounter this economy: in metro stations, popular markets, slums that rely almost entirely on informal economy, and in the spaces of contact between these slums and other areas.

Informal economy is also detectable in all the different aspects of the service sector, from transportation to cleaning services, from catering and coffee shops to the real estate market and land trade, within cities and in different regions and provinces, whether they are agricultural areas or desertic lands.

Historic Roots

The term "parallel economy" was coined in the literature of social and political sciences in the end of the seventies of the past century. It was not

used in Egypt prior to this period, and if used, it was linked to economic liberalism and openness (Sadat's policy since 1976). Later, in the late 1990s and with the beginning of the new millennium, the term was coined in light of several factors: the emergence of many slums throughout the country and specifically in Cairo, brutal neo-liberalism and privatization policies, growth in population and the government's retreat from its responsibilities in the production sectors and urban planning.

However, the roots of the term date back to older times, before and after the English colonization era, when it was not yet used in economic discourses or political terminologies. These implied "categories" of informal labor were mentioned in crime records, sporadically in books, or in some works of art, such as the film "The Iron Gate" by the famous director Yousef Chahine.

It was used to describe the workers in the unstable agricultural sector, demolition workers, construction workers and street vendors. I exclude from this analysis the criminal activities, such as bullying for money (practiced by the "Baltagiya", i.e. thugs and gangs), drug trafficking, and weapons or human trafficking. I do so in order to highlight the fact that parallel economy is not rooted in these activities, as it is often believed, despite them being a part of it.

In reality, an organic overlap exists between the informal economy and the formal one, and contrary to popular opinion, the two worlds are not at odds.

The primitive accumulation of capital and a colonial perception of the population were common factors between the eras of English colonialism and post-colonialism. Authorities planned to maximize capital. However, they did not intend to do that by productive capital accumulation that would employ or exploit a large portion of the population in an industrial or modern service sector, but through a system that sought to accumulate primitive capital by theft and exporting raw materials, or by limited production processes. The problem here lies in the capitalist system which relies on marginalization rather than leverage (2).

In Conclusion

- Informal economy is part of every aspect of life in Egypt, detectable even in the smallest casual transactions: in most of the popular markets, metro stations, urban slums which rely first and foremost on informal economy,

and in the intersection points between the slums and other poor or wealthy areas. Informal economy is also detectable in all the different domains of the service sector, from transportation to cleaning services, from catering to coffee shops, in the real estate market and in land trade, within cities and in different regions and provinces.

- In these economic relations, the state's only form of intervention is policing, meaning a "police governance" that aims to administer both formal and informal economic modes. This creates illegal conditions that impose a logic of negotiation and harmonization, and present these practices as the norm, in the place of the law.

- There is the question of the actual feasibility of this type of development and how it affected the lives of people in the northwestern coast which stretches 21 km northwest of the city of Alexandria all the way to the border with Libya. We are talking about over 400 km on the coast that have turned into 'ghost towns' all year round, except for the three months of the summer. Amid all this, there is also the practice of "Ghofra", which are fees forcibly paid by the investors and owners of touristic resorts and land estates, in exchange for protection, and to allow the inhabitants of the region to bring in their own construction materials and other supplies.

- The emergence and progress of the parallel economy is not exclusively linked to the lack of development or low growth rates, but is also linked to the nature of development and its ability to produce job opportunities in regulated work and, hence, integrate the population in the developmental process. This did not happen in the west of Alexandria, one of the most important industrial zones in Egypt, and one of the most financially prosperous. The west of Alexandria incorporates 80 percent of all the Egyptian industries and also contains the Dekheila port.

- The Egyptian government has a long record of repeating the same series of practices. First, creating the conditions for a non-legal situation, then continually negotiating this very situation, along with the existing social and political order, and taking advantage of it as an opportunity for making accusations against certain groups, abusing them, and performing police or legal suppression.

- The shift towards neoliberalism was expected to lead to dismantling the

police state and alleviating its dominance in favor of the market, as a direct consequence of the state's diminishing control over the economy and the decreased direct intrusion in citizens' lives. However, what happened in reality was the exact opposite. The problematic market had created much turbulence and instability which only consolidated the role of the police.

1) Schneider, Friedrich, Andreas Buehn, and Claudio E. Montenegro. "New estimates for the shadow economies all over the world." *International Economic Journal* 24, no. 4 (2010).

2) The French philosopher Gilles Deleuze was one of the first to predict the outbreak of slums and this type of economy which represents a transition from a disciplined society to what he called the "Society of Control". Amr Ismail refers to the historian Mike Davis, who published a book entitled "The Planet of Slums" in 2006. It discussed a pattern of urbanization in the entire world, especially in developing and poor countries, which depends on the establishment of "slums" or "tin cities", which are peripheral and marginalized in almost every aspect. These have become the prevalent condition of social life and a political key in most countries of South America, Africa and Southeast Asia, where they are generally treated with the administration of marginalization or management of the "human excess". According to the French researcher and political scientist Béatrice Hibou, this is done through complex security and military strategies that aim to make marginalization as low-cost as possible, and that try to administer it not with continuous violence, but with temporary violence, where violence becomes the exception rather than the rule. It is an attempt to lead the marginalized populations to normalization with this lifestyle, where inhabitants of slums live in a constant blockade, with the likelihood of repression, day in and day out.



Examples in the Informal Economy

Alexandria

To study the core of the issue rather than the margins, let us take a step back to the 1990s neo-liberalism. The west of Alexandria is one of the most important industrial zones in Egypt, where around 80 percent of the country's industry is localized. It also contains the port of Dekheila.

But, what is going on there? The majority of the population of the region falls into categories of informal employment. Their work can be divided into the following activities:

- 1- Labor in industrial factories
- 2- Taking up any kind of work in the port, providing some services like facilitating customs procedures or smuggling goods
- 3- “Ghofra”, the fees imposed on companies and workers in exchange for protection and certain security services
- 4- Intermittent work in regulated and non-regulated fishing activities
- 5- Brokerage and provision of services and amenities
- 6- Providing services in recreational and seasonal tourism in the summer

Despite the great development and enormous capital invested in the region, it nevertheless suffers from severe deterioration in its infrastructure and major pollution due to the gas, oil and cement companies. One of the distinctive characteristics of the region is that the emergence and progress of a parallel economy is not linked to the absence of development or low growth rates, but is actually linked to the nature of this development and its ability to produce job opportunities in regulated work that would integrate the population in the developmental process. This did not happen in the west of Alexandria, one of the most important industrial zones and one of the most financially prosperous areas in Egypt. As a result, major conflicts on land and estates materialized among the inhabitants of the region and led to an upsurge in the phenomenon of ‘land grabbing’; the unlawful acquisition of land.

This predatory economic model overlaps with the complexity of several factors: the intersections between the formal and the informal in the economy, the relationship with the authorities, the corruption of the state’s apparatuses and police administration. Business owners have come to accept the customary practice of “Ghofra”, a form of rent based on the abuse of power and the influence of some major families in these areas. They force the owners of capital to pay them, either to cover their financial needs or for the benefit of those in power who wish to maximize their wealth and resources.

Police corruption is also entangled with land grabbing operations and involved in overlooking some criminal and informal activities, with the purpose of gaining greater police influence and control through these channels. The dignitaries and family elders consolidate their power by

engaging in these networks and maximizing their profits through investing in unregistered land or brokering for registered lands. All of these activities are invisible to the government's administrative apparatus and are not subject to taxes and labor laws.

Naturally, health insurance and job security are also out of the question, because this kind of work is meant to be regarded as a private family business or an individual business according to those in power. In this kind of economic relations, the state's only form of intervention is policing, meaning a "police governance" that aims to regulate both formal and informal economic life.

This creates illegal conditions that impose a logic of negotiation and harmonization, and present these practices as the norm, instead of the law. It carries a disregard for productive capital accumulation which can lead to the incorporation of more people in the work force and maximizing this capital while upgrading the laborers' skills. This type of socio-economic dynamic requires a different set of work skills than those needed in the regulated market.

The intersections between formal and informal economies can also be detected in other aspects within Alexandria, specifically in navigation and customs control. There are major shipping lines regulated by international and Egyptian law at the same time, and there is also the port, which is another regulated area.

Both sectors are undoubtedly fundamentally corrupted. Customs clearance and navigational service offices act as mediators between the exporter or the importer, on the one hand, and the shipping companies and the port, on the other hand. In this second sector, in customs and shipping, everything is done in an extremely erratic way, as the law is often ignored and the administrative regulations are often circumvented or manipulated.

Most of the employees are unregistered or temporary workers whose insurance and pensions are not guaranteed, and they do not even benefit from health insurance. Most of the owners of the small-scale private companies take advantage of the surplus of labor-seekers who urgently need any form of employment. They are not willing to make long-term investments in these workers and see no need to officially register them. A miniscule number of these workers might later become officially registered, but only after many years, and only if they were associated, in some ways, with the business owners. Everyone knows this. However,

the two “conflicting” formal and informal sectors still agree on certain practices within this elaborate process, such as their commitment to “policy” contracts, which represent the official international contracting between the exporter and the importer.

This is why it is important to take into consideration the case of the unregistered workers in the formal sector who are part of the informal economy at the same time. Ever since the end of the seventies, these workers have represented a substantial part of the private free market in Egypt.

Marginalized Provinces

When we talk about informal economy, we usually consider a self-nurturing economy that grows in the absence of any form of developmental or financial growth. However, this economy is currently deeply intertwined with the developmental process. The parallel economy is a fundamental feature in some of Egypt’s provinces and a source of livelihood for its inhabitants. Hence, it also reshapes the nature of relations in these areas and reevaluates their geographic presence.

The northern and western coasts of Egypt, 21 km northwest of Alexandria and all the way to the borders of Libya, are stark examples of this case. The analysis in this article intentionally excludes the criminal economy, despite its importance, for the systematic purpose of understanding the dynamics of interactions and the nature of the political economy of the regions in question.

The coast survives on the returns of tourism in the summer season and on the “Ghofra” (fees imposed on the investors and owners of touristic resorts and estates in exchange for protection, and to allow the inhabitants of the region to bring in construction materials and other supplies).

This rentier economy finds its foundation in the annihilation and alienation of the government’s role and presence, all while integrating the local population in an extensive developmental process.

Egyptian businessmen find it acceptable to boast about the experience of the northern coast, arguing that the construction of touristic villages has led to the successful recycling of the excess value that belonged to the middle and upper classes in the late 1980s and 1990s, by using this excess in recreational real estate investments. In their opinion, touristic villages have contributed to the revival of the area, which was previously

nothing more than a desert land and a seacoast where tourism and recreation were very limited, localized, and unattractive to foreigners who looked for beach resorts. However, there are several questions that remain unanswered: what is the nature of the development they are promoting, how does it affect people's lives, and what is its actual feasibility?

Over 400 km on the coast have turned into deserted 'ghost towns' all year round, except for the three months of summer when tourism flourishes. The "Ghofra" fees and the various touristic services represent the essence of the political economy in the region, in addition to the cultivation of fig trees.

There are no other sources of income and no productive processes exist because of the developmental strategies of the government and the "bourgeoisie", which ignore the need to engage a large portion of the population in the economic processes.

Another issue is that the coast's population is most often perceived in a simplistic way that lacks a nuances and complexity.

Despite the constant contact between the coastline and the city of Alexandria, a stereotypic picture of the coastal population prevails as "backstabbing Arabs" who are but mere cannabis dealers who practice gangster bullying and land grabbing. Part of this picture may be true, but it is incomplete.

The coast's inhabitants are not necessarily 'thugs', because the "Ghofra" had always been a customary agreement between the state and the investors. Everyone silently condoned it, since there were no other sources of economic income for the inhabitants who were removed from their lands and pushed back, away from the coast.

These people were excluded from the developmental process, and the police is a responsible partner in this, primarily because of their reinforcement of the stereotypic image of the Bedouin Arabs as rebellious outlaws, foreign outsiders, and later as cannabis dealers and deceitful people.

Police officers, generation after generation, inherited this stereotypic perspective which generated high levels of violence and subjected the people of the region to continuous suspicion and accusation.

The coast road, especially the "Dab'aa" ambush point, is known to be the site of fierce police control.

Naturally, the impact of this situation on the Bedouins of the region is far greater than the impact on the passersby. Unless the Bedouin is a tribal

elder or a member of one of the powerful families, he becomes subjected to constant inspection, harassment and sometimes abuse.

But does the police (under the patronage of the Ministry of Interior) really want to prevent the hash trade in that region? Absolutely not.

The reason, known to everyone but rarely explicitly discussed, is that the eradication of the hash trade would only lead to the collapse and disintegration of the area in light of the current economic structure and the prevalent production patterns at play.

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The government's goal is to manage and subordinate the region. If left completely to its own desires, the region would liberate itself from the state's control and become absolutely disobedient, and if its economic processes were restricted, the region would simply suffocate and possibly rebel against the government.

The Egyptian government, however, has a long record of repeating the same series of practices. First, creating the conditions for a non-legal situation, then continually negotiating this very situation, along with the existing social and political order, and taking advantage of it as an opportunity for making accusations against certain groups, abusing them, and performing police or legal suppression.

Most of the land owned by the Bedouins is inherited from father to son, and this ownership is undocumented. However, its historic ownership is well-known to all according to the common traditional customs of the region.

Since land is the primary source of income, this creates additional conflicts between the local population, investors and the state. Land brokering significantly contributes to maximizing wealth, and is strongly associated with the power and influence of some dignitaries and family elders who are able to identify unregistered land and "secure" it (protect it by virtue of their power and moral stature).

Most of these activities are unregulated and based on familial and tribal

traditions that reflect pride and influence. Once again, the same scenario applies, and an unstable legally fragile situation is created and perpetuated. With the presence of both police and administrative corruption within the governmental apparatuses, negotiations and harmonization are key factors in keeping the stability of the region and permitting its informal economies to exist.

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Again, there seems to be no place for permanent and serious law enforcement in this case, for fear that the region, profiting from informal activities, might otherwise succumb into extreme poverty and become prone to rebellion or to unrestrained criminal activity. This is where the police state intervenes to administer the entire process and control its pace.

The “Tuk-Tuk” (Rickshaws)

The “Tuk-Tuk”, small transportation rickshaws, might represent the clearest manifestations of the relationship between the informal economy and the formal one. The rickshaws are imported from abroad by legitimate suppliers. These have registered tax-approved companies, which conform to approved standards, legal frameworks, legal records, invoices and insurances.

In short, the suppliers meet all the necessary conditions, according to the standards of the formal economy. However, several transitions occur, from the main suppliers to the buyers of rickshaws, then to the drivers and transportation passengers, and these transitions deliver us entirely into the informal world. “Tuk-Tuk” rickshaws are not registered in the Department of Motor Vehicles, and those who manage a transportation network of several rickshaws neither officially declare them nor register their drivers. Every single aspect of the rickshaws’ work on the streets of Egypt belongs to the world of the informal economy.

There are three main reasons for the wide spreading of the “Tuk-tuk” transportation: 1- the collapse of the public transport sector, 2- random urbanization and the lack of civil engineering and urban planning in cities, 3- the efficiency of the rickshaw transportation and the need for such a service.

Most rickshaw drivers are children or teenagers, and some are retired pensioners who need to earn an additional income to survive. Not only do all these people work outside the formal economy, but most importantly, the Tuk-tuk vehicle itself is informal and alien to the official system.

This does not mean that the world of informal economy is completely lacking in any organization. In many places, taxi-drivers’ unions are formed, headed by an elder member, “a sheikh” who is responsible for several matters, including communicating with the police and resolving disputes. Sometimes, this “sheikh” happens to be one of the high-ranking thugs, who imposes fees on the rickshaw drivers and owners, in exchange for protecting their business and managing the disputes among them. It is easy, in this case, to observe the overlapping and intersections between several forms of informality, all preceded by a formal regulated process, which is the importation of the product.

The question is: why, then, is it allowed to import the product (the rickshaw) when it is clearly impossible to use it in a legal framework?

An interesting thing to note is the fact that rickshaw transportation has gone far beyond the poor, random and unplanned urban neighborhoods, and reached new quarters such as “October 6” in Cairo or Semouha town, specifically the area behind the Mahmoudiya water canal, adjacent to the villages of Abees.

What prevents these rickshaws from disturbing peace of the residents in a fenced residential compound? How come they do not bump into your shoulder or drive over your foot in one of their aggressive maneuvers? Is it the desert and the fences that keep the rickshaws at bay, away from invading the citizens’ daily life, even though they have swept Egypt’s villages and cities alike?

