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Tunisian New Entrepreneurs and their Past Experiences of Migration in Europe

Jean-Pierre Cassarino

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*Tunisian New Entrepreneurs and
their Past Experiences of
Migration in Europe*

Resource mobilization, networks, and hidden disaffection

JEAN-PIERRE CASSARINO

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Contents

<i>List of Figures</i>	vi
<i>List of Tables</i>	vii
<i>Acknowledgments</i>	viii
<i>Abbreviations</i>	x
1 Introduction	1
2 On Return Migration and Resource Mobilization	10
3 Past Migration Experiences and Private Entrepreneurship	36
4 Institutional Changes and Participatory Development: the Variety of Business Alliances	98
5 The New <i>Entrepreneurship</i> and the Circularity of Cross-Border Social and Economic Networks	165
6 The Responsiveness of Cross-Border Social and Economic Networks	215
Appendix	225
Bibliography	228
Index	255

List of Figures

Figure 1.1	Migrants' remittances to the Maghreb countries (1980-94)	2
Figure 2.1	Social capital and the relevance of past experience of migration	17
Figure 2.2	Tunisian migrants' financial and in-kind transfers (1982-96)	23
Figure 3.1	Number of operatives and licensed ITCs in Tunisia (1988-96)	83
Figure 3.2	An overview of the return context of the interviewed entrepreneurs	92
Figure 4.1	Growth and decline in the number of operative firms and job creation in the manufacturing industries (1986-95)	119
Figure 5.1	Flows of IDIs in Tunisia as percentage of gross domestic fixed investment (1972-94)	173
Figure 5.2	Amount of IDIs in the Tunisian manufacturing industries (1972-94)	174
Figure 5.3	The interrelationship between <i>relevance</i> and <i>congruence</i>	199
Figure 5.4	The circularity of cross-border social and economic networks	206
Figure 6.1	Social capital, past experience of migration and cross-border social and economic networks	219

List of Tables

Table 2.1	Number of Tunisian return migrants and their former receiving countries (1984-89)	20
Table 3.1	Identification criteria of the <i>Heirs</i> , the <i>Converts</i> , and the <i>New Entrepreneurs</i>	39
Table 4.1	Tunis-based CSCE	116
Table 4.2	A comparison between the number of licensed and operative firms in the Tunisian manufacturing industries (1986-93)	122
Table 4.3	Effective protection rates of the domestic market	124
Table 4.4	A comparison between the number of licensed and operative firms created by the TREs in the Tunisian manufacturing industries (1988-94)	128
Table 4.5	Number of operative firms run by the TREs: their sectoral distribution (1980-95)	129

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Abbreviations

AFI	Agence Foncière Industrielle
AMU	Arab Maghreb Union
API	Agence de Promotion des Investissements (before 1987)
	Agence de Promotion de l'Industrie (since August 1987)
APIA	Agence de Promotion des Investissements Agricoles
APIE	Agence de Promotion des Investissements Etrangers
ATI	Agence Tunisienne Internet
ATUGE	Association des Tunisiens des Grandes Ecoles
BIAT	Banque Internationale Arabe de Tunisie
BMN	Bureau de Mise à Niveau
BSTP	Bourse de la Sous-Traitance et du Partenariat
BTS	Banque Tunisienne de Solidarité
CAREPP	Commission d'Assainissement et de Restructuration des Entreprises à Participation Publique
CAT	Carrefour de l'Artisanat et de la Technologie
CC	Conseil National de la Concurrence
CCIT	Chambre de Commerce et de l'Industrie de Tunis
CII	Code d'Incitations aux Investissements
CEPEX	Centre de Promotion des Exportations
CFD	Caisse Française de Développement
CNFCPP	Centre National de Formation Continue et de Promotion Professionnelle
CNPF	Conseil National du Patronat Français
CNSS	Caisse Nationale de la Sécurité Sociale
COFIL	Comité de Pilorage
COTUNACE	Compagnie Tunisienne Nationale d'Assurance-Crédit à l'Export
CSCE	Centre de Soutien à la Création de l'Entreprise
CSE	Conseil Supérieur des Exportations
CSEE	Commission de Suivi des Entreprises Economiques

CSDHLF

CSI	Comité Supérieur des Droits de l'Homme et des Libertés Fondamentales
EMA	Commission Supérieure des Investissements
ETE	Euro-Mediterranean Agreement
ETPA	Euro-Tunisie Entreprise
EU	Euro-Tunisian Partnership Agreement
FDI	European Union
FODEC	Foreign Direct Investment
	Fonds de Développement de la Compétitivité Industrielle
FODEP	Fonds de Dépollution
FOPRODEX	Fonds de Promotion des Exportations
FOPRODI	Fonds de Promotion et de Décentralisation Industrielle
FOPROMAT	Fonds de Promotion et de Maîtrise de la Technologie
FSN	Fonds de Solidarité National ('Fonds 26-26')
GoT	Government of Tunisia
GDFI	Gross domestic fixed investment
GDP	Gross domestic product
IACE	Institut Arabe des Chefs d'Entreprise
IDI	Inward Direct Investment
IMF	International Monetary Fund
INS	Institut National de la Statistique
ITC	International Trade Company
LTDH	Ligue Tunisienne des Droits de l'Homme
MANFORM	Mise à Niveau de la FORMation (professionnelle)
MDS	Mouvement des Démocrates Socialistes
MEDA	Mediterranean-European Development Agreement
MNC	Mediterranean Non-member Country
MTI	Mouvement de la Tendence Islamiste
MUP	Mouvement de l'Unité Populaire
NA	National Assembly
NGO	Non-governmental organisation
NIIC	New Investment Incentives Code
NSC	National Security Council
OAU	Organization of African Unity
OMI	Office des Migrations Internationales
ONAP	Observatoire National de l'Approvisionnement et

OSC	Off shore company
PCT	Parti Communiste Tunisien
PHARE	Poland Hungary Aid to the Restructuring of Economies
PMN	Programme de Mise à Niveau
PSD	Parti Socialiste Destourien
PSP	Parti Social pour le Progrès
RCD	Rassemblement Constitutionnel Démocratique
RMP	Revamped Mediterranean Policy
SAP	Structural Adjustment Programme
SME	Small and medium-sized enterprise
SMVDA	Société de Mise en Valeur et de Développement Agricole
SOE	State-owned enterprise
STICODEVAM	Société Tunisienne Interprofessionnelle de Compensation et de Dépôt des Valeurs Mobilières Tunisiens Résidents à l'Etranger
TRES	Union Bancaire pour le Commerce et l'Industrie
UBCI	Union Démocratique Unioniste
UDU	Union Générale des Etudiants Tunisiens
UGET	Union Générale des Travailleurs Tunisiens
UGTT	Union Tunisienne de l'Industrie, du Commerce et de l'Artisanat
UTICA	de l'Artisanat
VAI	Value-Added Tax
WTO	World Trade Organization
WB	World Bank

1 Introduction

International migrations, whether these are documented or not, illustrate not only the persistence of asymmetrical development between sending and receiving areas but also generate and reinforce links of interdependence among the latter. The cases of West Mediterranean countries are reflective of such regional discrepancies, in all their various forms, which have generated the cross-border mobility of persons from the southern to the northern shores of the West Mediterranean basin. Despite various attempts at building bridges between the Maghreb¹ and the European Union (EU), this economic asymmetry still prevails in terms of standards of living, external debt deficits, trade exchanges, and technology.

However, as far as the aforementioned links of interdependence are concerned, their configuration, definition and extent have been reconsidered as a consequence of history. Arguably, such events as the implementation of structural adjustment programmes, the end of the Cold War, the consequential enlargement of Western Europe, the Gulf crisis, pervasive neo-liberal ideologies have been influential factors, among others, on the international relations existing between European member countries and the Maghreb countries.

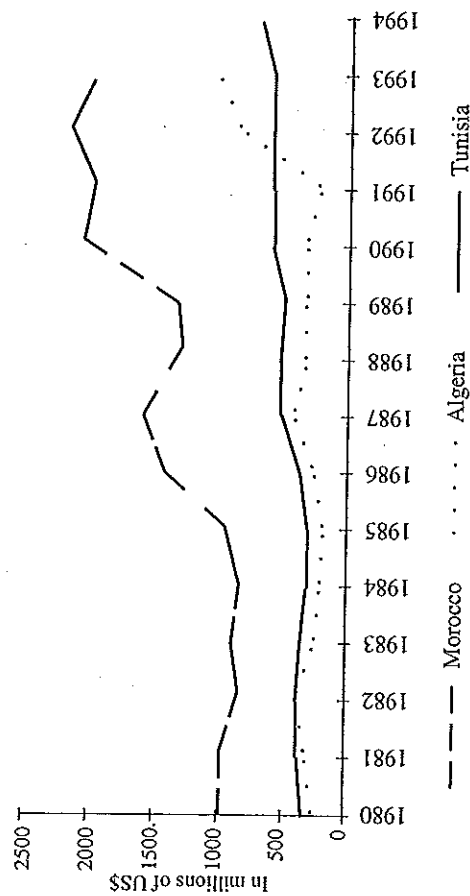
In such a variegated system of political and economic alliances and strategies, asserting whether international migrations constitute the cause or the consequence of the emergence of these links of interdependence between the countries of the West Mediterranean basin goes beyond the scope of this book, the analytical development of which is related to *one* sub-process of international migration, namely, return migration.

In fact, as Frank Bovenkerk² aptly demonstrated in the introduction of his bibliographic essay, the label *international migrations* comprises an array of sub-processes such as immigration, emigration, transient migration, re-emigration, second-time emigration, circulation and return migration. This essential terminological desegregation sheds light on the need for considering the manifold spatial configurations related to the analysis of international migrations. More importantly, it also highlights their various relevance in terms of international relations.

Never as much as today have international migrations been explicitly recognized as an international phenomenon, which involves not only the policies of receiving countries but also, contemporaneously, those of sending countries. Western Mediterranean countries exemplify this reciprocity associated with international migrations. It was formally contained in the 1990 Revamped Mediterranean Policy (RMP) of the European Union³ and in the 1995 Barcelona Declaration. However, mutual recognition does not entail the identical perception of the question of migration from both shores of the Mediterranean. For the costs and benefits of migration are not necessarily the same from one geographical locus and from one given context to another.

Since their inception, international migrations and their correlative effects have constantly been viewed by sending countries' governments as significant components of their economic development policies. The extent to which migrants' remittances and in-kind transfers allow foreign loans to be repaid in hard currency has been shown by most scholars of the Maghreb region. Just like other emigration countries, remittances still enable Morocco, Algeria and Tunisia to offset a part of their trade balance deficits as well as the costs of their imports.

Seen from the southern shore of the West Mediterranean basin, international migrations constitute a valuable though variable source of benefits that the Maghreb countries have constantly integrated in their development



Source: The World Bank, *World Tables 1995*.

Figure 1.1 Migrants' remittances to the Maghreb countries (1980-94)

programmes. It has to be said that Figure 1 only refers to the sum of savings and remitted wages that were sent through official channels from 1980 to 1994.⁴

Not only migrants operate in-kind transfers (e.g., when migrants return on holiday and export goods from their receiving countries), but also currency swap schemes⁵ which are not automatically reported statistically. At a macro level, Morocco benefits to a large extent from its migrants' official remittances. In 1993, according to World Bank statistics, these accounted for 70.2 per cent of Morocco's overall trade deficit, while in Tunisia, remittances covered 24.8 per cent of its 1993 trade deficit. However, statistics fail to illustrate the actual contribution of migrants' financial and in-kind transfers to the Algerian national economy. Owing to the development of a parallel exchange market and to the predominance of in-kind transfers involving Algerian *tourist-migrants* while returning from Europe, Algerian migrants' unofficial financial and in-kind transfers are reckoned by some scholars to be one hundredfold the amount mentioned by official statistics.⁶

Admittedly, the Maghreb countries have been sensitive to the optimization of migrants' remittances and to the recruitment of their migrants abroad. Fundamentally, the maximization of remittances is linked, on the one hand, to the overall number of immigrants living abroad and to those earning wages. On the other hand, they are dependent on the ties existing between migrants abroad and their respective countries of origin. For such reasons, the Maghreb countries have tried to reinforce their influence on immigrant communities settled in Europe, above all in France, Italy, Spain, Belgium and Germany. Also, they have made various attempts at enhancing the flexibility of their own banking systems with a view to attracting migrants' remitted wages and savings.

The extent to which the Maghreb countries have succeeded in channelling immigrants' remittances, savings and in-kind transfers, depends not only on the financial policies they respectively adopted, but also on the individual decision of the migrant himself and on the environment of his receiving country. In that connection, Jean-Pierre Garson⁷ identified three variables which may allow the profile of the migrant to be understood. First of all, migrants may be reactive to the economic and political environment of both their origin and receiving countries. According to Garson, erratic exchange rates and purchasing power, as well as political and financial crises in origin countries may generate a decrease in remitted savings and wages, contrary to reforms aiming at improving the banking sector and at liberalizing the economies of origin countries. Then, a devaluation of the currency of the

receiving country may, temporarily, postpone the immigrant's decision to remit a part of his wage and savings. Finally, social and economic crises in receiving countries, as well as return premiums (or *aide au retour*) – as these were adopted in France and in Germany in the 1970s – may stimulate financial flows to origin countries.

As a matter of fact, the intertwining of the aforementioned three variables shows that, in the realm of international politics and economics, immigrants' remittances and in-kind transfers do not only stem from individual decision; they also turn out to be sensitive to the social, economic, and political characteristics of an area which encompasses sending and receiving countries.

The various policies implemented in Morocco and Tunisia, following the adoption of their Structural Adjustment Programmes (SAPs), respectively in 1983 and 1986, and the strengthening of trade liberalization, may be viewed as factors stimulating the flows of immigrants' remittances and savings, as both countries' need for hard currencies has been growing. In fact, with a view to attracting additional amounts of immigrants' savings, exchange control in Morocco and Tunisia became more flexible. Moreover, having a bank account, in convertible Moroccan Dirhams or Tunisian Dinars was made possible.

1.1 Redrawing the Profile of Migrants

The reinforcement of privatization and trade liberalization in mid-1980s Morocco and Tunisia have entailed the gradual participation of private actors in their national economies. It may be possible that the drive to economic liberalization has changed the perception of international emigration within sending countries. In fact, this was no longer defined exclusively in terms of remittance flows and recruitment of migrants abroad, but also in terms of private investments made by immigrants in their countries of origin. The profile of the migrant has been gradually shaped by the new economic needs of emigration countries as well as by the various changes which occurred within immigrant communities living in Europe, i.e., family reunification and sedentarization, social mobility and the dynamics of immigrant entrepreneurship.⁸

Moreover, the entrepreneurial activities of immigrants in major European receiving cities has raised the interest of their origin countries. Some of them run small and medium-sized business concerns but also large enterprises in the services and in international trade (textile, mechanics). For their countries

of origin, such actors represent potential participants in the economic liberalization process.

To give an example, since the early 1990s, the Tunisian media has given immigrants increasingly positive coverage, by praising them for their contribution to national development.⁹ Information centres have been set up in the Tunisian consulates and embassies of the European cities where Tunisian immigrant entrepreneurship is concentrated. These centres of information aim to promote investment in Tunisia, and should contribute to maximizing origin countries' benefits from the dynamic of immigrant entrepreneurs by informing, thanks to formal briefings, Tunisian immigrant entrepreneurs about the opportunities of investment existing in their countries of origin.¹⁰

These initiatives, sponsored by origin countries, clearly show that the imperatives of economic transition in developing countries, added to the recognition of the capabilities of their migrants to become fully-fledged participants in the development process, have modified the perception of source countries' officials towards their respective immigrant communities living in Europe. Admittedly, migrants' modalities of participatory action have changed, at least, in theory.

As economic liberalization became their common credo, the Maghreb countries have reconsidered the profile of migrants. In fact, it could be argued that migrants are no longer viewed as foreign-owned income bearers who return home after a certain period of time but, above all, as potential investors (e.g., in the field of private enterprise), who, by law, and despite their permanent settlement in European receiving countries, may participate in the development of their origin countries' private sectors.¹¹

In this respect, Tunisia, just like other Maghreb countries, has been sensitive not only to the potential dynamics of Tunisian immigrant communities settled in Europe, as stated earlier, but also to the return of migrants. Such an interest lies in the fact that return migrants have contributed, to some extent, to the development of Tunisian private entrepreneurship. In fact, on the basis of official statistics issued by the Tunis-based *Agence de Promotion de l'Industrie* (API), in 1994, Tunisian migrants' operative firms accounted for 18.1 per cent (i.e., 72) of the overall number of operative business concerns (i.e., 396), set up in the manufacturing industries. These data confirm the need to analyse return migration with reference to the expansion of the private sector in sending countries.

This book concentrates on the economic sociology of return migration, with specific reference to Tunisia. As such, it aims to analyse, on the one hand, the patterns of resource mobilization and the strategies for survival

developed by some Tunisian entrepreneur-returnees with a view to providing for the survival of their own business concerns, as well as the elements which have shaped their entrepreneurial activities, on the other. By building a typology, which comprises three categories of entrepreneur-returnees, (namely the *Heirs*, the *Converts*, and the *New Entrepreneurs*) this book sets out to explain how and why some interviewed Tunisian return migrants have succeeded in investing their past experiences of migration, lived in Europe, in their current entrepreneurial activities in Tunisia, while being involved in the dynamics of cross-border social and economic networks.

As will be explained in the third chapter, the purpose of this typology lies not only in highlighting the relative relevance of past migration experience to entrepreneurship and business success, but also in showing that there exist no predetermined causation between an experience of migration and private entrepreneurship. Rather, business strategies may also be shaped by other factors pertaining to the returnees' social capital, the circumstances of their return, and institutional context.

Moreover, this typology allows the central actors of this study related to the formation of network mechanisms to be identified. In fact, with reference to the collected interviews, the *New Entrepreneurs* are the only actors who succeeded in investing their past experiences of migration in their current entrepreneurial activities, in terms of market opportunities, resource mobilization, and contacts. Most importantly, the causal relationship between their past experiences of migration in Europe and their entrepreneurship in Tunisia materialized in the context of cross-border social and economic networks. Such cross-border networks have had a certain bearing on their business strategies and patterns of resource mobilization.

The analysis of participatory development and of the expansion of the private sector in Tunisia was a prerequisite to showing that the *New Entrepreneurship* – namely, the patterns of resource mobilization, adopted by the *New Entrepreneurs* interviewed, in the context of cross-border social and economic networks – has been responsive to institutional changes in today's Tunisia, as explained in chapter four. To be sure, cross-border social and economic networks do not evolve in a vacuum, and economic actors appear to be reactive to the top-down framework of participatory development that has been redrawn by the government of Tunisia since the early 1990s, as well as to the resilient selective allocation of financial and informational resources to private actors.

Chapter five deals with the formation and maintenance of cross-border social and economic networks. While drawing on the theoretical insights of

the New Institutional Economics and network analysis, and with constant reference to the interviews conducted with the *New Entrepreneurs*, this chapter delves into the processes of formation and maintenance of cross-border social and economic networks. The *New Entrepreneurship* phenomenon, which is embedded in the dynamics of such networks, does not stem from the top-down framework of participatory development, adopted by the government of Tunisia, although its emergence remains contingent on the liberal reforms that have been reinforced since the late 1980s. Rather, the *New Entrepreneurship* can be viewed as the concrete illustration of convergent initiatives shaped and maintained by alliances between the *New Entrepreneurs* and their foreign partners, which result from the consolidation of long-standing face-to-face relationships.

Furthermore, it will be demonstrated that cross-border social and economic networks are intentionally created and selectively organized. Consequently, access to the resources provided by cross-border social and economic networks does not stem from the commonality of attributes (such as religion, kinship, and ethnicity); rather, their maintenance is premised on the regular exchange of mutually valuable items between actors. This pattern of exchange is maintained thanks to the circularity inherent in such networks.

Circularity will be referred to as a five-stage process which pertains to continuous exchange and interactive patterns that sustain the dynamics of cross-border social and economic networks and enhance the *New Entrepreneurs'* feelings of belonging to cohesive network structures. Most importantly, the emphasis on circularity supports the argument that the dynamics and the maintenance of cross-border social and economic networks constitute two processes which are simultaneously the cause and the effect of the other. It is precisely this circular characteristic which allows such networks to be formed and transformed, and to be adaptable and flexible to changing circumstances. The emphasis on circularity complements Mark Granovetter's ongoing systems of relations, but its main thrust lies in highlighting the process through which such systems of relations have been maintained to date, and how trust-based patterns of exchange between the *New Entrepreneurs* and their European partners have persisted, while making network membership meaningful.

The last chapter of this book concludes with an overview of the lessons which have been learned in the foregoing chapters. The various patterns of exchange, as well as the resources, embedded in cross-border social and economic networks, have made the involvement of the *New Entrepreneurs* in such networks not only useful, as the strength-of-weak-ties paradigm¹² would

suggest, but above all, meaningful. Cross-border social and economic networks have been maintained not only because they are responsive to the limits of participatory development in Tunisia, but also owing to the *New Entrepreneurs'* proclivity for low profile. It will be shown that Albert Hirschman's voice-exit axiom¹³ cannot be fully explanatory of this low-profile behaviour which, actually, relates to what is referred to as hidden disaffection. Chapter six examines hidden disaffection and shows that it occurs when the possibilities for exit and voice are viewed as meaningless by economic actors, if not counterproductive. It constitutes a reaction mechanism with regard to the specific characteristics of an institutional and political regime which, despite its proven liberal orientations, has retained most of the traits of neo-patrimonialism, by means of an all-pervasive consensus, the production of an ethic of governance, the interference of the ruling party and the leadership into the economic sphere, and the selective allocation of resources.

This book therefore is intended to explore the way in which a specific category of return migrants, namely the *New Entrepreneurs*, have been reactive to the institutional changes which have occurred in today's Tunisia. It proposes to analyse, at a micro level, their entrepreneurship and explains why it is neither characterized by atomized profit-seeking strategies nor simply determined by ascribed group markers. Rather, their entrepreneurship and patterns of resource mobilization are embedded in the dynamics of cross-border social and economic networks, whose formation and responsiveness are subject to examination.

Notes

- 1 In the context of this research, the Maghreb includes Morocco, Algeria and Tunisia, insofar as these three countries are the most important sending countries to Europe, in terms of international migrations. It has to be distinguished from the *Grand Maghreb*, which since the 1989 Arab Maghreb Union (AMU), gathers Mauritania, Morocco, Algeria, Tunisia and Libya.
- 2 Frank Bovenkerk, *The Sociology of Return Migration: A Bibliographic Essay*, Martinus Nijhoff, The Hague, 1974.
- 3 See the motion for the Revamped Mediterranean Policy (RMP) or the New Mediterranean Policy presented by the European Parliament. The European Parliament pointed out that 'the new impetus given to the RMP must be reflected in the new protocols for the forthcoming five-year period and the protocols should place greater emphasis on financial, economic, and technical cooperation, rather than trade relations alone [...] It is essential to step up bilateral and multilateral dialogue with the MNCs [Mediterranean Non-member Countries] particularly on matters such as security, economic cooperation, immigration

- and demography.' European Parliament, Session Documents, Reports, PE DOC A3-121/91, 3 May 1991, p. 6.
- 4 The World Bank, *World Tables 1995*, The Johns Hopkins University Press, Baltimore and London, 1995. Remittances are defined as follows: 'Incomes earned by migrants who have come to an economy to stay for a year and who are employed by their new economy, where they are considered to be residents.'
 - 5 In the 1992 SOPEMI annual report, currency swap schemes were referred to as 'hard currency earnings which are handed by migrants to fellow-countrymen living outside the receiving country who, in return, pay the migrant or his family living back home an equivalent sum in local currency at a black market rate several times higher than the official one'. SOPEMI, *Trends in International Migration*, OECD, 1992, Paris, p. 45.
 - 6 Ali Kouaouci, 'Evaluation de l'apport des émigrés algériens à l'économie algérienne' in *Les relations entre la CEE et le Maghreb: handicaps et perspectives d'avenir*, CERP, Tunis, 1994, p. 167.
 - 7 Jean-Pierre Garson, 'Les transferts de revenus des travailleurs émigrés vers les pays du Maghreb' in *Épargne et développement dans les pays du Maghreb*, Institut de Financement du Développement du Maghreb Arabe, Tunis, 1990, p. 164.
 - 8 Sée Alain Tarrus, 'Naissance d'une colonie: un comptoir commercial à Marseille', *Revue Européenne des Migrations Internationales* 11, No. 1 (1995), pp. 21-52. See also Emmanuel Ma Mung, 'L'expansion du commerce ethnique: Asiatiques et Maghrébins dans la région parisienne', *Revue Européenne des Migrations Internationales* 8, No. 1 (1992), pp. 39-60.
 - 9 See *Le Renouveau*, 'L'émigré-acteur dans le processus de développement', 12 August 1994.
 - 10 These briefings were coordinated by the Tunisian Embassy in Paris and by the political bureau of the Tunisian ruling party, the *Rassemblement Constitutionnel Démocratique* (RCD). Importantly, this informative action is not exclusively addressed to Tunisian nationals living in France, but also to private entrepreneurs who acquired French citizenship. See *Le Renouveau*, 'Journée d'information pour les hommes d'affaires tunisiens en France', 12 April 1995.
 - 11 In Tunisia and Algeria, this change of perception was illustrated by the annual celebration of immigrants. Since 6 August 1995, the 'Journée nationale des Tunisiens à l'étranger' is celebrated each year in Tunisia, following a decision of President Ben Ali. Since then, Tunisian immigrants have been referred to as the 'ambassadors of the New Era' abroad. Tunisian entrepreneurs living in Europe are also concerned by this celebration. See *Le Renouveau*, 6 and 16 August 1995. As regards Algerian immigrants, the 'Journée nationale de l'émigration' is celebrated on 17 October. See Ali Kouaouci, 'Evaluation de l'apport des émigrés algériens à l'économie algérienne', p. 167.
 - 12 Mark Granovetter, 'The Strength of Weak Ties: A Network Theory Revisited' in Peter V. Marsden and Nan Lin (eds), *Social Structure and Network Analysis*, Sage Publications Ltd, London, 1982, pp. 105-30.
 - 13 Albert O. Hirschman, *Exit, Voice, and Loyalty: Responses to Decline in Firms, Organizations, and States*, Harvard University Press, Cambridge Massachusetts, 1970.

2 On Return Migration and Resource Mobilization

Stating that return migration is a sub-process of international migrations does not suffice to capture its importance, inasmuch as

one may come across return migration under the following headings: back migration, countercurrent, counterflow, re-emigration, reflux migration, remigration, return flow, return migration, return movement, second time migration and repatriation.¹

Return migration appears all the more elusive, from a terminological point of view, as it may be temporary or permanent. Fundamentally, it implies a change of status which indicates the mobility of people between destination and origin countries.

Since the institutionalization of international migration² between sending and receiving states, the return of migrants was a taken-for-granted fact as migrants were channelled to core (or receiving) countries on a temporary basis. They were expected to leave for their origin countries, once their job contracts were terminated or after having attained their 'expected destinations earnings',³ i.e., the accumulation of capital abroad precedes return to homeland. This functionalist rationale argues that sending countries' benefits lie, at a macro level, in migrant workers' remittances, which contribute to alleviating trade deficits, and unemployment in origin countries. As far as individual migrants are concerned, profit maximization and savings allow their *expected* return to their homelands to be secured. Moreover, remittances, foreign-earned incomes and in-kind transfers are reckoned gradually to decrease south-north migration by enhancing the standards of living of return migrants and of their neighbourhood.

The functionalist conception of international migration shaped most of the 1960s bilateral agreements signed between host and sending countries. At the early stages of international migration flows to European countries, it accounted for the dynamic of a process which was perceived as – or expected

to be – temporary and transitional from both shores of the Mediterranean. During the ensuing decades, this model of analysis, which stems from the assumptions of methodological individualism, was increasingly challenged by changing patterns of immigration, such as migrants' sedentarization, family reunification in receiving countries, following the tightening of immigration policies in Europe. Moreover, in the long run, the persistence of economic and social disequilibria in source countries called into question the functionalist approach to international migrations. Actually, it failed to account for the structural and institutional factors, which, in source countries, translated return migrants' foreign-earned incomes and savings into productive or unproductive investments.

In an attempt to understand the aforementioned changing patterns related to international migration, the structuralist theory focuses on the household and not exclusively on the individual migrant. In other words, attention is paid, on the one hand, to the social and economic structural conditions which spur migration, and, on the other hand, to its impact on both receiving and sending countries. The analysis of return migration remains somewhat marginal in the structuralist approach. In fact, the latter states that parallel to the maximization of income profit in receiving countries, migrant workers' households seek to minimize risks by sending one member of the family abroad. This shift from the individual migrant to the migrant's household as a unit of analysis characterizes the New Economics of Labour Migration advocated by Douglas Massey and Edward Taylor.⁴ Migration from developing countries is viewed as a means of reducing risks and overcoming constraints related to the daily life of the household. It also allows the accumulation of a capital, which will be used as an insurance against uncertainties (e.g., bad crops, unemployment) or as savings.

The need for diversifying risks constitutes the main explanatory argument of the structuralist theory of international migration. In the long run, the use of remittances and savings tends to change, which implies that their impact on the economic development of sending countries differs substantially across time. In this respect, Fred Arnold identifies three stages related to the use of remittances.⁵ The first stage refers to family maintenance. Remittances contribute to improving the standard of living of the household, while securing its revenues in case of unexpected losses. The second stage is related to new patterns of expenditure adopted by the household. Conspicuous consumption has often been referred to as the direct negative consequence of remittances. Finally, the third stage pertains to the diversification of investments. Investments are no longer made for buying 'unproductive' and conspicuous

12 *Tunisian New Entrepreneurs and their Past Experiences of Migration in Europe*
items, but are directed, for example, to the creation of small and medium-sized enterprises.

Many statistical investigations in Mediterranean developing countries have illustrated the first two stages. However, scant attention has been paid to the anthropological and sociological importance regarding the various uses of remittances and foreign-earned incomes.

