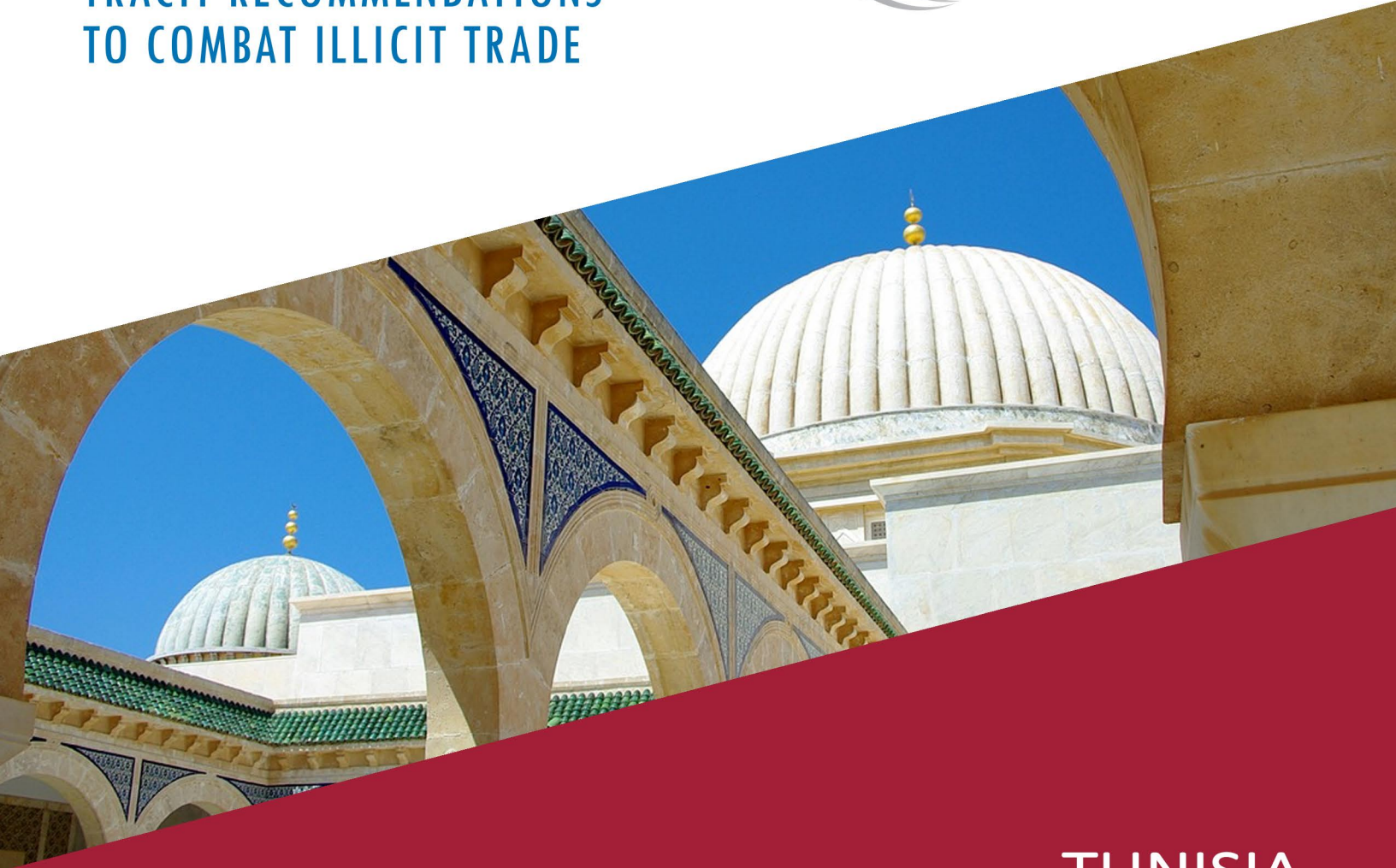


**THE GLOBAL ILLICIT TRADE
ENVIRONMENT INDEX:
TRACIT RECOMMENDATIONS
TO COMBAT ILLICIT TRADE**



**TUNISIA
Recommendations**

Policy Recommendations to Combat Illicit Trade

Inspired by the Global Illicit Trade Environment Index

Tunisia

Introduction

The Transnational Alliance to Combat Illicit Trade (TRACIT) commissioned the Economist Intelligence Unit (EIU) to produce the *Global Illicit Trade Environment Index*. It evaluates 84 countries on their structural capability to effectively protect against illicit trade, highlighting specific strengths and weaknesses across 25 policy, legal, regulatory, economic, trade, institutional and cultural indicators.

The findings are intended to help policy makers: (i) better understand the regulatory environment and economic circumstances that enable illicit trade; (ii) identify areas that merit greater attention; and, (iii) formulate strategies to address the serious threats posed by illicit trade.

To encourage an effective policy response to illicit trade, TRACIT prepared a set of policy recommendations inspired by the thematic categories upon which the *Global Index* was constructed. These recommendations are universal in nature, providing a “checklist” of fundamental measures governments can implement to improve their ability to defend against illicit trade. They are published in the TRACIT Report: [Recommendations to Combat Illicit Trade: Inspired by the Global Illicit Trade Environment Index](#). Additionally, we have prepared topical recommendations relevant to Tunisia.