The rickshaw is found in the far ends of Upper Egypt, where it has become a social fixture. However, it is originally an urban phenomenon, a child of the city which simultaneously creates and denounces it. City patrols

chase the rickshaws away and block them from passing through the main streets, where they make their living. The rickshaws, on the other hand, evade police surveillance and engage in its networks at the same time. They transport the residents of the city and disturb them.

They are driven by children and trample children, too. Neither the middle class nor the wealthy upper class would be able to avoid the “Tuk-tuk” carts without the help of guards, fences, and a vast desert that might impede that iron box.

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The rickshaw business is just one of the facets of a much larger issue that calls for the rise of more fences. It is no coincidence that the phenomenon of random urbanization increases with the growth of walled communities and with the upsurge of the informal economy. These are connected by complex security and military arrangements that try to contain the slums in their place and create new routes and roads around them to keep these worlds separated.

The purpose of these arrangements is not to organize the slums from within, but rather to prevent them from outward expanding and crossing certain boundaries.

The government does not make a serious effort to eliminate rickshaws, for example, but attempts to make them subservient to police domination and demarcates geographical boundaries beyond which they are not allowed to work.

The Feminist Question

Feminism is intertwined in many ways with informal economy, where women play a central part working in domestic services, poultry farming, selling birds and poultry in the city to the middle and upper classes, selling various goods in streets and city squares, and working as unregistered employees in different shops and companies.

Their different lines of work have a main common feature: the absence of any form of social security, health insurance or job security. In their struggle to provide for their families, women become vulnerable to

economic exploitation, to poor labor conditions, and to physical abuse. In this context, the reproductive health and the overall physical health of women are at their worst. They are denied dignified work conditions, social rights and security, and have no access to any form of health insurance. These conditions also make the women susceptible to continuous blackmail, extortion, or humiliating compromises. They are easily subjected to harassment on the street, by the consumer or even by the employer.

This is a double-sided dilemma for Egyptian women. Without informal economy, many opportunities for income would cease to exist, and, within informal economy, women suffer from all forms of discrimination, marginalization and harassment in the workplace or in the streets.

Informal economy also carries tragic consequences for women who do not work in it directly, but who have to deal with its different aspects, such as “Tuk-Tuk” transportation, the hassling street vendors, hostile informal markets and brutal physical and verbal harassment.

For example, downtown Cairo has become an unbearable experience for many women ever since the street-vendors took over the streets, and the same goes for other areas like Al Ataba and Ramses.

This is a double-sided dilemma for Egyptian women. Without informal economy, many opportunities for income would cease to exist, and, within informal economy, women suffer from all forms of discrimination, marginalization and harassment in the workplace or in the streets. Even in the spaces of intersection between formal and informal economies, such as companies and shops, women are still susceptible to endure violent forms of blackmail.

Destitution is the key causative element that perpetuates these unfortunate stories.

How Neoliberalism Reinforced the Parallel Economy... and the Police

The shift towards neoliberalism was expected to dismantle the police state and alleviate its dominance in favor of the market, as a direct consequence of the state’s diminishing control over the economy and its decreased direct intrusion in citizens’ lives. However, what happened was the exact opposite. The problematic market has created turbulence and

instability which only consolidated the role of the police.

Since the beginning of the millennium, the police apparatus has been expanding and growing more tyrannical, while developing its infrastructure, most notably through the construction of the monumental State Security building in “Nasr City” in Cairo.

As a result, Egypt entered the new millennium in a state of Emergency Law, even though the war on terrorism was already concluded at the end of the nineties. This police state expansion was the consequence of several factors:

1- The emergent social class that carried the neoliberal project was led by Jamal Mubarak, who aspired to succeed to his father as a president. In order to confront the army and the bureaucratic class, the neoliberal project had to ally with the Ministry of Interior (the police apparatus). Both parties had clear common ideological goals and financial interests. For the first time ever since the colonial times, a political project emerged in Egypt that was based on regarding the entire population with contempt and viewing citizens collectively as a lazy disorderly horde. In addition to opposing the army’s political governance and legitimacy, the two parties of the alliance also stood against the army’s economic and financial influence.

2- Privatization in the nineties and privatization in the third millennium resulted in a great surplus in the human workforce, which found itself in the middle of an unestablished market, under a decaying state, with practically non-existent institutional control through working channels. Police control and repression were necessary to control the people. Jamal Mubarak’s project was very clear, as researcher Amr Abdel-Rahman points out, “it targets the privileged few” (that means a limited number of citizens would be able to partake in it, mainly, people with finances, some of the upper middle class, and a small portion of the middle class, as in the case of the expanding banking sector). Jamal Mubarak’s elite also declared the end of the dream of the “Nasserian” state (referring to the late president Jamal Abdul Nasser). All other classes and groups in society that fell far from the project’s targeted group would simply have to manage by themselves. Indeed, a significant part of the middle class was excluded from this project, and thus turned into a potential threat and a constant cause for concern to the regime, especially after the involvement of some of the middle class youth in protest movements since the year 2004.

3- The informal sector has dramatically expanded in the face of the unemployment crisis and the formal labor market. The interference of the Interior's police apparatus became necessary for keeping the market transactions on the streets under control, especially as the streets transformed into spaces of conflict over power between security apparatuses and the street vendors.

4- The heavy economic weight of the service sector, particularly the tourism sector in Sharm El Sheikh and Hurghada, allowed the police to gain greater dominance as it needed special security measures for its protection. The police could threaten the employees in these touristic cities of deportation, which was a very unusual practice. The officers in charge had 'the right' to expel anyone they suspected or even disliked from the city. Although sometimes this practice affected the middle and lower middle classes who went there for recreation, this harassment was primarily directed against the workers coming from different provinces to work in tourism services.

5- The uncontrolled propagation of the 'slums' which turned into a cause of serious concern and was considered a threat to national security and to the financiers, in conjunction with the urban expansion of the 'walled-off communities' on the outskirts of Cairo and Alexandria. All of these, in turn, called for additional and consistent security campaigns in order to contain the popular unregulated areas. As a result, security "ambushes", similar to the "border checkpoints" that separate cities, were placed at the entrances and exits of most other residential areas, especially ones of a "bourgeois" nature, particularly in Cairo.

6- The ministry of Interior has acted as a tool for social segregation and exclusion between the "bourgeoisie" and the poorer classes. The bourgeoisie in this region is subordinate to the dominant global system. It is a parasitic bourgeoisie, just like the floating uprooted economic systems, which have no solid grounds to rely on. The Interior ministry has become the main administrator of the social relations that manage wealth and resources, and this is exhibited clearly in the transition that the police departments made from institutional to non-institutional frameworks. Their constant attempts to reach all different social groups, through negotiation and harmonizing, aim to administer citizens' daily lives. The police has thus turned itself into the central focal point that ties things together in a

wider expanded network.

7- The neoliberal project coincided with the global – but especially with the American – obsession with the “war on terror”, which was a perfect excuse for the police to further consolidate its power in Egypt and become an important ally of the countries that continually invest in its infrastructure, equipment, and training. In the past, the English colonizers recruited a large network of beggars, street workers, and informal workers, in order to take action against the national movement and the opposition. The ministry of interior and its police apparatus have once borrowed the same strategy in the fight against terrorism, through infiltrating and monitoring the society. It seems to be an investment in the consolidation of informality. However, this does not negate the fact that the police are hostile to this sector and continue to combat it.

8- In its attempts to oversee the market and the informal domains, the police rely on security campaigns to control the various entities and their movement in the public sphere, especially the merchants, street vendors, or those who advertise their goods in public spaces. This gives rise to police brutality towards vast groups of the society, and with this brutality comes a great deal of corruption, exploitation and extortion.

9- The role of police ombudsmen (officers ranked right beneath sergeants) also appears to stretch significantly as the informal economy expands. They infiltrate, exploit, negotiate, and extort. The trinity of officers, sergeants, and informal economy is manifested, in particular, in the methods used in the land-grabbing of unregistered property, and in trade and contracting. Land, once more, proves to be the greatest asset for wealth maximization. The officers play a role in another scenario too, in which an estate is legally and officially registered, but the contractor has built additional illegal stories to an existing building on the estate. A process of negotiations ensues to overlook the illegal construction. The officers or sergeants, in return, are awarded apartments or even entire stories in the building where the illegal construction took place. Some police officers have made astronomical fortunes and built their own buildings through this kind of relationships. The corruption embedded within the police system, in addition to the upsurge in the informal economy and the state’s frailty and inability to properly monitor, control or impose a legal framework, have allowed for this situation to perpetuate and expand.



The Eastern and Western Egyptian Borders: “All is Allowed! Anything Goes!”

Ahmed Shihab El-Dine

Journalist, from Egypt

The article attempts to map the smuggling activities across the Egyptian borders, in all their different directions, routes, aspects and structure. It considers the geographic, social, political and economic morphologies of two distinct regions and their inhabitants: that of Sinai and the red sea coast in the south, and that of the western border with Libya. It also inspects the government’s strategy for dealing with both regions.

The signing of the Camp David Agreement in the late seventies coincided in Egypt with the adoption of a free market policy. At the same time, the government withdrew from major projects and abandoned the social safety nets it used to provide to the citizens, while raising the slogan “Egypt First”.

As a result, the grip on border security was loosened and the government’s control over economic activities decreased. The policy that the government implemented was described by one of the Egyptian newspapers as “all is allowed and anything goes”.

A new sociopolitical reality was established on the borders of Egypt with the occupied Palestinian territories in the east, with Libya in the west and with Sudan in the south. This reality was not only different than the reality in the Delta, but also sometimes defiant to the hegemony of the state.

Sinai: “A Drug Haven”

Historically, the activity of smuggling in Sinai is linked to the resistance against the Israeli occupation. Between 1968 and 1970, the Bedouins used camels to smuggle arms to the Palestinian resistance in Jordan through Sinai and the Naqab desert. After the withdrawal of Palestinian organizations from Jordan, the smuggling routes were redirected towards Gaza and the West Bank.

After Israel’s retreat, Sinai was transformed into a “drug haven”. The Israeli newspaper “Haaretz” published a report on the 26th of November 2015, mentioning that out of five gangs dealing in drug trafficking in Egypt, Saudi Arabia and Jordan, three were run by Israeli intelligence and two by Egyptian intelligence as both agencies were interested in extracting information from the smugglers.

The Bedouins of Sinai found themselves marginalized after the boom in tourism investments in the south. They felt that the central government saw their land as ‘a chicken that laid golden eggs’, where privileged businessmen close to the government enjoyed the biggest shares of the tourism revenue. Hence, during the nineties and the beginnings of the millennium, the Bedouins turned the midland heights of Sinai into opium (Kheshkhash) fields.

They became wealthy farmers and smuggled drugs. According to estimations done at that time, every acre of planted land produced

5 Kilograms of opium, worth 40 thousand dollars. The opium, transported to Cairo, was then refined and transformed into heroin, before being smuggled to Europe.

The Bedouins made hundreds of millions from this business and imported alcohol and electronic devices. The corruption of a few wealthy young men tore down some of the tribal clans. In addition, the Egyptian government was not keen to build special relationships with “elite” members of the tribes who were credible in their local communities and usually cooperative or easy to control. Instead, it chose to deal with certain individuals who were given privileges that allowed them to facilitate specific services to citizens.

Consequently, in some tribes, such as the Sawarkeh and the Tarabine, some members would pledge allegiance to ISIS, while others would offer their loyalty to the Egyptian army and intelligence.

After the revolution of January 2011, Sinai was torn among its 26 tribes, 13 of whom lived in the south and 13 in the north, at the border with the Palestinian occupied lands (such as the Tarabine, Sawarkeh, and Hewat). Those in the north are the main smugglers of arms, drugs, tobacco, construction material, and, finally, humans, to Israel; and the most prominent among them are the Sawarkeh.

Mapping Smuggling

The road of smuggling was modified in the aftermath of the Israeli withdrawal from Sinai in 1982, as operations were done by sea or through underground tunnels.

After Israel tightened its siege on Gaza, the prices of arms soared in comparison to gold and drugs. The Egyptian authorities turned a blind eye to the smuggling towards Gaza and the price of the Kalashnikov reached 15 thousand dollars. The weapons came from the Egyptian black market and were initially routed from Upper Egypt (Al-Sa’eed), or the Libyan border, or were even looted from the Egyptian army’s storage warehouses.

With the new millennium, and upon Israel’s retreat from the Gaza strip, thousands of underground tunnels were dug between Sinai and Gaza. During that phase, heavy weaponry was smuggled, such as Mortar

missiles, RPG rockets, rocket launchers, and explosives. The smuggling chart underwent further changes with the presidency of Mohammad Morsi, who was affiliated with the Muslim Brotherhood.

Two main routes were then taken. The first was from east Sudan, Port Sudan in particular, where weapons came from either Somalia, Eritrea, or through Iranian ships that unloaded their cargo on the shores of the Red Sea. The Rashaida tribe, of Arabian Najd, lived in east Sudan and was the most active on this route. They used SUV cars to transport weapons to the tribes of the Red Sea coast, the Basharine and the Ababdeh, near the Egyptian-Sudanese border. Then they continued to the Suez Canal, where they loaded arms into small boats which went on to Sinai, and finally reached Gaza through tunnels.

Human Trafficking

Human trafficking among the northern tribes of Sinai intensified when Sudanese and Eritrean asylum seekers started to pass through Sinai on their way to Israel.

The desert was uncontrolled, and the Israeli authorities claimed that the Egyptian authorities have ignored the easily penetrable Israeli border, allowing the Bedouins to create smuggling networks for asylum seekers. The largest Bedouin tribe in the north, the Sawarkeh, controls this trafficking.

The fees of human trafficking rose from 3 to 40 thousand dollars per person. Women were raped and some people were killed for the purpose of selling their organs.

Many asylum seekers were tortured in underground rooms and enslaved to build villas for their captors and rapists. They plead with their relatives in Israel, Eritrea and Sudan to pay their ransoms in exchange for their release.

The New York Times estimates that seven thousand refugees were abused in four years (between 2009 and 2012), 4 thousand of whom died.

The local inhabitants often found dead bodies of African refugees thrown into the desert. Sometimes their limbs were planted in the sand. "We keep them there until money is paid by their families", a smuggler told Deutsche Welle in March 2013. He said that they had been keeping the

hostages in a low-rise building with no electricity, between the cities of El-Arish and Rafah, since the year 2009.

The newspaper said that members of the Rashaida tribe sometimes kidnapped refugees from their camps in Sudan and handed them over to the tribes in Sinai. Once they are done with one refugee, they abduct another. They leave them in a desolate desert area on the Israeli border, where they are exposed to the grave dangers of either being shot or imprisoned by the Israeli army if they cross the fence or being detained in miserable conditions in Egyptian prisons if they get caught.

A Human Rights Watch report said that since mid-2010's, hundreds of thousands of asylum seekers, mostly Eritreans, have been abducted from eastern Sudan and sold to human traffickers in Sinai. The kidnappers collected thousands of dollars from them. Between 2000 and 2012, ransoms were raised from 3 thousand dollars to more than 40 thousand. Since June 2012, the trafficking route in Sinai discontinued, but the kidnappings kept on happening.

This system of kidnappings and torture was undisturbed and established without any resistance. It led to growing communication between the Bedouins of Sinai and the Rashaida tribe on the Egyptian-Sudanese border. The tribe kidnapped asylum seekers who fled to Egypt and did not intend to continue their journey to Israel. They were taken to camps in the Nile Delta before being deported to Sinai. Smuggler tribes and networks of trafficking, kidnapping, and blackmail earned astronomical sums of money in 2010, reaching hundreds of millions of dollars. That was until the beginning of the "Arab Spring".

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After the Egyptian authority became unstable and gas pipelines were blown up, Israel erected a fence on the border to deter asylum seekers.

However, Israel only began to regard Sinai as a real threat after an armed cell infiltrated the Israeli border in the summer of 2011, attacking an Israeli bus near Eilat. Normally, Israel viewed Sinai as a region divided into two parts: the north, land of terrorism, kidnapping and rape, and the south, land of beaches, tourism, palm trees and coral reefs.

The “Ansar Al-Maqdis” organization was founded in 2012. Some of its members were from the Sawarkeh tribe, others were foreigners. In November 2014, they declared their allegiance to ISIS. Human trafficking fell back in 2013, after Israel completed its fence to stop the flux of asylum seekers. However, the Sawarkeh did not stop the trafficking, and redirected to Libya.

According to observers, human trafficking camps continued to operate in the Delta and the sums of money collected were used to fund extremist groups and their terrorist operations in Sinai.

Due to the Sawarkeh’s control over the coast of North Sinai and their proximity to Rafah and the Gaza Strip, they continued to be the most prominent smugglers of weapons and ammunition to Hamas, and developed a profitable tunnel trade. Disguising financial motives in the robes of religious jihad was a sufficient excuse for the perpetrators of crimes like arms and drugs smuggling, human trafficking, rape and looting.