Two main schools of thought can be distinguished in the existing approaches to this problem. On the one hand, the impact of remittances is viewed as collectively beneficial to the local economies as a whole, insofar as investments generate multiplier effects at the level of the neighbourhood. For example, building a modern house or expanding the irrigation system stimulates local economic activities, while speeding up social change in sending countries. At a micro-level, the impact of remittances in sending countries reduces income inequalities while increasing the standard of living of households. It has to be said that the effects are not only economic but also social inasmuch as investments are made in education.⁶ In fact, the need for social recognition on the part of return migrants is such that they tend to encourage the education of their children with a view to improving their prospects for social advancement in their societies of origin.

Conversely, the second school of structuralist thought argues that international migration and return migration exacerbate income and social inequalities insofar as 'it is the wealthier households that can afford to send a member abroad'⁷ and benefit from the correlative effects of migration (e.g., remittances, higher standard of living, savings). Conspicuous consumption is viewed as stemming from the unequal distribution of earnings.

The two schools of thought are divided on whether or not the investments made by the returnees and migrants' households are productive. However, both schools seem to agree on the fact that investments are unequally distributed among the regional areas of sending countries. This may lie in the very economic attractiveness of such regional areas. In fact, many scholars observed that returnees do not invest in their areas of origin but, above all, in urban areas where they tend to settle down.⁸ The settlement of the returnees in large metropolitan areas has reinforced over-urbanization and regional disparities. However, the urban concentration of return migrants in large cities has to be understood as a direct consequence of and not as a cause of regional disparities in sending countries.

Admittedly, return migration may not have generated but it has speeded up the development of some areas of economic vitality.⁹ Thus, the settlement of return migrants in given geographical areas of economic activities has to

be accounted for with reference to pre-existent structural and institutional conditions.¹⁰ These would sustain the productive investments of return migrants, such as the creation of business concerns, in their regions of origin. In the structuralist stance, sending countries have to provide the institutional environment needed to attract migrants' foreign-earned incomes and to support their investments in the creation of business concerns. In most of the sending countries from the southern shore of the Mediterranean, the restructuring of their national economies has been accompanied by the creation of formal institutions aiming at channelling and promoting the investments of formal migrants. As Reginald Appleyard points out, it is important to stress that the impact of international migration on sending countries – mainly return migration and remittances – has to be analyzed by taking into account such macroeconomic, political and institutional factors.¹¹

However, the analytical focus on the structural and institutional conditions existing in developing countries may not fully explain the initiatives and resource mobilization of return migrants. In the structuralist stance, scholars tend to concentrate on the institutional and contextual factors which favour the successful investment of the returnees' foreign-earned incomes and remitted wages, namely of their material resources. However, as mentioned earlier, skills and contacts acquired abroad also constitute valuable resources which have to be considered, and which may shape the investments of return migrants and orientate their economic initiatives.

2.1 The Mature Years of Return Migration and the Formation of Networks

Nora Hamilton and Norma Stoltz Chinchilla argue that 'return migrants may bring institutional, cultural and behavioural patterns learned in the host society',¹² which may be re-adapted and transformed when social actors, namely return migrants, are faced with the global environmental conditions of their countries of origin. Consequently, and beyond the structuralist approach to return migration, it is considered in this study that the returnees are not only the bearers of tangible (i.e., remittances and foreign-earned incomes) but also intangible resources (i.e., knowledge, skills, expertise, values, and personal contacts). Although the respective impact of tangible and intangible resources on return migrants' initiatives is difficult to evaluate *a priori*, it seems essential to examine return migration with constant reference to these elements. Moreover, in this section, return migrants are viewed as fully-fledged

social actors who lived an experience of migration that may provide a significant adjunct to their initiatives at home.

In this vein, the profile of return migrants should be depicted by taking into account their own perception of their environment and the resources they may mobilize. Such resources do not stem exclusively from kinship but also from patterns of interpersonal relationships that may derive from their past experiences of migration.

As far as return migration is concerned, network analysis allows the gap between past experience (immigration in host countries) and present experience (return to origin countries) to be bridged in order to apprehend return migrants' initiatives and behaviours. It is assumed that return migration reflects, on the one hand, the impact of a past experience lived abroad, the magnitude of which is influential on the returnee's initiatives and behaviours. On the other hand, the focus on such a past experience is helpful in highlighting the combination of multiple forms of involvement, and their implication for the actor's resources.

As a prerequisite to understanding the extent to which return migrants may maintain strong linkages¹³ with their former places of settlement in Europe, the development of this section refers to network theory.

In the field of international migrations, cross-border networks do not emerge spontaneously. Rather, they are responsive to the characteristics of a given environment and are shaped by the social structures which exist in them. Social structures increase the availability of resources and information, while securing the effective initiatives of actors, namely, return migrants. Thus, the composition of networks, which consist of a multiplicity of social structures, as well as the configuration of linkages, is of paramount importance to examine the fundamentals that define and maintain the cross-border networks in which return migrants are involved. Moreover, when analyzing cross-border linkages in terms of networks, no pre-established categorical attribute allows the fundamentals of network dynamics to be depicted.

Consequently, as far as this study is concerned, the reference to cross-border networks cannot be linked to the analysis of various forms of *Diaspora*. The label '*Diaspora*' has been recurrently mentioned to illustrate, in host countries, the strategies for survival adopted by immigrant minorities and, at an international level, the existence of links which help to maintain 'ethnic and religious identities and communitarian forms of solidarity'¹⁴ among the members of the *ethnic Diaspora*. Moreover, in Alain Medam's view, this archetype allows the 'configuration of diasporic linkages'¹⁵ as well as the fundamentals of such linkages to be understood. Although *Diaspora* has been

subject to various and elusive interpretations by students,¹⁶ it still constitutes an attempt to analyse the fundamentals of the ties which link immigrant communities in receiving countries to their homelands.

However, while the usage of 'ethnic *Diaspora*' accounts for the dynamics of such ties on the basis of presupposed categorical attributes (i.e., ethnicity and religion), network analysis refers to the discovery of the relational contents inherent in interpersonal ties.

The purpose of this research consists in stressing a non-ethnic view of cross-border networks, in which return migrants may be involved. Network analysis seems to represent the most appropriate tool for analyzing return migrants' resources and opportunities as well as the relational contents of interpersonal ties on a larger scale. The ethnic-centred model stemming from the *Diaspora* analysis turns out to be at variance with network analysis insofar as the former appears as a spontaneous phenomenon, which confines the initiatives of actors to the ethnic and religious groups, while the latter lays special emphasis on the various forms of social involvement, which goes beyond the ethnic sphere. In contrast to the 'ethnic *Diaspora*', cross-border networks are created and re-adapted in relation to the characteristics of their own environment.

Moreover, network analysts do not take network membership for granted: firstly, because networks are inherently selective; secondly, because membership requires a voluntary act from the actor himself as well as the consent of other members with a view to guaranteeing the effectiveness and maintenance of cross-border linkages. Finally, while *Diaspora* are sociologically labelled as ethnic, cross-border networks correspond to 'a social entity [which] exists as a collectively shared subjective awareness'.¹⁷ It is the observer's task to examine, through empirical evidence, the subjective meaning — i.e., relational contents — that actors attach to their participation in cross-border networks, in order to understand that such complex mechanisms are anything but spontaneous. This constitutes one research objective that will be presented at the end of this introductory chapter.

Apart from remittances and savings, return migrants bring with them their past experiences of migration which may determine their involvement in cross-border social and economic networks. Moreover, the returnees' behaviours and initiatives may be dependent on foreign-acquired skills and contacts. With reference to the field investigations made in Tunisia with return migrants, it is hoped to delimit the contribution of such skills and personal contacts to the maintenance and survival of their business concerns set up in Tunisia.

Undeniably, the past experiences of migration of the returnees constitute

one contributory aspect for achieving their projects. This is illustrated by Laurence Michalak's typology. In terms of skills and foreign-earned incomes, he draws a distinction between four categories of returnees. His typology is based on the evaluation of projects realized by Tunisian returnees and on their impacts on local societies.

The first category refers to the returnees who 'acquired useful skills and amassed a large amount of capital abroad'¹⁸ to set up business concerns. The second category is related to return migrants who also created a business concern in the service sector. Their firms require less capital than those run by the return migrants of the first category, and illustrate the 'successful reintegration' of such private actors in the local economy of their homeland. Thirdly, Michalak mentions the case of the returnees who make a living by receiving social security for retirement benefits from their former receiving countries. These are called 'retirement migrants'. The last category includes 'failed migrants' who have returned home with few skills and no foreign-earned incomes to sustain their families.

Michalak's typology illustrates most of the various outcomes related to return migration. In terms of cross-border social and economic networks, it is now possible to elaborate on such findings by assuming that return migrants' initiatives and projects at home are *partly* shaped by their involvement in social and economic networks.

It should, however, be noted that the successful investment of the returnees' past migration experiences in their current entrepreneurial activities does not necessarily require – nor does it necessarily stem from – their participation in such cross-border networks. Other resources are also important to the success of their initiatives and projects, following their return. Arguably, the availability of these resources would also seem to lie in the social capital from which return migrants benefited before migrating.

The typology which is developed in the second chapter of this book indicates that, on the one hand, past migration experience *alone* is not fully explanatory of the returnees' initiatives, and, on the other hand, in terms of social capital, return migrants do not represent a homogeneous group. Social capital, which 'inheres in the structure of relations between actors and among actors',¹⁹ has to be viewed in this study as resources provided by the returnees' families or households. In other words, pre-existing social and financial resources, which are provided by the family, may shape the performance of return migrants. Social capital is part and parcel of the resources from which the returnees may benefit. The first working hypothesis of this research is to consider that social capital and the potential involvement of return migrants

in cross-border social and economic networks may be viewed as resources which complement one another.

Moreover, in the wake of James Coleman, it has to be said that knowledge and skills acquired abroad do not suffice to guarantee the effective achievement of return migrants' projects. Whether they are mobilized abroad or at home, resources are needed to make investment possible. The level of human capital illustrates return migrants' individual performance as well as the skills and knowledge they acquired or reinforced during their experiences of migration. Human capital is associated with 'changes in persons that bring about skills and capabilities that make them able to act in new ways'.²⁰ It can be viewed as being closely linked to social capital (i.e., family resources) or to alternative resources which could substitute for it.

When social capital is viewed as insufficient, return migrants may decide to become involved in social and economic networks with a view to achieving their entrepreneurial projects. Hence, the second working hypothesis argues that when return migrants are aware of their low level of social-capital resources, as compared to their actual needs for entrepreneurial achievement, they tend to compensate for this lack by strengthening their ties and participation in social and economic networks (see Figure 2.1). This would presuppose that the returnees who benefit from family resources are less prone to participate in cross-border social and economic networks, or that, conversely, network involvement allows the lack of social capital to be offset. In turn, these structures of social interaction may shape the behaviours and initiatives of return migrants.

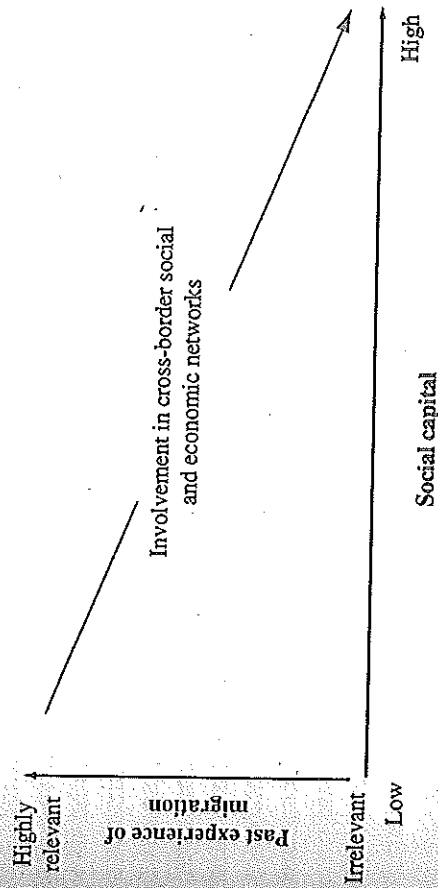


Figure 2.1 Social capital and the relevance of past experience of migration

Both contending working hypotheses will be tested and examined in this research. However, these hypotheses need empirical evidence, for they are presented *ceteris paribus*. As a matter of fact, the economic, social, political and institutional context of Tunisian private entrepreneurship will be constantly referred to (see chapters three and four).

In this study, as far as return migration and resource mobilization are concerned, past migration experience will be defined by combining human capital (skills, knowledge acquired or reinforced abroad) with network membership. Past migration experience may be viewed by the actor himself as being all the more crucial to the achievement of his project as social network embeddedness represents for him a means of coping with market uncertainties and of securing opportunities at home.

Fundamentally, whether they are highly-skilled or not, returnees have to be viewed as social actors who, if anything, may find ways to ensure their return to their homelands, and participate in the dynamics of cross-border networks. In the field of private entrepreneurship, the formation of linkages can also be the outcome of the 'recognition of the existence of imperfect markets [which] leads to an explicit consideration of the problems of defining the sets of potential actors within which specific exchanges can take place'.²¹

The theoretical reference to the New Institutionalists allows the initiatives and strategies for the survival of return migrants' firms to be depicted by laying emphasis on their social *embeddedness*, namely, on their involvement in 'ongoing systems of social relations'.²² Such systems of social relations may have a communal or an associative basis. The former refers to long-term relationships between network members whose exchange relations are influenced by their relationships contents. The latter refers to a selective group of actors whose relationships are defined in terms of associative membership.

Whether they have a communal or an associative basis, the organizational characteristics of cross-border social and economic networks are responsive to the economic, social and political context. Then, an overarching communal consciousness and relationship²³ is necessary to both communal and associative networks. Undeniably, both types of networks reduce anonymity in the market place and contribute to increasing the opportunities for access to additional resources (mutual help, market information, financial aid).

The reference to network analysis allows the gap between the organizational structure of networks and the relational content that actors attach to their own involvement and membership in such networks to be bridged. In the field of this research which combines return migration with private entrepreneurship, network analysis articulates two levels of study.

First, Tunisian private entrepreneurs are seen as social actors who are involved in a set of relational ramifications that will be subject to examination in this book. By analyzing the practice of network membership, other elements of analysis may highlight the multiplicity of involvements of these actors, as well as the types of organization that are influential on their behaviours. Second, different network structures offer different opportunities in a given context, and different orientations and strategies. It may be from this perspective that actors derive their interests and that, at the same time, networks persist.

As a prerequisite to identifying the actors who participate in the dynamics of such cross-border networks, the characteristics of return migration to Tunisia have to be explored.

2.2 The Characteristics of Return Migration to Tunisia

On the basis of available statistical data,²⁴ the characteristics of return migration to Tunisia will be developed in this section, while focusing, first, on the motivations for return on the part of migrants, and second, on the government of Tunisia (GoT)'s perception of return migration, whether it is temporary or permanent. This statistical overview, based on official data, indicates that, to a large extent, return migrants' entrepreneurial projects materialize without resorting to formal institutions, the purpose of which is to promote entrepreneurship and investments in Tunisia. This paradox will be explored.

Admittedly, statistics fail to show that return migration may be voluntary (i.e., autonomous return), encouraged (i.e., induced thanks to return premium) or forced (i.e., expulsion from the receiving country). Since the late 1970s,²⁵ the return of Tunisian migrants has been characterized by the intertwining of the aforementioned three types of return migration. Each type has had its own effects on the broad economy, and, contemporaneously, each of them has made return migration an erratic phenomenon.

The most recent statistical survey regarding return migration to Tunisia dates back to 1989, and synthetically shows that France and Libya represent, according to the Tunisian *Institut National de la Statistique* (INS), the main receiving countries from which Tunisian migrants returned between 1984 and 1989 (see Table 2.1). Respectively, 36.02 per cent and 32.32 per cent of the total number of Tunisian return migrants (namely 41,005) came from these two countries.²⁶

It would be difficult to argue that the 1984 restoration of return premiums

Table 2.1 Number of Tunisian return migrants and their former receiving countries (1984-89)

Countries	Number	As % of total number
France	14,770	36.02
Libya	13,252	32.32
Other Arabic countries	5,437	13.26
Other non-Arabic countries	3,743	9.12
Germany	1,894	4.62
Arabia Saudi	1,212	2.96
Italy	697	1.70
Total	41,005	100

Source: République Tunisienne, INS, *Enquête Nationale Population Emploi 1984-1989*, Vol. national, Tunis, 1989.

in France was, to a large extent, influential on the decision of Tunisian immigrants to return to their own country of origin. In fact, with reference to the data issued by the *Office des Migrations Internationales* (OMI),²⁷ it appears that a small proportion (only 1,698, namely 11.4 per cent) of the 14,770 Tunisian returnees took advantage of the financial incentives designed to encourage their return, from 1984 to 1989. This seems to confirm that return lies in an autonomously organized process which is all the more difficult to evaluate as it may occur independently of the policies of the receiving and sending states. Migrants may not be induced to return, unless they are expelled (as happened in Libya in 1985). They are actors who evaluate the circumstances of their returns while taking into account the favourable and unfavourable factors which could spur their permanent return decision. Admittedly, migrants do not always *decide* to return to their homelands. In fact, an array of manifold factors may stimulate the decisions to return. Persistent unemployment in receiving countries, bureaucratic difficulties with host countries' authorities, may be combined with less constraining motivations, such as the possibility of finding better opportunities of advancement in home countries, or of creating a business concern.²⁸

Whatever the motivations, the experience of return has to be secured. Moreover, the success or failure of return may not only depend on the combination of such various motivations, but also on the extent to which return has been organized. While migrants need to have 'a clear picture of [their] current situation'²⁹ before returning, they are faced with a partial knowledge of the actual opportunities existing in their home countries. With

reference to the typology related to the Tunisian migrants who created business concerns after their return from Europe (see chapter two), it will be demonstrated that, because of such a partial knowledge, some returnees need to mobilize their social capital and/or their network resources, with a view to securing the survival of their private business concerns.

This is particular true with regard to 'elite migrants' (i.e., professionals, executives, immigrant entrepreneurs, scientists), whose expectations are quite significant.³⁰ Importantly, and in the context of this research, this category will also include students. This extension can be defended on two grounds.

Firstly, on the basis of the field investigations made in Tunis, some returnees, who migrated to France as foreign students, in the framework of French-Tunisian technical cooperation agreements,³¹ changed to immigrant status after graduation, and worked for private firms in France. Secondly, when interviewed, these returnees did not limit the stories of their past experiences of migration to the completion of their studies abroad. In fact, some of them personally explained the extent to which their subsequent work experiences in Europe have been influential on their current entrepreneurial activities in Tunisia. It turns out that the label *return students* is only partially evocative of their past experiences of migration, since these include not only the completion of their studies abroad, but also a work experience which took place, more often than not, after graduation (on an average, the duration of the whole experience lasted 7-10 years).

Consequently, in the development of this research, and owing to their subsequent work experiences abroad, these actors will be viewed as highly skilled returnees and not merely as return students.

By delving into the analysis of return migration to Tunisia, the characteristics and configuration of the process become increasingly complicated. Actually, it is important to mention that return to Tunisia does not necessarily imply the occurrence of an official change of residence. In other words, and for instance, a Tunisian immigrant, who lives in France and possesses a residence permit, may decide, in practice, to return to Tunisia, while maintaining, officially, his status of resident in France. Consequently, defining return in terms of change of residence would appear too simplistic in the case of the Tunisian returnees.

In this respect, Hassen Boubakri³² identifies three main strategies which allow the Tunisian returnee's residence in France to be maintained,³³ while living in his country of origin, namely Tunisia. Firstly, the Tunisian return migrant officially declares his return to the authorities of the host and origin countries. His return will be permanently (and legally) established.

Consequently, he will benefit from tax exemption owing to his permanent return to Tunisia. These tax benefits will be developed below. Secondly, the migrant still decides to return permanently to Tunisia, but makes his decision official with the Tunisian authorities and not with the French ones, with a view to maintaining his rights of residence in France (e.g., in case of failed return), and, contemporaneously, to securing relative mobility between his host and origin countries. Moreover, since the Tunisian authorities consider that his return is permanent, he will be entitled to benefit, in accordance with the Tunisian law, from tax exemptions on the imports of goods. Thirdly, the migrant does not declare his permanent return to either the French or the Tunisian authorities. He decides to stay and work for several months a year in Tunisia and to go back to France, where he is still legally resident.

A fourth category could be mentioned in the wake of Boubakri's description, namely, the case of permanent return migrants, who acquired double citizenship, and who, by law, enjoy free movements between Europe and Tunisia, regardless of the duration of their residence in either areas.

These strategies relating to residential status make return migration to Tunisia an elusive phenomenon that can hardly be estimated with accuracy, inasmuch as the differentiating characteristics of temporary and permanent return are blurred. The Tunisian law does not deal with the question of return migrants' residential status. It simply makes a distinction between the temporary and permanent returns of the *Tunisiens Résidents à l'Etranger* (TREs), in terms of tax exemption on imported goods. In theory, the TREs' status refers to Tunisian immigrants who work and reside abroad. In practise, it may not be automatically viewed as a permanent residence in the receiving country nor as permanent return to Tunisia. By extrapolating, the return migrants who adopt the aforementioned residential strategies may be labelled *off-shore returnees* since they maintain their official residence in their former receiving countries while being resident and potentially active in their country of origin, namely Tunisia.

Temporary return migration has been subject to legal treatment by the GoT since the issue of a decree which dates back to January 1995.³⁴ While no legally stated distinction between temporary and permanent return migration is mentioned, some specific measures are introduced regarding tax exemption. The possibility of importing a car duty-free as well as a certain amount of (non-commercial) goods, for a maximum value of DT 15,000, constitute the main elements which distinguish permanent from temporary return migrants.³⁵

Importantly, and on the one hand, the expected pay-offs of such measures – which in practice have been implemented since 1994³⁶ – may essentially

lie in offsetting the gradual decline in Tunisian immigrants' financial transfers, by legally allowing the latter to make more significant in-kind transfers (e.g., duty-free imports of goods and vehicles) during their temporary or permanent returns. Figure 2.2 illustrates the increasing share of in-kind transfers in the total amount of Tunisian remittances. Migrants' remittances, which are comprised of financial and in-kind transfers, still constitute a significant macroeconomic resource for the GoT. In fact, in 1993 and 1996, they respectively amounted to 24.8 per cent and 35.6 per cent of Tunisia's trade balance deficit.

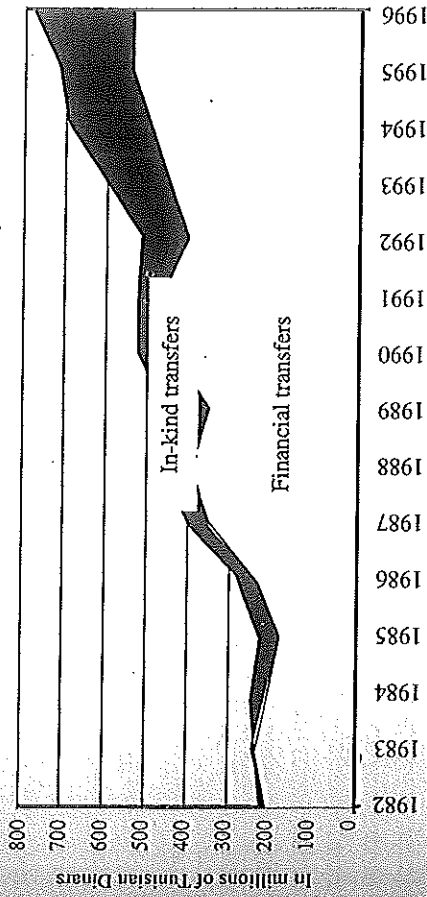


Figure 2.2 Tunisian migrants' financial and in-kind transfers (1982-96)

Source: Banque Centrale de Tunisie, *Statistiques Financières*, No. 118, March 1997. OTE.

On the other hand, the measures contained in decree 95-197 may be understood with reference to the GoT's desire to embellish its image among the TREs settled in Europe, in the wake of a work programme which was formulated by President Ben Ali on 5 August 1993. It aimed at making Tunisian immigrants who reside abroad (i.e., the TREs) more 'actively involved in the dynamics of global development that Tunisia is experiencing'.³⁷

The creation of state-sponsored associations, in the main receiving countries where the Tunisian immigrant populations settled, is viewed as an effective solution for stirring the interests of the latter and for strengthening the cultural and political influence of the GoT. Associative action may play a crucial role in maximizing the financial and symbolic effects of international migration (e.g., financial and in-kind transfers).³⁸ However, it is designed to

encourage the return of Tunisian migrants on a temporary and not on a permanent basis. This is all the more blatant as the purpose of the associative activities sponsored by the GoT in receiving countries officially consists in recognizing the sedentarization of the Tunisian immigrant populations abroad, while 'protecting their Arab and Muslim identities as well as their patriotic attachment to their homeland'.³⁹

Clearly, permanent return does not seem to constitute a priority for the GoT. As Wilfried Dumon argues, the nonexistence of any incentives to encourage permanent return may be explained inasmuch as 'some authorities [in this case, the Tunisian authorities] are hardly in a position to do so, since the economic system may not be capable of absorbing a lot of new entries in a squeezed labour market'.⁴⁰

2.2.1 *Return Migrants and the Heterogeneity of Tunisian Private Entrepreneurship*

As regards private entrepreneurship, the aforementioned 1995 decree was not designed to increase return migrants' involvement in the Tunisian private sector, since no reference was explicitly made to this field. Until today, and in accordance with a law enacted in 1974, return migrants who wish to set up a business concern in Tunisia may benefit from tax exemption on the imports of equipment.⁴¹ In 1995, this law was completed by decree 95-2434 which stipulated the right of the TREs to import duty-free industrial materials and equipment for the creation of export-orientated firms.⁴²

Since the 1970s open-door economic policies (or *Infittah*) initiated under former Prime Minister Hédi Nourra, Tunisian return migrants' entrepreneurial activities have been part and parcel of the expansion of the Tunisian private sector, and thus facing the vicissitudes inherent in it. Just like their Tunisian counterparts (who have not experienced migration), they have turned private entrepreneurship into a more heterogeneous entity, in terms of competencies, resources, trajectories, and expectations.

Today, the industrialists are no longer the unique paragons of individual responsibility and modernity in Tunisia, as the official rhetoric presented them during the 1970s. In fact, during that period, Hédi Nourra allowed the private sector to share in the import and export business to such an extent that 'the government was no longer asking but practically pushing entrepreneurs to do more trade, especially in exports'.⁴³ These measures stemmed from the increase in oil and phosphate prices, the continuous rise in unemployment and public deficits, which entailed a necessary reordering of the national

economy, through the dynamics of private businesses, at least in theory. Three state institutions were created in the early 1970s, the purpose of which was to promote private entrepreneurship and to instil in Tunisian society a model of entrepreneurial spirit. The *Fonds de Promotion et de Décentralisation Industrielle* (FOPRODI), the *Agence de Promotion de l'Industrie* (API)⁴⁴ and the *Agence Foncière Industrielle* (AFI) were created in order to favour the emergence of a new category of private entrepreneurs and to give the impression of the gradual disengagement of the state.⁴⁵ Officially, a transition occurred. While the state presented itself, in the 1960s, as *the single entrepreneur*, the so-called *patron* state, in the management of the national economy, from the 1970s to the mid-1990s, through the process of privatization, it appeared as *the actor of economic liberalization and the provider of social good*.

However, such an economic transition has to be placed in a social and political context which clearly shows that the problem of state disengagement cannot be understood from a purely economic or technical point of view, for it refers also to social and political questions, in terms of power and legitimacy. In fact, the development of the private sector remained closely regulated by a newly liberal state that looked with distrust on the potential emergence of autonomous private initiatives.⁴⁶ Hence, the transition to economic liberalization was still a reversible process. Moreover, the export-led growth of the Tunisian economy, in the wake of top-down development, remained in the hands of an elite, namely the 1970s industrialists. Nouredine Sethom referred to the latter as a profit-seeking limited stratum in Tunisian society, which took advantage of open-door economic policies: 'they are first of all interested in making profit by selling goods which are delivered by foreign partners without even knowing about the technological process of production'.⁴⁷ Fundamentally, the *industrialists* (who, first, served in the ranks of the state bureaucracy) contributed to the economically externalized and export-led growth of Tunisia by taking advantage of their client relationship with the Tunisian state. In other words, they belong to a state-subsidized group of private entrepreneurs, who have become part since the early 1970s of a property-owning middle class.⁴⁸ Today, the persistence of oligarchic forms of control in the export-led growth of the Tunisian economy (see chapter four) shows that the positions of the *industrialists* in such sectors as agroalimentary, textiles, and mechanics are still predominant.

Following the adoption of the 1986 Structural Adjustment Programme (SAP), the fundamentals of state interventionism, as well as the economic role of the GoT, had to be reconsidered. Since then, the private sector's

contribution to the Tunisian economy has been officially recognized. In other words, the existence of a private sector was simply admitted as a mere statement of fact. Private entrepreneurship was presented as participatory citizenship. Private entrepreneurs, through official associations, such as the Tunisian business association *Union Tunisienne de l'Industrie, du Commerce et de l'Artisanat (UTICA)*, could defend their own interests concerning the implementation of the SAP which aimed at the devaluation of the currency, and gradual import liberalization. In the light of the developments on the world scene, and owing to the increasing externalization of the Tunisian economy, since 1986 privatization has become an irreversible process. As regards the first objective, the exports of manufactured goods increased significantly as the Dinar was devaluated in August 1986. However, as regards the second objective, it has to be said that the profitability of local entrepreneurship remained heavily dependent on high tariff barriers; it evolved in a protected and not a competitive market. Hence, import liberalization was postponed until 1995.