Priorities for Tunisia

- **Strengthen cooperation with neighboring countries** to address informal cross-border trade, smuggling and alignment of tax and subsidy policies. Regional cooperation mechanisms including bilateral and multilateral trade negotiations should be utilized, along with projects sponsored by international organizations such the World Customs Organization (WCO). These efforts can serve as a reference to further develop Tunisia’s legislation and regulatory enforcement measures against illicit trade.
- **Strengthen interagency cooperation at the national level**, particularly coordination with health, economic, security, finance and customs agencies. A successful strategy against illicit trade will require concerted, sustained and joined up efforts between all the responsible government bodies. To oversee the interagency cooperation, Tunisia should consider appointing an “Anti-Illicit Trade Coordinator” with high-level authority within

the national government. Objectives would include raising the profile on illicit trade, allocating necessary financial and personnel resources and more aggressively enforcing anti-illicit trade regulations, especially in the areas of Intellectual Property Rights violations and untaxed and unregulated parallel (grey) market imports.

- **Tackle pervasive corrupt practices** that continue to facilitate illicit trade, notably at the level of customs, law enforcement authorities and the judiciary. Tunisia’s “war on corruption” introduces valuable measures that can reduce illicit trade, but as long as corruption persists within customs, any attempt to strengthen border policing and control will have limited effect. Increased automation in customs procedures can be effective in mitigating “opportunities” for corruption. Addressing corruption must be tackled head on if strategies to combat illicit trade are to have any chance for success.
- **Tighten controls on money laundering.** Denying access to entities and mechanisms used to launder proceeds of crime—and thereby depriving criminals and their networks of related profits—is one of the most effective ways to deter illicit trade. This requires a holistic, comprehensive anti-money laundering regime including the ability to trace, freeze, seize and confiscate assets related to illicit financial flows. The Financial Action Task Force (FATF) has recognized that Tunisia has taken steps towards improving measures against anti-money laundering and counter-terrorist financing (AML/CFT), but that greater efforts are required to address deficiencies. Working with the FATF to strengthen the effectiveness of its AML/CFT regime, including tackling money laundering associated with illicit trade, must be a high-level political policy priority.
- **Rationalize tax policies and subsidies** to ensure that they do not incentivize illicit trade, smuggling, adulteration and theft. For example, excessive tax levels can reduce affordability of legitimate products and drive demand for illicit substitutes. Organized crime groups (OCGs) also may practice “tax arbitrage” to gain profits by smuggling products from relatively lower to higher taxed markets. Differences in tax burden, government subsidies and varying levels of domestic availability of goods in the region are important drivers of illicit trade in Tunisia. Together, these factors create large price differentials between neighboring countries, significantly enhancing the profitability of cross-border smuggling. Tax policies and subsidy policies need to account for various demand-related factors including overall consumption, price, income levels and the ensuing affordability of products. Addressing both the supply and demand side of illicit trade in Tunisia will require increased regional coordination and greater harmonization between Tunisia and its neighbors in terms of tariffs, tax levels and subsidies.
- **Strengthen IPR enforcement.** Tunisia has some key IPR legislation in place, including those required by the WTO agreement on Trade-Related Aspects of Intellectual Property (TRIPS), stricter penalties for counterfeiting, and authorization for customs officials to perform inspections and provisional seizure of products suspected of being counterfeit.

Enforcement of these provisions, however, remains a concern. To improve IP protection and the fight against counterfeiting and piracy, existing legislation must be accompanied by stricter enforcement, action plans to combat digital piracy, and closer scrutiny of producers and importers of counterfeit goods.

- **Take proactive measures to protect Tunisia from illicit goods transiting through Free Trade Zones.** Ensuring transparency, monitoring and Customs oversight in the “Parcs d’Activités Economiques” of Bizerte and Zarzis is an important measure to reduce trafficking vulnerabilities and improving the integrity of global supply chains. National Customs should continue to enforce laws, including powers for seizure and confiscation of goods and protection of IPR, to ensure that zones do not become hotspots for illicit trade.
 - Take strong and proactive measures to protect zones from illicit traders, including risk profiling of suspect shipments; ex-officio checks on goods stored and services conducted in zones; Customs supervision of the zone perimeter and entry and exit points; validate identity of zones operators and their clients; implement “Know Your Policy Customer” and “Due Diligence” measures.
 - Designate a competent authority to issue licenses to manufacture, import, export, broker, or ship raw materials and other key inputs necessary for production within manufacturing and packaging facilities in zones. Such authority also should be responsible for renewal, suspension, and cancelation of the licenses in accordance with national law.
 - Modernize and increase investment in the infrastructure as well as strengthen the institutions at the two Parcs d’Activités Economiques. While strong infrastructure is not a guarantee against illicit trade, weak and outdated infrastructure creates vulnerabilities that are easy to exploit and makes inspections more difficult.
 - Create a formal mechanism to further cooperate with the private sector and international organizations to share information and work on more stringent regulations to prevent illicit trade activities within zones.
- Improve public awareness and education on the threat of illicit trade. In Tunisia, efforts to address illicit trade are hampered by a lack of public awareness on its dangers, which has led to a degree of social acceptability in some of the border communities where smuggling of cigarettes, fuel, foodstuffs, clothing and construction materials are considered “innocent smuggling”. To this end, local and regional education campaigns and community-level awareness activities are essential to help shift public perception and understanding of the negative impacts of illicit trade.