A worrisome question remained: was it possible for the northern tribes to meddle in the south and ignite terrorist attacks to sabotage tourism and shake the government’s control, represented by the army and the police? The army is unable to monitor the desert roads or the long coasts.

The southern tribes fear that the Tarabine would join the Sawarkeh in these activities (or that any other two tribes would collaborate). They worry that the tribes of the south and the center would not be able to rely on the army for protection anymore.

The Egyptian Government’s Role in Preventing Human Trafficking

A report published on the U.S. State Department’s official website in 2017 evaluated Egyptian efforts for combatting human trafficking through Sinai. The report asserted that even though the Egyptian government had made endeavors in this regard, it failed to meet the basic standards in its efforts to eradicate human trafficking.

The government had established three specialized courts to prosecute human traffickers, and it sued a government official for complicity in these crimes. It undertook a new national strategy and implemented several awareness campaigns and training programs addressing various forms of human trafficking. But despite all this, it could not meet the minimum required standards for combatting the main aspects of human trafficking, according to the American report.

The Egyptian government did not announce any particular service it could provide to the victims. It did not offer them shelter, and on top of this, it prosecuted victims themselves for illegal acts, such as the violation of immigration laws. The Government continued to implement the Anti-Trafficking Act, which banned all forms of human trafficking in 2010. The Egyptian law provides for penalties ranging from 3 to 15 years in prison and fines.

The Bedouins of Sinai found themselves marginalized after the boom in tourism investments in the south. They felt that the central government saw their land as ‘a chicken that laid golden eggs’, where privileged businessmen close to the government enjoyed the biggest shares of the tourism revenue.

It wasn't until 2014 that the Egyptian government took a firm stand against smuggling through tunnels, demolishing over 3 thousand houses on both sides of the border between Gaza and Sinai, and creating a buffer zone that prohibited access to tunnels. This resulted in a humanitarian disaster.

In 2015, The New York Times reported that traffickers feared that Egypt had endorsed a strategy of “drowning the tunnels” in water so they would collapse, which threatened to end terrorist activities.

Egypt had submerged part of the 9-mile border tunnels twice, causing serious damage to over 10 tunnels. Only 20 of the 250 tunnels are still in use, according to the New York Times, and some smugglers believed that this was the end for them. Abu Jazzar (nickname), a 42-year-old smuggler, told the newspaper that even airstrikes would have been easier to handle, since the tunnels could have been rebuilt afterwards.

Tunnels have been a central component in the economy of the Gaza Strip, which has a population of more than two million. Many goods, including cars, household appliances and construction materials enter the strip

through tunnels which provide 260 thousand gallons of diesel per day and thousands of tons of cargo to the Gazan population.

The Egyptian president Sissi has been intent on closing the Rafah border crossing, and the few tunnels that remain viable are only capable of transporting small-sized goods, such as cell phones and cigarettes.

The smugglers in Sinai found themselves cornered by both the Egyptian army which established buffer zones on the border with Gaza and flooded the tunnels, and ISIS, which took a stand against the smuggling of specific goods, such as cigarettes. This prompted some tribes to partake in the war against ISIS. In October 2017, the Tarabine tribe declared war against the “The Islamic State of Sinai”. The Israeli ‘Channel Ten’ interpreted this event as a consequence of ISIS’ prohibition of smuggling operations. As a result, the Egyptian authorities and the army became more lenient regarding smuggling activities, especially since the projects planned for Sinai, in the south in particular, were unlikely to enable the wealthy Bedouins, who profited from the smuggling trade, to make legal investments.

Drug Trafficking

Egyptian traffickers, mostly Bedouins, come to the 200-mile border fence with Israel and throw bags of smuggled material at their Bedouin counterparts in the occupied territories. These, in turn, collect goods in SUV vehicles and trucks, to later redistribute them. The Israeli media says that these smugglers are not affiliated with ISIS and the terrorists, but that they are armed and open fire indiscriminately if faced by Israeli forces. The Israeli army’s “Karakal” force is responsible for blocking their attempts.

Until 2013, Israel considered Sinai an alien wild region, a vast area for smuggling drugs, arms, cigarettes and trafficking sex workers. Israel completed its five-meter-high wall on the border with Sinai in January 2013. The wall led to an increase in the price of hash in Israel, and almost completely halted the flow of African migrants. However, the Sinai Bedouins are still able to smuggle other materials, such as heroin, to Israel.

Even though the Israeli soldiers block smuggling attempts it is not their main concern as the war against drugs is the responsibility of the Israeli police. Several Israeli army officials have stated that they were not in favor of sacrificing the lives of their soldiers in order to fend off drugs. However,

they deal with smuggling as a security issue, fearing the infiltration of bags of explosives.

Libya: Smuggling as an Economy and Culture

The areas of western Egypt and eastern Libya have witnessed significant activities of arms' smuggling to Upper Egypt (Al Sa'eed) through the oasis areas in the Egyptian western desert. Members of the "Awlad Ali" tribe were the most notorious smugglers of that region. Some of them reside in the city of 'Marsa Matruh', between Alexandria and the Libyan border, and another part lives inside Libya. These tribes turned to arms trafficking after the fall of Gaddafi.

Smuggling, especially for the Bedouins of "Awlad Ali", is considered to be a coherent economic practice reflected in extensive social, political and cultural interactions that go beyond the borders of the country and its sovereignty, even when it threatens the integrity of a country's territories. Smuggling is an activity that has historical roots beyond the "postcolonial states", according to a study on North Africa, published in 2017 by professor Thomas Huskin of the British Chatham House Institute.

The Awlad Ali tribe is found all along the coasts of the Egyptian Mediterranean Sea (500 Kilometers between Al Hamam and Al Salloum), and until the "Siwa" Oasis. 80 percent of the population of the city of Marsa Matruh are Bedouins (150 thousand people), and the Awlad Ali represent 85 percent of the population of the province.

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When Marsa Matruh became a fixture in the touristic scene, the economic landscape in the western region changed, sparking sharp conflicts on land, between investors and the Bedouins, and among the Bedouins themselves. Between 2005 and 2011, new job opportunities in hotels and restaurants started to appear, slowly yet steadily, for young urban dwellers. Egyptian tourists, in particular, became primary customers of

smuggled goods in the so-called 'Libyan Market' of Marsa Matruh.

The city of Al Salloum, on the border with Libya, is home for the Awlad Ali. From the city, they cross the border into Libya, and reach the central market in the Libyan city of Tobruk, located to the east of Berqa with a population of 100 thousand people. About 15 thousand of the Awlad Ali tribe live in Libya. This reaffirms the importance of tribal ties in the formation of smuggling networks, their success and expansion, and their ability to secure social protection.

On the Egyptian-Libyan border, the activities of the Bedouins differ from those practiced in Sinai, despite the Awlad Ali tribe's persistent criticism of the Egyptian government's ill-treatment. They believe that they are being economically and culturally marginalized and subjected to conditions similar to those of the colonial times. Investment projects in their land are not theirs, and when it comes to state services, they remain neglected. However, the Awlad Ali tribe does not consider itself to be a disadvantaged minority. Its members never partook in conflicts or wars, unlike the Bedouins of Sinai, who fought against colonialism and supported the Palestinian resistance to whom it smuggled arms ever since the inception of the occupying state of Israel. The Awlad Ali tribe was not a target for harsh military action and no security measures were taken against it in the "war on terror", even though some of the tribe's members were involved in human trafficking or arms and drugs smuggling.

The tribe benefited from the developmental initiatives that happened in the era of Jamal Abdel Nasser. In October 1959, a convoy was sent to work on reconstruction and land restoration. Schools, health centers and road networks were built but major ambitious projects did not get carried out because of the 1967 defeat.

Some of the major pressing objections the Awlad Ali tribe raised in the face of the government were the lack of its official political representation and the government's failure to implement holistic economic policies in the tribe's areas.

Gaddafi had financially supported some of the Awlad Ali families in order to gain influence on their relatives from the Egyptian side of the border. Some of the most important economic stimulants for smuggling across the Egyptian-Libyan border are the free trade ports across Libya.

The price gaps are huge among tax-free or low-tax products, from

gasoline to products coming from Morocco and Tunisia, such as perfumes, medicinal herbs, handicrafts, leather goods, clothing, electrical appliances, cosmetics and Chinese computers, as Egypt imposes high taxes on imports.

Kinship ties between Awlad Ali families enabled them to profit from the Libyan oil, as many of the Egyptian Awlad Ali members were seeking jobs related to the oil industry. The tribes of the province of Eastern Barqa in Libya are also well-connected to others in the western desert in Egypt. This provided them with the possibility of providing refuge to a family member in another country in the event of problems in the original country, and gave them the opportunity to engage in trans-national social and cultural life; an advantage that is unavailable to the Sinai Bedouins, for example, since they are trapped between Egypt and Israel.

The Egyptian-Libyan borders are the main gateways of arms and “jihadists”. Weapons and people are smuggled into Sinai, and from there to Gaza. The weapons travel from the suburbs of Benghazi to the port of Marsa Matrouh and then to Sinai.

Some reports uncover five main routes for arms trafficking: two through Marsa Matrouh, two from the Siwa Oasis and another one via fishing boats from Marsa Matruh to northern Sinai. The city of Salloum is a central point for arms control, which is specifically active in the north and south of the city and on the road connecting Marsa Matrouh to Salloum.

The Egyptian army sets up ambush posts to prevent smuggling. The most well-known of those is the Farafra Oasis ambush in the New Valley Governorate. In 2018, Egyptian security reported that it prevented 70 percent of smuggling operations, in comparison to 25 percent in the year 2017. Cooperation on the borders is practically null between the Libyan and Egyptian governments, as the implementation of the security agreements was hampered by the lack of political trust between the two countries. Libyan official border control also suffers from shortages in funding, manpower and armaments.

Most members of the Awlad Ali tribe, especially those in Marsa Matruh and Salloum, adopted a peaceful religious Salafism. They replaced the Bedouin customary law with Islamic Sharia.

The Salafists among them helped solidify the rapprochement between the population of Marsa Matrouh and the Egyptian army against the Muslim Brotherhood. Official reports indicated that the reconciliation with the tribes yielded positive results.

The Awlad Ali elites and local communities helped in combatting the proliferation of arms and illegal cross-border trade. An agreement was reached in 2013 to hand over 1,500 smuggled weapons in exchange for the withdrawal of the government's lawsuits against members of their tribes. The tribes also successfully intervened in negotiations to release Egyptian truck drivers kidnapped in Libya in late 2013.

In an attempt to discourage the condoning or participation in smuggling activities, the Egyptian media published news about the arrest of officials who failed to block smuggling or were accomplices in illegal activities.

Based on the available data, a decline in human trafficking across the Egyptian-Libyan border is expected under cooperation agreements between Egypt, Libya and Italy. The government is also making an effort to block the threat of religious militants, who seek to smuggle heavy weapons and members of their organizations.

The government will most probably continue to disregard the smuggling of goods and drugs which are profitable to the tribesmen, making them less likely to demand the development of their community areas or to compete with the army's investments in touristic areas. The same policy has always been in effect in Sinai as well.

A light gray outline map of Tunisia is centered on the page. The word "Tunisia" is printed in a bold, black, sans-serif font across the middle of the map's outline. The map shows the country's irregular coastline, including the Mediterranean Sea to the north and the Gulf of Gabes to the east. The word "Tunisia" is positioned in the central-western part of the map's outline.

Tunisia



Tunisia: “Geographies of Anger” and Fear for the Future

Fouad Ghorbali

Tunisian sociologist and researcher

How does the authority control the “margin” through its mechanisms of repression and with the support of corrupted systems? The article addresses Tunisia as an example of a situation which repeats itself elsewhere.

Shanty towns and squatter areas have been expanding in Tunisia since the 1970s in spite of the government's desperate attempts to limit their expansion through housing policies, government subsidies, social housing, and the creation of the "Urban Rehabilitation and Renovation Agency". The agency has worked for decades to integrate slums into their urban surroundings. However, its efforts have failed because it followed a technical tactic that completely disregarded the economic and social aspects of the issue, and adopted, instead, a security-oriented approach. After the 2011 events, the expansion of slums intensified when a part of the middle class found itself unable to afford decent formal housing and resorted to chaotic construction, which was the less expensive.

Things happen as follows: the poorest groups seize public lands which and use them to construct primitive houses. The state is forced to recognize these random settlements by connecting them to the water, electricity and sewage networks, under the pressure of the population that usually negotiates with the local authorities in order to become acknowledged. A strategy of "surveillance and punishment" prompts the state, primarily driven by its security concerns and desire to monitor these communities, to officially recognize the settlements.

Many of the popular neighborhoods surrounding big cities had become a bastion of Islamists in the 1980s, and have recently become a stronghold of new jihadists. Fear and anger grows among the vulnerable youth in these geographical spaces that represent large and isolated social gaps.

The ties with official institutions are severed, and with the anger, fear and frustration that fill the slums, hostility becomes the norm.

This is especially true of the relationship with the security establishment. The oppressive representative of the authority, with its decision to "expel the poor" into spaces of exclusion, creates "ghettos" that live on the margins of cities. Tunis, the most densely populated city in Tunisia, is characterized by the urban fragmentation and the spatial and social disparities between different groups and regions.

The city itself reproduces the disparities that already exist nationally at the macro level between the interior and coastal areas of the country. Its most popular neighborhoods become "geographies of anger" in which the frustration is expressed through recurring violent protests. An example is the protests of January 2018, when many young people were expelled from public schools and found themselves on the far margins

of the worlds of work and urban consumption, whereas in the globalized context, one's self is usually asserted in an urban space by its ability to achieve access to consumption.

At a Distance

The people in the popular neighborhoods of Tunisia don't live in contradiction with the lifestyles of the wealthy urban population but rather in a remote distance from it. Even though the social structures within the slums of Tunisia have their own inner contradictions and differences, their inhabitants (especially the young people) all share the same feeling of being "distant" from the others and especially from the so-called "bourgeoisie" of the urban centers and upper middle classes.

The "distancing" is the primary and most important tangible experience of life in a popular neighborhood in Tunisia. For many young people, the stark contrast between their miserable living conditions and what is supposed to be "the standards of living in the city" brings them a suffering that only grows when they leave their neighborhoods for some reason and visit the fancy districts. They long to be like the others, living their lives in the consumerist society, and at the same time they dream of a conservative lifestyle that includes marriage and family.

Traditional values are strongly present within popular neighborhoods, forming a moral system which defines individual behaviors and moral exchanges between residents. As for the "slum economies", these can be classified as "underground economies" or as part of the "black economy".

These spaces are continuously subjected to security surveillance, starting with the security raids every Saturday evening that aim to identify those from the popular neighborhoods going to the city center.

The inhabitants of the popular neighborhoods and slums view these practices as part of a deliberate process aiming at stigmatizing them and establishing their neighborhoods as "isolated ghettos" where they are treated as aliens to the city. Field research shows that the young people living in the slums around the capital rarely go to the Bourguiba Street (the main street in the city).

Fearing the police, they prefer to remain introverted in their own neighborhoods which become their only vital space. However, many of the young men are known to hang around the city, taking public transportation for the purpose of pickpocketing, for example. They dislike the police that

“tries to stop them from making a living”, as most of them depend on selling hashish, drugs and illicit smuggled alcohol. The young men also act as brokers for leasing apartments or mediators in the “sex trade” and practice other forms of self-management.

The middle class has become preoccupied with maintaining a certain stability for itself, after having believed in the 2011 revolution in its early stages and having been an active part in it. This middle class is not ready to lose more of its “old privileges” and is no longer willing to ally itself with the “marginalized”, as happened in 14 January 2011. This is why the geographical and social gap grows wider in the major Tunisian cities.

The state is either silent toward or complicit in such practices, but it is quick to suppress them if they exceed the permissible limit. The diminishing “middle class” observes the recurring protests related to social issues with great suspicions. It has become preoccupied with maintaining a certain stability for itself, after having believed in the 2011 revolution in its early stages and having been an active part in it. This middle class is not ready to lose more of its “old privileges” and is no longer willing to ally itself with the “marginalized”, as happened in 14 January 2011. This is why the geographical and social gap grows wider in the major Tunisian cities.

Popular Neighborhoods: Betting on “City Politics”

Before the revolution, the slums were rarely seriously discussed because of the powerful security grip on them under the ruling party’s control. After the fall of the regime, the “urban margin” moved to the foreground of the events with repeated confrontations when “one of the guys from the neighborhood” is arrested for selling drugs or alcohol.

Sometimes, the slums’ inhabitants express their solidarity with the “jihadists” killed in the terrorist confrontations that rock Tunisia.