In 1995, Tunisia and the EU signed an Association Agreement, which should lead to the creation of a free trade zone over a 12-year period. Owing to the gradual dismantling of tariff on imported goods, this reciprocal free trade agreement will inevitably result in a significant decrease in revenue for the Tunisian state; a loss of approximately 18 per cent.⁴⁹ Such a loss should be offset by the introduction of direct and indirect taxes (i.e., Value-Added Tax), while placing a heavy burden on the activities of SMEs, and favouring the potential development of the black market.⁵⁰

Undeniably, the Euro-Tunisian agreement strengthens Tunisia's economic ties with the European Union, while reinforcing its credibility concerning the irreversible implementation of the liberal reforms contained in the agreement. Foreign investors are expected to increase accordingly their job-creating investments in Tunisia. However, at the same time, this strategy poses the question of Tunisia's economic sovereignty, in terms of industrial development, as well as that of its sensitivity to international competition. The potential social and economic repercussions of this agreement have been evaluated by the GoT, and it may be possible that these considerations have been influential on the procrastinated ratification by the GoT.⁵¹

Moreover, as will be argued in the third chapter, parallel to the search for international credibility and legitimacy, the Association Agreement has allowed the Tunisian state's interference in the economic, political and social spheres to be consolidated. Actually, even though economic liberalization and the consequential development of the private sector are officially presented as a

fait accompli, the discretionary power of the Tunisian state, concerning the allocation of resources to private entrepreneurs, has not diminished. Contemporaneously, since the signing of the 1995 Euro-Tunisian Association Agreement, the GoT's prerogatives have changed. It no longer presents itself as the provider of social good, but as a modern *pedagogue* who deems itself responsible for making Tunisian private entrepreneurs more sensitive to and 'responsible for economic and social progress'.⁵² The annual celebration of the 'Journée nationale de l'Entreprise'⁵³ is not only an occasion to flaunt the objectives of the GoT, but also a way of asserting the adherence of private entrepreneurs and citizens to the latter.

The implementation of the industrial upgrading programme (or *Programme de Mise à Niveau - PMN*),⁵⁴ as well as the creation of an array of new state-sponsored funds and institutions of governance have sustained a top-down pedagogy.

The recent development of numerous formal institutions seems to reflect the reinforced *pedagogical* interference of the Tunisian public authorities in the private sector, as well as their desire to control all private initiatives which could potentially weaken or short-circuit the monopoly of a ministry in strategic purposes.⁵⁵ The institutional environment of Tunisian private entrepreneurship will be presented and examined in the fourth chapter of this book. These introductory considerations relating to the pervasive pedagogical interference of the Tunisian state in private initiatives indicate that, despite the irreversible drive to economic liberalization, the historical transition from state neo-patrimonialism⁵⁶ to liberalism is still in the making.

The question of information about market opportunities is also an element which will be explored in the next chapter, for it contributes to the survival and maintenance of private firms, above all when these are export-orientated. Before the growth in information demand, parallel to the externalizing process of the economy, Tunisian formal institutions succeeded, to some extent, in providing information through the organization of conferences and international industrial fairs, such as the *Carrefours des Affaires et de la Technologie (CAT)*. However, these formal institutions are faced with severe budgetary constraints⁵⁷ which hinder their capacity of response. Moreover, the centralization of market information is such that collecting data requires a long procedure, so much so that market opportunities may rapidly become outdated, as some entrepreneurs interviewed claimed.

Undeniably, return migrants, who set up private firms in Tunisia, have been reactive to the characteristics of their institutional environment by finding and mobilizing alternative resources which could secure the maintenance of

their firms and compensate for market discrepancies and uncertainty, as well as for the limited capacity of formal institutions to provide information efficiently.⁵⁸ With reference to the sample of interviews, the ways in which return migrants mobilized such resources may reflect the extent to which they invested their past experiences of migration in their entrepreneurial activities and, for some of them, participate in cross-border social and economic networks. Nevertheless, it is necessary to emphasize that not all the interviewed Tunisian private entrepreneurs perceived their past experiences of migration as a crucial factor which has shaped their entrepreneurial activities (e.g., in terms of market information and financial resources). This causal relationship is subject to deeper examination in the next chapter.

Notes

- 1 Bovenkerk, *The Sociology of Return Migration*, p. 4.
- 2 The institutionalization of international migrations refers to bilateral state-to-state trade-offs in the history of Mediterranean migrations. These trade-offs were carried out in collaboration with source countries' official bodies, such as the Turkish Employment Service (TES) or the Office National Algérien de Main-d'Ouvre (ONAMO). See Richard Lawless, 'Return Migration to Algeria: The Impact of State Intervention' in Russell King (ed.), *Return Migration and Regional Economic Problems*, Croom Helm, London, 1986, pp. 213-42. See also Czarna Wilpert, 'The Use of Social Networks in Turkish Migration to Germany' in Mary M. Kritz, Lin Lean Lim and Hania Zlotnik (eds), *International Migration Systems: A Global Approach*, Clarendon Press, Oxford, 1992, pp. 177-89.
- 3 Douglas S. Massey, Joaquín Arango, Graeme Hugo, Ali Kouaouci, Adela Pellegrino and J. Edward Taylor, 'Theories of International Migration: A Review and Appraisal', *Population and Development Review* 19, No. 3 (1993), p. 434.
- 4 Douglas S. Massey et al., 'Theories of International Migration', p. 436. See also Douglas S. Massey, Joaquín Arango, Graeme Hugo, Ali Kouaouci, Adela Pellegrino and J. Edward Taylor, 'An Evaluation of International Migration Theory: The North American Case', *Population and Development Review* 20, No. 4 (1994), pp. 699-751. For a comprehensive approach to the New Economics of Labour Migration (NELM), see J. Edward Taylor, 'International Migration and Economic Development: A Micro Economy-Wide Analysis' in J. Edward Taylor (ed.), *Development Strategy, Employment and Migration: Insights from Models*, OECD Development Centre, Paris, 1996, pp. 87-104.
- 5 Fred Arnold, 'The Contribution of Remittances to Economic and Social Development' in Mary M. Kritz, Lin Lean Lim and Hania Zlotnik (eds), *International Migration Systems: A Global Approach*, Clarendon Press, Oxford, 1992, pp. 215-17.
- 6 In the case of Turkey, Philip Martin observed that not only do migrants have better than average houses, but also their children are more likely to complete secondary school than children in non-migrant families. Philip L. Martin, *The Unfinished Story: Turkish Labour Migration to Western Europe, with Special Reference to the Federal Republic of Germany*, International Labour Office, Geneva, 1991, p. 45. Concerning Greek returnees' children,

- see the empirical observations made by N. Glytsos, 'Measuring the Income Effects of Migrant Remittances: An Empirical Analysis for Greece', Centre for Planning and Economic research, Athens, mimeo, September 1990, cited in Sharon Russell Stanton, 'Migrant Remittances and Development', *International Migration* 30, Special Issue, (1992), pp. 267-87.
- 7 David O'Connor and Leila Farsakh (eds), *Development Strategy, Employment and Migration: Country Experiences*, OECD Development Centre, Paris, 1996, p. 22.
- 8 In the case of Portuguese returnees, or *los regressados*, Jim Lewis and Allan Williams observe that 'regressados return to their village essentially to retire or run their small farms, while others prefer to invest in industrial firms only where there is an expanding market'. Jim Lewis and Allan Williams, 'The Economic Impact of Return Migration in Central Portugal' in Russell King (ed.), *Return Migration and Regional Economic Problems*, Croom Helm, London, 1986, p. 125. See also Lila Leonidou, *The Mediterranean City in Transition: Social Change and Urban Development*, Cambridge University Press, Cambridge, 1990, p. 187. On the basis of official statistics, the author shows that the concentration of Greek returnees in large urban areas, such as Greater Athens and Salonica, was still predominant, in the early 1980s, and reinforced labour shortages in the Greek provinces.
- 9 To give an example, in the case of Algeria, Lawless concludes that, if anything, the high concentration of Algerian returnees in the *wilaya* (region) of Algiers is a 'good barometer' of the economic dynamism and attractiveness of this region. Lawless, 'Return Migration to Algeria', p. 241. See also Stephen Adler, 'Immigration and Development in Algeria: Doubts and Dilemmas' in Rosemarie Rogers (ed.), *Guests Come to Stay: The Effects of European Labor Migration on Sending and Receiving Countries*, Westview Special Studies in International Migration, Boulder, 1985, pp. 263-84.
- 10 In the same vein, and concerning the case of Turkey, see Kutlay Ebrini, 'Impact of Labor Migration on the Turkish Economy' in Rosemarie Rogers (ed.), *Guests Come to Stay: The Effects of European Labor Migration on Sending and Receiving Countries*, pp. 226-7.
- 11 'The environment necessary for development must first be created. This, I firmly believe, is the central question that must be addressed in any debate on migration and development'. Reginald T. Appleyard, 'International Migration and Development - An Unresolved Relationship', *International Migration* 30, Special Issue, (1992), p. 263. See also Reginald T. Appleyard, 'Migration and Development: Myths and Reality', *International Migration Review* 23, No. 3 (1989), pp. 486-99.
- 12 Nora Hamilton and Norma Stoltz Chinchilla, 'Global Economic Restructuring and International Migration: Some Observations Based on the Mexican and Central American Experience', *International Migration* 34, No. 2 (1996), p. 198.
- 13 In the wake of James Fawcett, the word 'linkage' differs from 'link' in that it deals not only with the mobility of people across national borders, but also with forms of communication between actors. James T. Fawcett, 'Networks, Linkages, and Migration Systems', *International Migration Review* 23, No. 3, (1989), pp. 671-80.
- 14 Gildas Simon, 'La diaspora maghrébine en Europe et la construction européenne' in *La communauté maghrébine immigrée en France et ses perspectives d'insertion dans l'Europe de 1993*, CDTM, Tunis, 1993, p. 183.
- 15 Alain Medam, 'Diaspora/Diasporas: archétype et typologie', *Revue Européenne des Migrations Internationales* 9, No. 1 (1993), pp. 63-4.
- 16 As regards the various usage of the label 'Diaspora' in the field of international migration, see Michel Bruneau, 'Espaces et territoires de diasporas', *L'espace géographique* 23, No. 1 (1994), pp. 5-18.

- 17 Edward O. Laumann, Peter V. Marsden and David Prensky, 'The Boundary Specification Problem in Network Analysis' in Ronald S. Burt and Michael J. Minor (eds), *Applied Network Analysis: A Methodological Introduction*, Sage Publications Ltd, London, 1983, p. 21.
- 18 Laurence O. Michalak, 'The Impact of Continuing and Return Migration from Tunisia: Case Studies from the Tunisian Northwest', manuscript written for the Centre for Middle Eastern Studies, University of California, Berkeley, 1993, p. 10.
- 19 James S. Coleman, 'Social Capital in the Creation of Human Capital', *American Journal of Sociology*, 94, suppl. (1988), S98, S110.
- 20 Coleman, 'Social Capital in the Creation of Human Capital', \$100.
- 21 Edward O. Laumann, Joseph Galaskiewicz and Peter V. Marsden, 'Community Structure as Interorganizational Linkages', *Annual Review of Sociology* 4, (1978), p. 471. Similarly, in their conclusive comments, Robert Eccles and Rosabeth Moss Kanter observe that 'managers often talk about creating a "network organization" when they are trying to change the way the present organization is functioning. The "network organization" is offered as a model that is superior to the existing "bureaucratic functional hierarchy" and is intended to improve the organization's capacities in certain regards by overcoming problems that are perceived as inhibiting its effectiveness.' See Robert G. Eccles and Rosabeth Moss Kanter, 'Making Network Research Relevant to Practice' in Robert G. Eccles and Nitin Nohria (eds), *Networks and Organizations, Structure, Form, and Action*, Harvard Business School Press, Boston, 1992, p. 526.
- 22 Mark Granovetter, 'Economic Action and Social Structure: The Problem of Embeddedness', *American Journal of Sociology* 91, No. 3 (1985), p. 487.
- 23 Max Weber refers to it as 'übergeifende Vergemeinschaftung'. See Max Weber, *Economy and Society: an Outline of Interpretative Sociology*, 2 vols, eds Guenter Roth and Claus Wittich, Berkeley, University of California, 1978 (Part Two, chapter two).
- 24 These data are issued by the Office des Tunisiens à l'Etranger (OTE), formerly the Office des Travailleurs Tunisiens à l'Etrangers, which was created in 1967. Other statistics related to private entrepreneurship and return migration were collected in the Agence de Promotion de l'Industrie (API), the Institut National de la Statistique (INS) and in the Ministry of Industry.
- 25 This period coincides with the implementation of return-premium policies by the French government in June 1977. Return premiums, or *aide au retour*, are financial aid programmes aimed at inducing the return of immigrants to their homelands. This period also includes the 1985 expulsion of 30,000 Tunisian migrants from Libya, see the note below.
- 26 Nonetheless, it has to be said that these figures are clearly contradicted by another statistical survey elaborated by the Office des Tunisiens à l'Etranger (OTE) and by the Arab League. See Azzam Mahjoub, *La migration internationale des Tunisiens: aspects démographiques et macro-économiques*, CERES, Tunis, 1992. In fact, according to Azzam Mahjoub, Tunisian return migrants exactly numbered 96,887, i.e., more than twice the overall number reported by the INS survey, from 1984 and 1989 (41,005). The Arab League-OTE survey highlights that 74.7 per cent of the Tunisian returnees came from Libya. The predominance of the returns from Libya, during that lapse of time, stems from the August 1985 expulsion of roughly 30,000 Tunisian immigrants, after the Tunisian-Libyan diplomatic relations began to turn sour. Actually, Colonel Muammar Qadhafi suspected the Tunisian and Egyptian governments supported the US attempts to overthrow the Libyan regime. The crisis worsened following the bombing by Israeli aircraft of the Tunis-based headquarters of the Palestine

Liberation Organization (PLO), in October 1985. Diplomatic relations between Tunisia and Libya were restored in March 1987 and Tunisian workers' compensation was discussed in intergovernmental meetings. See for further development D.R. Harris, 'Tunisia', in *The Middle East and North Africa, 1996*, Europa Publications, 42nd edn, London, 1996 (revised for the edition by Richard I. Lawless), pp. 910-48.

The INS survey stated that 'most of the Tunisian returnees [who had been expelled from Libya] left Tunisia for Libya between 1988 and 1989'. This assertion may partly account for the statistical discrepancies which exist between the two surveys. Actually, the INS did not include the significant number of expelled migrants from Libya in the category of return migrants, while the Arab League-OTE survey did. Seemingly, the INS considered that, in such a case, the 30,000 Tunisian migrants who had been expelled from Libya, and who later returned to Libya, were not returnees, rather, circular migrants.

- 27 OMI, *Annuaire des migrations internationales*, Paris, 1994. These figures were also cited in the internal documents of the OTE, elaborated by Tjani Ben Sassi. See OTE, *Banque de données statistiques sur les Tunisiens dans le monde*, November 1996, p. 57.
- 28 For an analysis of the various motivations for return see Saverio Callea, 'Different Forms, Reasons and Motivations for Return Migration of Persons who Voluntarily Decide to Return to Their Countries of Origin', *International Migration* 24, (1986), pp. 61-76.
- 29 Rudolf Kraus, 'Different Forms, Reasons and Motivations for Return Migration of Persons who Voluntarily Decide to Return to their Countries of Origin', *International Migration* 24, (1986), p. 55.
- 30 As Russell King notes, the return of elite migrants is frequently accompanied by problems of loss of income, difficulties of finding suitable employment and frustration with the local way of doing things, such as the corruption of bureaucracy'. See Russell King (ed.), *Return Migration and Regional Economic Problems*, Croom Helm, London, 1986, p. 7.
- 31 France is the first European country which, owing to her past colonial era, embarked on inter-university agreements with Tunisia, Morocco, and Algeria. In 1978, Tunisia requested that 'an increased number of scholarships be made available to Tunisian graduate students to study in France. Similar agreements arose with the other Maghreb countries.' See Susan Elizabeth Bantles, *Economic Cooperation in the West Mediterranean Basin*, Istituto Affari Internazionali, Roma, 1993, p. 19. Technical cooperation between France and Tunisia has been institutionalized since the publication of a protocol in the *Journal Officiel de la République Française* (Decree n°77-1375, 2 December 1977).
- 32 Hassen Bouakri, 'Development Co-operation: The Cases of Egypt and Tunisia' in Raimondo Cagiano de Azevedo (ed.), *Migration and Development Co-operation*, Council of Europe, Strasbourg, 1994, pp. 105-6.
- 33 By law, and in accordance with the Franco-Tunisian agreement dated 17 March 1988, and signed on 19 December 1991, Tunisian immigrants may reside in France by possessing either a *carte de séjour* or a *carte de résident*. The former is valid for a maximum of one year and may be renewed. It applies more specifically to students, visitors and temporary workers. The latter is valid for 10 years and may be renewable. It may be delivered after a temporary stay in France and three months before the expiration of the *carte de séjour*. Similarly, family reunification and marriage with a French citizen are eligible criteria, among other things. A permanent residence of at least three years is required, as well as suitable financial resources. Finally, under the *carte-de-résident* regime, immigrants cannot leave France for more than three consecutive years, without prior permission; otherwise, they would lose their eligibility and the *carte de résident* would be confiscated. See OTE,

Guide juridique du Tunisien en France, Tunis, 1996, pp. 14–20. Return may be officially declared to the French authorities or it may not be, as long as the period of return from France to Tunisia does not exceed the aforementioned legal three-year duration. The unofficial return migrant may operate brief stays in France in order to obtain the stamp from the *Police des Ais et des Frontières* (PAF). See Boubakri, 'Development Co-operation', p. 106.

34 See *Journal Officiel de la République Tunisienne*, Decree 95–197, dated 23 January 1995, (10 February 1995), pp. 339–41.

35 By law, temporary return migrants, who lived abroad for more than one year, are entitled to import goods duty-free up to a maximum value of 1,000 Tunisian Dinars (TD) per capita (Art. 1), and once a year [1 US\$ = 1TD]. While migrants, who declare to return permanently to Tunisia, and who resided for at least two years abroad, are entitled to import goods duty-free for a maximum value of TD 15,000 per household (Art. 2, Art. 7). Tax exemption is not renewable, and officially permanent return migrants may also import duty-free their vehicles under the fiscal regime *Fin de Changement de Résidence* (or FCR), as long as they refrain from selling their vehicles for three years (Art. 3). As a matter of fact, tax exemption is renewable each year in the case of temporary return, while it is not when return takes place permanently. The Tunisian law related to return migration does not mention any repressive measures against the aforementioned residential strategies. Art. 7 of Decree 95–197 just stipulates that permanent return migrants must promise not to benefit twice from tax exemption.

36 *Le Temps*, *Mesures en faveur de nos émigrés*, 2 March 1994.

37 *Le Renouveau*, 'La fierté d'appartenir à la Tunisie du Changement', 6 August 1995.

38 On their temporary return travel, Tunisian migrants are also solicited to give a financial contribution to the *Fonds National de Solidarité*, called *Fonds 26–26*, which was created on 8 December 1992 by President Ben Ali, with a view to struggling against poverty in depressed regional areas. See *La Presse*, *A bras ouverts*, 26 June 1995. With a view to upgrading the collection of funds among Tunisian immigrants, and to officially flaunting the loyal adherence of the latter to the political, economic and social policies implemented by the 'Tunisia of the New Era', the *Commission du Fonds National de Solidarité* (CFNS) was created in 1995, on the initiative of Chedli Neffati, the Secretary General of the Tunisian ruling party, i.e., the *Rassemblement Constitutionnel Démocratique* (RCD). See *Le Renouveau*, 'Journée nationale de la communauté tunisienne à l'étranger', 27 July 1995.

39 *Le Renouveau*, *L'émigré, acteur dans le processus de développement*, 12 August 1994. It could be argued that new forms of national allegiance and loyalties are being flaunted by the GoT, insofar as the Tunisian official media, while recognizing the permanent settlement of Tunisian immigrant populations in Europe, glorify their participation in the process of economic transition and repeatedly define the overriding rights and duties of Tunisian immigrants, whether these changed citizenship or not. Again, it is difficult to evaluate the actual outcome of this rhetoric aimed at stirring overriding forms of so-called patriotic loyalties among Tunisian immigrants. Undoubtedly, it legitimizes the gradual interference of the GoT in the affairs of Tunisian immigrant populations. Moreover, attention has to be paid to the numerous associations existing in Europe and created by the GoT and the RCD. These include, among others, the *Rassemblement des Tunisiens en France*, the *Club du 7 novembre*, the *Association des Femmes Constitutionnelles Démocrates*. Most of these associations are politically organized and structured under the aegis of the Paris-based *Maison du Rassemblement des Tunisiens en France*, which is presided over by Nouredine

Hafsi, a militant of the RCD. They may be viewed as efficient instruments of control that allow the GOT, and the RCD, to keep a constant watch over a potential political opposition or counter-power abroad. Other state-sponsored associations also exist in Germany and Italy.

40 Wilfried Dumon, 'Problems faced by Migrants and their Family Members, Particularly Second Generation Migrants, in Returning to and Reintegrating into their Countries of Origin', *International Migration* 24, No. 1 (1986), p. 120.

41 Tunisian return migrants, 'who lived for more than two years abroad, are entitled to import duty-free tools and equipment which will be used by them in the ambit of their own craft, industrial and agricultural activities'. *Journal Officiel de la République Tunisienne*, Law 74–101, Art. 33 (25 December 1974), p. 2917.

42 See *Journal Officiel de la République Tunisienne*, Décret no. 95–2434, Art. 2, 11 December 1995, p. 2320.

43 Iliya Harik, 'Privatization and Development in Tunisia' in Denis J. Sullivan and Iliya Harik (eds), *Privatization and Liberalization in the Middle East*, Indiana University Press, Indianapolis, 1992, p. 221.

44 In accordance with Article 2 of law 72–38, dated 27 April 1972, the *Agence de Promotion des Investissements* (API) was created. It is in charge of developing the industrial sector, promoting foreign investments, and informing foreign investors about market opportunities in Tunisia. The *Agence de Promotion des Investissements* became in August 1987, the *Agence de Promotion de l'Industrie*. Law 72–38 signed the beginning of open-door economic policies (*Infittah*) in Tunisia. As for the FOPRODI, a decree stipulated on 20 October 1977 its structure and organization. Today, it is in charge of encouraging industrial decentralization as well as the promotion of small and medium-sized firms in Tunisian depressed regional areas. See *Le Courrier de l'Industrie*, n°73, March 1996.

45 Nouredine Sethom, *L'Industrie et le tourisme en Tunisie: étude de géographie du développement*, Université de Tunis 1, Vols I & II, Tunis, 1992, p. 136 (in Vol. I).

46 As regards state distrust towards private entrepreneurship, see the Tunisian chronologies in the annual review *Annuaire de l'Afrique du Nord*, during the 1970s and 1980s.

47 Sethom, *L'Industrie et le tourisme en Tunisie*, p. 256.

48 John Nellis refers to this property-owning middle class as 'a chameleon category, an intermediary group able to shift its policy position quickly from proletarian to bourgeois'. John R. Nellis, 'Maladministration: Cause and Result of Underdevelopment', *Canadian Journal of African Studies* 3, No. 13 (1980), p. 506. Cited in John Waterbury, 'Twilight of the State Bourgeoisie?', *International Journal of Middle East Studies* 23 (1991), p. 9.

49 Among all the Mediterranean countries which signed an association agreement with the EU, Tunisia is reckoned by experts to incur the highest loss of tax revenue. See Jacques Ould Aoudia, 'Les enjeux économiques de la nouvelle politique méditerranéenne de l'Europe', *Monde arabe Maghreb-Machrek*, No. 153 (1996), p. 38.

50 In Tunisia, VAT is charged not only on wholesale, but also on retail trade. From July 1988 to July 1996, the imports of goods, as well as the production and distribution became subjected to VAT (up to 17 per cent). According to the Tunisian weekly *L'Economiste Maghrébin*, the global charge of VAT may generate the persistence and expansion of the black market in Tunisia. Nouri Zorgati, formerly Chancellor of the Exchequer (until 1997), explained that VAT charges are expected to make up for the forthcoming drop in revenue due to the gradual dismantling of tariff barriers between the EU and Tunisia, following the Euro-Tunisian association agreement signed in July 1995. In the course of 1996, the loss

- 34 Tunisian New Entrepreneurs and their Past Experiences of Migration in Europe of tax revenue was estimated by Nouri Zorgati at 75 MTD. See *L'Economiste Maghrébin*, n°163, August 1996, p. 12.
- 51 With reference to information obtained from the Agreements Office of the EU Council, Tunisia ratified on 12 December 1997 the Agreement, i.e., more than two years after its signature on 17 July 1995. Ratification is a prerequisite to the implementation of the measures contained in the Association agreement. In contrast to Tunisia, Morocco signed and ratified its Association agreement with the EU in 1996, but the agreement has not been enforced yet, for Belgium, Germany, and Italy have not ratified it so far (i.e., August 1998). In both cases, association has to be viewed as an agreement which takes place 'with the European Community, not with the European Union. This means, for example, that associated states are involved neither in the Common Foreign and Security Policy (CFSP) nor in the cooperation in matters of Justice and Home Affairs (JHA), which are activities of the European Union under the Maastricht Treaty'. See Timothy Bainbridge and Anthony Teasdale (eds), *The Penguin Companion to European Union*, Penguin Books, Harmondsworth, 1995, pp. 13–14.
- 52 *La Presse*, 27 May 1995, p. 2.
- 53 The first celebration of the 'Journée nationale de l'entreprise' took place on 5 October 1996. See *L'Economiste Maghrébin*, n°168, October 1996, p. 10.
- 54 In accordance with finance law 95–109, the PMN started on 25 December 1995, in the wake of the Euro-Tunisian Association agreement. Its purpose consists in enhancing the quality of production of Tunisian private firms by restructuring them. The PMN, in Arabic *ar-tâ 'hyl ach-châmil*, will be subject to deeper examination in the development of chapters four and five.
- 55 The most illustrative example of state control on private initiatives is the case of the private *Banque Internationale Arabe de Tunisie* (BIAT). In an article of the national newspaper *La Presse*, a 'network of businessmen and financial actors which planned to control the structures of the national economy' was denounced and dismantled. The *Banque Internationale Arabe de Tunisie* (BIAT) was accused of having financed such an organization which aimed at creating the *Fondation de l'Entreprise*, in collaboration with the *Institut Arabe des Chefs d'Entreprises* (IACE). The purpose of this private foundation was to create a data bank on Tunisian firms, as well as an observatory of the Tunisian private sector, a private university for the training of Tunisian executives, and a private review. The founder member of the BIAT, Monceur Moalla, resigned a few days later. See *La Presse*, 'L'affaire BIAT: Qu'en est-il au juste?', 5 June 1993.
- 56 *State neo-patrimonialism* differs from Weberian *patrimonialism* insofar as it refers not only to the recruitment of 'a complex administrative staff under the personal control of the chief' with a view to institutionalizing the authority and to centralizing power (see Max Weber, *The Theory of Social and Economic Organization*, Introd. by Talcott Parsons, The Free Press, New York, 1964, p. 63). But also to 'the statization of society, (...) the private appropriation of public property, (...) and paternalistic political relationships between the state and its citizens', Maurice Flory, Robert Mantran, Bahgat Korany, Michel Camau and Pierre Agate (eds), *Les régimes politiques arabes*, PUF, Paris, 1990, p. 418.
- 57 As Faouzi Dhernat, head of the *Agence de Promotion des Investissements Extérieurs* (APIE) highlighted, 'the [financial] means of the APIE are derisory [...] While a tidy budget of TDinar 10 millions is granted to tourism [for its promotion], the industrial sector gets TDinar 1 million.' in 'La Tunisie est parfaitement adaptée au partenariat', *L'Economiste Maghrébin*, No. 130 (1995), p. 28.
- 58 Interestingly, in this connection, J.P. Chauffour, an IMF economist, observed that, in Tunisia, 'the production and communication of information influence the behaviours and initiatives of economic agents, as well as their investment decisions [...] The investor needs a continuous flow of reliable information about the economic policies, which are chosen by the government, and their practical results.' See the Tunisian review *Banque*, No. 1 (May 1996), p. 23.

3 Past Migration Experiences and Private Entrepreneurship

maintenance of one's own business concern has become not only an economic necessity, but also a social duty for the entrepreneurs themselves; a duty that the GoT has repeatedly underlined.

Tunisian entrepreneurs, who were migrants before returning to Tunisia, have, just like their counterparts, been familiar with this changing legal and institutional framework, which will be sketched out in this chapter and further developed in chapter four. Interviews were carried out with entrepreneur-returnees who run or manage export-orientated business concerns. In the context of this research, which focuses on the formation of cross-border networks, it seems that export-orientated activities constitute the most suitable forms of private business concerns which could illustrate the dynamics of such networks. It should be noted that the purpose of interviews is not to present a general picture of all Tunisian private entrepreneurs. Rather, the size of the sample was developed through in-depth interviews with the intention of identifying the contours of the topic; that is, the research is an *exploratory* sample rather than a stratified random sample.

The private entrepreneur-returnees interviewed in the *Grand Tunis* (i.e., Tunis, Ariana, Radès, Mégrine, La Soukra, Charguia, El Kram, Halq El-Oued, Ben Arous, Sejjoumi), can be divided into three analytical categories:

- 1) the *Heirs*. These are the children of the 1970s Tunisian industrialists who, after their return from abroad, inherited the family firms from their fathers;
- 2) the *Converts*. These are highly skilled return migrants who worked for the Tunisian public administration and who, since the reinforcement of privatization and liberalization in Tunisia (late 1980s), run privatized enterprises or have set up private business concerns; and
- 3) the *New Entrepreneurs*. These are return migrants or the children of migrants who were born in Europe. Since the late 1980s, they have set up business concerns in Tunisia in collaboration with foreign investors whom they met in Europe during their experiences of migration.

To meet the interviewees, several lists of export-orientated firms, operating in all sectors of the Tunisian manufacturing industries, were used at the beginning of the inquiry. However, and more often than not, word of mouth constituted a more effective way of meeting and interviewing these private actors. In fact, this method tended to encourage a more open attitude towards the interviewer. The interviewed entrepreneurs became less suspicious with

They have returned to invest in Tunisia (*Le Courrier de l'Industrie*, No. 70, July 1995, p. 5).

The above quotation does not refer to well-prepared Western European entrepreneurs; rather, it is a reference to Tunisian migrants who set up business concerns in Tunisia while living abroad or following their return to their homeland. These economic actors are commonly called by Tunisian formal institutions the TREs, namely, the *Tunisiens Résidents à l'Étranger*. The TREs' contribution to the expansion of the private sector in Tunisia dates back to the early 1970s, when the government of Tunisia (GoT) implemented open-door economic policies (*Infitah*) and fostered the promotion of a private sector. Such a contribution was dependent on the configuration and share of private entrepreneurship in the Tunisian national economy.