The sense of exclusion and isolation creates a common spatial identity for people living in the slums - especially the ones built illegally - where many feel like they are being “expelled from the state”. We can even say that “counter cultures” are formed within these neighborhoods, such as the jihadist movements, small pickpocketing gangs, and the groups that run the “black economy”.

The post-revolution authorities are well aware of all this, but they refuse to loosen their security grip. They strike with violent blows, arrest people and forcefully suppress civil protests. However, the security grip goes far beyond, to an area which has to do with the political economy used to manage and control the urban margins. Grey areas exist which allow for negotiations between the “daily state” and those who live in the popular slums and are involved neck-deep in the illicit activities of the informal economy. The local authorities allow their engagement in illegal activities, like selling alcohol, opening brothels, trafficking in drugs and construction without permits, in exchange for small or substantial commissions and bribes that are proportionate with the income of the actors and their negotiation abilities. In this relationship, corruption becomes one of the tools of control and dominance, laying the rules of the game for everyone and setting binding limits. The “margin” is thus managed by these two mechanisms: security repression and the consolidation of corruption systems.

Islamists Get the Lion’s Share

The Islamists, who are the most pragmatic on the ground and the most permeating into the urban social fabric, understand that the margins are their “vital space”. They started charities and opened Quran-teaching schools in these spaces, creating new patterns of clientele relationships that replaced those previously promoted and established by the ruling party for fifty years. The Islamists’ clientele system relies on a combination of religious factors, family ties, neighborliness, and social solidarity. They benefit greatly from the state’s abandonment of its social obligations as it deals with repercussions of the demands of the International Monetary Fund.

In fact, Islamists in Tunisia have supported this policy ever since they became part of the ruling class. As the social role of the state shrinks, bigger opportunities rise for their charity projects and preaching centers. At the core, this is all part of their political activity intended to make the slums’ inhabitants dependent on them, in order to exploit this dependence later in the elections season. The subsequent municipal elections proved this to be true.

The expansion of the phenomenon of parallel economy in marginal urban

areas does not alarm the Islamists. In fact, the expansion is useful to them as much as it guarantees some sort of “economic integration” of their supporters of rural origins, who suffer from economic fragility. The speeches of the Imams in mosques of poor popular neighborhoods implicitly support the parallel economy, describing trade as “the Prophet’s profession”. In this particular field, religious, economic and political dynamics meet and intersect.

Jihadi movements have adopted the same means in the popular neighborhoods, supporting their presence within these spaces by offering charity to the people and focusing on informal economic activities that enabled many Salafi jihadists to attract solidarity toward them and create a zone independent from the state. The intersections between Islamists and Salafi Jihadism are clear in this regard.

On the other hand, leftist movements are absent from the poor popular neighborhoods because of the common misconception which equates them with infidelity and atheism. This misconception is promoted, consolidated and exploited by the Islamic movements in the context of the ideological struggle with the left.

Still, the complications do not end with populist political movements, such as the Islamists. Ironically, and in parallel with the rise of the jihadist movements that worry the West, the international financing policies for the urban development projects in the slums are concerned with financing projects with a participatory approach that takes into account the views of the different components of the slums, in an attempt to create a comprehensive understanding of a given society.

Political Awareness and Access to Citizenship

According to the dominant political ideology in Tunisia, the popular neighborhoods are irregular unregulated areas that lack political awareness, which may explain the weak political involvement of their inhabitants, particularly the young people, in political action. But reality shows the opposite.

The inhabitants of popular neighborhoods are politicized in a certain way, in what James Scott (author of “Hegemony and the Art of Resistance”) calls “infrapolitics”, or what Jean-François Bayart calls the “quiet breach of the norms”, where public places are seized and small bribes are offered

to State agents in exchange for some benefits. The deeper this mentality of “evading the state” is rooted, the more established the relationship of permanent negotiation between the people and the local authorities becomes. Of course, this relationship sometimes turns into a hostile one and manifests through urban protests.

The slum dwellers demand no more than their “right to the city” and the access to citizenship. They simply wish to be “like everyone else”, and demonstrate this desire in their daily struggle to extract recognition, all while insisting on achieving this recognition through the creation of equal opportunities that ensure their equitable inclusion in the urban life. The “right to the city” that the inhabitants of the slums are trying to achieve through informal economies seems to be “a cry for help and sustenance by oppressed peoples in desperate times,” according to the words of David Harvey.

The Center and the Margin: Complex Dynamics

It is difficult to address the parallel economy and the “margin economies” without linking them to the particular characteristics of the urbanization pattern in Tunisia. In its fast-spreading nature, this pattern resulted in uncontrollable phases of urbanization for many reasons, one of which is the fact that it was not accompanied by industrialization (unlike industrial countries). It was the result of the imbalance in development between the rural and the urban areas due to the forced modernization, both during and after the colonial period.

After independence, the State adopted developmental and economic policies that neither created balance nor maintained justice between the different regions. It centralized all aggregate industries, tourist facilities, educational services (especially universities), health facilities and entertainment venues in the coastal areas.

This centralization evidently had a significant demographic impact in Tunisia, having led to a mass migration in the 1960s from the impoverished rural inland areas to the cities, in search of work in the textile and footwear factories, manufacturing industries and tourism sector. The migrants of the subsequent two decades experienced minimal economic and social integration in the major urban spaces. They hence joined the social protest movement as they sought the values and lifestyles of the urban middle class.

The skewed integration of the national Tunisian economy into the globalized market enforced a fierce competition in the domestic industries that employ a part of the labor force. It obliged the State to undertake wide privatizations (cement factories are one example) and to gradually abandon its role in keeping the balance.

The recession of industrialization resulted in the weak integration of the newcomers into the big cities. The second generation of migrants experienced life according to the neoliberal principle of “every man for his own”, especially in the context of the disintegration of contractual social safety nets (such as health systems and employment security) and traditional ones (as the rise of non-institutionalization destroyed kinship-based solidarity). In the meantime, the middle class (mainly consisting of government employees) shrunk and decayed, until it found itself physically and symbolically closer to the poor.

Sometimes, the slums’ inhabitants express their solidarity with the “jihadists” killed in the terrorist confrontations in Tunisia. The sense of exclusion and isolation creates a common spatial identity for people living in the slums, especially when they are built illegally, as many inhabitants feel like they have been “expelled from the state”.

These transformations materialized in the development of the main urban spaces in Tunisia in two contrasting modes. In the capital, luxurious neighborhoods expanded simultaneously with the expansion of informal housing, whose inhabitants actively seek integration in their own way, through practicing their profitable informal activities.

The State has been both silent and strategically complicit in these practices, but its silence is a “fragile” one which quickly turns into a loud repression whenever the government feels the need to remind the people of the “limits” of its overlooking over the informal economic activities. The limits are usually determined by the “powerful actors” in the structured economy who push the government to act to protect their interests, using the Union of Industry and Trade, which represents employers and merchants. For example, the Carthage Agreement, under which the current government was formed, headed by Yusuf El Shahed, included a clause about combating smuggling and parallel trade.

However, investigative media reports often find that parallel trade is not

exclusively practiced by the “poor and the destitute”. The main smuggling routes are not limited to the tough border passages between Tunisia and Algeria or Libya.

There are also the seaports which are under customs control, the most important one being the Port of Rades; the largest commercial port south of the capital and the main gateway to the export and import trade movements. Many goods are smuggled through this port with the complicity of agents from the customs control. Such correlation between smuggling and corruption was frequent under the Ben Ali regime and the link was not severed after the revolution. During a visit to the port of Rades, the Prime Minister commented before the staff that “the family of Ben Ali is gone but the corruption systems in the port have remained”. In fact, the number of influential traders who make use of the corruption to smuggle non-conforming goods has increased. Meanwhile, their non-conforming goods are promoted and sold mostly in popular markets, targeting the poor and middle classes who usually look for lower prices.

The wealthy Tunisians after the revolution do not originally come from “poor classes”. They were part of powerful groups and lobbies that were previously beneficiaries of the former regime. They were able to expand their circles of influence after the fall of the Ben Ali family which previously monopolized all illicit activities and privileges!

El- Qassrine: Smuggling and the Border Economy

El-Qassrine has been the symbolic capital of the “great grievances” and “betrayed revolutions”, starting from Ali Ben Ghazhahom, who, in 1864, led an uprising against the rule of the Beys and their tax system, and up until the “14th Janvier Revolution” (January, 2011) that overthrew the Ben Ali regime.

The uprising of Ali Ben Ghazhahom was a rebellion led by the “Siba Tribes” (*) against the so-called “stock authority”, i.e. against the authority of the Beys who had increased taxes to cover for their mismanagement of the country. El-Qassrine revolutions recurred at different instances of Tunisia’s modern history. The most violent of these revolutions was “the bread revolution” in 1984, followed by the 2011 revolution, which was ignited by Bouazizi setting himself on fire in front of the headquarters of the “Sidi Bouzid” governorate.

The majority of the martyrs of the “January 14th Revolution” were from El-Qassrine. The revolution’s demands concerned development and requested ending the so -called “crescent of poverty”, geographically formed by the four main governorates (El-Qassrine, Sidi Bouzid, Kairouan and Gafsa). The demand still echoes in the inland areas, restated by the people in every protest after the revolution, especially in El-Qassrine, which has its very own history of social protests, due to its intensive involvement in the social movements.

El-Qassrine assumes one of the lowest ranks on the human development index at the national level. Official figures indicate that the internet connection to homes and schools reaches only 3 percent compared to 15 percent in Tunis. There are 0.4 doctors per one-thousand inhabitants and the illiteracy rate is extremely high, reaching 32 percent compared to 12 percent in Tunis. The school dropout rate is around 4 percent compared to only 0.1 percent in Ben Arous province. Potable water distribution and connection to the network is the lowest nationally - 50 percent compared to a 90 percent rate in the capital city, Tunis.

The governorate of El-Qassrine is located in the high steppes of Western Central Tunisia. It has the highest mountain peak of the country, “Mount Cha’anbi”. Once a stronghold for the “Falaqa” who resisted the French colonials, in the recent years, after “jihadists” positioned themselves in it, the mountain has become a closed military zone.

The reality of the province seems bleak, and many consider it a “disaster-stricken region”. The governorate of El-Qassrine, with a population of 412,278 people (according to 2004 statistics), is located in western central Tunisia in the high steppes. It is known for its very cold weather in winter and extremely hot summers and has the highest mountain peak in the country, “ Mount Ash-Sha’nabi “. Once the stronghold of the “Falaqa” who resisted the French colonials, in the recent years, it has become a closed military zone after “jihadists” stationed themselves in the mountain. In these conditions, El-Qassrine becomes the image of an “abandoned Tunisia”.

Reciprocally, it turns its back on the central State while investing in its most vital resource: the border. The province’s location on the western border with Algeria allows its residents to work in the “border trade”, known as

“smuggling”. Their activities include smuggling goods in both directions. The geographic characteristics of the border lands facilitate their job, as this “fragile border” is comprised of flatlands and steppes.

Making a Living Across the Border

The border in El-Qasserine does not merely represent a “transit zone” or a separator between two countries. Many residents of the adjacent areas see the border line as their final salvation in light of the State’s deliberate negligence both before and after the revolution. To them, the border is a lucrative economic resource that compensates for the absence of governmental development projects. Smuggling becomes an act of the social and personal daily resistance, driven by the need to make a living in a place where the unemployment rate exceeds 40 percent.

The border trade accommodates everyone. For the unemployed who dropped out from the public schools at a young age and for the jobless college graduates, smuggling represents a profitable solution. Some employees of public institutions who are unable to meet their needs relying on their salaries are also involved in smuggling activities. Smuggling, often referred to as “Contra” in the local expression, includes all kinds of goods, such as car wheels, fine wine, clothing, perfume, etc. The top smuggled commodity from Algeria into Tunisia is gasoline due to its price difference between the two countries, and it is sometimes sold in the open on the streets. Gas distributors continually press the government to firmly control the smugglers, and sometimes the government complies with their demands. According to World Bank figures, there are 3,000 cars per day that cross the Tunisian-Algerian border for smuggling, 60 percent of which smuggle petrol. According to the same source, a quarter of the gasoline sold and used in Tunisia is smuggled petrol.

It’s not Easy to be a Smuggler

Being a smuggler on the Algerian-Tunisian border is not easy. It requires a readiness to do a dance between life and death, accepting the most dangerous of risks, including the overturning of a four-wheel drive vehicle, imprisonment, the explosion of gasoline loaded cars, or the confiscation of smuggled goods by customs and security patrols that monitor the routes. Smuggling in Tunisia seems to be a “skill” and its secrets must be learned.

To begin with, it requires a relatively small capital for buying a four-wheel drive vehicle that can cruise through the rough landscape of the region. Three to five thousand dollars are paid in advance to financial leasing companies, which are banking institutions that “rent equipment, hardware or real estates for professional, commercial, industrial, agricultural and service activities.”

These companies take the risk with smugglers by offering them the four-wheel-drive vehicles, but they would reclaim these vehicles if, for any reason, the “smuggling project” fails.

Thus, the smugglers’ worries and fears are doubled; they worry about the authorities who may confiscate the cars and, about the possibility of failing to meet the financial obligations they have to the leasing company, which amount to about 25 thousand dollars for the rented car, with a monthly payment of 300 dollars for its rent.

It is a world of uncertainty where the unexpected might happen. That is why it is necessary to know the sub-routes to evade security patrols. These routes are usually well-memorized by the smugglers who are from the region, while those who come from other regions often cooperate with an “indigenous” member to help them on the road.

The smugglers also use the method of “the searchlight”, by which a person drives a car first to monitor their pathway and inform the other vehicles about any patrols (usually there are joint security and customs guards patrols). The correspondence between the searchlight and the smuggler must always be optimal, as smuggling is not an individual’s game to be practiced by isolated persons but a coherent networked activity in which interests and profits are shared (even with the financial leasing companies, which are key players in smuggling).

Smugglers build extensive relational networks with some security and customs officers who are often willing to protect the smugglers’ interests in exchange for payment. The relationship with the State is problematic and ambiguous in this sense, for the State is well aware that it is unable to provide employment under its inequitable developmental pattern, as it is aware that its security fleet is unable to effectively monitor smuggling. A space of “tolerance” is consequently negotiated.

The key word here is “negotiation”. To the smugglers and the security authorities, “negotiation” means that everyone must have their share of

the gains. Many smugglers who transport goods from El-Qassrine border to coastal cities or to the capital admit that they “buy their way” there, meaning that they cross the surveillance patrols safely through paying bribes. The cost of delivering the goods may thus be high. The central authority in the capital is well-aware of this issue but also realizes that smuggling is a way for the marginalized to make their income. Every time the State attempts to tighten its grip, things get out of hand and these regions turn into “geographies of anger”.

Often (and mainly after the revolution), El-Qassrine was the starting point of the protests, as in the Januaries of 2017 and 2018. The authority claims the protest organizers are smugglers, which may be relatively true. However, the tragedy of El-Qasserine further worsened after the anti-smuggling rhetoric focused less on preserving the national economy and more on linking smuggling to terrorism.

Smuggling and Terrorism

The authorities realize that the relationship between smuggling and terrorism is not really dialectical. Geographic, socioeconomic factors and circumstances created intersections between the two worlds. The security blockade against smugglers incited by groups with powerful interests has created a sense of great frustration among many young people who engage in the smuggling trade to survive.

Many believe that the public authorities want to confiscate their only - albeit illegal - source of livelihood under the slogan of “resisting terrorism.” It is true that global jihadist groups have lured in many young slum dwellers from El-Qassrine into their networks, but the automatic link between terrorism and smuggling only does more harm and causes further injustice and exclusion to the residents of the marginalized province. Their profits are shrinking by the day due to strict security surveillance on Mount Ash-Sha’nabi and the adjacent mountains , - like Mount Samama - all of which are located in the province of El-Qassrine.

There are indicators that repressing the smuggling activities might be indirectly beneficial for the jihadists, as it intensifies poverty and leads to further scarcity of economic resources in the region, triggering many smugglers to abandon their trade and join the terrorists.

The terrorist groups based in Mount Ash-Sha’nabi relied on their expert knowledge in the geography of the area and their ability to camouflage to

smuggle weapons and supplies and carry out terrorist attacks.

It can be concluded that restricting smuggling does not necessarily equate fighting terrorism. There are many particular economic reasons why smuggling exists, but the desire of taking revenge on the existing political, economic and security systems are also to be taken into account.

() The term "Siba" (the abandoned) refers to a space or region which lacked government institutions and control. The tribes of the Siba lands did not pay taxes.*



Parallel Economy in Tunisia: Is it Really “Parallel”?

Mohammad Rami Abdel-Mawla

Tunisian Researcher

The term “parallel” becomes meaningless in some Tunisian regions. It is even cause for ridicule where formal economy itself has become “parallel”!

Parallel Economy, shadow economy, grey economy and informal economy are different names for one notion that can be defined as ‘undeclared incomes and unauthorized economic activities which remain non subject to taxation and formal procedures’.

When parallel economy is considered, the first thing that usually comes to mind is smuggling, even though this kind of activity is only a small part of a much broader multifaceted phenomenon.

Many forget or intentionally “ignore” the tax evasions practiced by companies and shops, the landlords who leases without official contracts, and many similar practices. It also seems that many do not realize that having undocumented workers with no social or health coverage is a part of how parallel economy works. Hundreds of thousands of Tunisians work in fields, construction sites, small factories, restaurants and cafes without any documentation by their employers.

Criminal or “unethical” activities such as drug trafficking, sex trafficking, human trade networks, smuggling of antiquities, theft gangs, etc. being, of course, a whole different issue.

It is definitively impossible to provide accurate numbers; however, all estimations agree that the size and forms of parallel economy are ever-growing in Tunisia where, in some regions, the word “parallel” has lost its meaning as formal economy, itself, became “parallel”!

Estimations and Indicators

Estimates are issued either by the government or by local or international organizations. Although these numbers differ, they show that parallel economy contributes at least 38 percent to the GDP (official figures of 2015). According to a study published in 2015 by the International Labor Organization (ILO), the parallel economy employs about 75 percent of young people aged between 15 and 29, making up to 54 percent of the total workforce in the private sector, based on figures by the World Bank (2013).

Of course, these generalizing statistics can be “deceptive”. They may be significantly lower in some of the richer areas while they are certainly much higher in regions of the southern and western borders of Tunisia. A study on the phenomenon of parallel trade and smuggling on the

Tunisian-Libyan border, conducted by the ‘Tunisian Institute for Strategic Studies’ in November 2017, reveals that 77.6 percent of Tunisians buy contraband goods, and that 76 percent of the goods imported from Libya pass through smuggling channels.

‘Josour Center for Public Policies’ (a Tunisian think-tank that houses a group of researchers and experts in economics and social sciences) provides more detailed figures about smuggling activities and tax evasion, in a report entitled ‘Parallel economy in Tunisia’ (June 2016). According to the report, the smuggling revenues amount to almost 2 billion Tunisian Dinars annually, distributed as follows: 750 million dinars from petrol, 300 million dinars from tobacco, 450 million dinars from electrical appliances, spare parts, vehicle tires, and food commodities, 500 million dinars from electronic devices, clothing, beauty products and perfume. Of course, revenues from the smuggling of arms, gold, copper, expensive alcohol and stolen luxurious cars were not taken into account, because their true magnitude is very difficult to estimate.

The figures declared by the Ministry of Finance in 2016 indicate that employees contribute 83 percent to the tax revenues, while their share of wealth does not exceed 26 percent, meaning that those who dominate wealth only pay a miniscule part of the fiscal bill.

These figures are almost identical to those presented in the World Bank’s report “Estimating Informal Trade Across Tunisia’s Land Borders” (published in English in December 2013), which estimates that informal trade comprises 1.8 to 2.4 billion Tunisian dinars overall, distributed as follows: 0.6 to 1 billion dinars across the Libyan-Tunisian border and 1.2 to 1.4 billion dinars across the Tunisian-Algerian border. These figures correspond to the year 2012 and are based on a field work carried out between the crossing points of Ras Jedir on the far side of the border with Libya and Al-Kassrein city on the Algerian border.

The figures declared by the Tunisian Ministry of Finance in 2016 indicate that employees contribute 83 percent to the tax revenues, while their share of wealth does not exceed 26 percent, meaning that those who dominate most of the wealth pay only a miniscule part of the fiscal bill. The ‘Tunisian General Union of Labor’ estimated that 5 to 7 billion dinars of taxes were

evaded annually. According to a joint report carried out by Mohamed El Haddar, the president of the Tunisian Association of Economists, and the statistician Mustapha Bouziane, entitled “The Consolidation of Fiscal Justice and the Mobilization of Clean Resources” (published in French in October 2017), 2.323 million legal entities (physical persons or companies) declare their incomes. 1.945 million of those are employees, and the rest are employers and companies. 63 thousand companies out of 136 thousand have never declared their income. And, while 32 thousand reported their profits, 16 thousand have declared making no profits and 26 thousand said they were running a deficit. Of the 414 thousand discretionary taxpayers (most of whom are artisans and owners of consumer goods stores), only 47 percent declare their incomes, amounting to 36 million dinars, or 0.2 percent of the total tax revenue. If we take these tax return numbers seriously, we may infer that most of these people and companies endure an extreme poverty. However, a closer look at their properties and possessions exposes a very different reality.

There are 28 thousand offshore companies in Tunisia, thousands of which do not have any employee. It is one of the reasons why the European Union has placed Tunisia on the blacklist of ‘tax havens’.

The “Inkyfada” website has released data analysis on tax evasion among the self-employed in Tunisia (especially doctors, lawyers and architects). It proved that even the most “esteemed” professions were no exception to the world of “parallel economy”. 60 percent of lawyers did not declare their incomes in 2015, nor did 48 percent of architects and 25 percent of free medical practitioners. The dysfunction does not stop here as the value of the declared incomes was non transparent. For example, the analysis shows a 7 percent decrease in tax revenues from the sector of liberal professions, despite an increase of 7 percent in the proportion of liberal practitioners between 2014 and 2015, which clearly indicates manipulation and an avoidance to declare actual incomes.

As for offshore companies, there are 28 thousand of those in Tunisia, thousands of which do not have any employees, which is one of the reasons why the European Union has placed Tunisia on the blacklist of ‘tax havens’. In addition, we must not forget Tunisian individuals and companies whose names appeared in SwissLeaks and Panama Papers.

Smuggling: Chronic headache or daily bread?

Smuggling is the most well-known manifestation of the parallel economy. They are even synonymous in most people's minds, even though the revenues of smuggling only represent one third of the total size of the parallel economy. It is assumed to be an "invisible" phenomenon, but its presence is highly tangible in the daily lives of Tunisians all over the country.

For years, ordinary Tunisian citizens have heard and read stories about the top smugglers in the country, learning even their names (or rather, their nicknames). For example, there is Washwashah and his brothers, "the kings of the desert," who run a smuggling family empire in the Ben Qardan area. They trade almost anything from food and electronics to arms, in addition to semi-monopolizing the trade of fireworks. The media also mentions other names, such as 'Ma'eez' (Hussein), a gun dealer and human smuggler (mainly terrorists), who is active on the Tunisian-Libyan coast. Or 'The Sheikh' (Ali al-Qariwi) or 'The Mbahbah', who are oil smugglers and arms dealers in the western region bordering Algeria.

Parallel economy contributes 38 percent to the gross domestic product (GDP) (official figures of 2015), according to the International Labor Organization (ILO, 2015). It provides employment to about 75 percent of young people aged between 15 and 29.

For years, Tunisians have witnessed the corrupt scandalous behavior of customs officers and border police at airports, seaports and land checkpoints. They accept cash or in-kind bribes in order to allow the smuggling of goods in small bags or large containers, or to change information on official papers to reduce due taxes. It seems that only the government and the state authorities "had no idea" about these practices, or appeared to believe that 'smuggling empires' were led by the young men selling cigarettes and other cheap goods on the streets, or those selling the "essence of Libya" (fuel oil) in street huts on interstate roads.

It wasn't until May 2017 that the government uncovered top smugglers and arrested the most prominent of them, within hours. That was the first (and last) round of the "war on corruption" announced by the Tunisian

prime minister. This “war” lasted for a few days and the final toll was 10 of the top smugglers. Some of the arrested had monopolized the trade of bananas or dried fruits, and some were smugglers of fuel, cigarettes and copper. A former customs officer and a security chief were also arrested, and that was the end of it.

The war on corruption turned out to be nothing but a mere campaign against some of the major smugglers, raising skepticisms about the true intentions of the government. Some saw it as a struggle between the traditional “bourgeoisie” controlling the state (based mainly in the capital and the coastal cities), and the new “parasitic bourgeoisie” who had accumulated wealth in the peripheral areas through smuggling and other activities, and now wanted its share of the political power to become proportionate to its economic influence. Others considered it to be an internal war among different wings inside the state given that the most prominent name on the list of detainees, Shafiq Al-Jaraya, was one of the most influential politicians in Tunisia and had many opponents in power. The suspicions of many were reinforced by the fact that the prime minister and his political party had been steadfast in defending the ‘Economic and Administrative Reconciliation Act’, which was an “indulgence certificate” for corrupt businessmen and officials who had committed crimes since the independence of Tunisia and up until 2011.

Common Smuggling Routes and Methods

When talking about smuggling, we imagine gangs who illegally infiltrate land or sea borders, using animals or trucks or light boats. This stereotype fails to capture the complexity of the phenomenon.

In Tunisia, smuggling is done through both unregulated and official channels, by land, sea, or air. It is also an intraregional activity that happens to and from Tunisia. Smugglers prefer unregulated land crossings (through the Southern desert and the Western mountains), which enable them to enter large quantities of goods without having to circumvent border guards and customs patrol or pay any bribes. However, top smugglers rely on their networks of connection with corrupt officials to move their goods (mainly from East Asia) across official land borders and sea ports. Others prefer a “suitcase trade”; they shop in Turkey – and, to a lesser extent, in the Gulf countries and Europe- during the sales seasons, and return with bags

of expensive clothes, accessories and perfumes. They declare some of their goods and “hide” others. Despite the customs police insistence on thoroughly inspecting and collecting tariffs, some well-known “friendly” ways exist to peacefully avoid problems.

There is also another type of smuggling that everyone tends to turn a blind eye to. Seasonal smuggling happens when Tunisian immigrants, especially those in Europe, come visiting for the summer vacation. Migrants travel from Marseille and Genoa by sea to the port of the Halq Al-Wadi (near the capital Tunis), bringing cars and trucks over-packed with things, some of which are personal belongings or gifts for relatives and friends, and, a large part, is illegal imports to be sold in the Tunisian markets. Authorities are aware of these practices, but no one wants to harass migrants who bring into the country hard currencies and goods that are either not usually available in the local market or of higher quality and better prices. These goods are sold in houses, on the streets, and even in special markets for foreign products in Menstir.

Like any other activity, smuggling is influenced by politics, economy and exchange rates, among other factors. The Tunisian revolution was accompanied by confusion within the state and led to a significant increase in the size of the phenomenon and its dimensions. The situation in Libya changed how smuggled goods are circulated, and the smuggling into Libya became much more common than from Libya to other countries. The Algerian-Tunisian border is also undergoing major changes in the direction of smuggling and the type of smuggled materials. Algeria was, until the 1990s, in an economic blockade, and suffered from a shortage of consumer goods in its markets, which meant smuggled goods from Tunisia were much needed and welcomed. Today, Algerian markets are more open and have become “replete” with goods from all over the world. Many Tunisians go to Algeria to smuggle consumer goods, other than fuel and cigarettes (which remain monopolized by large organized networks). “Suitcase” trade has been facing difficulties because of the sharp decline of the dinar against the dollar and the euro, which significantly reduced the profits of traders. However, this same situation is beneficial to Tunisian immigrants in Europe who take advantage of the new dinar exchange rates to increase their visits to Tunisia, thus bringing in more goods. In these processes, even the “degree of friendship” between Maghreb countries could affect how smuggling is handled across borders, and this

is reflected in either lenient approaches or very strict ones.

Part of the Daily Lives of Tunisians

Almost every Tunisian household contains smuggled goods. Only a small wealthy group can afford to shop exclusively from expensive legal shops that provide payment bills and guarantee certificates. Middle class households are packed with smuggled goods: flat screen televisions, air conditioning, electric appliances, kitchen utensils, furniture, perfumes, makeup, clothes, shoes, accessories, mobile phones and sometimes laptops. Even car owners who have Italian, French or German-made cars could lift their bonnets or check their wheels to find many non-genuine parts, usually purchased from the black market or junkyards, or even from legal shops who do not want to lose their least wealthy customers. It's also highly probable that the fuel used in their cars was smuggled from Libya or Algeria. Even in the poorest homes, you would easily find a pack of smuggled cigarettes from Algeria, a plastic toy, school supplies, or cheap sneakers smuggled from East Asia.

Most Tunisians are not ashamed of buying contraband goods and have no negative stance against smugglers. Some do not even understand why the state considers smuggling to be a dangerous crime. Until recent years, smugglers kept a positive image in the eyes of the Tunisians: they worked in dangerous conditions and supported themselves and their families, instead of sitting idly in coffee shops complaining about unemployment. These smugglers also provide goods at affordable prices to the lower and middle classes, whose purchasing power continues to deteriorate. For citizens in chronic financial distress, matters of quality control, damage to the “national economy”, and the nonconformity to health and environmental standards are not necessarily considered as pressing of issues.

After the revolution in 2011 and with the emergence of terrorist movements, the reputation of smugglers was slightly tarnished. Several operations revealed that some of the smugglers were involved in the transit of weapons and fighters. For various reasons, the media also started to actively cover news on smuggling and wealthy smugglers, which created the impression that a smuggler was necessarily a millionaire who would transport just about anything for money, jeopardizing the country and its people. Some

people also accept the government's point of view against smuggling, its complaints about the diminishing taxes and customs revenues, and the protests of legal shop owners and manufacturers about "illegitimate" competition. Many others, though, remain unconvinced: why is smuggling in the center of attention while other flourishing forms of harmful parallel economic practices are ignored, such as tax evasion and unregulated labor? What would millions of Tunisians who can't afford expensive goods from legal shops do? Who would employ the ones who formerly worked in smuggling and integrate them into the structured economy?

Mapping Parallel Economy in Tunisia

There are detectable traces of a parallel economy everywhere in Tunisia. The activities involved and their revenues differ from one area to another and from a social class or age group to another. It is not easy to present an accurate geographic / demographic categorization for parallel economic activities. However, we can roughly map it. The following are the characteristics of each main region involved:

■ Inland Regions

These areas, away from the coast, are usually underdeveloped, marginalized and lacking in public services and facilities. They may not necessarily be destitute areas, but they are ignored by the state, and hence become "repulsive" to their inhabitants who prefer to migrate towards the big cities on the seacoast. To understand certain issues about parallel economy, one must distinguish between the inland areas that border Algeria and Libya, and the areas in the center of the country away from maritime and land frontiers. In the border areas, smuggling in both directions is the most common economic activity. For example, in the south-eastern region (the provinces of Mednine and Tatawine), close to the desert and nearing the Libyan border, interregional trade – both legal and unregulated– represents the top economic activity.

Most smuggling involves fuel, but there are also hundreds of other goods, such as clothing, shoes, furniture and electric appliances. For example, Ben Qerdan (in the Medenine governorate) has become the go-to destination for every bride preparing for her wedding and every merchant intending to open a shop. The second prime smuggling zone in Tunisia is

the western region bordering Algeria, mainly the governorates of Al-Kaf and Jendouba (in the north), Al-Kasrine (in the center), and Qafsa and Tozer (in the south). Villages and towns like Fusana, Qal'at Sinan and Al-Shebika are considered to be smuggling gateways for cigarettes, soft drugs, fuel, car parts, stolen cars and electronic appliances.

These provinces are considered as the country's poorest, and the development of smuggling activities has started to change their traditional economic structures. Many inhabitants, especially the young ones, are abandoning traditional agriculture and crafts to join either the local smugglers or the Algerian and Libyan ones.

The internal governorates which are far from the land and sea borders (Beja, Siliana, Zaghouan, Sidi Bouzid, Al-Qeirouan) are the least engaged in the smuggling systems. Not because they are rich or offer many employment opportunities, but because of their geographical location and lower purchasing power. These areas act as mediators in smuggling operations and gateways between border areas and major coastal cities.

Other forms of parallel economy are more prevalent in these areas and are mostly related to agricultural activities. All indications of illegal employment exist in these areas, from wages lower than those stipulated by the labor code, to the absence of contracting or social security and child work. Women and children are the primary victims of these practices. It is also difficult to make accurate estimations of the incomes and taxes revenues in vast areas where the state's presence is weak. The agricultural areas produce large quantities of fruits, vegetables and livestock, some of which go through the legal markets and others through parallel tracks: direct selling on the roads, intermediaries and monopolizing agents who buy goods at cheap prices from farmers to resell them for twice the price in the cities, popular small unlicensed markets in poor suburbs, hawkers, etc.

■ Coastal Cities

Contrary to popular belief, parallel economy is much more prolific in the larger coastal cities than in the internal areas, and its activities are of greater volume and diversity.