Although access to private entrepreneurship has been made easier and is now viewed as a form of participatory citizenship, which is in line with the official rhetoric, private actors, including Tunisian entrepreneur-returnees, have had to deal with the changing characteristics associated with the development of the private sector in Tunisia. They have had to adopt new resources as well as new strategies to provide for the survival of their firms. As mentioned in the introductory chapter, social capital has undoubtedly had a significant influence on such strategies. Moreover, just as the institutional environment of private entrepreneurship has changed since the 1970s, so have the economic prerogatives and social duties of private entrepreneurs. In fact, since the Euro-Tunisian Association Agreement, in the mid 1990s, together with the current industrial restructuring programme (*Programme de Mise à Niveau - PMN*), and the reshaping of the institutional environment, the GoT has developed a legal framework and a rhetoric which, if anything, recall the social accountabilities of private entrepreneurs, while making them more responsible for mismanagement and entrepreneurial failure or bankruptcy. The added accountability and responsibility support the argument that securing the

regard to the contents of the inquiry and to the purpose of this research. When this was possible, in-depth interviews were performed in sequential steps, in order to correlate and compare, at the end of each session, the results of the interview, and to adapt, accordingly, and during the next session, the semistructured and open ended interview schedule to the original situation. The interview schedule was more often than not used to stimulate a dialogue between myself and the respondents, but I usually managed to ask the same questions in order to allow the results of the interviews to be analytically usable.

Investigations started in the course of 1995 and were followed by temporary field inquiries which took place in sequential steps, in June, July, October, November 1996, and in April, May 1997.

Each interview consisted of questions which guided the development of the discussion. After having collected basic data concerning the firm and the family background of the respondents, the interview focused on the following elements:¹

- the professional experience of the entrepreneurs and their academic background;
- the entrepreneurs' past migration experiences in Europe;
- the link between their past migration experiences and their current economic activities;
- the entrepreneurs and their economic environment;
- the resources which were/are mobilized for the pursuit of their economic activities;
- the actors' relationships with Tunisian formal institutions, as well their opinions concerning their activities, the processes of privatization and economic liberalization in Tunisia, and the potential impact of the Euro-Tunisian Association agreement on their business activities;
- the entrepreneurs' relationships with their foreign customers;
- the entrepreneurs and their potential involvement in communal or associative networks.

Thirty-six in-depth interviews were collected with Tunisian private entrepreneurs who had had experience of migration in Europe. The purpose of interviewing was not to tell the whole life story of informants; rather it was to focus on some aspects of their personal trajectories and their network embeddedness, while creating a 'story-within-a-story',² which could reveal or reflect the causal effects of their past experiences of migration on their current entrepreneurial initiatives and strategies for survival in Tunisia.

Moreover, thanks to the aforementioned sequential-step methodological choice of inquiry, the interview schedule turned out to be adaptable to field conditions that were neither predictable nor preconceived. In other words, it allowed the contents and the relevant questions to be flexibly adapted to the context of investigation.

As interviews were performed and analysed, some redundant elements were identified. These were, then, tested during the last field investigations. The identification of such redundant elements and regularities allowed a typology to be built and the sample of interviews to be desegregated.³

The characteristics of each group of entrepreneur-returnees are epitomized in Table 3.1. These will be empirically illustrated through the development of this chapter, and emphasis will be laid on the third category, the *New Entrepreneurs*, who in particular succeeded in investing their past experiences of migration in their current entrepreneurial activities while being involved in cross-border social and economic networks.

Table 3.1 Identification criteria of the Heirs, the Converts, and the New Entrepreneurs

Identification criteria	The Heirs	The Converts	The New Entrepreneurs
Lived an experience of migration in Europe	X	X	X
Had an initial entrepreneurial project before returning to Tunisia			X
Developed an 'address book' in Europe			X
Benefited from existing resources needed for the survival of the firm	X	X	
Worked for the Tunisian public administration before setting up a business concern		X	
Worked for a private firm before setting up a business concern (not necessarily)	X		X (not necessarily)
Past migration experience in Europe has been crucial to the survival of the firm		X	
Run small and medium-sized firms		X	X
Run large firms	X		
Member of the Tunisian business association (UTICA)	X	X	

Most importantly, the approach will shed light on the various resources that the interviewed subjects have been mobilizing to secure the survival and success of their firms. In the field of political science, resource mobilization is all the more crucial as it may illustrate the extent to which economic actors succeed in asserting their economic position while being more or less autonomous *vis-à-vis* Tunisian formal institutions.

The development of this chapter will demonstrate that the strategies aimed at providing for the maintenance of the returnees' entrepreneurial activities reflect the extent to which their past experiences of migration have shaped their opportunities in Tunisia, in terms of financial resources, market information, personal contacts and knowledge. The typology will also highlight the way in which the *Heirs*, the *Converts* and the *New Entrepreneurs* respectively perceive their own institutional environment and define themselves as entrepreneurs.

3.1 The Entrepreneur as a Social Actor

Defining the profile of the entrepreneur is a prerequisite to developing this chapter dedicated to examining case studies from these three categories of entrepreneur-returnees, in order to understand how they invested their experiences of migration in Europe in their current entrepreneurial activities in Tunisia, in terms of market opportunities and resource mobilization. The definition of entrepreneurship used here is partly based on the theory of human action, elaborated by Israel M. Kirzner. This approach will introduce the entrepreneurial experience of these social and economic actors, as well as the ways in which they succeeded in mobilizing resources and accumulating additional knowledge about market opportunities.

While human action allows the profile of the entrepreneur-returnees to be depicted, the theory of social action should shed light on the opportunities and resources that the latter may mobilize for the pursuit of their goals. Moreover, social action focuses on the 'social embeddedness' of entrepreneurship in ongoing systems of social relations, as Mark Granovetter argues. Hence, social action should highlight the participation of the interviewed subjects in patterns of social relationships that are not necessarily defined in terms of kinship, ethnicity or family linkages. Social embeddedness may, thus, include a variety of relationships that increase the availability of resources and new information about the market place. The double consideration of the need for additional knowledge and the creative investment of a personal background

(i.e., past migration experience in Europe) in entrepreneurial activities seems to constitute a more appropriate tool for analysing the initiatives of these actors.

To illustrate this assumption, the entrepreneur has to be considered as a social and human actor whose initiatives and strategies for survival may be embedded in several patterns of social relations which are shaped by his personal experience and social capital. On the one hand, social action may orient the economic activity of the entrepreneur who, eventually, has to take into account the responsive attitudes of third people. Economic action can also acquire a social meaning that is neither limited to the social group nor simply explained through it. On the other hand, the reference to human action, that is 'the manner in which reasoning human beings interact while seeking to achieve their individual purposes',⁴ may highlight other types of economic behaviour that will be subject to examination, in the field of entrepreneurship. Consequently, it is contended that the examination of the elements that constitute entrepreneurial activities as such will permit the personalities, and the market opportunities as well as the resources of these entrepreneur-returnees, to be highlighted.

The understanding of what is meant by *entrepreneurship* is illustrated, in the ambit of this research, by two main views. Both of them depict entrepreneurship as an economically orientated activity performed by the entrepreneur; both define the entrepreneur as an individual motivated by the pursuit of various goals (economic and non-economic) aiming at securing the survival of his enterprise.

In the first view of entrepreneurial activity, the function of the entrepreneur has to be distinguished from that of the inventor, insofar as 'the inventor produces ideas, [while] the entrepreneur gets things done, which may but need not embody anything that is scientifically new [...] [Entrepreneurship] must be identified with a creative response in business activity',⁵ that is to say with 'something that is outside of the range of existing practice', and which leads to innovation. By innovating, the entrepreneur does new things or does things 'that are already being done in a new way (innovation)' but his own activity also constitutes a 'bursting influence'⁶ on the established equilibrium of the economy for Schumpeter, who considers the entrepreneur as a 'disequilibrating force in economic activity'.⁷

Innovation, combined with the necessary complementary factor of access to capital or credit, allows the Schumpeterian entrepreneur to take advantage of new opportunities that motivate his desire to found a private kingdom. As such, s/he is not motivated by hedonistic ends, namely profit, like the *Homo*

oeconomicus, but, above all, by the *grandeur* of profit and achievement.⁸ His exceptional personality helps him to go beyond the constraining influences of his social class. Credit places him in a position to innovate in the market economy and to move upward in the social scale. Moreover, once entrepreneurial success is attained, *s/he* and his family may integrate the capitalist stratum within the *bourgeois* class.⁹ More importantly, the Schumpeterian entrepreneur is not a financial risk-taker, in contrast to the 'capitalist', who speculates. The credit needed for innovation is provided by the banker, who, as a 'capitalist', in fact, bears all the risks.

The second view of entrepreneurial activity, which constitutes the main argument of this definition, is as dynamic as the first one. However, whereas Schumpeter distinguished between the entrepreneur and the banker, who is a financial risk-taker, other scholars, such as Israel M. Kirzner, lay emphasis on the fact that the entrepreneur's role may also consist in bearing the hazards of business, for the entrepreneur lives in a 'world whose uncertainty is such as to render all deliberate action inevitably subject to surprises, both welcome and unwelcome'.¹⁰ Consequently, it is because of such market instability that the entrepreneur, who is seen as a driving force of the economy, has to speculate in order to discover other 'ways of buying inputs and/or selling outputs for existing lines of production'.¹¹ In such a conception, *s/he* owes his existence to the 'unpredictability of his environment and to the ceaseless tides of changes that undergird that unpredictability'.¹²

In Kirzner's view, the entrepreneur is an actor who is faced with market discrepancies. More importantly, *s/he* is an individual who has developed qualities which allow him to deal with the vicissitudes inherent in the market place. The role of the entrepreneur consists in exploiting the market opportunities that have been left unexploited by his counterparts by combining various resources in a creative way. Admittedly, human action pertains to the 'alertness' or 'prescience' of the entrepreneur. In that sense, it focuses on the entrepreneur's motivation to envisage the future realization of his decision by looking for potential and unexploited resources. Kirzner's 'alertness' arises from the *endeavour* to imagine the future market opportunities more accurately on the basis of the course of present events. 'The future-to-be-imagined is a future that will include the consequences of the entrepreneur's own present and future actions.'¹³ Entrepreneurial action is, then, shaped by the propensity to envisage the future. This notion is all the more fruitful in terms of entrepreneurship as it focuses on the ability of the entrepreneur to act in moving toward a subjective and expected vision of the future and his economic and social environment, while being willing to adapt himself to the vicissitudes

of the market place. Such adaptation takes place thanks to the 'creativity' of the entrepreneur. This occurs, in Kirzner's view, at all times during the market process, that is to say between the moment when present available data are assessed to future action ('imagined realities'), and the moment when future action is performed ('new realities').

Moreover, the entrepreneurial function alludes also to the 'discovery' of opportunities that had been overlooked up until then, like a form of invention. The ignorance of such opportunities for profit generates the underrated evaluation of current resources. These were not perceived by the entrepreneur before acting.¹⁴ The entrepreneur reconsiders his own action in accordance with the new context, and readapts it as accurately as possible to attain his goals and to limit the divergence between anticipated and realized future. The continuous search for other resources ('creativity') that could secure the persistence of the enterprise also constitutes the purpose of entrepreneurship. Similarly, entrepreneurial action is 'neither random, nor predetermined'.¹⁵ It stems from a partial knowledge of market opportunities, at a given moment, which knowledge is necessarily subject to transformation and revaluation on the part of the entrepreneur, during the performance of his economic activity.

The conception of human action in economic life offers a subjectivist vision of the entrepreneur's profile: *s/he* is seen as an individual who perceives and recognizes the opportunities existing in the market place that could enhance his position. The fruitfulness of human action, as stated before, lies above all in the fact that it highlights the capability of each market participant to evaluate the resources that could contribute to the persistence of his own enterprise. Moreover, at the level of the individual, Kirzner's entrepreneurial *alertness* sheds light on the personality and the role of the entrepreneur; while, at the level of the market, his action must be coordinated with that of his counterparts, in order to accumulate knowledge and information about economic opportunities.¹⁶ The purpose of this tentative definition is to develop the argument which considers the active role of the entrepreneur as being potentially involved in a system of entrepreneurial interaction and social relationships that may reduce transaction costs and enhance partnership.

While human action refers to the entrepreneur's *alertness* in looking for future economic opportunities that have been left unexploited until now, social action pertains, more particularly, to the meaning that the entrepreneur attaches to his own activity, and to his social environment, which is influential on his economic behaviour.¹⁷ It has to be said that social action does not propose an over-socialized vision of entrepreneurship which would predetermine the economic orientation of an actor. On the contrary, it suggests that economic

activities may be social inasmuch as they are performed with reference to the behaviours of third people. As such, it consists in a social content that is subjectively meaningful in the ambit of a membership without being determining.

In Max Weber's view, membership may be voluntary and based on individual consent, such as an association or a group of people. However, it may also be involuntary when the legitimacy of an institutional and legal order is established by a superior authority. Entrepreneurs may act with reference to the belief in an order of social relationships which is delimited by the participation of a plurality of actors.¹⁸

Whether it is permanent or temporary, a social relationship consists in a subjective meaningful content that is constantly re-evaluated and adapted to a given environment. In other words, the parties give a meaning to their social relationships according to a context; the subjective fundamentals for cooperating with a third party, for conferring trust on an individual need not be the same all the time, just as they need not be reciprocal.¹⁹ The subjective meaning of a social relationship may orientate the (social and economic) action of individuals, despite differences of tradition, religion, citizenship and ethnicity.

In fact, two types of social relationships which can lead to social action have to be distinguished in this development; these are either 'communal' or 'associative'. The former is based on the parties' subjective feeling – whether affective (i.e., determined by emotions) or traditional – that they belong together. Religion, brotherhood and also *esprit de corps* are significant communal factors in a social relationship, according to Weber.²⁰ As regards the associative type of social relationship, it 'rests on a rationally motivated adjustment of interests or a similarly motivated agreement, whether the basis of rational judgement be absolute values [e.g., natural law] or reasons of expediency [e.g., self-interest]'.²¹ Weber's approach potentially combines both types of social relationship; hence, an entrepreneur may participate in market exchanges and have simultaneously the subjective feeling of being part of several networks of communal social relationships (e.g., the family, a brotherhood, a group) which facilitates the pursuit of his economic and social activities. Actually, in Weber's view, communal and associative social relationships complement one another. The role of the entrepreneur, in the logic of social relationships, may clear this phenomenon up.

Finally, the purpose of this definition is *not* to present a modelled image of the entrepreneur, rather, to find the congenial theoretical tools that could help illustrate the various degrees of entrepreneurship of the interviewed actors: the *Heirs*, the *Converts* and the *New Entrepreneurs*, that is, Tunisian private actors who have developed their own business activities or participated in

export-orientated business activities after having experienced migration in Europe.

3.1.1 Past Migration Experience and Private Entrepreneurship

As mentioned in the introductory chapter, past migration experience is not viewed in this research as fully explanatory of the resources that Tunisian entrepreneur-returnees mobilize. I have created the following typology in an attempt to show that there is no predetermined causal effect, or continuum, between an experience of migration and private entrepreneurship. The existence of a causal effect seems to be associated with the actor's social capital, his need for resources, and the circumstances of his return. Interviews allowed the impact of past migration on private entrepreneurial activities to be evaluated. Furthermore, by laying emphasis on the extent to which entrepreneur-returnees perceived the prominence of such an experience, three categories of returnees who set up export-orientated business concerns in Tunisia were identified.

All three analytical categories of entrepreneur-returnees differ from each other in respect to a set of variables or identification criteria (see Table 3.1). As will be explained, an actor's past experience of migration in Europe may be relevant in the sense that he may have considered, before returning to his home country, that the level of social capital, as well as his skills and competencies, could not contribute, in the long run, to the survival of his yet-to-be created business concern. The following development will allow this assertion to be explored or qualified.

After analysis of all the oral data which were collected in Tunisia with private entrepreneur-returnees, it turned out that the respective characteristics of the *Heirs*, the *Converts* and the *New Entrepreneurs* could be identified with reference to the extent to which past migration experience was perceived by themselves as relevant to their own current entrepreneurial activities. The determination of such relevance appears crucial in demonstrating and explaining that the *New Entrepreneurs* have succeeded in investing their past experiences of migration in their export-orientated business activities, while being, contemporaneously, involved in cross-border social and economic networks.

3.2 The Irrelevance of Past Migration Experience

This section exclusively refers to the cases of the *Heirs* and the *Converts* inasmuch as their past experiences of migration have had little impact on the maintenance of their firms. As a prerequisite to presenting the case of the *Heirs*, emphasis has to be laid on the historical development of private entrepreneurship in Tunisia, since this category of actors finds its roots in the gradual redefinition of the economic and social role of the Tunisian state, in the wake of *Iqfīyah*.

In fact, the state advocated a strategy of development that involved indigenous private actors (the aforementioned property-owning middle class) and external actors (foreign investors). Private entrepreneurship grew significantly during the 1970s in such sectors as food processing, textiles, and mechanics. Its expansion took place in non-strategic industrial sectors, which means that the creation of private enterprises was, actually, peripheral to the activities of public-sector enterprises. Access to private ownership was made easier through state incentives. It has to be said that some of these new private entrepreneurs had been employed previously as civil servants who 'were permitted a two-year leave of absence to try their hand in the private sector, during which time their positions and seniority in the public sector would be guaranteed'.²² In terms of power and competition, the incipient process of privatization and the consequential emergence of the industrialists did not constitute a threat to the still dominant state *bourgeoisie*. Moreover, the subsidized loans aimed at encouraging private entrepreneurship were subject to regulation, bureaucratic approval (which was a long procedure) and discretionary power of the state. Hence, enterprise autonomy remained severely limited, despite the formal establishment and trumpeting of liberalizing economic policies.

Nevertheless, a sort of heterogeneity was inherent in this new property-owning middle class. On the one hand, it was composed of former civil servants who took advantage of the largesse of the state and who enriched themselves by making their own client relationship with the administration profitable. On the other hand, the promotion of private ownership became an opportunity that appealed to freelance entrepreneurs who, after meeting a large number of conditions, set up their own businesses. Small and medium-sized business concerns flourished during the 1970s in Tunisia. The encouragement of private entrepreneurship had real practical effects since private investment as a percentage of total investment reached a peak (in 1973 it accounted for 52.1 per cent of global investment by sector²³), which has never been reached again.

Given the several components of the emerging property-owning middle class, it would be difficult to make a global and radical analysis of the political assertiveness of the industrialists of the 1970s. Some observers have preferred to qualify their own approaches when talking about the classical categories of the state *bourgeoisie* and the *industrialists*. Some consider the latter a parasitic group of private actors, i.e., a kind of profit-seeking neo-state *bourgeoisie* (Sethom, 1992). Some others refer to it by focusing on the internal diversity inherent in what they view as a 'petite bourgeoisie' (e.g., John Waterbury²⁴) or by insisting on its potential political assertiveness (Harik, 1992). The use of class terminology and analysis in non-Western settings can be problematic. However, the reference to a property-owning middle class is made in an attempt to highlight the social background of the *Heirs* which finds its roots, by family descent, in the emergence of the aforementioned 1970s *industrialists*.

3.2.1 The Return of the Heirs

The first category subject to examination is referred to as the *Heirs*, for they inherited the family firm after their return from Europe. Importantly, in contrast to most Tunisian returnees, the *Heirs* did not necessarily set up new business concerns, but took over pre-existing well-established large family firms run by their fathers, the *industrialists*.

On the basis of the interviews made with the *Heirs*, it could hardly be argued that they have developed their firms by exclusively relying upon pre-existent family resources. The knowledge and competencies they acquired abroad, mostly in France, in the context of technical cooperation and university exchange programmes, constitute a significant adjunct to the survival and success of their family firms.

It seems that most of the *Heirs'* fathers (namely, the 1970s *Industrialists*) opted to send their children to prestigious French universities such as *Les Ponts-et-Chaussées*, *l'Ecole Centrale*, *l'Ecole Polytechnique*. This option has to be viewed as an educational and technical investment, at the level of the family system, which, more often than not, is decided by the head of the family. Tarak's case is emblematic of this collective option:

My father wanted me to study abroad at L'Ecole Centrale of Paris. It was only after my return that I was allowed to take over the management of my father's firms. It's true that things went all right for me [...] I wanted to create the largest group of firms in Tunisia. You know, the activities of the firm have grown fiftyfold since my return in 1979. Today, its size, its management and its

market outlets are considerable. Now, we have factories in Portugal and Egypt. As regards my stay in France, I also worked for SNECMA, in the sector of aeroplane reactors. It is located in Paris and I worked for SNECMA for one year. I learnt a great deal of things, thanks to this work experience (June 1996).

The *Heirs'* awareness of their privileged economic and social background was reflected in interviews. Tarak's firm is part and parcel of a large group of trade companies owned by his father, an *industrialist* in the mechanical sector. It is important to note that the activities of his large firm are complementary to those of his father's group, while being exclusively export-orientated. Tarak, however, in his narrative, confuses his entrepreneurial activities with those of his father. This was recurrently observed during the interviews made with the *Heirs*. The firms of the *Heirs* constitute more often than not a subgroup of industrial activities within a complex entity of firms owned by the father himself. In Tunisia, these family-owned business concerns are common in the mechanical and electric industries, as well as in the food-processing sector.

In 1963, Tarak's father chose to concentrate some of his business production on electric cables. Later, in 1975, he specialized in the production of telecommunication and high-voltage electric networks. In the early 1980s, the firm underwent a process of restructuring and specialized in the production of domestic appliances in collaboration with foreign investors (i.e., multinational companies). In fact, in 1984, a German firm, which had been taken over by General Motors two years before, was looking for a Tunisian partner who could manage the delocalization of its production of electric cables. Consequently, Tarak's firm has become operative in order to subcontract for this German firm.

As far as their experiences of migration are concerned, the *Heirs* seemed to perceive their stay in Europe as a moment of their lives during which they had great opportunities to improve their academic knowledge and skills, but few opportunities to develop professional contacts of any kind. Admittedly, social capital played a major role in the successful return of such actors. In the case of Tarak, for example, his father financially supported the creation of his 1985 firm. The fact that he belongs to a renowned family has undoubtedly conferred more credit on the development of his entrepreneurial activities.

However, the financial and family-background factors cannot account *per se* for the entrepreneurial success of the *Heirs*. Taking over the family firm is one thing, maintaining its survival is another one. Admittedly, the knowledge and competencies acquired abroad have contributed to improving the modern means of production of their inherited large firms; but most of the *Heirs*

emphasized that they diversified and developed the activities of their firms by relying on the new resources collected *since* they took over the family firm. It seems irrelevant to argue whether their entrepreneurial activities developed smoothly because of their family background. Just like their counterparts, the *Heirs* are faced with market uncertainties and even more so, when their firms are export-orientated. Contemporaneously, the extent to which they tend to design their own strategies in the wake of their family background cannot be denied. These consist in investing the symbolic and relational capital of the family (e.g., name, reputation) to obtain market information and to strengthen their position in the market place. Moreover, business specialization turns out to be the most suitable solution to guarantee the survival of their large firms, together with the creation of subsidiaries in Europe, with a view to maintaining export outlets and reducing transaction costs. The *Heirs* benefit from resources which allow their market position to be reinforced abroad.

Just as Tarak created subsidiaries in Portugal and Egypt, so it was for Chekib who also opted for the same solution to secure his export outlets in France, Spain and Greece. In 1984, Chekib set up a firm in the food-processing sector. He exports dates to Europe, particularly France, Spain, Italy, Germany, Greece and Great Britain. He intentionally chose European customers, because, as he argued, 'Europe is a good consumer [of dates] and a good payer'. The need for guaranteeing the exports of perishable goods urged Chekib to set up subsidiaries in Europe:

We are faced with a deep problem in the food-processing sector: the channel of distribution. European countries have created a network of distribution in their own countries so that we cannot get into that network to develop ours, as Tunisians. Here is the problem. We are directly facing this problem. We have realized that lots of money will have to be invested to create our own network. Distribution is too expensive. If we want to sell our dates, we have to set up subsidiaries in three main countries: France, Spain and Greece. Once you're in, millions of Dinars are at stake. Bankers as well as the Tunisian legislation do not follow you any longer. We are quite familiar with this problem. If the [Tunisian] state thought in the same way, if private entrepreneurs and bankers were on the same wavelength, then these things could go ahead. Just think that, for a Tunisian banker, prospecting abroad means going on holiday, that's it (July 1996).

Chekib volunteered some information related to the '*family system*' in which his activities have evolved since he took over the firm of his father. Interestingly, the family system does not only include the entrepreneurial

activities in which he is involved, but also the resources which are provided by one of his brothers who works for a Tunisian formal institution whose purpose is to allocate financial funds to private entrepreneurs in order to support their projects. Chekib's brother indirectly participates in the survival of the family firm by communicating information about the market place.

The family system The family system constitutes a distinguishing characteristic of the *Heirs'* strategies for survival. Family members are strategically scattered in the private and public spheres. Both spheres have to be viewed as complementary to each other. In terms of market information, family network systems seem to offset the deficit of information. Contemporaneously, the *Heirs* use the privileged access to information, while recognizing that the deficit of market information also constitutes a valuable element for their firms. The need to rely upon the personal services of a close relative who works for the Tunisian public administration, and who will be willing to inform the *Heir* about market opportunities, is a crucial element that illustrates their process of resource mobilization. The following interview excerpt illustrates the problem of information gathering:

Did Tunisian formal institutions, such as CEPEX, help you in finding your customers abroad?

CEPEX Yes, it did. Well, it will certainly become a data bank in the years to come, but it is not professional enough. But this transition is difficult, because we've just left a socialist economy. Even today, the Tunisian state believes that it has a predominant role to play. Half of our economy is state-owned. They want to create opportunities; but if entrepreneurs don't have their *own* [emphasis mine] opportunities to meet together and to speak the same language, things cannot go ahead.

How did you find or create your own opportunities?

In the market place and through competition [...] I would say. What I want to tell you is that politicians should not talk about competition. Also, it is true that networks are of great help and this is how people communicate. Few people know about the existence of financial funds, which are granted by Tunisian formal institutions. We do rely on a deficit of information. We aren't really informed by Tunisian formal institutions. We have to look everywhere to obtain the slightest piece of information. In Tunisia, financing is complicated. Today, personal funds are the most important thing. If you're motivated enough to carry on your entrepreneurial activities, you need to create parallel activities to

your own business concern. For example, you invest in real estate or do other kinds of investments. I subjectively place myself in a family group that encompasses all the necessary sectors to guarantee the survival of my activities. To summarize: the transfer of information is much easier between private people, because reliable information is human. This is a great issue. If you don't belong to a system where information circulates, you cannot expect someday to obtain reliable information. In Europe, information is communicated from one person to another. It is thanks to a friend or a relative that information is communicated. We must work like this. My fax works continuously (July 1996).

Around the firm run by the *Heir*, a diffuse network of family members contributes to its maintenance. Chekib diversified his resources and created 'parallel activities' in the real estate. Fethi, who adopted the same strategy, did not create peripheral entrepreneurial activities to his firm; he, unlike Chekib, could be viewed as the head of a network of information, which is diffuse in both the private and public sectors.

Fethi runs an offshore company which is active in the clothing industry, and employs 100 workers. Fethi was able to develop his subcontracting activities thanks to his wife, who is Italian. She prospected in Italy and found European investors who were interested in delocalizing the production of their clothes in Tunisia. All the process of production and Fethi's networks of information are exclusively based on family links:

You mentioned the existence of networks of information? Could you elaborate?

If you want to obtain good opportunities, you must have close friends. My wife opened the way to profitable markets. This is called chance and fate. Someone in Italy suggested that I do some things for him. Everything started like this. You know, word of mouth is so important in my sector. [...]

Did your parents or relatives participate in the development of your firm?

Definitely. My two younger brothers run other factories located in the north of Tunisia. Our organization is family-centred. The human factor is really important. Trust is the basis of all the system. A brother is an additional advantageous element. Anybody could have done what he's doing, but our job is really stressful and requires complete involvement.

And as regards Tunisian formal institutions, such as API?

Yes, they helped me also. But, you know, I have a brother who works for API.

In terms of subcontracting opportunities, I got all that I needed. CEPEX, on the contrary, did not help me at all (July 1996).

Family members participate in an informational system which is all the more necessary as the institutional and legal environment 'has been increasingly improved, but still lots of problems persist', as they expressed it. In this respect, the need to diversify their entrepreneurial activities and, by the same token, their entrepreneurial risks, may constitute a response to the deficit of information.

Ridha's case is of interest to understand the strategies the *Heirs* designed to gather information about market opportunities. He studied mechanical engineering at L'Ecole des Ponts-et-Chaussées and returned to Tunisia in 1976, after a six-year stay in France. Ridha's father runs a large business concern in the mechanics sector:

When I was in France, [after the completion of my degree] I worked for Esso Standard as a technician. That lasted one year. Then, I returned to get married in Tunisia and to help my father in the management of his firm in the cables sector; it is also located here in Chargaia [in the North of Tunis]. The company was a bit rigid structure-wise. It has never been orientated to exports. Just because we prefer to concentrate on the local market.

What about the international trade company that you are managing in Tunis? Is it complementary to your father's company that you took over?

As you may know, since the late 1980s, there has been a legal context in Tunisia which favours the creation of international trade business concerns. [My business concern] has its own activities and exports spare parts to Africa [Algeria, Egypt, and Senegal]. I obtained the export license from CEPEX in July 1993 and started a bit later in 1995. Now I hope to obtain the label ISO 9000. This is my main objective. Exports make my activities more sensitive to international competition. [...] A German firm should help me to enhance the quality of my production (April 1997).

Clearly, Ridha's international trade company (ITC), which employs three people, constitutes an extension of the large firm he took over from his father in the late 1970s. Partly, his small ITC was created in an attempt to develop the exports of his inherited firm and to respond, with as much flexibility as possible, to the uncertainties related to export-orientated entrepreneurial activities. This flexibility may lie in the small size of his ITC which increases the adaptability of his entrepreneurial activities. In addition, the exports of

spare parts to Africa have been developed because of Ridha's active involvement in Tunisian formal institutions. In fact, Ridha has combined his entrepreneurial activities with the position of vice-president of a business confederation within the Union Tunisienne de l'Industrie, du Commerce et de l'Artisanat (UTICA – the Tunisian employers' business association) since 1991. Holding more than one office seems to be a common strategy used by the *Heirs* to gather information about market opportunities. This demonstrates that such actors are not satisfied with the social and financial capital they inherited from their fathers; they tend, on the contrary, to fructify it, or to 'modernize' it by adapting their entrepreneurial *creativity*, as Kirzner would suggest, to their changing institutional environment. In other words, thanks to his position in the UTICA, Ridha may have benefited from reliable market information to set up his ITC and to find a foreign partner who could participate in the capital of his export-orientated small firm.²⁵ Just like Chekib, Ridha purposefully placed himself 'in a system where information circulates'. However, Ridha's system appears to be more institutionally centred than Chekib's, which is more family-centred.