Seasonal work in tourism: we are talking about tens of thousands of people, especially in the coastline provinces (Sousa, Monastir, Al-Mahdia), and those of Nabel, and Tunis (and to a lesser extent in the north-west and south-east). Tourism workers operate for a few weeks or months during the high season (April to October), without any contracts or documents, and, of course, without income taxation. They work in the most touristic places (hotels, beaches, restaurants, bars, nightclubs), or on the streets around them, selling “souvenirs” and traditional antiques, working as “fake” tour guides, toy or rose vendors, selling food, ice cream and sweets on carts, etc. Most of the marginal actors in the tourism sector are either young people (children and students working to provide some money to get back to school), or poor women whose wages are lower than those of men. We can’t expect those who earn so little to willfully declare their incomes to the internal tax service, and we can’t expect employers to declare incomes and taxes of illegally employed children or adults who have no contracts or social security.

Unregulated work in the construction and equipment of buildings: Large cities are economically dynamic and witnessing an exponential increase in their population, which means that construction labor has become more appealing. The majority of workers doesn’t have any documented contractual form of health coverage or social security. Many others such as plumbers, electricians, wall painters, carpenters, ironsmiths also work in this sector in an unregulated manner.

Selling contraband: Coastal cities are the largest markets for contraband due to the large populations and a high purchasing power, in comparison with the inner parts of the country. The stereotypical image of a traveling salesman with a cart of smuggled goods, who flees whenever detecting a sign of security forces or municipal police, is only the tip of the iceberg. Smuggled goods are sold practically everywhere, even in the licensed shops and luxurious boutiques. On the shelves, goods from Tunisia sit side-by-side with those from China, Turkey, Europe and the U.S., without “discrimination” or conflict. Every customer can find something that suits his/her choice and wallet. “To each belongs what his money can buy”, as the Tunisian proverb says. Most goods are unbilled, and in the event of an inspection raid, smuggled goods can be confiscated, or alternatively, inspectors may open the door to other “friendly” solutions. We should note that it is not only the poorest who shop for contraband. Smuggled

goods are not necessarily cheap and people of all classes are interested in goods of different price ranges.

Tax evasion: We are not talking about the “small” evaders who hide a few hundreds or thousands of dinars from the state, but the “fat cats” who hide millions. Of course, even in the poorest provinces of Tunisia, there are wealthy tax evaders, but the phenomenon is much more widespread in the major cities (the capital Tunis, Sfax and coastal cities), due to the concentration of the economic activities and institutions there. The government, the media, and the employers’ federation are rarely concerned with this form of parallel economy, even though the damage it inflicts upon the economy is not in any way less than the one caused by smuggling. As in other countries, tax evasion takes several forms: audit manipulation to reduce the values of profits, unregulated employment of workers with salaries lower than the minimum wage, exceeding granted work permits, acquiring unlawful exemptions and exercising other undeclared activities.

Small unregistered enterprises: Thousands of Tunisians in big cities start businesses without informing the authorities or obtaining a license pertaining to terms of reference. These workplaces are usually found in residential neighborhoods, away from the municipal and economic monitoring bodies. Store owners count on the complicity of their families and the understanding of their neighbors. They are rarely “ratted out”. Many unlicensed activities exist, mainly carpentry, blacksmithing and shoe-making for men, sewing, hair-dressing, sweets making, accessories and handicrafts confectioning for women. It is not uncommon to hear news about the authorities’ awareness of the existence of an unlicensed factory for the manufacture of detergents or sensitive food ingredients. The phenomenon of unlicensed shops mainly involves the middle and the poorest classes and may represent the main or an additional source of income for a family. Of course, wages are paid “under the table”, and there are no taxes paid and no social security provided for those who work in such stores.

Leasing unauthorized residential spaces: This is a common phenomenon in most Tunisian regions, but it mainly happens in the major cities: Tunis, Sfax, Sousse, Nabel, Monastir, Benzerte. These cities have dense populations, and, in addition to the “indigenous” inhabitants, also attract large numbers of Tunisians from different parts of the country, who come

to work or study where industrial zones and universities are concentrated. In addition, the significant touristic influx to some of these cities adds to the pressure of the population density, as demand for residential spaces for rent soars. Many middle-class residents exploit this crisis to benefit from an additional source of income. They build small apartments (often of low quality) and rent them to poor workers, families and students at high prices, disproportionate to their spatial areas and amenities. These houses are usually adjacent to the owner's house, and most of them (thousands of them) are built without a municipal license. And therefore, there is no need to register the rent contract, pay the property tax or declare the income generated from the rent.

Conclusions

Informal economy in Tunisia is not confined to a class, region, gender or age bracket. It is a "national" general phenomenon and an established perpetuated reality. Considering it as "parallel" becomes meaningless when its contribution ratio to the GDP is about 50 percent. A fallacy is created and sustained as a result of the insistence of the state, media, and economic experts to focus on the subject of smuggling when talking about the parallel economy, whereas smuggling is only the tip of the iceberg. The official discourse on parallel economy is not very popular, as many consider it to be the only way to maintain a dignified lifestyle and some purchasing power. This feeling is only reinforced by the government's inability to provide alternatives and suggest strategies for youth employment, to support national industries and to rehabilitate the fiscal system. Many also unknowingly contribute to the parallel economy, as the term remains unclear in their minds and is almost always associated with smuggling, such as the tax evaders who complain about smugglers and street vendors who "harm the country's economy".

Modes of parallel economy may vary completely or partly in each region, but they exist all over the country. In all cases, the state's treasury is deprived of billions of dinars which could have -theoretically- contributed to improving public expenditure in vital sectors, such as education, health and transportation. However, there are no real signs that the government is willing to recover all these lost billions!

Like any social phenomenon, parallel economy has its own roots and

causes of emergence and development. The Tunisian state is the number one sponsor for this type of economy, first through its failed economic policies for development, which have created significant gaps between the different classes and rendered some of them economically dead, and secondly, through the pervasion of corruption inside its administrative and regulatory bodies and its security forces, and thirdly, through its ineffective and unjust tax policies.

Of course, there are secondary factors that are out of the state's control, particularly the fact that Tunisia neighbors two wealthy countries, Libya and Algeria, who rely on a rentier economy, based mainly on producing hydrocarbons whilst importing everything else.



The “Sidi Boumendil” Popular Market in the Heart of Tunis

Amal El Makki

Tunisian Journalist

It is a male-dominated space par excellence. The majority of the merchants in the market are men while most of the shoppers are women who usually feel uncomfortable in the souk space, fearing for their purses from the pickpockets and for their bodies from the harassers.

The popular souk in the Boumendil district, one of Tunisia's largest markets, is significant not only as a center for "parallel" trade, but also as a central market located in the very heart of the Tunisian capital, close to the government's headquarters at El-Casbah and Habib Bourguiba Street. The Sidi Boumendil market is a bunch of interconnected alleys packed with shops and goods sold on the streets' corners. It is a place where "citizenship" is exercised in the special ways of the "people of the margins", right under the noses of authorities. The market - with its hawkers, permanent pavement stalls, shops and stores - extends from the "Sidi El Bshir" square to the "Barzali" square. Although business may be conducted differently depending on each merchant, most of them make their living in ways which do not comply with the official regulations.

Thirty years ago, the Boumendil market did not contained more than six shops that all sold spices and condiments.

Today, it is packed with hundreds of traders who come, mostly, from the Tunisian inlands which have been neglected by the successive governments for decades. They are easily recognized by their distinct local dialects when calling on their goods in their high-pitched voices that have been echoing in all corners of the market since the 1990s.

That was when migrants from "Jelmah" began to flock to Boumendil, individually and collectively, carrying the goods they had smuggled with the protection and complicity of officials related to the head of the regime.

In the Beginning was "Jelmah"

Jelmah is an agricultural area in the Sidi Bouzid province in the center of Tunisia. According to the Regional Development Index, the province ranks 20th nationally.

And, as per the results of the first phase of the five-point Development Plan for the period between 2016 and 2020, ten of its administrative districts (among the 13 present in the Sidi Bouzid province) rank between 217th and 258th of the state's districts.

The agricultural nature of the region, the absence of an infrastructure that connects the different areas of the province and the declining conditions of facilities and services all prompted the inhabitants of the Sidi Bouzid province and of Jelmah in particular to get involved in smuggling activities

with the “Trabelsia” family.

The relationship between one of Jelmah’s sons and the brother-in-law of the deposed president was sufficient to form a cohesive network of smugglers, merchants and street peddlers. Members of the network rely on family kinship. A significant part of them are from the “Awlad Khelfa” tribe. Family ties facilitate the mobilization of a large numbers of people and establishing a wider presence between the border areas and the capital’s markets: “What is bonded by blood cannot be divided by the hardships of the “contra*” (*smuggling)!” Children inherit from their parents the “trade secrets” and the mechanisms to circumvent any potential dangers. They memorize the terms that refer to “smuggling” and the methods, routes and systems of relations between the different actors in the trafficking network, until they know them like the back of their hands.

The experiences of the young people of Jelmah and Sidi Bouzid within the Boumendil market and its surroundings usually begin during their junior high school years, when they come to the capital seeking jobs during holidays and weekends. However, they continue to work in the market beyond their university years when they don’t find an employment.

In fact, a study conducted by the International Labor Office (ILO) revealed that more than 75 percent of young Tunisians aged between 15 and 29 work in the parallel economy.

The Octopus Extends its Tentacles... Beyond the Market

Many of the Boumendil young merchants are “small smugglers” who are “newbies” in the market. They take advantage of kinship relations to acquire goods from suppliers and sell them in the small shops and pavement stalls. Their suppliers may be their own brothers, cousins or friends, and the little traders usually only pay them once their goods have been sold. When the products go through customs control, they reach the market easily, however, “true kinship” among members of the same tribe is really tested when they have to cooperate to smuggle goods through land borders and into the markets.

The “small smugglers” devise new innovative ways every day to move their goods across the borders with Libya and Algeria, either in their own

cars, mass transportation vehicles or small pickup trucks. If they are stopped by a patrol, they either pay a “fee” to the patrol members (5 to 10 dinars) or see their goods confiscated and fined.

Security also often ignores the smuggled goods of the little traffickers in exchange for information they might provide about terrorist activities.

On the other hand, a number of employees in the security service take advantage of their colleagues to partake, themselves, in smuggling activities, transferring illegal goods in their own cars across borders.

Poor students and low-income workers do not miss a chance to join the “small traffickers” often to smuggle cigarettes, electronics, clothes and shisha tobacco in their personal bags while traveling on buses or public vehicles. These means of transportation are only inspected in the rare cases of an emergency and, because of the obvious precarious financial situation of those small smugglers, the security guards would probably overlook their bags anyway.

Many of the goods that spread in the Boumendil market enter Tunisia formally, with legal permissions through the ports, but then, their direction is “diverted” from the official markets to parallel routes.

After selling the goods, hawkers and street vendors in Boumendil share the profits directly with their suppliers. The owners of the stores receive shares of the profits proportionate to the efforts they made to acquire the containers coming through the ports or to extract the goods that trucks carry through land borders. Brokers who facilitate the arrival and removal of containers, including customs officers, security officials and influential politicians, also receive large commissions.

The major merchants of Boumendil acquire goods from senior smugglers, or the so-called “barons”. Under the command of the latter, night convoys travel with the goods, mostly under the protection of private security networks. These convoys operate in what they call “the searchlight style”: a car loaded with cash drives in the lead, while the others, heavily loaded with goods (electronic devices, cigarettes, gasoline, etc.), follow. The “searchlight” (el-kashaf) bribes the security patrols and, if they accept the payment, the rest of the cars are motioned to continue. However, if a patrol refuses to take the money, the rest of the convoy would quickly

disappear out of sight and wait for another patrol to take over.

According to a report by the World Bank, there is a steady increase in informal trade activities along large parts of the Tunisian borders with Libya and Algeria. The report indicates that transport costs around 200 Tunisian Dinars for a truckload (about a ton) of normal goods, and that it could reach up to 1000 Dinars for more sensitive products.

In the past, tobacco and alcohol were the most lucrative commodities, but smuggling has now become a gateway for arms and drugs. Many of these goods journey through dangerous routes to finally arrive to the capital's markets, such as Boumendil.

Nothing has Changed After the Revolution

In the early years after the revolution, the Boumendil Souk, like many other popular markets, experienced a decline in its activities as suppliers ceased to operate and containers were blocked for weeks - or months - at different ports. In a letter to the Prime Minister of the transitional government (7 March - 23 October, 2011) Beji Caid el-Sebsi, Al-Moncef Bey and Al-Sabbaghin, merchants of Boumedil, wrote that more than 10 thousand Tunisians were negatively affected by the disruption of their families' businesses in markets that contain more than two thousand stores. They also acknowledged in their letter that more than ten people used to share a single container of goods and that their work was facilitated by intermediaries from the "Trabelsia" family.

The young merchants of Boumendil feel alienated in the new urban space. They are the newcomers rejected by the old merchants of the souk and antagonized by the young people of the surrounding neighborhoods who claim that these newcomers "stole their daily bread". They carry a double stigma: They are known as those who come from the inner marginal cities, and they are also the "Canatriyyah" (contramen/smugglers).

The interruption of the smuggling by land and the containers' standstill in ports did not last long. The "Trabelsia" were replaced by other families, or, as the Tunisians would sarcastically comment, "there goes Ben Ali and here come the forty thieves!". The merchants of Boumendil are but

the weakest link in a complex network that functions like an “octopus”, is run by the “barons” and overlooked by the authorities. Whenever the municipal police raid the market, it is the owners of the pavement stalls whose goods are confiscated first. Unless they are able to escape, they are subject to prosecution. Meanwhile, the owners of the regular shops are safe, although their goods come from the same sources and are often not credited by formal bills.

Not only smuggled goods are sold at Boumendil. Many of the products in the market had actually entered Tunisia officially with legal permissions through the ports, but then, they “diverted” from the official markets to parallel routes.

Other Tunisian goods also leave the factories where they have been manufactured and head to parallel markets like Boumendil and others to be sold for at least half of their original prices.

According to the economist Mustafa el-Jwaili, these operations are carried under political and security protection. For example, two years ago, at the port of Halq el-Wadi, officials were surprised to find a malfunction in the surveillance cameras, especially in those monitoring the port’s main gates. The administration demanded that the company in charge of the cameras secures the control cables by installing them inside the walls, but, soon enough, a tractor hit the main wall provoking its collapse! Those who know the parallel markets’ business confirm that many goods leave the port to destinations other than their initial ones, while containers carrying unauthorized goods keep on arriving to the port.

Security forces, municipal guards and policemen mobilize to track down street vendors and merchants of the popular markets, accusing the “Canatriyyah” (Contra-men) of transgression and monopolizing. Meanwhile, the senior smugglers take advantage of their relations with politicians or high-ranking officials in the Ministries of Interior, Economy and others to accumulate wealth safely, unfearful of persecution.

Unclear Boundaries

The phenomenons of smuggling and parallel trade were not an outcome of the revolution nor of the loosening of security after January 14th, 2011.

The smuggling of various consumer goods, such as foodstuff, electronic appliances and gasoline, has always happened right before the eyes of the Tunisian authorities. This is primarily due to the involvement of the sons-in-law and some members of the entourage of the deposed president who provided logistical facilitations, acquired goods and even protected smugglers from legal prosecution. They exploited their influence and the corruption of the customs apparatus in return for profits.

Secondly, these activities have always been overlooked because, in the absence of real and effective development policies, they provide a livelihood for a large number of residents of the inland.

Moreover, there are no clear borders in Tunisia between formal and informal economies. For example, chemicals, lead and copper are smuggled into the country and redirected into organized economic routes after being purchased by licensed industrial companies.

The members of the Ben Ali and the Trabelsia families secured, in their own names, exporting permits for their entourage and accomplices. These permits are intended to be used by either them or others in their names, in return for commissions that compensate the customs tax.

The parallel economy has contributed in creating black markets, such as Boumendil, that display the unregulated and untaxed goods smuggled by the Trabelsia family.

The Inevitable Margins

One of the paradoxes revealed by the phenomenon of smuggling is the reality of the Boumendil traders.

The sons of Jelmah fled from the misery of their marginal inland areas and arrived to the market looking for a living, with a desire to participate in the economic activities of the society. But the market, like a mousetrap, closed in on them. They found themselves trapped inside another “margin”; only this time it is an urban, harsher one.

The Boumendil merchants feel alienated in the new urban space. They are the newcomers rejected by the old merchants of the souk and antagonized by the young people of the surrounding neighborhoods who claim that

these newcomers “stole their daily bread”. They are discerned by their local dialects when they call out on their goods. They also carry a double stigma: they are those who come from “behind the blocks” (from the inner cities), and they are also the “Canatriyyah” (contra-men/smugglers). These stigmatized sellers continue to refuse to integrate into urban society and often prefer to live with their peers within closed communities in specific neighborhoods.

The merchants of Boumendil live in constant fear of the municipal police raids and the confiscation of their products. Their greatest and most vital skill is their ability to collect their goods from the pavement and run like the wind when necessary.

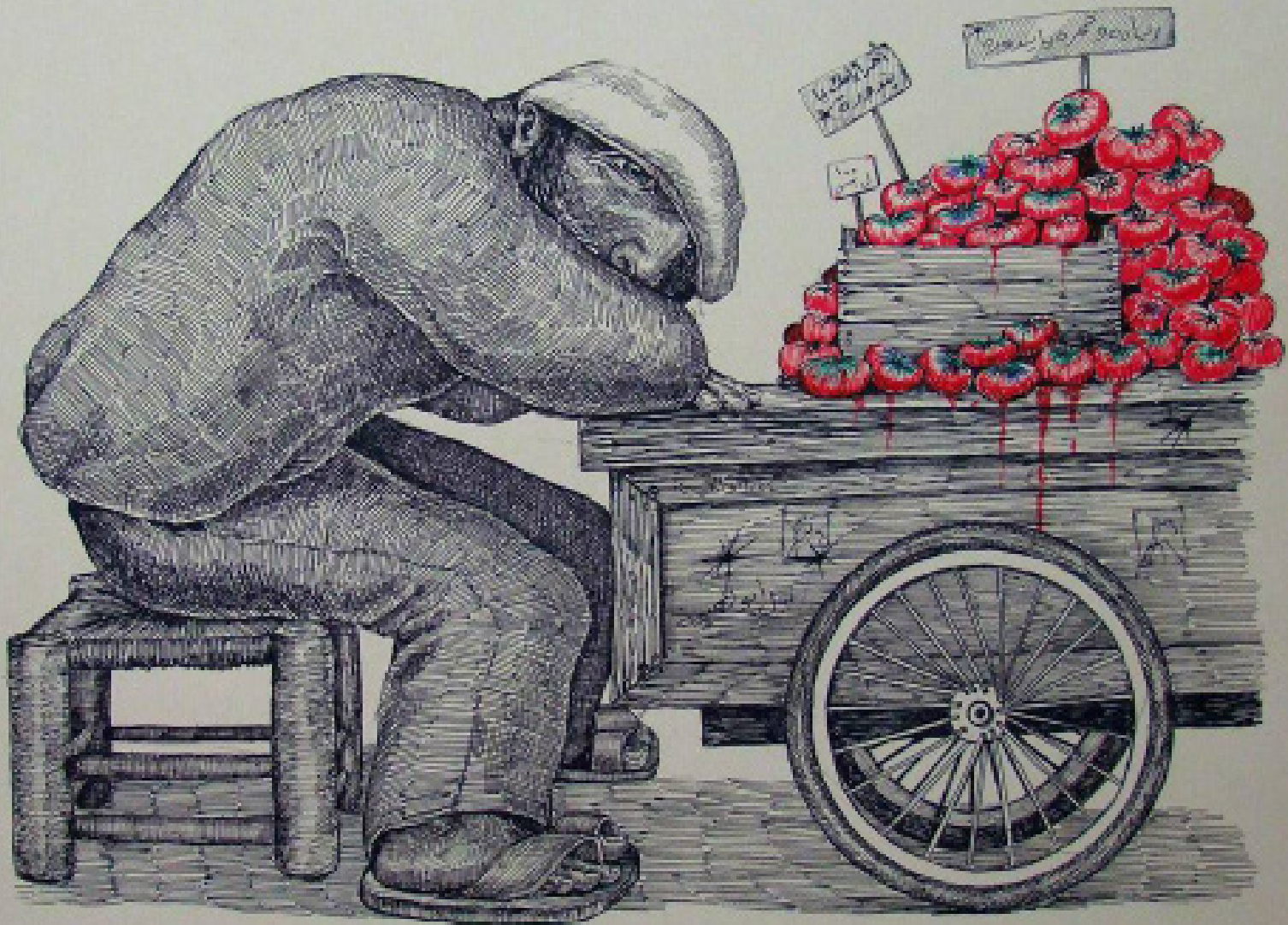
The Boumendil traders who “rebelled” against the world of production - whether economic or symbolic in the form of a system of cultural values - are the most marginalized within the economic and social system and have become social outcasts . Apart from social stigmatization and the pejorative attitudes they endure, the Boumendil traders, especially those who do not own any shop, live in the constant fear of municipal police raids and the confiscation of their goods. Their greatest and most vital skill is therefore their ability to collect their goods from the pavement in a split second and run like the wind when necessary. This skill defines their competence to work and their ability to survive in the streets of the market that stretch like veins inside the body of the capital where the presence of security is abundant.

The owners of the shops selling billed and taxed Tunisian products do not forgive the pavement stalls, their inequitable competition and the attractiveness of their goods.

The decline in the purchasing power of Tunisians contributed to the rising of the street trading. Tunisians of the middle and lower classes would rather buy a 350 ml bottle of a branded bottle of oil for 5.5 Dinars in the street, than paying 11.7 Dinars to buy the same product from a neighboring shop. It does not matter to the buyers whether the origins of this bottle are “unknown” or if it was exposed to the sunlight for long hours. What matters is that it satisfies their aesthetic preferences and saves them a few dinars.

Boumendil is an increasingly tense and stressful space inside which a sense of alienation is growing. It is a male-dominated space par excellence. The majority of the merchants in the souk are men while most of the shoppers are women who usually feel uncomfortable, fearing for their purses from the pickpockets and for their bodies from the harassers.





HOUZMA OULKIR

The “Gloomy” Economy of Morocco

Said Oulfir

Moroccan Journalist

Examining the parallel economy in Morocco by studying the slums in the cities’ outskirts, where misery, violence and despair are intertwined.

“Ba Amahmed” has been a salesman for more than three decades. After years of dodging the local authorities, he has finally managed to seize a spot on the pavement to display his goods. His merchandise varies in kind and quantity based on the market’s needs in different seasons. During the summer, he sells wild figs and watermelons. In the winter, he displays ‘made-in-China’ winter clothes, and, in other seasons, he sells sweets and holiday-related items. When these products don’t sell well, his pavement kiosk presents smuggled or second-hand goods.

The government classifies this kind of work as part of the “parallel economy” or the “informal economy”. This means that the work of “Ba Amahmed” is illegal in the government’s eyes, making him an enemy of the small dealers and contractors. He does not pay income taxes, water or electricity bills or tax receivables for the local authorities.

Those who, like “Ba Amahmed” are dependent on these sorts of activities are multiplying every year.

Alternative Economy

According to statistics, the net profit of Morocco’s parallel economy represents about 41 billion dollars.

The number is big to the extent that it could be compared to the income of a poor country resisting debt. But what about Morocco’s debt itself?

It all started in the 1980s when the government announced that the country was in a 12-billion-dollar debt, with its economy dangerously waiting “in the emergency room”. Borrowing from the International Monetary Fund (IMF) was inevitable. A process of “structural reform” proceeded as the government resorted to the privatization of several public sectors and removed governmental subsidies on basic food products. These were attempts to reduce the burden of the debt and pay the due interests.

In that difficult phase and with the deterioration of an “ill” formal economy, the activities of the shadow economy grew fervently. This economy which became bigger and stronger within the social and economic conditions of a chaotic environment, was able to disengage from the government’s authority, restrictions and demands.

For the government, the cure is the disease. Even though the parallel economy deprives the state’s treasury of hundreds of millions of dollars, the government recognizes that it also contributes to the resuscitation

of the national economy in several ways. The parallel economy annually invests a capital of about 336 million dollars. Its activities grew by 3.2 percent overall, almost 1.1 percent of the fixed national capital, since 2007.

More than 2.4 million Moroccans engage in 'shadowy practices' (or work in the informal economy), more than half of them work in informal trade, 24.5 percent are in the service sector, and 16.1 percent are employed in the industrial sector. The government finds it difficult to integrate these workers into the formal economy and, since it is incapable of solving the problem, it simply ignores the presence of these workers.

The government implicitly relies on the unregulated economy to relieve it of the burden of creating new job opportunities, developing services or creating a comprehensive and transparent economy.

Dry Spells

The unregulated economy in Morocco was never coincidental. It emerged from the midst of many crises. By the end of the 1970s and in the beginning of the 1980s, the economy, which depended heavily on agriculture, began its fast spiraling descent after years of drought. This is when parallel economy began to formulate.

The "stubborn" sky gravely harmed the villagers' farming and agricultural products. For every year of rain, there would be 3 years of drought.

The dry brown earth was the only thing that remained, desolate and waiting to be salvaged and revived.

Many farmers were consequently forced to sell their land, pack their bags and head to the city in search of an income and sustenance.

Migration to the cities increased the urbanization rate by over 50 percent during the 1990s. The villagers' migration was motivated by the drought, poverty and the marginalization of the peripheral areas. They left behind their land and everything that was important to them. The question was how they would survive in Casablanca, Rabat, Marrakech, Tangier, Agadir, Fez or Oujda, the cities of attraction that had witnessed the constant influx of rural migrants until the third millennium.

The migrant villagers, like Ba Amahmed, usually choose to work in manual labor or in seasonal jobs as construction workers, washers, street

salesmen. etc. The work they do is most likely unregulated and classified outside the formal economy.

A Distorted Morphology

This system produces structurally distorted cities. All major cities are witnessing the emergence of slums, “backyards” or “black margins”. For example, most economic activities, including “shadow activities” of trade, import and export, and other illicit transactions, are concentrated in Casablanca. The city is demographically exploding as it continues to attract expatriate villagers fleeing the geographies of poverty and marginalization.

Ba Amahmed, like many other who share his circumstances, is forced to settle in the outskirts of Casablanca in the shantytown and to live a “tin-box” house in neighborhoods not far from the center, such as the “Carrière centrale” (Kariane) or the “Mohammedi Quarter”, or in far ends of the outskirts in “Sidi Moumen”. As the Moroccans often say, the city is trying to get rid of its “snot”! However, those attempts fail as the many manifestations of the shadow economy still produce slums and shantytowns that poorly frame the contradicting city center’s skyscrapers!

This system produces structurally distorted cities. All major cities are witnessing the emergence of slums, “backyards” or “black margins”. For example, most economic activities, including “shadow activities” of trade, import and export, and other illicit transactions, are concentrated in Casablanca.

Peddlers make the most of the quiet nighttime which allows them to avoid the authorities while they build simple cabin shops of four walls and a zinc roof. Trying to catch up with the lifestyles they witness around them, they install giant satellite dishes on top of their metallic roofs. This is their way of trying to improve their social conditions and escape their gloomy reality. In their narrow alleys, basic services like transportation, sanitation and potable water are nonexistent. The state’s go-to response to the inhabitants’ objections is “you do not pay taxes, this is how you deserve to live”. Nevertheless, the residents still try to seek alternatives to governmental services in their ongoing struggle for survival. The solidarity among them, in varying degrees, keeps them going. For example, if one

needed electricity, a neighbor would offer to share a cable and split the expenses of the electricity bill, and the same happens with water or transportation.

People who partake in the parallel economy and its activities, like “Ba Amahmed”, contribute to the “ruralization” of cities.

Most of the migrants do not have an elementary school education (according to a study by the Planning Commission, more than a third of them are illiterate, 33.6 percent did not go beyond primary education, 28.4 percent had a middle school education, while only 3.3 percent had access to higher education).

They still adhere to the traditional lifestyle of the village, such as practicing poultry farming and herding small flocks of sheep and sometimes they rely on donkey-driven carts as a means of transportation or for shopping.

A Reservoir of Election Votes

Some street vendors cheer for their candidate in the slum’s streets “Who did we gather for?... Our only candidate X!”, and so the election season begins! Every five or six years, life improves a little for those who live in the slums, but the improvement is only temporary as donations, gifts and blue paper notes are distributed to the women and men.

Election season also brings promises, rosy dreams and projects about employment and a promised special market for street vendors where they could enhance their financial situation and living conditions.

Representatives of the authority usually try to polarize the people in favor of one of the candidates. They address the citizens as “the protectors of democracy” who have the serious responsibility to participate in the democratic process.

The people are thus politically exploited in the elections, not as citizens, but as numbers in the ballot box that may change the course of the political game.

For decades, Morocco’s marginal slums, produced by the shadow economy, have shifted their political loyalty, from the socialist left to the pro-state administrative parties and finally to the conservative Islamic right. For politicians, the marginal areas are an opportunity for winning quick votes to reach the parliament or local municipal councils. Big speeches never changed anything on the ground.

Citizens who lost all faith in the words of politicians further clung to their small selling carts and asphalt stands instead of the unreliable election boxes. In fact, they would only vote for those who were ready to ensure the protection of their street businesses in the face of the authorities' abuse and harassment.

Sometimes the authorities may resort to blackmail, promising the street vendors that they would overlook their activities and allow them to run smoothly in exchange for their vote to a particular state-supported candidate.

Manufacturing Violence

The slums offer no prospects of change and poor living conditions are perpetuated. These slums only exist because people like “Ba Amahmed” need to live, even if they have to make do with the bare minimum. They are the product of larger continuous processes that reproduce misery in its worst manifestations, giving way for the emergence of other violent social phenomena.

Sometimes, the authorities may resort to blackmail, promising the street vendors that they will overlook their activities in exchange for their vote to a particular state-supported candidate.

Those who do manual labor or street jobs in the parallel economy live in poverty with their families. The young sons usually grow up speaking the language of the streets, amid its morals and uncontrolled phenomena.

“Violence makes the loudest statement” in the streets of the city where the law of the jungle reigns.

The vast majority of the slums' youth is forced to work in a seasonal economic activity that is unregulated and unstable in terms of income and sustainability. Unemployment is disguised as seasonal employment and temporary little jobs that most of the young people are forced to undertake. Although some of them hold university or vocational degrees, they are unable to find relevant jobs, which inevitably generates frustration, despair and anger. Physical violence is hence generated within their homes, neighborhoods and communities as a symbolic retaliation for their miserable circumstances.

An exemplary manifestation of the described situation is the “Sidi Moumen” neighborhood in Casablanca, a marginal neighborhood born out of the policies of impoverishment.

Sidi Moumen’s population exceeds 250 thousand people, more than 80 percent of whom migrated from villages. The neighborhood, once a shantytown, turned into a concrete jungle of buildings and collective housing structures which were part of a state-implemented project since the beginning of the millennium. The project aimed to eliminate the tin shacks from the peripheries of the major cities, yet the poor neighborhoods manufactured a generation of young violent people who exhibited violence to show “manliness”, vehemence or rebellion, and to protest the failure of societal institutions in containing them as legitimate components.

In some cases, the violence reflects a desire for retaliation and suicide, like the involvement in extremist religious groups. Perhaps the most striking evidence of this occurred on 16 May 2003, when young people (including 12 suicide bombers from the Sidi Moumen neighborhood) blew themselves up in various locations in Casablanca.

After the attack, it was said that the neighborhood was a “factory” that produced a frustrated suicidal youth. The authorities were quick to implement partial localized solutions, like building nearby playgrounds, cultural and recreational spaces for young people.

Despite these efforts, the neighborhood still produces suicide bombers who join fundamentalist groups outside the country and in areas of conflict such as Iraq, Syria and Libya.

According to the figures released by the Ministry of Interior in May 2017, the number of Moroccan fighters who joined extremist organizations in the Middle East is estimated at more than 1,699 fighters, 929 of those are fighting with ISIS. According to the figures, 596 Moroccan fighters died in various areas, while 213 returned to Morocco.

The youth of this slum and others are victims of political, social, cultural and economic systems that are dysfunctional and degraded. These areas have become incubators for the parallel economy. They fuel unregulated activities that continue to make sizable profits, giving substantial weight and importance to the informal sector in the Moroccan economy.



The Roots and Political Function of the Informal Economy in Morocco

Abdellatif Zerwal

Researcher in Social Sciences from Morocco

Thirty-five years of neoliberal policies have nurtured and sustained the “patterns of poor development” in Morocco.

The unregulated economy in Morocco finds its roots in the era of French colonialism, when the capitalist system of production was endorsed as the Moroccan economy became subordinate to the needs of the “Metropole” (or the Center). After the end of the French Protectorate in 1956, Morocco has mainly become an exporter of phosphate and agricultural products (recently, car assembly parts have been added to the main exports).

The country has not yet witnessed an agricultural reform that would redistribute the land and help in reducing the migration of large segments of people from the rural areas to cities. The industrial sector has not received the same care that was given to the tourism sector or to the export of agricultural products, for example.

As a result, the Moroccan industrial sector remained weak, dependent on light export-oriented industries, dominated by foreign capital (French in particular), and unable to absorb the enormous labor force coming from the rural regions after the demographic explosion.