Notwithstanding the fact that, as a whole, the institutional environment is viewed by the *Heirs* as inefficient and constraining, they tend to exploit – and not to solve – such inefficiencies by perpetuating a deficit of information which they are able to offset thanks to their family resources or to their institutional prerogatives and privileges. Their own channels of information are efficient enough to argue, as Tarak did, that the lack of reliable information is a 'normal fact', because 'in the world of business, people necessarily tell lies, just like in advertisements [...]; Tunisian formal institutions tend to manipulate data in order to make the best deal. This is fair.' By extrapolating Tarak's statement, Tunisian formal institutions could be viewed as private think tanks, whose resources are selectively accessible. Because of the family system in which their entrepreneurial activities are embedded and also thanks to their institutional involvement, the *Heirs* may benefit from this selective access to information.

The gradual exposure to international competition, in the wake of the 1995 Euro-Tunisian Association Agreement, is viewed by the *Heirs* as a means of tackling such bureaucratic constraints. In this respect, the implementation of the industrial restructuring programme (PMN), which started in late 1995, following the signature of the Euro-Tunisian Association Agreement, was primarily designed to restructure the Tunisian private sector. In January 1996, and in accordance with a decree of Prime Minister Hamed Karoui, the PMN was officially recognized as a measure which also included the improvement

of the activities of the Tunisian public administration.²⁶ However, as regards the public administration, the outline and process of the PMN remains unclear and subject to the discretion of each minister, in accordance with Hamed Karoui's decree. This fact supports the argument that the various government reshuffles which have taken place since 1995 make the restructuring of the Tunisian public administration a difficult process to be implemented efficiently and coherently. As far as the PMN of the public administration is concerned, scepticism among the *Heirs* could be noticed during their interviews. Actually, it was sometimes explicitly expressed or skillfully qualified by the interviewees.

Lassaad's opinion is fairly illustrative of how the *Heirs* tend to perceive the PMN and the problem of market information. Lassaad runs a small business concern, in the food processing industry, and exports citrus fruit. He took his Masters Degree in management in Paris IX Dauphine in 1980 and returned to Tunisia after a four-year stay in France. His father was 'in business', but in the printing not the food-processing industry, and it is thanks to 'the cards' he had in hand that Lassaad embarked on the food-processing business. The interview with Lassaad revealed that his entrepreneurial activities were dependent on the social capital he inherited from his family and on the financial funds he obtained from his father, not on the technological or informational capital specific to the family business. When he set up his own international trade company (ITC) in the food processing industry in 1989, he successfully developed it while becoming deeply involved in the activities of the Tunisian business association (UTICA) from 1992 to 1995. He described UTICA as an institution where 'there is a constant flow of information [...] We defend our interests and give our opinion to the government. I learnt a lot, from a relational point of view, and as regards the understanding of the bureaucracy. We don't have a lot of decision power, but we still participate [in the decision-making process]'. Lassaad became more critical when he came to talk about the Euro-Tunisian Association Agreement and the state-sponsored industrial restructuring programme:

As regards agricultural produce, we have some difficulties with Europe and the agreement won't be in favour of Tunisia, above all as regards fresh produce. Actually, it is really unfavourable compared with the agreement which was signed with Morocco and other countries. We are handicapped and that's a pity because Tunisia has developed products of quality and this should make it more complementary to Europe. Unfortunately, this was badly bargained and badly designed, just because private entrepreneurs were not involved in the agreement and talks. All was decided like this, and as a consequence, it was too late when they realized the drawbacks.

How do you understand the implementation of the mise à niveau?

The *mise à niveau* is in the heads of people. It is true that we definitely need new materials, new models of organization, new models of management. This is necessary. OK. However, if some people [i.e., Tunisian bureaucracy] don't comply with or distort the rule, if they aren't serious and do not respect the principle, nothing will be done. When they [i.e., the GoT] talk about the *mise à niveau*, I feel like telling them: stop using that word which has been deprived of any meaning. Let's try to be more pragmatic, more respectful, more rigorous: this is the *mise à niveau*. [...] In the manufacturing and food processing industries, this is essential. Today, in the textile industry, they actually tend to optimize equipment of production instead of implementing a real form of *mise à niveau* (May 1997).

In the same vein, Chekib, who, unlike Lassaad, does not *actively* participate in state-sponsored unions and associations, was more explicit concerning institutional inefficiencies and the context of *mise à niveau*:

I am afraid of the time when the Euro-Tunisian agreement will be enforced. The positive thing is that this apprehension is stimulating. However, we have to project ourselves in the short term. Our state is very political; its positive aspect is that it does not leave people on their own, and when people have problems, they know that the state is here to help them. But if this system does not survive, some people might have a bad surprise. As far as I'm concerned, I must diversify my business activities. The *mise à niveau* works if we have efficient networks of information, if we have efficient means of communication. [...] If the politicians, the bankers and the entrepreneurs in Tunisia succeed in understanding each other, then, we're all set. We say that we are united, but actually ... The *mise à niveau* is a typical Tunisian conception. Our administrative problems are numerous. Under the international pressure, reforms are necessary. Mentalities have to be reformed too. According to UTICA, 50 per cent of the private firms will have to disappear in the years to come. They think that the private sector will settle all the problems. I for one think that it will go bankrupt through the *mise à niveau*. All in all, the *mise à niveau* consists in getting rid of the small and medium-sized firms. This makes me crazy. The public administration must also go through the grinder (July 1996).

Furthermore, the *Heirs* appear to be sensitive to such institutional and bureaucratic constraints. In effect, most of them, while claiming that their past experiences of migration had no relevant impact on their current entrepreneurial activities in Tunisia, explained that they had the opportunity to discover what they called a 'European way of managing a firm' during

their stay abroad:

Cultural behaviours are different. However, communication is still possible, because of this experience abroad. I can say: I ate ham [when I was in France], I drank wine, I discovered the foul smell of Camembert and I learnt how to appreciate it. The conception of work is totally different also. In Tunisia, there exist different types of conception of work; when a problem has to be solved, such differences emerge not in terms of culture, but in terms of education. At the level of our government in Tunisia, this may be observed too. Some ministers do not understand each other simply because their academic backgrounds are different (Chekib, July 1996).

As far as the *Heirs* are concerned, past migration experience would correspond to the vague feeling of having discovered another way of life, in addition to the skills they acquired abroad. Private entrepreneurship appears to be more a pre-established legacy than an opportunity of upward mobility. Their experiences of migration enhanced their professional competencies but also secured their credibility *vis-à-vis* the foreign customers they inherited from their fathers. This is particularly significant in the cases of the *Heirs* who run large companies and whose customers are more often than not European multinational companies.

At the level of the family system, acquiring high academic qualifications constitutes fundamentally the first stage of access to family business ownership. This is also the case of the *Heirs* who run small and medium-sized business concerns.

Karim's experience is worth mentioning. After having completed his studies at L'Ecole des Mines (1980-85), he returned to Tunisia in 1985. As an *Heir*, he knew that he would become responsible for the management of his father's firm, which was created in the food-processing sector in 1978, after he successfully completed his degree in engineering. Until 1978, Karim's father had been a top Tunisian civil servant who worked for a state-owned enterprise in the food-processing sector. Karim's father belongs to the category of the industrialists, who have become involved in the expansion of the Tunisian private sector since the implementation of the 1970s open-door economic policies (i.e., *Infitah*).

During all the interviews with the *Heirs*, the personality or figure of the father was recurrently and respectfully evoked by the former, either in terms of decision-making or in terms of decision power. By inheriting their family firms, the *Heirs* also became indirectly involved in the client relationships with the Tunisian administration that their fathers had maintained. This is

another form of legacy which has to be taken into account in this section.

In fact, it may allow the extent to which some of the interviewed *Heirs* have to deal with the 'relational capital' they inherited from their fathers to be understood. This is an element which is as relevant as the family system inasmuch as it increases access to institutional financial funds. It is possible that the legacy (or take-over) of clientelist relationships with the Tunisian administration leads to the reproduction and persistence of oligarchic, if not, monopolistic structures in the Tunisian economy. The case of Jellal clearly illustrates this point.

Jellal studied mechanical engineering in France from 1974 to 1983 and obtained a PhD in engineering. He too had to take over his father's firm after his return from France:

Actually, my father's firm was created in 1948 [...] From 1948 to 1965 he ran his factory in the mechanical industry; the whole area of the warehouse was 800 square meters. Then, by 1970, it was 2,000 square meters large. The firm I am managing now was created in 1987, with a view to encouraging a kind of competition with my father's firm. The Tunisian government had decided to implement new policies that were aimed at breaking the monopoly of large firms. So, in 1987, my firm started by proposing the same items as those which are produced by my father's firm. But, I also produce some state-of-the-art mechanical items.

What do your customers appreciate about your services?

Our prices. There are three main elements. Price, quality and delivery deadlines. The reputation of our firm is based on the concept of quality. We have in Tunisia a quasi-monopoly in the production of [such items].

In case of dissatisfaction, how would your customers behave?

Well, it has happened in the past. They stay with us nonetheless because there is nobody else (June 1996).

The case of Jellal is illustrative of how industrial monopolies may persist despite the existence of firms which are supposedly competitive. The *Heirs* who were interviewed in Tunisia have either taken over the family firm, or, like Jellal, created a peripheral or similar firm after having worked or actively participated in the management of their fathers' firms. Setting up a peripheral firm which is linked to the family system tended to be viewed as a more secure solution to guarantee the coherence of the management of the family

firms and to maintain their control. The family system, in which the entrepreneurial activities of the interviewed *Heirs* are embedded, may be viewed as a hermetic structure of close linkages. In this respect, Tarak's statement may be explanatory:

To what extent has the process of privatization shaped your entrepreneurial activities?

I don't see any kind of privatization in Tunisia. In practice, no, I don't see any. Many things are said about it in the press: state-owned enterprises are sold out, etc. As far as I'm concerned, I don't feel like going to the stock exchange to participate in privatization, as they call it. In my view, this seems to correspond to the sale of companies, but not privatization. Privatization consists in finding synergy, in creating large groups of companies. Powerful trusts should be set up in Tunisia. Then, their needs should be evaluated in order to ask them to import capital and to provide for industrial development and to create jobs. Then, privatization could be implemented [...] Privatization seems to correspond to the auction of state assets. You know, you don't sell to people who need a given privatized firm, but to those who can buy it. That's it (June 1996).

However categorical Tarak's perception of Tunisian privatization may be, it shows some of the reasons for which the *Heirs* do not appear to be the leading buyers of privatized firms. Probably, the opportunities for industrial synergy would be less easy to create, even though the purchase of a privatized firm would constitute a positive asset for the entrepreneur himself, in terms of subsidies. On the other hand, purchasing a privatized firm would inevitably entail the participation or interference of an external partner, namely the Tunisian state. For such reasons, the *Heirs'* firms, which are deeply embedded in family systems, can hardly integrate in their strategies a newly-privatized firm, above all when the process of privatization in Tunisia is being overtly questioned by the *Heirs* themselves, and by some prominent figures in the Tunisian political and economic arenas.²⁷

If the restructuring of the private sector initially constitutes a decision taken by the GoT, reinforced privatization has so far been the result of a precondition stipulated in the various financial agreements signed between international financial donors and Tunisia. In other words, privatization stems from external pressures coming from the World Bank, the IMF, and the EU. The GoT's programme of privatization has not been publicly clarified, just like the boundaries between strategic and non-strategic industries, which in fact remain blurry.

Since the signing of the Euro-Tunisian Association Agreement in 1995, a large number of conferences, debates, and meetings sponsored by Tunisian formal institutions have been organized. The Tunisian business association (UTICA) presided over by Hédi Jilani, the Institut Arabe des Chefs d'Entreprises (IACE) of Chékib Nouira, as well as various European chambers of Commerce, have been involved in the organization of such meetings which regard, more often than not, issues related to privatization, the development of small and medium-sized firms and economic liberalization. Leading personalities of the Tunisian national economy have been involved in these official meetings where some representatives of the government are also present.

The gradual visibility of these leading private entrepreneurs is relevant to this section dedicated to the *Heirs*, since there has been increasing participation by the latter at these formal meetings. As far as the *Heirs* are concerned, their success stories in business and exports have been repeatedly mentioned in official newspapers and magazines. Some of them have been cited as examples by Tunisian officials.

Since the mid-1990s, the regime has chosen and shaped a new panel of private entrepreneurs and university scholars who frequently participate in various meetings. On the one hand, this phenomenon has to be viewed in the wake of the positive media coverage from which some Tunisian private entrepreneurs have benefited since the late 1980s. On the other hand, this may be explained with reference to the increased social and economic responsibilities (or duties) which have been placed on Tunisian entrepreneurs since the early 1990s. As Hédi Jilani stressed publicly, 'our future is in our own hands, with President Ben Ali who, constantly, resolves our problems and expresses his affection, his respect and encouragement'.²⁸

To be sure, Hédi Jilani's address conveyed two underlying characteristics related to the current relationships between the Tunisian state and private entrepreneurs as a whole. On the one hand, the person of the President himself remains at the centre of the economic transition; he is not only the protector of domestic interests, but also a central and unavoidable actor in domestic and international economic affairs. This will be further developed in the fourth chapter of this book. On the other hand, Jilani's statement implicitly reminds entrepreneurs of their new economic and social accountability. As a private entrepreneur and Member of Parliament himself, Jilani has been a strong defender of the process of *mise à niveau*, which has been implemented since late 1995. This process has institutionally redefined the relationships between the state and private entrepreneurs, while making the latter more committed

to adhering to the pedagogical policies of the GoT, which are overtly supported by both trade unions and the business association (UTICA).

The media visibility of some leading private entrepreneurs,²⁹ including a number of *Heirs*, does not presuppose that in general the latter tend to be actively involved in the activities of Tunisian formal institutions or state-sponsored associations. Above all, it illustrates the extent to which the Tunisian state has been keen on flaunting its policies of privatization and divestiture, while reinforcing its commitment in the economic spheres. For instance, President Ben Ali's decision to preside over the newly-created Conseil Supérieur de l'Exportation (CSE) is illustrative of the interplay between economics and politics and how both spheres, in today's Tunisia, tend to be highly intertwined.³⁰

Even though the state-sponsored debates on liberalization, privatization and the upgrading programme of the private sector demonstrate the participation of these young and educated economic actors, this does not necessarily entail their political loyalties. Seemingly, the role of these visible *Heirs* consists in making some forms of advisory comments on the economic and social policies adopted so far by the GoT. While the policies of *Infatiah* presented the 1970s *industrialists* as the paragons of modernity and individual responsibility, the context of the Euro-Tunisian Association Agreement and the ensuing response of the GoT have legitimized, in today's Tunisia, new matters, which can be debated upon, and new participants in the debates, including the *Heirs*.

This new *visibility* is not the outcome of the assertiveness of the *Heirs* in the economic arena. Rather, it stems from the GoT's responsiveness to the need for 'selective stabilization', as Steven Heydemann would point out.³¹ Selective stabilization, in Heydemann's vision, has two main interrelated dimensions, 'one based on reshaping domestic macroeconomic policies and the other focused on reorganizing foreign trade and relations with the international economy'. However, the Tunisian version of selective stabilization also implies the need to legitimize economic reforms, not only with regard to domestic economic and political elites, but also with regard to international financial organizations. In this context, leading Tunisian private entrepreneurs, including the *Heirs*, are presented by the GoT as the good pupils of the pedagogical measures contained in the current industrial upgrading programme. Moreover, their media visibility officially shows the redistributive effects of liberalization and, if anything, the expected adherence of the economic elites to the newly introduced reforms.

However, the GoT is aware that the family system and its multifarious

ramifications in the public administration and the private sector has made the *Heirs'* strategies for survival more powerful and challenging than ever. This is particularly relevant in the cases of the *Heirs* who run large firms whose bankruptcy would engender serious problems of additional unemployment and social tensions. By fructifying their own social capital, the *Heirs* have found innovative strategies designed to offset the inefficiencies of the public administration. More importantly, although they belong to a category of private entrepreneurs that has benefited from a high level of social capital and client relationships with the state, they are also part of a generation of entrepreneurs whose liberal reformist sympathies do not necessarily coincide with those of the GoT. Although this *nuance* clearly appeared during their interviews, it does not entail that the *Heirs'* publicly express their contrasting opinions. The *Heirs* are actors of the private sector who continue to benefit from the reinforced economic policies of liberalization and who, contemporaneously, are not willing to jeopardize the positive effects of their family systems to assert their own opinions.

Finally, the interviews with the *Heirs* suggest that past migration experiences in Europe have not shaped their entrepreneurial activities in Tunisia. Rather, the main fundamentals of their entrepreneurial resources lie in the family system, in which the *Heirs'* initiatives are embedded, and in their ability to take advantage of their social capital. These are the main elements that may account for the fact that there is no clear causation between the *Heirs'* past experiences of migration and private entrepreneurship. Moreover, the analysis of their case studies supports the argument that the analytical category of the *Heirs* refers to an heterogeneous group of private entrepreneurs in terms of inherited resources.

The *Heirs* have developed their entrepreneurial activities by taking advantage of pre-existing significant resources which were available in the family system. Their European experiences of migration have to be understood as an adjunct to their future entrepreneurial *legacy* and as a collective investment made at the level of the family. They went to Europe mainly because such an experience would enhance their professional competencies and credibility, on the one hand, and contribute to the survival of the family firm. Moreover, in contrast to the *Converts* (discussed below), they benefited from significant resources that secured their return and their entrepreneurial projects in Tunisia.

The following section focuses on the case studies of the *Converts* (or converted administrators to private entrepreneurship) who, just like the *Heirs*, needed to secure their return to Tunisia while mobilizing other resources to maintain their entrepreneurial activities in the private sector.

3.2.2 The Return of the *Converts*

This second analytical category pertains to private actors who lived an experience of migration in Europe and who worked for Tunisian state-owned enterprises or for the public administration after their return. On the basis of the following interviews, three main recurrent patterns were identified. Firstly, the *Converts* are highly skilled returnees who, in contrast to the *Heirs*, did not benefit from a significant level of social capital. Secondly, the return of the *Converts* took place, more often than not, in the early to mid 1980s. They subsequently found positions as civil servants and administrators, these jobs lasting, on average, seven years. Thirdly, their *conversion* to the private sector took place in the context of reinforced liberalization and privatization in Tunisia. In this respect, the label *Converts* refers not only to actors who took over privatized firms, but also to actors who set up business concerns at the periphery of the former state-owned enterprises for which they worked.

The interviews, which are presented below, will demonstrate the extent to which the *Converts'* work experiences in the Tunisian public administration have shaped their entrepreneurial activities and strategies for survival, and how the *Converts'* entrepreneurial strategies for survival tend to be dependent on the relationships and contacts they developed when they worked in the Tunisian public sector. For convenience, these contacts and acquaintances are referred to as *networking*, in that they are not dependent on a form of family system similar to the *Heirs'*, nor do they constitute resources that stemmed from the *Converts'* experiences of migration in Europe. This is demonstrated in the development of the following section.

Networking The experiences of migration of the *Converts* differ from the *Heirs'* inasmuch as they are not the outcome of a decision made, at a collective level, with a view to securing the smooth take-over of the family social capital. Rather, the *Converts'* experiences are embedded in an institutional framework of state-to-state technical cooperation which allowed these actors to study abroad, particularly in French universities. Most of the interviewed *Converts* are the children of Tunisian professionals and middle level bureaucrats. They won scholarships to France where they gained their degrees in economics, engineering, law, medicine and science. In other words, just like the *Heirs*, they represent another category of educated returnees. However, when they returned in the early 1980s, their knowledge and competencies could hardly be invested in the creation of private business concerns. Firstly, because the institutional and bureaucratic environment of private enterprises in Tunisia

still constituted a stifling and constraining factor which hindered the development of the private sector, although privatization and economic liberalization started in the 1970s. Moreover, private small and medium-sized firms were subject to severe import policies which prevented their development. Secondly, the GoT had limited the expansion of the private sector to some given sectors of the national economy. Thirdly, not only private entrepreneurship was not viewed as a fully-fledged component of the economy, but also, at a social level, working for the public administration tended to appear more prestigious than being a private entrepreneur. At that time, the image of the entrepreneur had not yet benefited from the positive media coverage that the GoT has promoted since the late 1980s.³²

The institutional and economic reasons mentioned above account for the fact that the *Converts* did not invest their competencies and qualifications in the private sector after their return to Tunisia. More importantly, they had no entrepreneurial projects before leaving Europe, and contemplated working as civil servants as though this constituted the logical outcome of their return opportunities. Mohammed's case is illustrative of this:

In which European country did you live before returning to Tunisia?

After the completion of my 'licence' degree [third year of University] in law, at the university of Tunis, I went to France to do a *maîtrise* and a DESS in public law in Paris II. I stayed five years there, from 1975 till late 1979. I hoped to teach at university. Then, I realized that this was too difficult because students who completed their degrees in France were not treated as well as those who stayed in Tunisia. But I wanted to get out of the family environment and to go abroad. Eventually, I found a good position in a bank. This work experience changed all my future. I don't miss the university. My job in the banking sector was really useful. I worked as a legal representative for the UBCI [Union Bancaire pour le Commerce et l'Industrie], which is a subsidiary of the BNP [Banque Nationale de Paris]. I travelled sometimes to France for my job. I worked for the UBCI for seven years and in 1986, I felt like jumping into the private sector and I worked for a large Tunisian company in the textile and leather industry. I knew the entrepreneur who ran this company. He needed a manager. I had time to improve my work experience in the private sector for seven years. I had time to do a good business (July 1996).

The owner of the firm to whom Mohammed was referring was a customer of the UBCI. They met frequently before concluding an entrepreneurial partnership. However, in 1993, their partnership terminated, owing to the accumulation of overdue payments. In fact, three out of five customers went

bankrupt in 1993. Mohammed had no other choice but to return to the public administration or to invest his entrepreneurial qualification and experience in a new business concern, still in the textile industry.

My career could have continued in the banking sector, but I wanted to do something for myself. I wanted to prove to myself that I could do something. You know, despite the episode of 1993, I've maintained a good relationship with this businessman. In the world of commerce, there's no need to make enemies. When I had to deal with all these problems of overdue payments, you can easily imagine that my financial situation with regard to credit banks was quite tricky, because they had financed my imports. I was up to my ears in debts. In the banking sector, people know me, I benefit from a good reputation and, for such reasons, credit banks were quite fair with me (July 1996).

Mohammed created his own firm in 1993, and now, subcontracts the production of shirts and trousers for an Italian firm located in Venice. The transaction relationship that emerged in 1993 between Mohammed and his Italian donor can be regarded as the outcome of the resources which Mohammed acquired during his work experience in the public sector (1979-86).

Today I don't produce finished products any more. I changed my philosophy of work. I'm subcontracting for an Italian customer. He's the only buyer of my production and, believe me, I gathered lots of information about his solvency.

How did you proceed?

In my case, through the formal channels, I asked my bank to collect some information about the financial situation of my Italian customer. This bank has partners in Europe. Moreover, when I worked for the UBCEI, I met lots of people who live in Italy. I asked them whether this Italian customer was worth the deal or not. They all told me that there was no problem. Moreover, all the production is paid in cash, hence, there is no problem of loan. I would say that the acquaintances I acquired when I was in the bank were much more helpful to me than the bank itself (July 1996).

These 'helpful acquaintances', to which Mohammed referred, have to be included in the definition of *networking*. Such acquaintances may be met in the context of the *Converts'* administrative employment.

Leila is also a converted civil servant who benefited from valuable acquaintances when she worked for the Pharmacie Centrale in Tunis. After having studied chemistry at the university of Paris XI, from 1975 to 1981, she

returned to Tunisia and found a job in this public health body. Leila did not want to volunteer any information about the reasons for which she set up a business concern in the pharmaceuticals sector in 1988. Her firm, which employs 60 persons, was created in collaboration with an Italian investor whom she met during her seven-year work experience in the Pharmacie Centrale. The encounter with the Italian investor was 'decisive' inasmuch as, on the one hand, he contributed up to 49 per cent of the financial capital of the company and, on the other hand, developed many export outlets by prospecting in Africa.

Leila works, as a private entrepreneur, in an industrial sector which is highly regulated by the Pharmacie Centrale and trade laws. Admittedly, Leila's familiarity with the administrative procedures as well as her involvement in the activities of formal institutions, particularly the Tunisian business association (UTICA), have facilitated the development of her exports to Africa. By 'being inserted in the formal channels', Leila could find new market opportunities in African countries (Libya, Algeria, Senegal), which she started to exploit in 1995, that is, one year after the Tunisian presidency of the Organization of African Unity (OAU). Leila herself stressed that 'when Ben Ali presided over the OAU, I could develop my export outlets to Africa'. Whether such an assertion is true or not, it reveals how the *Converts'* entrepreneurial activities tend to be contingent on the existence of resources locally allocated to private entrepreneurship. In the case of Leila, such resources lie, above all, in the availability of market information; she takes an active part in the UTICA, while having access to market information.

However, such resources may also take the form of subsidies which are invested in the entrepreneurial activities of the *Converts*. Samir is a *Convert* who has benefited from substantial state subsidies to secure the survival of his firm. Samir has, since 1992, been running a business concern in the electronics industry in Tunisia. Before becoming a private entrepreneur, he lived for 12 years in France where he studied economics, and, after defending his thesis, taught (in Picardie). When Samir returned to Tunisia in 1983, he had no pre-established entrepreneurial project. Moreover, he wished to work for the Tunisian public sector and quickly found a job in a state-owned enterprise (SOE) in the food-processing sector. Samir said that when he returned to Tunisia, he felt a bit 'out of step', he needed a certain lapse of time to adapt himself after a 12-year leave. He worked for seven years for this SOE and changed job in 1990. His new job was again in a state-owned enterprise, as the director of a group of engineers who were specialists in the production of ceramics and stainless steel. Following a nine-year experience

in the Tunisian public sector, in 1992 Samir created a business concern in the electronics industry.

Such a *conversion* to the private sector stemmed from the combination of favourable institutional conditions and *networking* activities at the local level that Samir skilfully developed during his work experience in the public sector. Actually, Samir also declared that before creating his firm, he gathered all the necessary information needed to run a private business concern. The feasibility of setting up a private firm was evaluated thanks to information he gathered through *networking*, that is, people he knows in the public administration and in the banking sector.

More importantly, it was thanks to the support of Tunisian formal institutions that the financial capital of his resident small firm, which employs 20 technicians, was raised. Samir is a member of the Tunisian business association (UTICA) and participates in many national fairs such as the Carrefours de l'Artisanat et de la Technologie (CAT). During the interview, he said he hoped to develop his export outlets to Libya and Algeria, thanks to the financial support of the Centre de Promotion des Exportations (CEPEX). As far as the *Converts* are concerned, *networking* appears to be a prerequisite to setting up their own private business concerns. *Networking* includes the resources (acquaintances and financial funds) they acquired during their work experiences in the public sector as well as the contacts they have maintained since their conversion took place.

The reasons for conversion. Admittedly, conversion coincides with the reinforcement of privatization and economic liberalization which has taken place since the mid-1980s. On the basis of the interviews made with the *Converts*, it seems to be more a matter of institutional context and political options, which have been more market-orientated since the mid 1980s, than the outcome of their individual decisions. In fact, most *Converts* took part in the Tunisian private sector at a time when private entrepreneurship was viewed as the main solution to growing trade deficits and unemployment at a macroeconomic level.

Actually, following the violent cost-of-living riots that happened in 1984 (when the price of bread increased by 125 per cent because of a high deficit in the budget of the *Caisse de compensation*), the regime made up for the deficit of domestic legitimacy by seeking new sources of external legitimacy among international financial organizations (IMF, the World Bank). In the economic history of Tunisia, private entrepreneurship and privatization may be viewed as a consequence of the quest for legitimacy by the regime. In other words,

the promotion of private entrepreneurship may not be viewed exclusively as an attempt to refurbish the image of the regime in terms of domestic legitimacy, but, above all, as the outcome of a compromise or precondition coming from international financial organizations. Once the GoT adopted the Structural Adjustment Programme (SAP) of the World Bank in 1986, the reinforced promotion of private entrepreneurship, in the wake of economic liberalization and privatization, constituted a process which stemmed not only from top-down domestic development policies, but also from external pressure from the World Bank and other such international organizations.

These issues will be developed and argued extensively in the next chapter. They clearly show that private entrepreneurship has evolved, since the mid-1980s, in an institutional environment which, in theory at least, has been meant to support the promotion of private business concerns in selected sectors of the Tunisian national economy.

The *Converts* belong to a category of private entrepreneurs who have directly benefited from the GoT's policies aimed at promoting the development of the private sector. Most of the *Converts'* company capital was raised thanks to the provision of funds on the part of Tunisian financial institutions. Samir benefited from their support when he set up his private firm in the electronic sector in 1992. Similarly, Mohammed was granted a low-rate financial credit when his firm, in the textile industry, was set up. Strikingly, none of the interviewed *Converts* explicitly mentioned that their contacts in the public administration could have facilitated the benefit of financial credit from formal institutions. Perhaps, this is because the relationships that the *Converts* have kept with their former public environment are not *formally institutionalized*; rather, they seem to be dependent on interpersonal links, or on networking, which exist in the public administration and formal institutions without being perceived as such by the *Converts* themselves. Reliable market information is communicated, financial funds are obtained because someone they know provided for them, not the formal institution *per se*.

Most of the *Converts* did not volunteer any information concerning the way in which they made the shift from the public to the private sector. None of them referred to the institutional context that undeniably had a bearing on their decision to become private entrepreneurs. Nonetheless, the reasons for their conversion were explicitly mentioned. These appear to be threefold.

Firstly, conflict with the administrative hierarchy was a recurrent explanatory element of the shift from the public to the private sector. The 'bureaucratic inconsistencies' the *Converts* observed during their long work experiences in the Tunisian public administration were mentioned in some

interviews. This is the case, in particular, of Samir who considered that his two job positions in the public sector were important to him insofar as:

I could discover and understand the inconsistencies inherent in the decisions made by the hierarchical staff of a state-owned enterprise. There are great differences between politically orientated decisions and economically orientated decisions. The political criterion, which is applied to the decision-making process, has been harmful to the [Tunisian] public sector (October 1996).

Networking includes not only the familiarity with bureaucratic procedures, which was mentioned before, but also the *understanding* of the reasons for which administrative inconsistencies persist. Samir's statement is one explanatory element. Moreover, *networking* seems to be designed for the survival of the *Converts'* entrepreneurial activities, but not for finding solutions to over-bureaucratization and public-sector mismanagement.

Mondher and Hatem's cases illustrate the extent to which the persistence of bureaucratic hindrances may contribute to securing the entrepreneurial activities of some *Converts*. Mondher completed his Master's degree in management (*Administration Economique et Sociale*) in France and returned in 1984 to Tunisia. He found a job as a representative in a Tunisian state-owned enterprise which produces tires. Three years later, Mondher was in charge of developing the export outlets of the public company. Exports, which were boosted by the prospects of the Arab Maghreb Union (AMU), were primarily orientated to Algeria, Libya and other African countries, but also to France and Italy. Parallel to the development of the exports of the state-owned enterprise, Mondher became familiar with the difficulties inherent in export procedures. He also developed various contacts in the public administration. Just like Samir, he understood and 'evaluated the structural drawbacks of a state-owned enterprise, in the sector of pneumatics'. When asked why he decided to set up an international trade company in 1991, Mondher openly answered that he wanted to increase his income. More importantly, before the creation of his private business concern, he secured his own export outlets by reactivating contacts with some foreign customers whom he met previously during his work experience in the public-owned enterprise. Mondher proposed to his 'transferred' customers some services which are 'more efficient' than the ones that his former state-owned firm provides. This does not necessarily entail that a kind of competition has emerged between Mondher's firm and his former state-owned enterprise:

[The state-owned enterprise for which I worked] is still in touch with me, because the international context allows me to take advantage of my position of intermediary. I could define my relationships with [the state-owned enterprise] as follows: the increased fluidity of international trade exchanges thanks to the use of strategic means. To give an example, trade exchanges with Algeria have been virtually blocked since May 1996, because since then Algeria has refused any invoices from Tunisian, Moroccan or Libyan firms. As I told you, I know many people abroad, people with whom I was in touch when I worked for [the public firm]. I know a French colleague and I can ask him to communicate, by fax, a proforma invoice with the letter head of his French firm. Thanks to such a French proforma invoice, the Algerian state will accept the commodities. We can send the invoice to Algeria by fax. The Algerian customer will pay the French firm and, later, the French firm will send the payment to a bank account and will benefit from a 3 to 4 per cent commission on the transaction (May 1997).

Mondher explained that the relationships with his former state-owned enterprise are also based upon 'links of complementarity'. Seemingly, such links result, on the one hand, from the necessary adaptation to an international environment which has been subject to major uncertainties since the early 1990s, but also, on the other hand, from the need to maintain the trade activities of the public firm and those of the private firm. In such a framework of entrepreneurial activities, interdependence turns out to be a central factor in all transactions. The public firm has made its exports to Algeria more flexible, thanks to Mondher's strategies. By keeping such exports stable, employment is maintained in factories. Contemporaneously, Mondher, as a middleman, amasses large amounts of money, by successfully investing his professional knowledge, competencies, and acquaintances in his private international trade company, which he set up in 1991. Mondher's interview shows that his will to increase his own income was a matter of circumstances. However, it is also thanks to the *discovery* of entrepreneurial opportunities or niches, as Kirzner would argue, that he could try his hand in the private sector and impose his brokerage activities to his former public firm and foreign customers. Mondher's will to increase his incomes, which constitutes the second reason for the shift from the public to the private sector, includes all these variables.

Hatem, another interviewed *Convert*, was motivated by the same reasons as those mentioned by Mondher, namely, increased income. Similarly, circumstances have had a certain bearing on the emergence of Hatem's entrepreneurial opportunities that materialized in the creation of a consulting firm in 1996. Following the completion of his French Masters degree in law,

Hatem found a job in 1983 in the then Agence de Promotion des Investissements (API), which became, in August 1987, the Agence de Promotion de l'Industrie.³³ He worked as an administrator for 13 years. Hatem created his consulting firm thanks to subsidies which were allocated by the GoT in an attempt to speed up the process of *mise à niveau* of Tunisian public and private firms that has, as mentioned, been implemented since late 1995. Hatem still collaborates with API and seems to benefit from substantial market information which is channelled by this formal institution. As a *Convert*, his entrepreneurial activities were, at their inception, not only peripheral to those of his former formal institution, but also partly dependent on its activities:

You may have heard about the *mise à niveau*. I thought that setting up a consulting firm in the capital could be a good thing to advise private entrepreneurs on the restructuring of their firm management, how to enhance quality standards and so forth. At the beginning, it was a bit risky because many private firms were reluctant to apply for the industrial restructuring programme. In Tunisia, private entrepreneurs are quite suspicious when someone from the outside asks to have a look at their bookkeeping. But now, things seem to be all right.

You mean that private entrepreneurs are now willing to adopt the industrial restructuring programme.

There is still some reluctance, as I told you. But people seem to admit that improving the standards of quality is a prerequisite to being competitive at a global level.

How do your customers get in touch with you?

Through the Bureau de *mise à niveau*. Also, some people get in touch with me through the API. They have to refer to this office before applying for the PMN. My firm is too young to be developed thanks to word of mouth or reputation. For the moment we are concerned with satisfying the expectations of our customers (May 1997).

On the basis of the interviews with the *Converts*, profit-seeking was the most recurrent reason for which they decided to set up business concerns. Although conversion implies the maintenance of links with their former state-owned enterprises or the public administration, and despite the fact that the *Converts'* entrepreneurial activities remain, to a certain degree, peripheral to public firms or formal institutions, it is important to stress the way in which these actors have been sensitive to the opportunities that the reinforcement of

liberal economic reforms has generated in Tunisia.

The third reason which could account for conversion relates to individual will to achievement. Admittedly, just as profit-seeking requires, in the cases of the *Converts*, the existence of favourable institutional circumstances, individual achievement has to be viewed as a behaviour which is also dependent on a friendly institutional context to private initiatives. The will to achieve or to prove something to oneself was underlying the aforementioned interview with Mohammed. Similarly, Faouzi's case is reflective of the importance that such actors attach to their individual achievement:

I studied biology from 1972 until 1982 in France. I went to Caen and Angers and I completed my studies at the University of Angers. In 1985, I created this laboratory after having worked for three years for the Tunisian Public Health. Before 1972, I wanted to leave Tunisia and to discover France. Then, after my return to Tunisia, I wanted to set up this laboratory, but since I hadn't the means to do so, I had to work for the Public Health and to save some money. I obtained a bank loan quite easily, thanks to my father, who worked in the banking sector. Actually, I could have stayed in the Public Health and been very happy with it. But the idea of having my own laboratory in [this suburb of Tunis] was too strong. You have to picture that when I bought this flat, it was in very bad repair. I restored everything and now, look at the result (July 1996).

Bureaucratic inconsistencies as well as profit-seeking, and individual achievement constitute the three main reasons for which conversion took place. Strikingly, few interviewees referred to the financial funds that were allocated to them by Tunisian formal institutions when they started their entrepreneurial activities. This could be explained with reference to *networking* inasmuch as it turns the allocation of financial funds or subsidies into interpersonal deals, where the symbolic contribution of the institution itself remains unperceived, if not imperceptible. As far as the *Converts* are concerned, networking consists more in constantly maintaining and reinforcing interpersonal links or acquaintances with administrators, than in simply investing their former belonging to public-sector institutions and enterprises. In other words, networking could be considered a *trans-institutional dynamic* that involves actors in the public and private sectors. As a matter of fact, the *Converts* tend to maintain and develop links with civil servants or administrators, but not with state-sponsored institutions or public-owned firms themselves.

The preceding observation is reflective of how the *Converts* tend to perceive their own institutional environment. Being a member of the Union Tunisienne de l'Industrie, du Commerce et de l'Artisanat (UTICA), of the

Institut Arabe des Chefs d'Entreprise (IACE), of an industrial federation turns out to be more instrumental, or self-interested, than participatory.

Moreover, the official certificates which all of them exhibit in their offices, behind their desks, give evidence of their participation in the national and international industrial fairs, such as the API-sponsored Carrefour des Affaires et de la Technologie (CAT), but do not bear witness to their satisfaction with economic reform in Tunisia. Similarly, the framed portrait of President Ben Ali, which is a dominant feature in their offices, can be symbolically viewed as a conspicuous marker of their public-sector filial origins, but not necessarily as a sign of loyalty. Actually, as private entrepreneurs themselves, the *Converts* have been increasingly faced with the effects of increased economic liberalization in Tunisia. The prospect of gradual exposure to international competition was seen by those who do not run export-orientated business concerns as an impending threat to the survival of their entrepreneurial activities. As will be explained in the next chapter, since the 1995 implementation of the industrial upgrading programme, or *Programme de Mise à Niveau* (PMN), the scarcity of financial resources and subsidies has made the search for additional financial resources, together with the strengthening of networking, more necessary than ever.

Mobilizing resources As regards the *Converts*, two main kinds of additional resources may be identified. The first one refers to associative membership which may contribute to gathering market information and to 'compensating the action of the state,' as Abdellaziz tried to stress:

Are you a member of a private association?

Let's say that despite the fact that we are not members of any associations, we tend to be quite familiar with some associations and we have some contacts with them. We haven't a membership card, but let's say that when we attend an associative meeting, for one reason or another, we find ourselves in a group of people we know up to 50 per cent. I have lots of relationships at the periphery of my job.

Do you think that this kind of association constitutes a pool of information?

Undoubtedly, in the context of our activities, everything happens there. As a whole, these associations are very selective. You're sponsored by a member, that's it. If you stop your tape-recorder, I can tell you more about it. [...] These associative structures allow the action of the [Tunisian] state to be compensated,

without, however, completing it. We live in a country that cannot afford to be more open than that. I have to admit this fact, I understand it, but I don't agree with it. What I'm telling you is that we are constantly faced with some difficulties. OK, this country is still not democratic, but we are not ready for democracy at the same time. I know that all these [associative] activities exist. My brother is himself a member of [an association] (October 1996).

The interview with Abdellaziz did not reveal the extent to which his 'relationships' contribute to the survival of his entrepreneurial activities. Similarly, he neither wished to expand upon the argument related to associative activities, in which his brother was involved, nor did he explain how such activities tended to 'allow the action of the [Tunisian] state to be compensated, without however completing it'. Nonetheless, Abdellaziz's interview confirms the fact that associative membership may be viewed, in the cases of some *Converts*, as a form of additional resources, in terms of market information, which can provide for the survival of their firms.

Parallel to associative membership, the recent availability of new financial funds aimed at promoting vocational training, restructuring the private sector, delocalizing industrial firms in depressed regional areas, improving human resources, quality, technology of production, has mobilized most of the interviewed *Converts'* interests. These refer to the second form of additional resources which was mentioned above. Actually, most of them have made an application to benefit from such financial funds granted by Tunisian formal institutions. The *Converts*, whose entrepreneurial activities are not export-orientated, seemed to be more sensitive to the existence of such funds. The state-sponsored industrial restructuring programme (PMN) has increased the availability of such financial resources, even though Samir remained sceptical. In fact, in September 1996, Samir applied for the PMN, and asked a consultant to audit his own company, which is active in the electronics industry. In May 1997, during a second interview, the audit did not satisfy Samir's expectations; he believed it was too standardized and barely appropriate to the activities of his own firm. Almost a year after his PMN application, Samir expressed his own scepticism as to whether he could benefit from additional resources which could contribute to promoting his entrepreneurial initiatives:

At least, the industrial restructuring programme will create a title of nobility, because the firm may then appear more credible, who knows. However, the industrial restructuring programme remains discriminatory and too theoretical. I hope that it will increase the competitiveness of Tunisian private firms with regard to European firms (May 1997).

The context of the PMN may be reflective of the underlying and gradual distancing which seems to take place between the GoT and these former administrators. As regards the *Converts* who do not run export-orientated firms, the extent to which their exposure to international competition will have an impact on their entrepreneurial activities remains unclear. These are necessarily developed on a short-term basis, owing to the uncertainties which characterise their institutional environment. Moreover, it may be argued that, in addition to networking, the acquisition of 'titles of nobility' will be part of the strategies for survival that the *Converts* will tend to develop in the years to come. In late 1996, the GoT presented the ninth development plan (1997-2001) as the 'plan de mise à niveau'³⁴ in order to stress the necessary restructuring of the private and public sectors as a prerequisite to becoming competitive at an international level. It is too early to evaluate the consequences of acquiring 'titles of nobility', however, most of the interviewed *Converts* are aware of the fact that the continuous availability of resources, whether these are financial or informational, will be dependent on their compliance with the official pedagogical measures which have been formally institutionalized by the GoT.

3.2.3 *The Causes of Irrelevance*

As a matter of fact, it appears that the experiences of migration in Europe of the *Heirs* and the *Converts* did not shape their current entrepreneurial activities in Tunisia. On the one hand, the *Heirs* took full advantage of the family system in which their multifarious resources were embedded. The *Heirs'* social capital had a strong bearing on their entrepreneurial success and initiatives. Their migration experiences may be viewed as a mere adjunct to a pre-established professional itinerary. On the other hand, and for lack of social capital, the *Converts'* successful entrepreneurial activities seem to be incidental to *networking*, which may be viewed as a surrogate for the family system. Past migration experience turns out to be irrelevant to their business activities inasmuch as these remain peripheral to the activities of the state-owned enterprises for which the *Converts* worked. The peripheral characteristics of their business activities may constitute the correlative effect of *networking*.

Moreover, and in their specific cases, this irrelevance also stems from the fact that too long a period of time passed between the moment in which their return to Tunisia took place (i.e., late 1970s and early 1980s) and their conversion (i.e., late 1980s and early 1990s). Conversely, it could be argued that such a specific argument does not hold for the *Heirs* whose experiences of migration were also irrelevant to their entrepreneurial activities, despite

the fact that they became involved in the Tunisian private sector just after their return from Europe. The highly influential effects of the family system and the consequent legacy from which they benefited, account for this different pattern.

However, and more importantly, the case studies related to the *Converts* show that the absence of causation between their past migration experiences and their entrepreneurial activities stems not only from the aforementioned temporal factor, but also from the force of circumstances.³⁵ The dominance of the public sector, and bureaucratic constraints on Tunisian private entrepreneurship in the early 1980s, together with the unpopular social image of the entrepreneur, are contextual factors which, to a large extent, shaped the choices and orientations of the *Converts*, after their return to Tunisia.

Today, whether their entrepreneurial activities are dependent on *networking* or the family system, both the *Converts* and the *Heirs* depict profiles of the entrepreneur that differ from one another in terms of information gathering and financial resources. In contrast to the *New Entrepreneurs* discussed below, whose past migration experiences have shaped their entrepreneurial activities in Tunisia, the *Heirs* and the *Converts* rely upon resources which are available at a local level, namely through *networking* or the *family system*. The development of the third section demonstrates that the various resources needed to secure the maintenance of business concerns can also be found beyond the framework of analysis which has been presented so far. The analysis of the case studies related to the *New Entrepreneurs* will focus on this atypical pattern of entrepreneurship.

3.3 *The Relevance of Past Migration Experience*

Why is a past experience deemed to be relevant or even crucial to a subsequent one? This introductory question could not be more appropriate to the development of this section related to the cases of entrepreneurs who successfully invested their past experiences of migration in Europe in their current export-orientated entrepreneurial activities, following their return to Tunisia.

An approach to experience presupposes a reference to time and space. On the one hand, the temporal dimension inherent in experience has subjectively defined boundaries.³⁶ In other words, the boundaries are imposed by the actor himself, or rather, the contours of an actor's experience are reflected by his own perception and narrative. Hence, his account of the events which compose his past experience are selectively presented to tell a story, which will remain

inevitably partial and probably subject to different interpretations on the part of the narrator, simply because an experience is part and parcel of a personal understanding of one's own story. Moreover, although the events which build an experience are fixed at a certain point in the past, they contribute, in the present, to the understanding of current decisions and initiatives. On the other hand, and in the context of this research related to entrepreneur-returnees, a spatial dimension has to be considered. Particularly, it refers to the events which happened in Europe as well as to those which currently punctuate the actor's situation in Tunisia. These spatial and temporal dimensions constitute the background of the aforementioned causal relationship between past migration experience in Europe and entrepreneurship in Tunisia. This causal relationship regards not only the congruence which may exist between the knowledge the actors acquired in Europe and the business concerns they have been running since they set up their own business concerns in Tunisia, but also the investment of acquaintances or personal encounters made in Europe.

Parallel to this brief reflection of the spatial and temporal dimensions of experience, emphasis has to be laid on considering the contextual framework. While experience partly shapes an actor's initiatives and expectations about the future and people, context turns out to have a bearing on the magnitude of his action. As far as Tunisian entrepreneur-returnees are concerned, stating that there exists or not a causal relationship between past migration experience and private entrepreneurship does not suffice if no reference is made to the characteristics of the context in which their entrepreneurial activities are developed. In this respect, it is possible to draw the line between the groups of the *Heirs* and the *Converts*, which are comprised of entrepreneurs who returned to Tunisia before liberalization and privatization were reinforced, and the group of the *New Entrepreneurs*, which refers to actors who returned to Tunisia and set up their own business concerns after the 1986 structural adjustment programme.

3.3.1 The Return of the New Entrepreneurs

The third analytical category pertains to migrants who, in contrast to the *Heirs* and the *Converts*, returned to Tunisia in the late 1980s or early 1990s. Their firms have been set up since their return took place. These actors are referred to as the *New Entrepreneurs* insofar as their strategies for survival, as well as the resources they use to provide for the maintenance of their firms, appear to be the result of the successful investment of their past experiences of migration in Europe (as students, workers or immigrant

entrepreneurs). The interviews with the *New Entrepreneurs* allowed some regularities to be identified.

In fact, without exception, these *recent* returnees had clear entrepreneurial projects which they materialized following their return to Tunisia. More often than not, their export-orientated entrepreneurial activities are based on a partnership with a European investor whom they met during their stay in Europe (mainly in France and Italy). In contrast to the *Heirs*, the *New Entrepreneurs* did not rely on a *family system* to set up their firms. Nor could they develop a kind of *networking*, for they never worked for the Tunisian public administration or a state-owned enterprise (SOE). Basically, most of the *New Entrepreneurs* have benefited from the financial support of a foreign investor, in the context of offshore companies (OSCs) and joint-ventures.

Moreover, the configuration of their social background does not appear as clear-cut as in the cases of the *Heirs*. Actually, the interviews made with the *New Entrepreneurs* revealed that some of them shared some similarities with the *Converts'* social background, while others come from more modest social origins (children of workers or small farmers, children of immigrants).

The case studies which are to be developed in this section support the argument that the *New Entrepreneurs'* experiences of migration in Europe have been fully invested in their current entrepreneurial activities, owing to the maintenance of long-standing relationships with their European partners. However, as mentioned earlier, the institutional context and the potential market opportunities existing in Tunisia, at the moment of their return, also contributed to the development of their entrepreneurial activities.

This is the case of Ghaleb who lived and studied engineering in Paris from 1985 to 1991. Subsequently, from 1991 to mid-1992, he worked in France as an engineer for a multinational company, where he met his friend and future partner. The creation of the investment company was already projected during his stay in France, in collaboration with his partner. In August 1993, Ghaleb and his French partner set up an investment company in Tunis. Both of them evaluated the opportunities to settle their private business concern in Tunisia. 1993 was an opportune moment, according to Ghaleb, owing to the favourable institutional and economic context:

Few investment companies existed in Tunisia, and the Stock Exchange market of Tunis was just beginning [...] To say the least, the situation of the financial market in Tunisia turned out to be a bit messy. So we decided in October 1993 to diversify our activities and to set up in parallel a business concern in software. We simply sell software to the Tunisian banking sector and to local finance

companies. The Tunisian stock market was not mature enough and badly equipped. Since my partner and I had worked for a multinational company in France which traded in software, we thought it was a good idea to sell state-of-the-art software to the Tunisian banks which are on the Stock Exchange in Tunis. Now, we are providing software to 11 of the 13 banks which are quoted on the Stock Exchange in Tunis.

As regards the need for financial aid, who participates in the capital of your firms?

As I told you, [my French friend] is my main partner. Both firms were created thanks to our own financial capital. I had some savings and no bank contributed to the creation of the firm. Anyway, we didn't want to become the debtors and, at the same time, the suppliers of our own creditors [...] 11 out of 13 Tunisian private banks, the shares of which are quoted on the stock exchange, are our customers ... You can imagine (October 1996).

Although the favourable institutional context motivated the return of Ghaleb to Tunisia as well as the creation of his investment company, it has to be said that, on the basis of the interviews with the *New Entrepreneurs*, other reasons were more recurrent.

Securing return to Tunisia The first analysed motivation for return stems from persistent unemployment in European receiving countries. This is the case of Sami who runs a business concern in the fishing industry which employs seven people. Before creating his firm in 1989, Sami lived for 25 years in France, where he completed, in 1986, his *DESS agro-alimentaire* (Masters degree) at the University of Marseilles II. Following the completion of his degree, Sami remained unemployed for almost two years and decided to make a radical change in his life by contemplating creating a small firm in the Tunisian fishing industry:

I have to tell you that my ideas were quite vague when I was in Marseilles. But, given my standard of living in Marseilles, I thought that this project was worth developing, even though it was not well-structured. Moreover, I had two French friends who became my partners in this project. They were more familiar with fishing than me and were well known in the circles of the fishing industry. [...] We made a market survey and tried to gather as much information as possible. Everything was set thanks to their support (May 1997).

Sami returned to Tunisia in 1988 and set up his export-orientated firm in

the fishing industry, one year later. Sami exports sea food to France and Italy. Thanks to a Tunisian bank loan, he was able to buy a cooling unit which is located in Mahdia, where his main activities are now concentrated.

The second motivation for return refers to social antagonism in the receiving society. Maruan's interview is worth mentioning:

Why did you return to Tunisia in 1991?

My mind was already in Tunisia. Also following the events in the Gulf countries, the social atmosphere in France turned sour. The Arabs were very controlled. Well, I wanted to be back because everything became difficult for me in Aix-en-Provence. I couldn't find a job any more in such a situation. With hindsight, I realize that, actually, I did not want to stay in France, I just wanted to complete my studies in Aix-en-Provence and to be trained. I was happy to be back, but, at the same time, I knew that I would not find a job very easily; I mean an interesting job here in Tunis. Before leaving France, my wife and I tried to get some information about the possibilities of funding for a business concern in Tunisia. Eventually, when I returned to Tunis, I created an international trade company (October 1996).

Whether it was voluntary or forced, the return of the *New Entrepreneurs* was always secured by the creation of an initial entrepreneurial activity, which materialized in the context of a partnership with European investors. Some *New Entrepreneurs* designed their own projects, while others were *solicited* by foreign investors, in an attempt to subcontract their own production (see the case of Rafik) or to develop new market opportunities and export outlets (see the case of Riadh) in Tunisia.

Being solicited by a foreign investor constitutes the third motivation for the *New Entrepreneurs'* return to Tunisia. Riadh, a 35 year-old entrepreneur, lived for 14 years in Bologna (Italy) as an immigrant worker. He found a job as a 'representative' for an Italian firm which sold foodstuffs. During his experience, he got acquainted with an Italian entrepreneur, in 1992, who gave him the opportunity to set up an offshore business concern in Tunisia in the sector of mechanics. Riadh did not volunteer any information about the circumstances of his meeting with the Italian investor. Nor did Riadh explain why the Italian investor decided to 'place all his trust' in him:

It is thanks to an Italian investor that I was able to set up this firm. I had no financial capital. He placed all his trust in me. He knows that I'm a honest person. I want to respect the trust of this investor. He sends the materials to me and, when I sell them, I pay him. [...] This trust results from time. I met him

four years ago in Italy. Then, he came and visited me here in Tunis. I'm a straightforward person and he realized that I want to go ahead. Honestly, as well as trust are very important.

The activities of Riadh's firm consist in selling spare parts and second-hand engines of private vehicles and tractors. These materials are imported from Italy to Tunisia:

I already had an entrepreneurial project and wanted to combine my own competencies with the financial capital of this Italian. This is the case of this firm which is foreign-owned up to 51 per cent. At the beginning, it started quite badly, because when you buy the stuff abroad, it must be cleared through customs. And it's very expensive. [...] In Tunisia, there are some business concerns which sell the same products, but at a higher price. So, we propose the same products, but cheaper. Actually, we are in direct competition with these firms. Usually, if you want to buy an engine, it is available within four months. With us, the engine is available within ten days, and at a cheaper price. How can a farmer wait for his engine for four months in order to have his tractor repaired. That's impossible. How can he live and earn his daily bread, waiting for so long? We decided to respond to this problem (June 1996).

Riadh's business concern can be viewed as a subsidiary of his Italian partner's firm, which is located in the city of Caltanissetta (Sicily). Since their inception, the entrepreneurial activities of Riadh have been exclusively dependent on the transactions with his Italian partner. The fact that Riadh's father was an employee of the Tunisian customs may have contributed to the emergence of this partnership, even though this hypothesis was not explicitly mentioned by the informant, in contrast to Rafik.

Just like Riadh, Rafik was solicited by an Italian investor whom he met in Italy. Rafik studied economics in Tunis and obtained his degree in 1985. As a member of an international association, he went to Cagliari (Sardinia) and stayed there for one year:

Do you think that, professionally, your associative membership has been helpful to the development of your firm?

You broach a very important subject, as far as I'm concerned. Definitely, yes. This association, which I was talking about, is an international association whose purpose is to promote intercultural meetings. In 1978, my brother participated in this programme, with another 350 young Tunisians. In 1986, thanks to the European Federation for Intercultural Learning, I was able to go to Sardinia

where I met the man who later became my associate. He was the chair of a private school of marketing and management and ran a business concern in the clothing industry. I got acquainted with him thanks to someone who worked for the association to which I still belong. The chair of the school of marketing knew that I was familiar with clearance procedures in Tunisia, not only because I studied economics, but, also, because my father was a customs officer. You know, it makes things easier [...] He asked me if I could give a presentation on the effects of Law 1972 in Tunisia. Everything went all right. Clearly, he needed some advice concerning the legal status of offshore companies in Tunisia and I tried to do my best. Later, in September 1986, I returned to Tunisia (June 1996).

The project of creating an offshore company (OSC) in the textile industry materialized in 1987. Twenty-five employees worked for Rafik in his factory located in the district of Chargaia (North of Tunis); today, manpower has reached 110 workers. Rafik's firm produces clothes for children and subcontracts for various Italian and French companies. He confirmed that the interest of his Italian investor lies in cheap labour and in the fact that Rafik has a 'good relationship' with the former colleagues of his father.

In the field of subcontracting entrepreneurial activities, the case of Hédi also appears interesting inasmuch as it shows that, in certain cases, subcontracting constitutes one stage in the expansion and maintenance of the *New Entrepreneurs'* activities which leads to a genuine transfer of technology. Hédi lived an experience of migration which lasted nine years in France and Italy. In 1978, he left Tunisia for Paris, where he studied industrial engineering, with a Tunisian scholarship. Following the completion of his degree, he found a job position in the *Crédit Agricole* in Paris and was in charge of granting loans to large companies which specialized in the production of high-tech materials. Such professional responsibilities allowed Hédi to be in direct contact with various customers of the bank for which he worked, among which there was a leading Italian firm, established, however, in France, in the production of fibreglass. Hédi became familiar with the objectives of this Italian firm and also developed relationships with some members of the board of directors. In the mid-1980s, he succeeded in convincing the board of directors to build an offshore factory in Tunisia, producing fibreglass pipes, with cheaper skilled labour. Hédi mentioned that his technical knowledge of the production of fibreglass, together with his 'Tunisian culture', plus the strong relationships he maintained with several members of the board of directors, induced the firm to propose that he manage the future offshore factory. Consequently, he left his former job position and went to Italy to be trained. There, he met his wife, who is Italian and lives in Rome.

As a manager, Hédi became personally involved in the development of the subcontracting activities of the offshore factory, which was set up in 1987 and employs around 30 skilled workers. All the high-tech equipment was imported from Italy. After five years of management, Hédi decided to go further and developed his own market opportunities in Tunisia by taking advantage of the transfer of technology generated by his previous partnership. Actually, since 1992, and parallel to the activities he has managed, Hédi has been running his own business concern which produces fibreglass materials such as water tanks and cylinders. The production of his firm, which employs 40 skilled workers, is sold in Tunisia. This means that, in terms of market outlets, the two firms are not competitive with each other.

The case studies which have been presented so far show that the *New Entrepreneurs* are actors who, in contrast to the *Heirs* and the *Converts*, benefit from resources which are external to the Tunisian institutional environment. The development of the remaining case studies will confirm this distinctive characteristic. Moreover, as background to the three aforementioned motivations for return, since the early 1990s the international economic and political context in the Maghreb has constituted a positive factor, which has supported to date the creation of international trade companies (ITCs) in Tunisia.³⁷

Some *New Entrepreneurs* succeeded in taking advantage of this specific regional context. With reference to the previous analysed interviews, it has to be said that such market opportunities and export outlets have also been discovered by some *Converts* (among whom are Leila and Mondher). Similarly, since the implementation of the United Nations Security Council sanctions against Libya over the Lockerbie affair, the GoT has realized that the ensuing embargo could turn Tunisia into the main point of entry of international trade companies, while becoming the indirect beneficiary of this international crisis.³⁸ On the other hand, the disastrous consequences of the social, economic and political crisis in Algeria have contributed to an increase in cross-border trade and in transit traffic. However, since 1996, it seems that such effects have been substantially reduced, owing to security troubles and to the recent implementation of a World Bank structural adjustment programme in Algeria. Consequently, the visit to Algiers of Mohamed Jegham, the Tunisian Minister of the Interior, was officially presented as an attempt to re-stimulate the formal trade exchanges between Tunisia and Algeria.³⁹

From 1988 to 1996, circa 240 ITCs obtained their export licence from the *Centre de Promotion des Exportations* (CEPEX), 70 per cent of which were set up between 1993 and 1996. Figure 3.1 illustrates the sharp increase in the number of licensed ITCs which are still operative to date. Official statistics

show that a large majority of ITCs are not resident in Tunisia. Namely, and in accordance with Article 2bis of law 96-59 and Article 14 of the Investment Incentives Code, a firm is considered to be nonresident, and is entitled to benefit from tax exemption, when at least 66 per cent of its capital is comprised of convertible foreign currencies, whether these are imported by Tunisians who reside abroad (i.e., the TRES, or by foreign investors).