A disintegrated, subordinate and rentier economy dominated by foreign companies and local monopolies run by those in power could only produce unemployment, poverty and marginalization. Such is the case of the Moroccan economy.

This situation was also accompanied by a “Malthusian” educational policy (derived from the name of the English economist Thomas Robert Malthus) that closed the school’s doors on a wide range of Moroccan citizens.

According to the latest census, published in 2014, the illiteracy rate in Morocco was of 32 percent, which means that the country is relegated to one of the lowest ranks in schooling and education in the Maghreb and the entire Arab region.

A disintegrated, subordinate and rentier economy dominated by foreign companies and local monopolies run by those in power could only produce unemployment, poverty and marginalization. Such is the case of the Moroccan economy.

The millions of citizens deprived of the rights to education and permanent employment are prompted to work in marginal activities or establish illicit “small-capital” projects within the informal economy.

The informal economy grew considerably during the decade (1983-1993), in which the “Structural Adjustment Project” was being implemented in Morocco. This decade was marked by an exploding upsurge of

unemployment rates, a proliferation of precarious work, a decline in public investment and public employment and a deterioration of the purchasing power of large segments of middle and lower working classes.

According to the World Bank, about 70 percent of the jobs created between 1986 and 1990 resulted from the expansion of the parallel economy (1).

Figures from the Unregulated Sector

Morocco lacks conclusive and comprehensive statistics on the informal economy as a whole. The official figures available mostly cover non-agricultural production units that do not use concrete accounting systems (2). Unfortunately, we have no choice but to rely on the available data.

By the end of the 1990s, the informal sector employed about 39 percent of workers from the non-agricultural sectors, which constitutes nearly 2 million people (3). In 2007, the figure was 37.3 percent (2,166,116 people) (4). Seven years later, in 2014, there was a one-percent decline in the percentage (36.3 percent), despite the increase in the number of informal employees (2,275,922 people in 2014) (5). The number of informal units that constitute the unregulated sector increased from 1.23 million in 1999 to 1.68 million in 2013, most of which (51.4 percent) do not even have a fixed workplace (6).

The informal economy grew considerably during the decade (1983-1993), in which the “Structural Adjustment Project” was being implemented in Morocco. This decade was marked by an exploding upsurge of unemployment rates, a proliferation of precarious work with a decline in public investment and public employment and a deterioration of the purchasing power of large segments of middle and lower working classes.

Investments in this sector mainly rely on “self-financing”: 82.2 percent of these units are self-financed, while only 9 percent tend to borrow money from banks (7). The unregulated sector accounts for 11.5 percent of the gross domestic product (GDP). 77.8 percent of the sales from the informal units are directed toward household consumption. It is also a sector dominated by self-employed workers, with only 17.2 percent of the total workers being employed wage-earners.

The informal sector has therefore maintained its overall economic and social weight in the 15 years between 1999 and 2014, despite all the measures enacted to integrate it into the “structured economy”.

Its existence is linked to the “pattern of poor development” well-known by Morocco and fueled by the neoliberal policies put into practice for the past 35 years.

The informal economy is mainly comprised of small trade activities (especially pavement trade) and little enterprises in the industry, services and real estate sectors, which essentially makes it an economic space that encourages activities by the vast masses of the urban proletariat and some of the most vulnerable and exploited working class citizens.

The Political Function: A Resistance Pattern or a Safety Valve?

What is the “political function” of the informal economy in Morocco? Answers to this question take on two different types of approaches and directions:

1- The first approach is that “the function assigned to the presence of precarious work activities” (8) is “to control the reaction of the protest forces and to alleviate social tensions” (9), and that the informal sector functions as a “preventive social mechanism” (10). It acts as a safety valve that maintains the status quo. The hawkers’ role in the protests of 2011 in Morocco, for instance, may have validated this approach. The political authorities allowed them greater freedom to perform their informal activities in exchange for their refrain from joining the “February 20th Movement”. As soon as the movement receded, the authorities went back to restricting the movement of hawkers and street vendors, using the complaints of regular merchants and passers-by as an excuse.

During the same period, the authorities had also become tolerant toward those who illegally constructed housing units, only to demolish these dwellings and arrest those who built them after the tensions eased in the street. It is clear that manipulating the activity of the informal economy becomes a means of erecting barriers to obstruct the convergence of people’s different struggles and interests and to fuel contradictions and conflicts among them.

2- The second approach views the informal economy as a form of resistance against the power of the neo-liberal state and its models of development.

The logic that governs a neoliberal open market starkly contrasts with how a significant part of the informal economy operates, with respect to its reliance on kinship relations and tribal or regional solidarity to mobilize the material and symbolic resources needed for its economic activities. “Bypassing” and “ignoring” the legal arsenal, produced by the neoliberal state that “owns” the public sphere, are “quiet violations committed by ordinary people who – in their quest to survive and improve their living conditions – enable themselves to realize their interests, at the expense of those who own and dominate. The essence of these political practices may be reflected incidentally through a collective act, such as the open, transient and unstructured protests that unfold without a clear central leadership. The successive urban upheavals in Morocco (1965, 1981, 1984, 1990) were fueled by these social groups in particular, which may confirm the validity of this second understanding of the political role of informal economy.

The informal sector functions as a “preventive social mechanism”. It acts as a safety valve that maintains the status quo. The hawkers who were allowed greater freedom to perform their informal activities in the wake of the “February 20th Movement” were soon restricted again when the movement receded.

The discrepancy between these two types of approaches and how they understand informal economy reflects the contradiction between a vision that distrusts the masses of the “Lumpenproletariat” and another vision that regards them as the main constituent force of the revolution. It echoes an older debate already discussed in past revolutionary movements, especially in peripheral societies where the masses of the “marginalized” represent a large section of the people, if not the majority. Neoliberal policies, with their devastating effects, have perhaps paved the way to new ideas about overcoming this contradiction. The widespread precariousness and the lack of economic security put the social groups that had previously known employment stability at risk, leading those afflicted to share and transfer their experience in organization and mobilization of protest to others among the oppressed. The students and workers who are part of the informal economy and have some experience in protests and struggles can hence use this opportunity to transfer their organizational expertise to wider groups of people. The protests of “Al-

Reef” and “Jerada”, in addition to the attempts to organize the street vendors, are a partial product of this experience being transmitted across different groups. It is perhaps one of the most unexpected results of the neoliberal policies.

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2) *The accounting system currently in effect in Morocco that the local companies must endorse and act according to.*

3) Direction de la Statistique, *Enquête nationale sur le secteur informel non agricole 1999-2000, Ministère de la Prévision économique et du Plan, Rabat, 2003*

4) Haut Commissariat au Plan, *Enquête nationale sur le secteur informel 2006-2007, Rabat, 2009*

5) Haut Commissariat au Plan, *Présentation des résultats de l'Enquête Nationale sur le Secteur Informel 2013/2014, Rabat, 2016*

6) *bid*

7) *ibid*

8) Al-Oudi, Mahmoud. “The Layers of poverty in the Informal Sector and its Social Consequences”, *Al-Taharor, 1st Edition, p. 122*

9) *ibid*

10) *ibid p. 121*

11) Bayat, Asef. *Life as Politics: How Ordinary People Change the Middle East, Stanford University Press, Palo Alto, 2009* p. 90



Female Smugglers Between the Source and the Commercial Estuaries

Mohamed Benaziz

Moroccan journalist and filmmaker

A closer look at the phenomenon of the “women-mules”; the female smugglers who smuggle goods from the border crossing of “Ceuta”, the Moroccan city occupied by Spain, to the popular markets of the country.

There are the “estuaries”, the random popular markets that spread on the sidewalks of most urban streets in Morocco, and there is the source, the city of Ceuta. Between the two ends lays a long trail on which travel the many stories of the women who carry the goods all along the journey. The “Tarakhal” crossing is the narrow door through which public smuggling happens. The Moroccan city of Ceuta, occupied by Spain since six hundred years, is the one and only source of all smuggled goods. A crowd of people and smugglers all try to pass through the small gate while the police officers find themselves incapable to organize this terrible human congestion.

The Female “Mules”

Thousands of women carry huge bundles of used clothes, chocolates and other goods on their backs, comprising a shocking and peculiar sight. The mainstream media dubbed these women “the mules”, amid legal and media protests over the degrading character of the label. Even though the media stopped using this term, it remains widely common among the people.

The number of “mule”, or women smugglers, is estimated to be around nine thousand. The images taken at the border before photography was banned show endless packed lines of these human carriers. These photos, in which a policeman is always standing, guiding the women, carry much significance.

One-way smuggling, from occupied Ceuta to Morocco is only the tip of the iceberg of the parallel economy which plays a substantial role in the Moroccan economy and society.

Parallel economic activities take place in several domains, most notably in the real estate, a sector that “lays golden eggs”, amassing money through tax evasion and concealing the real prices from the land registry. According to a study released in April 2018 by the General Federation of Moroccan Enterprises (CGEM), the informal sector accounts for 20 percent of the gross domestic product (GDP) and 20 percent of imports, affecting 54 percent of textile and clothing activities and 26 percent of the food industry. It employs 2.4 million people, accounting for 36.3 percent of the labor market in non-agricultural sectors nationwide.

Morocco's proximity to Europe allows a continuous flow of goods as 14 kilometers is not an obstructive distance for modern ships and speedboats. The enormous quantities of goods available in Ceuta attract women from all parts of Morocco. From the slums that surround the cities, the popular neighborhoods, the desert or the countryside, women, mostly in their fifties, choose this small trade over working in the sector of agriculture. From Ceuta, they return with their goods the same way they arrived, in trucks and buses, sleeping overnights on the road. Whenever one of these vehicles is stopped for inspection, a driver's assistant talks to the gendarmerie to "reassure" them.

The practice of these women is also called "smuggling for livelihood", according to the official sterile term. The goods they carry reach countless "estuaries". They are sold in popular markets where sidewalks function as open-air shops, displaying Western non-Moroccan brands, and proposing various products such as sheets, shoes, cheese and nail polish.

This type of smuggling is the most obvious form of parallel economy. It is a "terrestrial" economy, affected by factors of weather, dust and congestion. The so-called "souks of the north" that spread over Moroccan cities, from the giant Casablanca to the small Tiflet (70 kilometers east of Rabat), are difficult to penetrate. In all these places, the mothers are the breadwinners, the youth is unemployed, and "solidarity" means that a woman provides daily bread for the many members of the family.

What Makes the Informal Sector "Necessary"?

The answer is the weak purchasing power of the people, the lack of job opportunities and the prevalence of "disguised unemployment" that is the seasonal temporary self-employment.

The name most widely used for the informal sector is "the black economy". It involves goods of unknown origin which lack proper documentation from the manufacturer. In unauthorized production units, unregistered in the commercial register, money is paid and received outside the banking system and commercial transactions are conducted in arbitrary spaces. This sector evades taxes and the individuals who work in it have no health coverage or retirement pensions.

The informal sector's activities are found everywhere: in the ten-dollar smuggled piece of clothes that is being sold on the sidewalks, in the hard currency trade of the young people who stand on Rabat's street corners whispering "exchange, exchange!", and in the "Ain Harouda" villages in the North of Casablanca, where covert factories load trucks with goods worth hundreds of thousands of dollars. The luxurious cars, roaming in the villages of "Ain Harouda" is a good indicator of the popularity of those contraband products in the markets of the country .

It is clear that the authorities are aware of the whole process yet choose to ignore it. All of these activities are ways of earning a living in a world of "each -for-himself".

It is difficult to dissect all forms of informal economy in Morocco which has a pronounced aversion to investigative journalism. However, the case of the women porters can be observed as it floats back on the different media outlets whenever a tragic death by overcrowding incident occurs at the Ceuta crossing.

Small capitals cannot afford a slow economic cycle, so the women try to liquidate their goods as quickly as possible in the "estuaries". In the markets, they sit patiently for long hours on the sidewalk or against a wall, trying to sell whatever is in their possession.

Smuggling is Not a Coincidence

Occupying a street space for selling goods is permitted by "oral agreement", and the same goes for smuggling. Sometimes, smuggled goods are confiscated in cities in the heart of Morocco, a thousand kilometers from the border. No one asks how those products got there in the first place, or why these goods in particular are being confiscated, and not others elsewhere. These random operations are often interpreted as a selective punishment against a particular group for failing to perform certain tasks. For example, the smuggling of computers has decreased since the outbreak of Al Hoceima protests. Law enforcement was suddenly needed.

The economic activity of smuggling is not "new" in Morocco as it has been practiced since the end of the nineteenth century.

Until the last quarter of the twentieth century, smuggling was directed

towards the elite who needed expensive forbidden goods, like whiskey. Though, at the end of the twentieth century, these goods became legal and international brands opened branches in Morocco, reducing the profitable smuggling business. Of course, the elite would not smuggle second-hand clothing, but rare and expensive goods. What remained was the smuggling-for-livelihood, practiced by the poor women.

For the tax collector, the informal economy is “black”. The money is not detected by the banks and the capitals and debts are placed outside all financial institutions for fear of going through the banking systems.

Statistically, every year since 2007, about 40 thousand unregulated production units are founded in the informal sector in Morocco and the number of transactions made in the unorganized sector have been increasing annually by 6.5 percent. Occupations in trade and commerce remain the most profitable for unregulated entrepreneurs. Hence, The General Federation of Moroccan Enterprises (CGEM, the employers’ union) has called on the government to integrate the parallel economy into the structured economy.

Why Does Smuggling Continue to Thrive?

Moroccan consumers regard every product from a foreign brand as being of good quality, rendering the Moroccan market an encouraging environment for smuggling. Women left at the mercy of their economic situations, in deep poverty, without education or resources, participate, in whichever way they can, in the smuggling activities.

In Morocco, more than ninety percent of all property is registered in the names of men, meaning that women (half of the society) own only about five percent of the overall wealth.

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In addition, unemployment is widespread in Morocco.

An official report recommended that the government should provide 400 thousand jobs every year in all fields, but the economy currently provides only 200 thousand jobs. Therefore, there are 200 thousand people who must manage in other ways and it is needless to say that this has

consequences.

King Mohammed VI himself declared the failure of the Moroccan model to produce a fair distribution of wealth. This “model” was established and launched in the hope of remedying to some “flaws” revealed by the Arab Development Report in 2003. Fifteen years later, the king announced that Morocco had to adopt an alternative development model.

Mohammed VI’s description and evaluation of the economic situation was more accurate than that of the Moroccan opposition.

The Link between Protests and Smuggling Control

What is the most obvious manifestation of failure? The well-known story repeats itself: suddenly, in an unexpected place in Morocco, protests erupt, resulting in confrontations, destruction of public property, fires, burned cars, mass arrests, and marathon trials that end without verdicts. Many condemn the events while raising an incredulous question: why does the Moroccan citizen who is sane, peaceful and well resort to such violent actions?

The citizens demanded that the state either ignores the smuggling or provides jobs for the people, but the state did not heed the second request. Thus, it seems that the Moroccan government is deemed to choose between finding employment for young people, allowing them to migrate (Harraga), or letting them smuggle goods.

For instance, after fences were erected at the Algerian border halting the smuggling there, unrest in eastern Morocco increased rapidly. The newspapers published that “Moroccans demanded jobs after cross-border smuggling with Algeria was prevented.” In this case, the smuggling of gasoline, usually practiced by men, was prohibited.

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On October 28th of 2016, a young man was killed in a truck in Al Hoceima,

igniting a protest movement in the area, where social demands and feelings of persecution on a regional basis were intertwined. The victim was a fish smuggler who sold illegal product outside of the regulated fish market. This information was ignored because smuggling is an eminent reality in Morocco.

When the police intervene to enforce the law, the street sellers usually organize a protest in which they raise pictures of the king to avoid any possible collisions. In the quiet days, the police is considered to be a loose device of control. At the gates of occupied Ceuta, smuggling is permitted yet photography is forbidden.

There is yet another unconventional mode of protest. Smuggling had declined by the end of 2017 and the beginning of 2018 due to a long winter hiatus. Small capital, however, cannot afford to stop its circulation and always needs a small cycle. Moroccan newspapers reported that protesters had marched in the occupied city of Ceuta because of the diminishing smuggling activity, causing chaos and overcrowding and asking for the return of the women smugglers to sell their goods.

Morocco's geographic location is an asset in itself, and this reduces the possibility of a collapse in the situation of Ceuta which survives on smuggling. The Spanish Government responded to the protesters' demands in April and began the construction of a maritime gateway between occupied Ceuta and Morocco to circumvent the overcrowding at the sole crossing point.

Women smugglers will eventually adapt to the situation by creating other ways to reach the goods to-be-smuggled, and carry on their "business-as-usual".

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