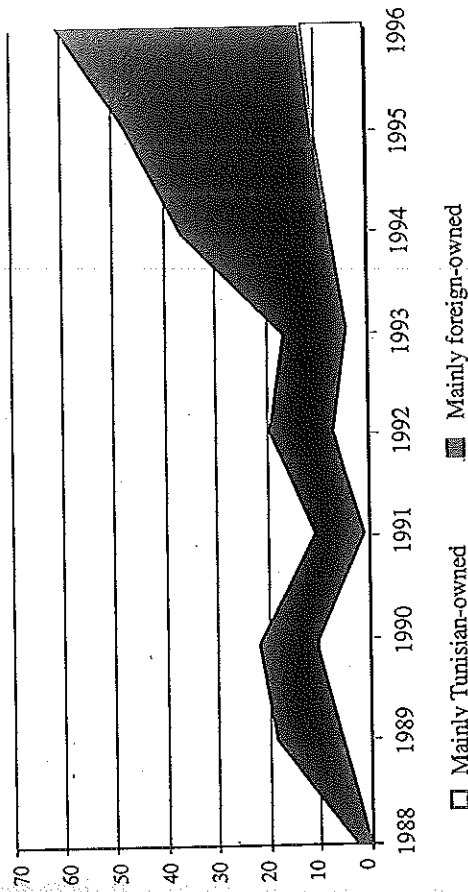


Figure 3.1 Number of operative and licensed ITCs in Tunisia (1988-96)

Source: CEPEX, internal document, 1997.

The distinction between the ITCs, whose capital is mainly owned by foreign investors and those whose capital is mainly owned by the TRES, proves that the regional context has had a strong bearing on the development of new entrepreneurial activities and forms of business partnership. Some of the *New Entrepreneurs* interviewed are fully-fledged participants in the development of ITCs in Tunisia, which have been flourishing since 1993. Their entrepreneurial success results not only from the discovery of market opportunities, but also from the *creative* investment of their past experiences in Europe in the maintenance of their business activities. Moreover, the wide range of goods and products they trade reflects the vicissitudes of the market place in which their export-orientated firms are developed, as well as their constant need for adaptation. The interview made with Maruan allows these elements to be depicted:

When I was in France [1986-91], I was aware that something could be done in Tunisia. I set up an international trade company. Then, I bought a copy of *La Presse de Tunisie* [a national daily newspaper] and found an advertisement: a firm was looking for a marketing manager. Later, I discovered that this firm was Peugeot. This job allowed me to get settled and to better understand the logic of work in a Tunisian setting. Hence, I worked for Peugeot and sold French cars for exports. Contemporaneously, I maintained my own business activities, since my firm also sold cars abroad. This was not very honest, I agree, but I did it anyway: I worked for Peugeot and sold, at the same time, Japanese cars abroad, Mazda cars. I hit buoyant markets in Libya. I already had a certain knowledge of the export of cars to Libya and applied my technique. Then, I worked in the food industry, and exported the stuff to Algeria. In Algeria, there was a strong shortage of pasta, and olive oil. Then, little by little, I got involved in the trade of spare parts, still with Algeria. My wife contributed to the development of this market: she got in touch with Japanese investors in France whom we know. They sent spare parts to Tunisia, which were in transit, and we exported them to Libya and Algeria. Within three years, I amassed a capital of 150,000 Dinars [circa 150,000 US\$]. I was paid in Yens by Mitsubishi, Nissan, and Mazda.

You bought spare parts abroad which were in transit through Tunisia.

Not only. Some of these spare parts were also sold in Tunisia. But my main customers are in Algeria and Libya. As regards pasta, it arrived in bulk here and, with a lorry, I had to go and carry the goods to the Algerian-Tunisian border. Very famous businessmen paid me.

Do you have a partner?

None. If not my wife [...] She wanted to leave France, and I did too. We travel a lot. That's how I developed my contacts with Italy [...] You know, I worked as a trainee in France, when I was a student. As a whole, I think I worked for around thirteen firms. As a matter of fact, you learn a great deal of things. I met lots of people also. Then, my brother lived in Italy and worked for an Italian firm. Later, when he returned to Tunisia, he worked for the public administration. I encouraged him to resign and now, thanks to me, he runs a business concern which produces nappies. My other brother runs an SMVDA [Société de Mise en Valeur et de Développement Agricole].⁴⁰ My youngest sister manages a company which supplies computers in Tunis. I acted as a guarantor for her and now she's doing very well.

You never tried to create a partnership in Tunisia.

Well, I work with an Algerian who is based in Geneva, but he lives in Switzerland. He deals in crude oil and diversified his activities by creating business concerns in Algeria and Libya. As regards the Italians, I met them through my brother and during an international fair. We talked about voltaic captors.

Did you have lots of things to say about voltaic captors?

Look, I have the chance to work in complete diversity. Each week, I discover other products which can be brought onto the market. I give you an example. Some weeks ago, I was in the market for pasta. I've become a connoisseur of semolina. This week, I'm preparing a study of the gravel which is specifically used by the Algerian railway state company. I know how the gravel must be calibrated. I'm a very well informed person, thanks to my wife who works for [an] embassy in Tunis. They are informed about everything: international trade opportunities and so forth. Within a quarter of an hour she tells me if we can take advantage of any kind of opportunity. We are very flexible. I know I'm quite different from my colleagues, I'm not normal and, on top of that, I married a [non-Tunisian] woman [...] (October 1996).

Contrary to what Maruan argued, his case is not atypical. Other *New Entrepreneurs* have used similar strategies for gathering information about market opportunities. Interpersonal networks secure the continuous flow of information between actors. Contemporaneously, the constant gathering of market information allows the entrepreneurial activities of such actors to be quickly diversified, while being responsive to a changing legal environment. Undeniably, Maruan's past experience of migration has shaped his entrepreneurial initiatives in Tunisia, not in terms of knowledge, but, clearly, in terms of acquaintances and contacts, which have been maintained since his return to Tunisia in 1991.

Interestingly, the creation of an ITC constitutes in Maruan's case, as well as in the case of Monceur discussed below, a prerequisite to the diversification of their entrepreneurial activities. Note the redistributive effects of Maruan's activities to the members of his family. Admittedly, it could be argued that, just like the *Heirs*, the *New Entrepreneurs'* economic strategies are linked to a family system. However, and more importantly, such a family system has been developed as a consequence of their entrepreneurial activities, while, as for the *Heirs*, the *family system* constitutes a pre-established and well-developed structure of resources and opportunities, prior to their return to Tunisia. Consequently, while the *Heirs* benefited from the redistributive effects

of the family system, the *New Entrepreneurs* appear to be the forerunners of their own family systems. The next section analyses the extent to which the family system developed by some *New Entrepreneurs*, following their return to Tunisia, constitutes one component of the relationships which build their cross-border network mechanisms.

Monceur studied economics in Marseilles and in 1991 created, just like Maruan, an ITC which deals in such various products as textile, domestic appliances, chemicals and tires. However, at their inception, Monceur's activities were concentrated on the gold market, in collaboration with a businessman he met in Marseilles, thanks to his sister. Soon, he gave up this initial trade because it turned out to be 'tricky', as he laconically expressed it, but also because he discovered that he could make his relational networks in Marseilles, Tunis, and Algeria (where most of his relatives live) profitable. Monceur had no practical competencies in international trade but was aware that Algeria, his country of origin,⁴¹ could represent a promising export outlet to his entrepreneurial activities. It took two years to develop his export-orientated activities to Algeria. Such export outlets account for some 80 per cent of his turnover:

My activities are based on the fact that people keep their words [in Tunisian dialect: *Kilma*; in French: *parole donnée*]. International trade is like a great souq where people know each other. Reputation is very important.

To which areas are your exports orientated? Why and since when?

Since 1992-93 or so. Believe you me, and don't delude yourself, the atmosphere of chaos and anarchy which prevails today in Algeria has generated lots of profit in the region. I also export to Libya, but it's a bit different. The relationships with the Libyans are different. They always want a contract. This results from the historical distrust between the Tunisians and the Libyans. Transactions must always be written on a contract. I mainly export to Algeria and Libya, but above all, to Algeria, which constitutes 80 per cent of my turnover. [...] I export everything, provided it is not perishable, in case the goods were confiscated by the customs. I have no choice, I must diversify my activities as well as my products. Law changes constantly, and you don't know what will happen tomorrow. Look, before 1995, it was possible to set up an international trade company with 15,000 TD, now you need a capital of 150,000 TD. The Tunisian administration discovered that some wily people took advantage of the offshore status of international trade companies in Tunisia to import their own cars duty-free from Europe. All of a sudden, we had to increase by ten our capital. Another example: now, it's almost impossible to export to Algeria if you don't resort to

various tactics. [...] You know, if you want to survive, you must diversify your products and run at least one other business concern (May 1997).

As Monceur argued, institutional uncertainties, as well as the unpredictable factors inherent in the regional economic environment, may have prompted some entrepreneurs to diversify their business activities while running various private business concerns contemporaneously. Moreover, diversification and plur-activity are strategies which provide for the survival of some *New Entrepreneurs'* activities, in contrast to the *Heirs*, who choose, as a whole, to specialize in a specific sales outlet or line of business (see, for example, the case studies of Jellal and Tarak). Admittedly, a sector-based approach to industrial specialization and diversification could partly be explanatory of each actor's strategy. However, as far as the *New Entrepreneurs* are concerned, plur-activity together with diversification may also be viewed as a consequence of their *partial* knowledge of their institutional and economic environment, before their return to Tunisia took place. The high flexibility of their entrepreneurial activities seems to be responsive to the characteristics of their environment.

On the basis of the interviews made with the *New Entrepreneurs*, the aforementioned flexibility which characterizes their activities is dependent on what some of them explicitly called an 'address book'.

The 'address book': an illustration of cross-border networks Laying emphasis on the existence of an address book leads to the core argument of this research related to the *formation* and maintenance of cross-border social and economic networks. Out of the three categories of returnees, the *New Entrepreneurs* are the only holders of an address book. The definition of an address book refers to the social relationships through which actors gather information, obtain financial support to realize and maintain their entrepreneurial projects. Moreover, in the context of this research, such social relationships illustrate the dynamics of cross-border network mechanisms, inasmuch as they encompass, on the one hand, the contacts which were acquired in the former receiving countries of the *New Entrepreneurs*, and, on the other hand, the country where their entrepreneurial activities have been developed. Beyond this geographical approach to cross-border networks, the extent to which they have shaped the market opportunities of the *New Entrepreneurs* has to be stressed.

In effect, the preceding case studies confirm this argument. Maruan's past experience of migration in France has shaped his entrepreneurial activities in Tunisia in terms of contacts. It is thanks to investors he met through his wife

that he could deal in the international trade of cars. Similarly, Hédi successfully invested his professional experience in France in the creation of an offshore factory which produces fibreglass items. Riadh and Rafik set up their firms after having been solicited by Italian investors. These examples highlight the noticeable impact of past migration experience upon their ensuing entrepreneurial projects.

As mentioned earlier, cross-border networks share some similarities with *networking* and the *family system* inasmuch as they respectively contribute to maintaining the activities of entrepreneur-returnees. However, these three patterns of social relationships differ substantially from one another, in terms of relational contents, resources and spatial configuration. In contrast to *networking* and the *family system*, cross-border networks allocate various resources which do not stem from Tunisian formal institutions; in other words, these resources are external to Tunisian formal institutions. More importantly, cross-border networks do not pertain to a process of exchange and interaction based on common ethnicity and family ties. In this respect, the formation of such a process differs from the formation of the *Bamboo Network*, which Murray Weidenbaum and Samuel Hughes⁴² described in their book related to Chinese entrepreneurs.

The economic action of the *New Entrepreneurs* is embedded in a framework which secures external resources and allows market uncertainties in Tunisia to be reduced. Entrepreneurial pluri-activity and diversification can be viewed as being reflective of such resources. The interview with Moncef is of explanatory interest:

I lived in France, that is to say in Paris and Aix-en-Provence. I studied economics and completed my PhD thesis. I also obtained a degree in History in Aix-en-Provence. Then, after the events of November 1987, I decided to go back to Tunisia. Like everybody, I believed in 'the New Era'. I worked for [a French leading newspaper], which, in 1988, became a Tunisian private company. It was the first time that a company of that kind had been set up in the Arab world. The 1987 'New Era' seemed to be favourable to this kind of initiative. However, owing to the political evolution of the country, the status of the company had to be reconsidered by opting for an offshore status which could secure the continuity of [my entrepreneurial activities]. We could carry on our activities thanks to such an option. But later, I had to develop some complementary advertising activities in order to compensate for the loss of the newspaper, which was faced with serious problems of censorship. As a matter of fact, and in collaboration with a French investor, another business concern was created in 1989, in an attempt to survive in Tunisia. Nowadays, the main activities I manage are those

of [the advertising agency I set up in 1989]. You imagine that I had to reactivate many relationships to maintain the activities of the 1989 firm. Now I employ 14 people.

Do you think that your past migration experience in France was crucial to the survival of [the firm which you created in 1989]?

Definitely. I developed a substantial address book when I was in France [...]. A variety of relationships originated from this experience in France. Many of my Tunisian colleagues did not live these things, and it makes a great difference.

Did Tunisian formal institutions help you to develop the market opportunities of [the firm which you created in 1989]?

Not at all. On the contrary, it was thanks to professional acquaintances, and even to friends of mine in Paris and Marseilles that I could meet some of my current customers [...] You know, I started my studies in 1977 in Aix-en-Provence and that's long enough to have a certain associative and syndicate experience in France. All these things are very valuable and all these things facilitated and still facilitate the existence of an address book which is still effective (July 1996).

It has to be said that such a past migration experience in Europe may also be invested retrospectively and not immediately. Moncef's experience exemplifies this case since he had to reactivate his networks once market uncertainties (i.e., censorship) occurred.

In terms of financial support, most of the *New Entrepreneurs* did not benefit from state subsidies to promote their export-orientated business concerns. Nor do they rely upon formal institutions to gather market information. This phenomenon can be accounted for with reference to the fact that such actors tend to evaluate negatively their own institutional environment. Similarly, they often denounce the interference of politics in economic affairs, so much so that the Tunisian business association, UTICA, is depicted as an extension of the ruling political party, aimed at protecting the interests of a limited number of powerful entrepreneurs:

Are you a member of the UTICA?

No, I'm not. If you're powerful, you can be a member of the UTICA. I run a small business concern; if I find a market opportunity, all the big fishes of the UTICA will know about it, and then, they'll pinch it. If I talk about it, they steal

it. In Tunisia, we say that the Tunisians don't sleep during the night. Information is channelled very quickly. I don't want to be a member just out of caution. I don't want to belong to such a circle because, inevitably, they will ask me many questions like 'What's your job? With whom do you trade?'. That's it. I'm not interested in the UTICA: I keep away from all that is political (Maruan, October 1996).

Although Maruan explains that he is not a member of UTICA because he wants to keep a low profile, it may also be possible to argue that such formal membership would turn out to be redundant to the resources provided by the cross-border networks in which his entrepreneurial activities are embedded. Moreover, 'keeping away from all that is political' does not mean that no criticisms of the political and economic reform in today's Tunisia were made. Rather, whether it was explicit or not, most of the *New Entrepreneurs* tended to be critical of the activities of Tunisian formal institutions. Their interviews highlighted their awareness of the characteristics of their own business environment:

How do you evaluate the action of such Tunisian formal institutions as the API, the CEPEX?

They do what they can. The 'guichet unique' which has been organized by API has facilitated the bureaucratic procedure. CEPEX plays a certain role by giving an export licence to offshore business concerns. At the political level, there seems to be a certain will of transparency. However, the Tunisian public administration inherited from a planned economy, which lasted for thirty years, and which substantially differed from a market economy. Today, its structure remains excessively overstaffed. All these factors account for the fact that there's a great difference between what is politically put forward and what is implemented in practice. These constitute uncertainties in Tunisia with which foreign investors have to deal with (Moncef, June 1996).

Maladministration and stifling bureaucracy were repeatedly mentioned during their interviews. Faced with such market uncertainties, cross-border networks tend to generate informational and financial resources which are external to the Tunisian institutional environment, while questioning its efficiency.

Moreover, the configuration of the *New Entrepreneurs'* partnership with their European investors, whom they met during their past experiences of migration in Europe, appears to be dependent on the characteristics of an integrated framework of relationships. Actually, it is striking to observe that

none of the subjects interviewed tried to form a partnership with their Tunisian counterparts. The reasons for this lack of partnership with indigenous entrepreneurs does not lie exclusively in the need for substantial financial capital to participate in the partnership, but also in a subjective feeling of *marginality* on the part of the *New Entrepreneurs*, which makes the latter reluctant to develop a partnership with their Tunisian counterparts. Some of the interviewees stressed their distinctive perception of work, as well as their demanding expectations concerning the quality of service and the need for rigour at work. Undoubtedly, the subjective self-perception of the *New Entrepreneurs* has to be stressed; although it is not fully explanatory of their unwillingness to create a partnership with their Tunisian counterparts. Cross-border networks provide not only for the survival of the *New Entrepreneurs'* activities, but may also be viewed as a system of belief and mutual understanding. Chapter four will develop these explanatory elements while focusing on the meaning that the *New Entrepreneurs* attach to their participation in cross-border networks.

The three categories of actors referred to in this chapter illustrate various degrees of entrepreneurship. These differ from one another in terms of financial support and strategies for survival. Whether the actors' resources are dependent on the family system, networking, or cross-border social and economic networks, the constant adaptation to the uncertainties inherent in the market place constitutes the common characteristic of their economic action. In other words, and with reference to Kirzner's theory of entrepreneurship, creativity founds their entrepreneurial activities. Moreover, the analysis of their resources and strategies allowed the involvement of the *Heirs*, the *Converts*, and the *New Entrepreneurs* to be understood.

The *New Entrepreneurs* are the central actors of this research, for they successfully invested their past experiences of migration in their current entrepreneurial activities. The fact that they contemplated creating an initial business concern before their return to Tunisia constitutes one identification criterion. Similarly, the embeddedness of their *New Entrepreneurs'* firms in cross-border networks appears to be a consequence of the causal relationship between past migration experience and entrepreneurship.

Admittedly, the interviews with the *New Entrepreneurs* highlighted the need to consider contextual factors to understand, on the one hand, the resources they used to set up their firms and, on the other hand, the reasons for which their entrepreneurial activities are part and parcel of such networks.

The contacts, values, and knowledge they acquired abroad have had a certain bearing on the emergence of their business concerns. Moreover, as far

as their maintenance is concerned, the relationships between the *New Entrepreneurs* and their own European partners are not only based on the existence of economic opportunities and a favourable legal framework in Tunisia (e.g., tax exemption for foreign-owned companies, cheap labour), but also on the meaningful dimension of their partnership. Trust – or *Kilma*, as Monceur would argue – constitutes one salient feature of their patterns of business partnership (see chapter four). Subcontracting the production of a European firm, creating a subsidiary, or running a joint-venture reflect the importance of this meaningful dimension which, clearly, and in contrast to most studies related to private entrepreneurship in developing countries, does not result from the commonality of ethnic and religious links.⁴³

Parallel to the acquisition of contacts abroad, a series of political, economic and institutional changes has occurred since the mid 1980s. Such changes have favoured the expansion of private initiatives in Tunisia. Since the adoption of its 1986 Structural Adjustment Programme (SAP), Tunisia has reinforced its open-door economic policies, while making the development of the private sector irreversible. This institutional context differs from the one that the *Converts* discovered when they returned to Tunisia from Europe. This may account for the fact that the *Converts* were not inclined to secure their return with an entrepreneurial project. Figure 3.2 gives a schematic illustration of the moment in which the respective return of the *Heirs*, the *Converts* and the *New Entrepreneurs* took place, while paying attention to some historical benchmarks.

With reference to the figure, I hope to highlight the fact the emergence of the *New Entrepreneurs* in the economic arena could not have taken place in the early 1980s, unlike the *Heirs*, and that the success of the *New Entrepreneurs* lies at once in their network embeddedness, as will be explained, in the fourth chapter, and in an unprecedented context of increased economic openness that has had a certain bearing on access to entrepreneurship in Tunisia and on the relationships between private entrepreneurs and the state. Similarly, it has to be said that the central actors of this study are viewed as being *new* entrepreneurs not only because they have set up their business concerns since the second half of the 1980s, but also, because their entrepreneurial activities stem from a set of cumulative factors, at domestic and international levels, which deserve careful examination.

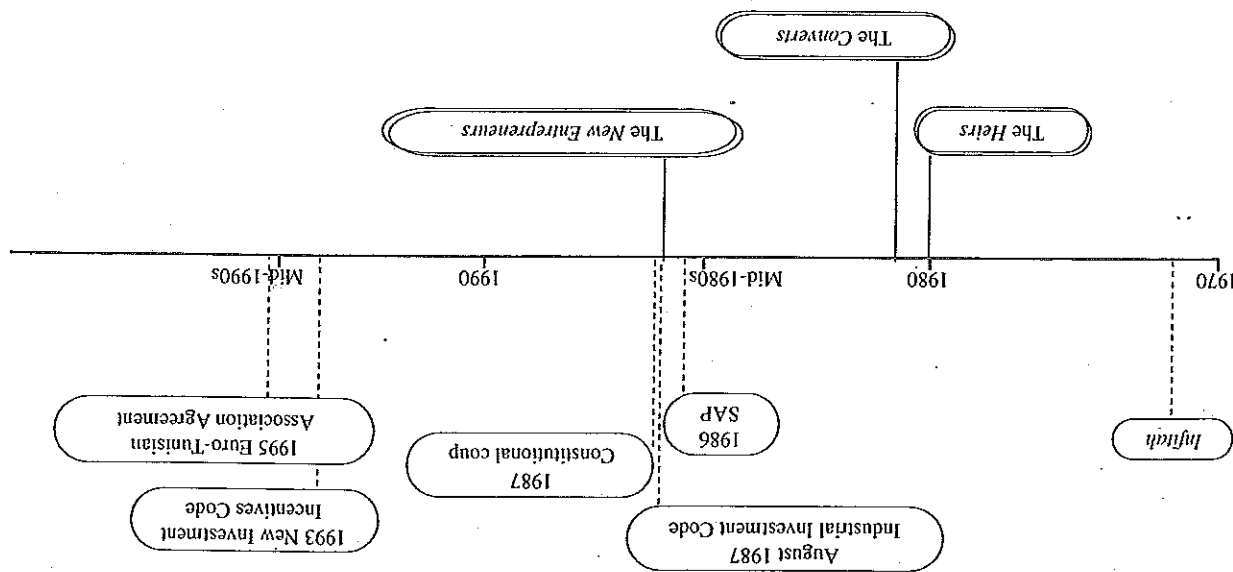


Figure 3.2 An overview of the return context of the interviewed entrepreneurs

Notes

- 1 The contents of the interview schedule are detailed in Appendix 1. To protect their anonymity, the interviewees' original names have been changed by pseudonyms.
- 2 Harry F. Wolcott, *Transforming Qualitative Data: Description, Analysis, and Interpretation*, Sage Publications Ltd, London, 1994, p. 19.
- 3 Desegregating field data with a view to building a typology is a prerequisite to making the analysis of interviews intelligible. As Mohamed Tozy suggests, 'empirical observations do not necessarily entail knowledge. Knowledge does not only presuppose a construction [of what was observed], but, above all, a predisposition to reconstruction.' Mohamed Tozy, 'La science politique à l'écoute des discours et de la rue: "les illusions du regard"', *Sciences sociales, sciences morales? Itinéraires et pratiques de recherche*, IRMC, Alif, Tunis, 1995, p. 112.
- 4 Israel M. Kirzner, 'Uncertainty, Discovery, and Human Action: A Study of the Entrepreneurial Profile in the Misesian System' in Israel M. Kirzner (ed.), *Method, Process and Austrian Economics: Essays in Honor of Ludwig von Mises*, Lexington Books, Lexington (Mass.), 1982, p. 139.
- 5 Joseph Alois Schumpeter, *The Economics and Sociology of Capitalism*, Richard Swedberg (ed.), Princeton University Press, Princeton, 1991, p. 413.
- 6 Schumpeter, *The Economics and Sociology of Capitalism*, p. 414. Richard Swedberg explains that Schumpeter was sympathetic to the idea of Walras' theory of market equilibrium. However, this theory presents a stationary and passive image of economic life where 'the demand always finds its supply, and the various bits of economic process fit together perfectly' (p. 39). In the *Theory of Economic Development*, Schumpeter rejected this passive Walrasian conception of economic life, and argued that, actually, there is 'a source of energy within the economic system which would of itself disrupt any equilibrium that might be attained'. A new theory was needed, according to Schumpeter, which 'could account for changes through an analysis of developments internal to the economic system'. This dynamic version of theoretical economics would be constructed with the help of the entrepreneur, i.e. an individual motivated by the 'joy of creating', 'the will to conquer', and the 'dream [...] to found a private kingdom'. Joseph A. Schumpeter, *The Theory of Economic Development: An Inquiry into Profits, Capital, Credit, Interest and Business Cycle*, Oxford University Press, Oxford [1934] 1961, pp. 128–56.
- 7 Schumpeter quoted in Peter J. Boettke, 'Entrepreneurship', *The Blackwell Dictionary of Twentieth-Century Social Thought*, William Outhwaite and Tom Bottomore (eds), Blackwell Reference, 1993, pp. 196–8.
- 8 Jean-Jacques Gislain and Philippe Steiner (eds), *La Sociologie économique: 1890–1920*, Presses Universitaires de France, Paris, 1995, p. 155.
- 9 According to Schumpeter, the question is 'how far is it really true, for instance, that entrepreneurs while not forming a social class themselves but originating in almost all existing strata, do feed or renew the capitalist stratum or that, to put it differently, the latter recruits itself from the entrepreneurial successes?', Schumpeter, *The Economics and Sociology of Capitalism*, p. 419.
- 10 Israel M. Kirzner, *Discovery, Capitalism, and Distributive Justice*, Basil Blackwell, Oxford, 1989, p. 88.
- 11 Kirzner, *Discovery, Capitalism, and Distributive Justice*, p. 90.
- 12 Kirzner, *Uncertainty, Discovery, and Human Action*, p. 139.

- 13 Israel M. Kirzner, *The Meaning of Market Process: Essays in the Development of Modern Austrian Economics*, Routledge, London, 1992, p. 27.
- 14 'To act entrepreneurially is to identify situations over-looked until now because of error,' Kirzner, *Uncertainty, Discovery, and Human Action*, p. 147.
- 15 Kirzner, *Uncertainty, Discovery, and Human Action*, p. 149.
- 16 'The function of the entrepreneur is to bring different parts of the market into coordination with each other. The market entrepreneur bridges the gaps in mutual knowledge [...].' Kirzner, *Uncertainty, Discovery, and Human Action*, p. 153.
- 17 Max Weber, *Sociological Writings*, Wolf Heydebrand (ed.), *Continuum*, New York, 1994. This is a reference to the chapter entitled 'Social Action and Social Relationships'.
- 18 Social relationship denotes the behaviour of a plurality of actors. 'It consists entirely and exclusively in the existence of a probability that there will be a course of social action,' Weber, *Sociological Writings*, p. 6.
- 19 A social relationship is symmetrical only if the meaning for one party is the same as that for the other, but this case is rare. For this reason, in the wake of his *Wirtschaftssoziologie*, Weber talks about 'reciprocity' to evoke the dynamics of a mutual orientation of the action, even though the expectations are not symmetrical. For a thorough account of *Wirtschaftssoziologie*, see Richard Swedberg, 'Major Traditions of Economic Sociology', *Annual Review of Sociology* 17 (1991), pp. 251–76.
- 20 For an explanation of *esprit de corps* as a type of communal social relationship, see Pierre Bourdieu, *La noblesse d'Etat: Grands Ecoles et esprit de corps*, Editions de Minuit, Paris, 1989, pp. 254–9. See also Abd al-Rahman Ibn Khaldun (1332–1406), who introduced in the *Muqaddima* the concept of *zurat* or, in Arabic, 'Asabiyya'. In German, D. Weiss translates this concept by *Zusammenghörigkeitsgefühl*, in Dieter Weiss, 'Ibn Khaldun on Economic Transformation', *Internal Journal of Middle East Studies* 27, (1995), pp. 29–37. See also Ernest Gellner, 'Trust, Cohesion, and Social Order' in Diego Gambetta (ed.), *Trust, Making and Breaking Cooperative Relations*, Basil Blackwell, New York, 1988, pp. 142–57. With reference to Ibn Khaldun, Gellner's article provides an insightful explanation of how *Asabiyya* may contribute to the establishment of a social order.
- 21 Weber, *Sociological Writings*, p. 16.
- 22 Eva Rana Bellin, 'Tunisian Industrialists and the State' in I. William Zartman (ed.), *Tunisia: the Political Economy of Reform*, Lynne Rienner Publishers, African Studies Library, Boulder, 1991, p. 51.
- 23 Guy P. Pfeffermann and Andrea Madarassy (eds), *Trends in Private Entrepreneurship in Thirty Developing Countries*, International Financial Corporation, The World Bank, Washington DC, 1989, p. 12 (Discussion Paper No. 6).
- 24 John Waterbury, 'Twilight of the State Bourgeoisie?', *International Journal of Middle East Studies* 23, (1991), pp. 1–17.
- 25 Ridha mentioned that his business concern resulted from a partnership with an Egyptian investor who, in accordance with law 93–120, dated 27 December 1993, provides a minimum of 66 per cent of the capital of the company (i.e., 99,000 DT out of 150,000 DT). This percentage confers on the business concern a nonresident legal status. Ridha's ITC is part of the 255 ITCs, resident and nonresident, which were licensed by the Tunis-based Centre de Promotion des Exportations (CEPEX), between January 1988 and May 1997.
- 26 For a comprehensive analysis of the *Programme de mise à niveau* (PMN) see chapter four.
- 27 The characteristics and legal framework of privatization in Tunisia is developed in chapter three.

28 *L'Economiste Maghrébin*, No. 187 (July 1997), p. 15.

29 The economic actors are commonly called by the Tunisian establishment, the 'Captains' of the manufacturing industries. Their relationships with the state will be subject to examination in chapter four.

30 In effect, President Ben Ali's decision to preside over the Conseil Supérieur de l'Exportation (CSE) had been previously announced in Parliament (on 28 December 1996) where he declared that he would 'supervise personally' the activities and the objectives of the export-oriented sector of the national economy. Few months later, the CSE was created on 7 April 1997, in accordance with decree 97-612, and depends on the Ministry of Trade. By law, it is comprised of such members as the ministers of Transport, Finance, Trade, Industry, Agriculture, International Cooperation, Economic Development, the Prime Minister, the Governor of the Central Bank, the secretary-general of the national trade union, i.e., the UGTT (Art. 1). The CSE is officially presented as an advisory body in charge of promoting exports. Nonetheless, it should 'represent a powerful lever for a new dynamic' in the words of Mondher Zneidi, Minister of Trade. See *Exporteur*, No. 103 (August 1997), pp. 30-1. See also *L'Economiste Maghrébin*, No. 177 (March 1997), pp. 8-12.

31 Steven Heydemann, 'The Political Logic of Economic Rationality: Selective Stabilization in Syria' in Henri J. Barkey (ed.), *The Politics of Economic Reform in the Middle East*, Saint Martin's Press, New York, 1992, pp. 11-39.

32 I thank Professor Abdelhamid Henia for having pointed out this argument.

33 On 27 April 1972, and in accordance with article 2 of law 72-38, the Agence de Promotion des Investissements was created by the GoF. In the wake of Tunisia's open-door economic policies, foreign investments were promoted, for the first time in Tunisia, as well as technological transfer and job creation, thanks to the settlement of offshore trade companies in Tunisia. The Agence de Promotion des Investissements (API) was in charge of stimulating the development of the industrial sector, promoting foreign investments and informing foreign investors about market opportunities in Tunisia. In August 1987, the Agence de Promotion des Investissements became the Agence de Promotion de l'Industrie, in accordance with law 87-50, dated 2 August 1987. *Journal Officiel de la République Tunisienne* (14 August 1987), p. 961. See also *Le Courrier de l'Industrie*, No. 73 (March 1996), p. 41.

34 A seminar was organized on 10 December 1996 by the Ministry of Industry and the Bureau de Mise à Niveau during which Slaheddine Bouguerra, formerly Minister of Industry, publicly announced that 'the 9th development plan will be called the "Plan de mise à niveau"'. The objectives of the PMN are: 1) an increase of 10-30 per cent in productivity; 2) an increase of 54 per cent in turnover; 3) an increase of 60-70 per cent in exports. See *L'Economiste Maghrébin*, No. 173, January 1997, p. 30.

35 The force of circumstances includes a set of situational factors such as political and social stability, the characteristics of the institutional environment of private firms, as well as their legal status.

36 I borrow this argument from Luhmann's analysis of 'experience', developed in his book on trust and power. 'The manner in which experience is led to organized meaning and the world so as to make the complex conditions of existence comprehensible is an operation carried out subjectively.' Niklas Luhmann, *Trust and Power*, Introduction by Gianfranco Poggi, John Wiley & Sons, New York, 1979, p. 19.

37 The activities of ITCs, set up in Tunisia, became legally treated in March 1994, in accordance with law 94-42, see *Journal Officiel de la République Tunisienne* (8 March 1994), pp. 406-

7. On 6 July 1996, law 96-59 was enacted. It amends and completes law 94-42, and gives a precise definition of an ITC. Article 2 stipulates that the purpose of an international trade company consists not only in importing and exporting goods or products, but includes also the activities of international brokerage. Brokerage activities were not considered in law 94-42. A minimum capital of 150,000 DT is required for the creation of an ITC. See *Journal Officiel de la République Tunisienne* (9 July 1996), p. 1376.

38 In effect, given the persistence of the embargo on the Libyan territory, the Tunisian official media have never pled so explicitly for 'the cause of Libya'. Moreover, since 1993, the GoF has strengthened its diplomatic relations with Libya and sent many official economic delegations to Tripoli. On 28 October 1996, Colonel Muammar Qaddafi made a state visit to Tunisia. The promotion of intra-Maghrebi economic exchanges was on the agenda. *L'Economiste Maghrébin*, a Tunisian official fortnightly, mentioned that '[Tunisia] has always defended and pled for the cause of Libya, victim of an unjustified embargo. Despite the fact that the great powers blacklisted Libya, it is not abandoned.' One month later, Prime Minister, Hamed Karoui, and the Head of the Tunisian business association, Hédi Jilani, organized a meeting in Tunis which, officially, gathered 500 Libyan and Tunisian businessmen. 'The need for cooperation has never been so strong [...] The Tunisians cannot ignore how profitable the development of trade exchanges with Libya can be.' See *L'Economiste Maghrébin*, No. 169 (November 1996), p. 7; No. 171 (November 1996), p. 5.

39 The amount of trade exchanges between Algeria and Tunisia has constantly decreased since 1995. It was estimated by official statistics at only 150 million Tunisian Dinars in 1996, and at 126 million Tunisian Dinars in 1997. See *L'Economiste Maghrébin*, No. 173 (January 1997), p. 8; No. 205 (April 1998), p. 48.

40 An SMVDA or Société de Mise en Valeur et de Développement Agricole is a state-owned estate which is lent, for 40 years maximum, to a Tunisian promoter, who will manage the farm like a private business concern. The purpose of the SMVDA programme consists in promoting private investments in the sector of agriculture. A certain area of land will be sown with seeds (e.g., wheat, vineyards), in order not to leave it fallow. Since 1995, Maruan has been the beneficiary of this SMVDA, but has delegated the management to his brother. His property, which is located in the Cap Bon, northeast of Tunisia, is large, 600 hectares (circa 1,400 acres). The SMVDA programme is organized by the Ministry of Agriculture and the Agence de Promotion des Investissements Agricoles (APIA).

41 Monceur's mother is Algerian, from Tebessa, in the central eastern region of Algeria, close to the Tunisian border, where Monceur was born. His father, who is Tunisian, works as an engineer for a state-owned enterprise.

42 Murray Weidenbaum and Samuel Hughes, *The Bamboo Network: How Expatriate Chinese Entrepreneurs Are Creating a New Economic Superpower in Asia*, The Free Press, New York, 1996.

43 See, for example, the ethnic-centred approach to African entrepreneurship of Bruno Ponsou. Bruno Ponsou, 'Entrepreneurs africains et asiatiques: Quelques comparaisons' in Stephen Ellis and Yves-A. Faure (eds), *Entreprises et entrepreneurs africains*, Karthala, ORSTOM, Paris, 1995, p. 101.

4 Institutional Changes and Participatory Development: the Variety of Business Alliances

on the part of the Tunisian monarch, that French interference was necessary to guarantee order and security at a national level. In fact, just one month later, in May 1881, the Bey signed the Treaty of Bardo: this treaty legalized the French protectorate, and officially delegated the sovereignty of his country to France. France's interference was designed to *protect* 'the Tunisian interests and those of the nationals of the Regency'.⁴

President Ben Ali's underlying reference to the spectre of the Bardo Treaty was based on more complex variables of neo-colonialism. Although, Tunisia's territorial and juridical sovereignty constitutes a statement of fact for the international society, from an economic point of view, the persistent North-South cleavage in the Mediterranean shows that some patterns of economic asymmetry and dependence induce one to qualify the extent of developing countries' economic and financial sovereignty. Arguably, this was precisely President Ben Ali's point; a point which, as explained below, could not have been mentioned a few years ago.

However, it has to be said that, just like other Mediterranean nonmember countries (MNCs), Tunisia has succeeded in limiting or containing the interference of its financial donors (namely the International Monetary Fund, the World Bank, and European Union) to the curbing of its macroeconomic imbalances, which operated, more often than not, through state-to-state transactions. Economic liberalization, privatization and the development of the private sector have always been on the agenda of the government of Tunisia (GoT) since the implementation of its open-door economic policies (or *Infithah*) during the 1970s.

From 1976 to 1996, four consecutive five-year financial protocols were signed between Tunisia and the European Union.⁵ Such agreements were based on the preferential access to European markets for Tunisian goods and certain specified agricultural produce. In other words, these agreements were founded on trade transactions which increased the influence of European countries, while making Tunisia more dependent and sensitive to European economic policies. This framework of international trade transactions constituted the basis of the Euro-Tunisian relations which prevailed until the implementation of the 1990 Revamped Mediterranean Policy (RMP). As argued in chapter one, the persistence of asymmetric trade exchanges between the EU and the Maghreb countries, as a whole, were less crucial than the unpredictable consequences of the social and economic crises which occurred in the late 1980s and the first half of the 1990s in North Africa. By placing greater emphasis on financial, economic and technical cooperation than on trade relations, the EU hoped, and still hopes, to attain, in accordance with

Il n'est pas question que la conjoncture mondiale naissante, avec ses réseaux complexes et ses concepts nouveaux, par delà ses aspects positifs et ses nobles motivations, ouvre des brèches à l'exercice de politiques de pression, d'influence et d'intervention à la manipulation des intérêts des Etats et peuples, au service d'intérêts donnés, selon des normes différentes et des prétextes nouveaux qui rappellent, sous des formes inédites, ce qui s'était passé durant le siècle précédent.¹

Perhaps for the first time since taking power, President Ben Ali warned against the effects of increased economic openness and reinforced liberal reforms in Tunisia. The historical reference to 'what happened during the last century' is far from being fortuitous, and cannot but recall, in the specific case of Tunisia, the gradual loss of diplomatic, financial, and military sovereignty that led to the French takeover in 1881. Before the institution of the French protectorate in Tunisia, the economic and social reforms adopted by the Tunisian monarch, the Bey, generated substantial public debt deficits, which were manipulated by European bankers and diplomats, as well as by Tunisian administrators and state officials. The financial crisis, along with economic difficulties, had a strong bearing on social stability throughout the country. The sharp increase in *medba*,² namely the tax on wheat consumption, incited a national rebellion. The Bey had no choice but to ask for additional financial aid, which weakened his position *vis-à-vis* European financiers. Following the Congress of Berlin in 1878,³ the Bey approved various concessions to France in order to compensate for Tunisia's debts. Moreover, various incidents fomented by the French government on the Algerian-Tunisian border, served as a pretext for French military intervention in April 1881, and for the subsequent recognition,

the principle of *geographical proximity*, a 'genuine policy of good neighbourliness'.

The RMP, which was implemented until 1996, put forward a proactive and differentiated approach to economic cooperation with MNCs,⁶ among which is Tunisia, and constituted the portent of the EU's growing concern regarding the political and social systems prevailing in these countries,⁷ as well as its sensitivity to security issues in the Mediterranean. This concern was made manifest in the 1995 Barcelona Declaration: together with the establishment of a free-trade area between MNCs and the EU, (by gradually and reciprocally lowering tariff barriers and providing for 'sustainable economic and social development'), the need for 'good governance' and 'sound macroeconomic management', aimed at settling bureaucratic hindrances and public maladministration, was explicitly emphasized.⁸

Part of the reasons for these changing frameworks of bilateral agreements is that the gradual shift from trade transactions to an association between the EU and MNCs has made the former more active and demanding not only as regards the economic, but also the social and political management of the latter. Undeniably, this shift in European policy towards MNCs, which dates back to the first half of the 1990s, throws light on President Ben Ali's statement: The 'positive aspects' may lie in the opportunity for Tunisia to benefit from a new source of credibility concerning the implementation of its liberal reforms and the reduction of domestic and external imbalances. However, the belated ratification of its Association Agreement with the EU may illustrate the GoT's awareness of the social and political costs of this agreement which 'goes well beyond the existing framework of cooperation by calling for a comprehensive harmonization of the regulatory framework, with a view to phasing out any practices that distort trade between the partners, such as monopolies, government subsidies, or privileges granted to public enterprises'.⁹

Admittedly, such reforms should lead to the emergence of a *new order* which entails the reinforcement of privatization, together with the necessary development of a business-friendly institutional environment, and a greater share for private sector investments in the national economy. The involvement of Tunisian formal institutions of governance in the industrial restructuring of the private sector has been part of these top-down restructuring reforms which tend to insulate, as will be explained, the public sector and administration from the promised restructuring process.

Moreover, by setting a clear programme of tariff dismantling and economic adjustment in the context of the 1995 Euro-Tunisian free-trade area, the GoT

is forced to balance domestic and international concerns. However, this situation does not necessarily question its central position. Today, this centrality stems from the pedagogical self-image that the GoT has recreated of itself since 1995, parallel to the traditional image of a social provider and the protector of national interests. Formal institutions play a dominant role in this transition. Financial credits to the private sector and market information remain subject to their control in this top-down pedagogical framework, in which private initiatives are embedded.

Contemporaneously, the GoT has redefined the roles and duties of Tunisian citizens, in the context of the restructuring programme, which is officially presented as requiring the mobilization of social, economic, and political forces. Tunisian entrepreneurs are a case in point. While being presented as the paragons of participatory citizenship, they have been invested with duties and responsibilities which delineate the GoT's understanding of liberalization. The new orientations of the reforms make them 'accountable for economic and social progress' in Tunisia.¹⁰ These additional accountabilities are congruent with the spirit of the *Programme de Mise à Niveau* (PMN), namely the structural programme of the private and the public sectors, that has been implemented in the framework of the Euro-Tunisian Association Agreement, and which will be examined at the end of this chapter.

The preceding chapter has demonstrated, through empirical evidence, and with reference to interviews made with Tunisian returnee-entrepreneurs, that the *family system* and *networking* constitute not only strategies aimed at securing the survival of the entrepreneurial activities of, respectively, the *Heirs* and the *Converts*, but also, exemplify forms of resistance to the institutional management of financial resources and market information in contemporary Tunisia.

However, as mentioned in chapter three, the *family system* and *networking* are based on personal networks which are limited to the domestic institutional environment of Tunisian private entrepreneurship. These personal networks may be tolerated by the GoT provided they reinvestigate and legitimize its interference in the economic arena, while turning the *Heirs* as bridging agents between state institutions and society at large.¹¹

In contrast to the *family system* and *networking*, cross-border social and economic networks do not contribute to reinvestigating the interference of the GoT and its formal institutions, although their dynamics find their roots in the liberal reforms which have been reinforced since the late 1980s, and made more credible to foreign investors since the recent ratification of the Euro-Tunisian Association Agreement made by the Tunisian National Assembly

(on 12 December 1997). Actually, such cross-border networks evolve at the periphery of state-society and state-private entrepreneurs interactions (see chapter five) while being partly contingent on the liberal circumstances which prevail in today's Tunisia.

The purpose of this chapter lies in outlining a contextual approach to the formation of such cross-border networks, by laying emphasis on certain selected events which have shaped the relationships between the GoT and Tunisian private entrepreneurs, since the adoption of the 1986 structural adjustment programme. Importantly, this contextual approach does *not* offer a comprehensive narrative of liberalization and privatization in Tunisia.¹² Rather, its development is based on the identification of three stages by means of which a number of Tunisian entrepreneurs have gradually appeared in the limelight of the Tunisian political and public arenas. These stages also appear to be illustrative of the policies of selective stabilization that the GoT has implemented in a context of increased economic openness.

Finally, as a prerequisite to analysing in chapter five the strategies for survival of the *New Entrepreneurs*, this contextual framework not only explains the responsiveness of cross-border social and economic networks, but also situates their dynamics.

4.1 Chronicle of a *Rapprochement* Foretold

The 1995 Euro-Tunisian Association Agreement includes most of the requirements which were stipulated in the Structural Adjustment Programme (SAP) that the GoT adopted in 1986. However, although the two adjustment programmes share some similarities in terms of economic policies, their respective responsiveness and scope remain markedly different.

In 1986, the assistance of the IMF resulted from the accumulation of such factors as the sudden decrease in crude oil prices, tourism and agricultural production, following a series of droughts. The sharp decline in export receipts led to a decrease in GDP, a high deficit in the balance of payments, and increasing external debt.

Moreover, this crisis situation followed hard on the heels of a period of social discontent and conflict between the GoT and trade unions, in the early 1980s. Several domestic upheavals questioned the legitimacy of the government, even though Tunisia's president-for-life, the 'supreme combatant', Habib Bourguiba, seemed to remain untouched, at least until November 1987. Social unrest and numerous strikes in the public sector, organized by the Union

Générale des Travailleurs Tunisiens (UGTT), challenged the GoT's capacity to implement unpopular economic reforms and to act, simultaneously, as a social provider and a political unifier.

The first challenge occurred in late December 1983, when a 125 per cent rise in the price of bread, and the abolition of government subsidies on flour and other staple foods, generated violent social riots throughout the country.¹³ The second challenge involved Tunisian trade unions. The UGTT demanded increases in public-sector salaries, which had been frozen for two years, in the wake of drastic policies aimed at reducing public expenditure.¹⁴ Various campaigns of strikes occurred in 1985. However, after the arrests of numerous union leaders, among whom was the UGTT Secretary-General, Habib Achour, and a moderate change of trade union leadership, the GoT-UGTT relationships softened in 1987.

Both challenges may be viewed as the direct consequences of the public sector restructuring programme, and of the policies aimed at favouring state divestiture, which were contained in the Sixth Development Plan (1982-86) and suggested by IMF officials. The opposition of trade unions may have constituted the main hindrance to the implementation of Tunisian privatization and public-sector restructuring, which gradually started in such competitive sectors as tourism and building materials; but the lack of a privatization strategy¹⁵ illustrated the dithering of the GoT over these issues, as well as its awareness of the social and political impacts of state divestiture and privatization.

Finally, the third challenge occurred at a political level. Clashes between legal opposition political parties (Mouvement des Démocrates Socialistes, the Parti Communiste Tunisien, and the Mouvement d'Unité Populaire) and the government, on its refusal to condemn the US raid on Libya in April 1986, culminated in the arrests of opposition political leaders and also Islamic fundamentalists who belonged to the then Mouvement de la Tendance Islamiste (MTI).

The tightening of control on trade union leadership, the reinforcement of the statization of society,¹⁶ and the repression on political opposition were also paralleled by the need to buttress the country's external source of legitimacy with the World Bank and the IMF, although their neo-liberal expectations had become more demanding, and difficult to respect from a domestic point of view. In fact, the adjustment policies contained in the IMF therapy (namely, reinforced privatization, external trade liberalization, the lowering of import quotas and the consequential exposure of domestic industrial sectors to international competitiveness) paradoxically strengthened

the GoT's position as the central intermediary between society and international financial institutions (the World Bank and the IMF), while identifying it with economic progress.

Undeniably, the implementation of these policies favoured the creation of various formal institutions aimed at supporting exports and promoting the private sector. In accordance with law 84-40, the *Compagnie Tunisienne pour l'Assurance du Commerce Extérieur (COTUNACE)* was created on 23 June 1984. Its purpose was, and still is, to assure the payment of transactions made by Tunisian export-orientated firms. In accordance with law 84-84, another institution, the *Fonds de Promotion des Exportations (FOPRODEX)*, was created, the purpose of which is to promote exports made by Tunisian private firms. Moreover, also in order to boost exports, the Dinar (the Tunisian currency) was devalued by 10 per cent in August 1986. Both these business-friendly policies were contained in the Industrial Investment Code (voted on 2 August 1987, in accordance with law 87-51), which suppressed the prior licence (or *agrément*) from the *Agence de Promotion de l'Industrie*, previously needed to set up a business concern in Tunisia.

As for privatization, some state-owned enterprises (SOEs) in the tourism, textile, and the building materials sectors were wholly or partially privatized. In accordance with law 85-72, the definition of SOEs changed: it was no longer based on a 10 per cent state ownership, but on a 34 per cent share of the capital of the company.¹⁷ However, owing to the unattractive budgetary conditions of such privatized SOEs, the GoT began to shuffle ownership titles among its various government banks, which were presented as first buyers who would then facilitate the sale to private investors. On the one hand, the state needed to unload a part of the public-sector burden onto banking and, on the other hand, to protect its capacity to interfere more or less directly in social and economic issues. Moreover, the context of privatization appeared to be based on the dichotomous distinction between 'strategic' and 'non-strategic' sectors. The former refer to activities which, for the sake of economic sovereignty, can not be subject to privatization, and the latter to sectors where state divestiture can be implemented. This distinction has always been unclear on the part of the GoT, while conditioning, to some degree, the extent of state disengagement until nowadays.¹⁸

It was in such a market-orientated institutional and legal framework that Tunisia applied its 1986 adjustment programme.¹⁹ Despite a substantial decrease in the average nominal tariff rate for all imported goods,²⁰ various forms of resistance to IMF prescriptions remained. These were not ideological but social and political. Clearly, the assistance of the IMF was not geared to

address the structural hindrances, which characterize the institutional environment of the Tunisian private sector. Moreover, the full application of the IMF adjustment programme would have jeopardized, in the short term, the patronage network on which the GoT had built its support, as well as low social strata. In this respect, as Michel Camau noted, 'in fact, state disengagement was not the point; rather, the readjustment of state involvement in the economy was'.²¹

The expansion of the private sector took place in a context of reforms sponsored by international financial institutions, but rationalized by the regime. Private business concerns in such sectors as textile, leather, mechanic and food-processing increasingly contributed to the economic growth of the economy as well as to employment and investment. In accordance with the aforementioned liberal orientations, export-orientated industrial projects benefited from substantial tax exemptions. However, the development of the private sector remained subject to long bureaucratic approval, and discretionary power of the public administration (e.g., customs clearance).

Such contextual elements highlight the valuable resources that the *Converts* have been able to mobilize to create their own entrepreneurial activities since the late 1980s: the use of the personal relationships they have maintained in the public administration (i.e., *networking*) induces one to think that, as this happened during the 1970s, the GoT allowed the private sector to share in the import and export business, following the adoption of the SAP, but did not deal with the fundamental structural problems of its economy (e.g., bureaucratic hindrances, opaque customs clearance, lengthy administrative procedures).

Moreover, it is important to mention that, until the late 1980s, the Tunisian government, in its top-down adjustment policies, did not integrate prominent figures from the Tunisian industrial circles, who could support and defend the implementation of the IMF reforms. On the one hand, this may be explained with reference to the attitude of state officials who presented the GoT as the sole actor in charge of promoting social and economic development.²² On the other hand, the boundaries between the private and the public sector were not clear enough to present the business elite as an independent counter-power capable of debating official economic policies. More importantly, the atmosphere of acute political crisis which prevailed in 1986-87, and the unstable diplomatic relations between Libya and Tunisia, constituted major unfavourable factors which questioned state legitimacy and the international credibility of the full application of the SAP. The cumulative momentum of such negative factors led to the constitutional *coup d'état* organized by Bourguiba's own Prime Minister, Zine El Abidine Ben Ali.²³

4.1.1 *The Quest for National Consensus*

When President Ben Ali took power, the drive to economic liberalization was made irreversible, despite the inability of the former government to face the economic and social challenges that the transition had brought about. In his attempt to consolidate the new regime, officially called the 'New Era', and to reduce the gap between state and society, Ben Ali designed a policy of global reconciliation.

In the political field, he abolished the presidency-for-life and the State Security Court. In an effort to move toward political pluralism, several political and non-political detainees were released, among whom were Islamic fundamentalists and legal opposition leaders. In July 1988, the National Assembly relaxed the Press Code, but television and radio remained subject to state control. At a social level, young generations were promised additional jobs. Policies aimed at guaranteeing social mobility were considered. Finally, in an attempt to build stronger confidence among Tunisian entrepreneurs and international financial institutions, Ben Ali promised to reinforce the drive to liberalization that his predecessor had initiated, on the one hand, and to make the ruling party financially independent from the state, on the other. This last measure, introduced in January 1988, entailed the need for alternative sources of financial support for the ruling party, which, officially, could no longer be allocated a share of the state budget. Consequently, 'courting businessmen throughout the country for financial aid and political support'²⁴ was viewed as a solution to the budgetary separation between the state and the ruling party.

All these reforms were aimed at gaining the confidence of the various components of Tunisian society by adhering to a national consensus, which materialized in 1988, in the wake of the Tunisian National Pact. Moreover, the revamped image of the state was not only linked to the ruling party's change of name – the Parti Socialiste Destourien became the Rassemblement Constitutionnel Démocratique (or RCD) – but also, to the GoT's wish to build strengthened economic and diplomatic alliances with its main foreign partners (the EU, in particular France and Italy) and its neighbours (Libya and Egypt²⁵).

In its quest for stronger legitimacy and public support, the GoT allowed opposition political parties to engage in the political arena three additional parties. Contemporaneously, the newly appointed head of the Tunisian business association (UTICA), Hédi Jilani, played a key role in promoting the gradual inclusion of private entrepreneurs into the encompassing framework of Tunisian participatory development. Since the late 1980s, the relationships

between Tunisian entrepreneurs and the GoT have become intensively intertwined, without, however, leading necessarily to political activism on the part of the former. This was a gradual two-step process²⁶ which took place between 1988 to 1993.

The 1988 National Pact One year after the beginning of the 'New Era', President Ben Ali presented a charter which reaffirmed the main principles related to the 'identity of the Tunisian people, the fundamentals of the political regime, the fundamentals and objectives of development, the international relations of Tunisia [that] should be part of a consensus among all the Tunisians'.²⁷ The third section of the Tunisian National Pact, which refers to 'Development', is of interest to the analysis of this section inasmuch as it substantially, albeit rather vaguely, illustrates the state-entrepreneurs relationships which have existed since then. Admittedly, as Lisa Anderson argues, '[this] section on economic development is revealing largely in its omissions',²⁸ in that no specific policy is explicitly suggested. However, this was not the purpose of the National Pact. Specifying a clear economic programme would have diminished the symbolic magnitude of the Pact. For instance, stipulating the prerogatives and duties of the entrepreneurs *per se* would have turned the latter in above-average citizens, whereas the National Pact was aimed at subjecting all citizens to the rule of law and its egalitarian principles.²⁹ The transcendental vagueness of the Tunisian National Pact, at least in the field of 'development', presents the state as an ethical planner, urging its citizens 'to pay scrupulously their taxes', and to 'rationalize their methods of production as well as the management of their firms, to clarify their [financial?] situation and to account for all their details [...]'.³⁰

Against this background, tax payment and good management appear to be the pivotal elements which have defined the participation (and accountability) of citizens in the Tunisian development model. In accordance with the Pact, the promotion of democracy and the rule of law in Tunisia seemed to be more dependent on the accountability of its citizens to the government than on the government's responsibility to its own citizens. The National Pact is essential to an understanding of the context in which state-society as well as state-entrepreneurs relationships have evolved since the late 1980s, as it laid the foundations of a taken-for-granted consensus which would stigmatize any kind of contest, criticism or dissent, while justifying the ethical interference of the state in all spheres of society.

Similarly, the National Pact constituted, above all, a means of dealing, in the short term, with a highly differentiated society, in terms of generations,

standards of living, expectations for the future, ideology, and economic power. All the various representatives of Tunisian society were asked to agree on the principles stipulated in the Pact, which was endorsed by UTICA, other professional and social associations, various unions, the legal opposition political parties, and a member of the Mouvement de la Tendance Islamiste (MTI). It is based on the 'sacrifice' and 'abnegation' of all citizens, while asserting the regulatory position of the state and its control on groups that could circumvent its overriding action.

The new government of President Zine El Abidine Ben Ali developed instruments of control that allowed it to keep a constant watch over a potential political (and economic) opposition or counter-power.³¹ On the one hand, the celebration of the rule of law turned out to be a means of dealing with the popular support of the MTI among the Tunisians, as well as the contested results of the April 1989 parliamentary elections, which questioned the willingness of the ruling party to fight fair and free elections.³² On the other hand, in accordance with its inclusionary and populist approach to liberalization, the GoT started to celebrate the adherence of 'civil society' to the liberal options which had been stipulated in the 1988 National Pact.

Erecting the National Pact as a normative consensus was a prerequisite to incorporating social forces, and to fostering new patterns of domination. However, various patterns of resistance emerged in the wake of the undemocratic results of the 1989 parliamentary elections. The growing popular support for the Islamist opposition party, Hizb En-Nahda (Parti de la Renaissance), together with the protests and imprisonment of students, the repeated clashes between students and the police which led to the disbanding of the Union Générales des Etudiants Tunisiens (UGET) in 1991, the fear of a fundamentalist plot aimed at overthrowing the regime, the open dispute between the Ligue Tunisienne des Droits de l'Homme (LTDH) and the government on the issue of human rights violations, and the lack of press freedom, illustrated the strong hold of the government, and its desire to circumscribe all forms of dissent among potentially contending groups.

Just as the GoT excluded Hizb En-Nahda from the political arena through legal means, so it did with the LTDH, which started to criticize restrictions on press freedom in Tunisia. In effect, the organic law 92-25, dated 2 April 1992,³³ was enacted to indirectly silence the growing protest from the leadership of the LTDH. However, it is interesting to note, in the context of this research, that this law, containing three articles, was actually only two-pronged.

On the one hand, article one stipulated various forms of associations, which differ from one another on the basis of their activities. The classification of

these associative activities included different categories related to women, sport, culture, art, science, development and charitable activities. The last category, the most high-flown, referred to 'associations with general purpose' (*associations à caractère général*). With reference to article two, neither their leadership, nor the members of the board of directors, were entitled to be involved in the activities of political parties in Tunisia. The 2 April 1992 organic law was directed implicitly against the LTDH's zealous president, Moneef Marzouki, and its other members (lawyers and intellectuals); they were asked not to hold more than one office at the same time. After many controversial debates, the League, which was classified in the category of the *associations à caractère général*, was, by law, suspended in 1992.³⁴ The LTDH case was an important episode which reasserted the will of the regime to maintain its monopoly on the shaping and management of political and social issues in Tunisia. As official newspapers stressed, associations represent in Tunisia 'a power of society over itself',³⁵ and exclusively over itself.

On the other hand, the 1992 organic law on associations should not be viewed as a mere offshoot of the aforementioned dispute between the LTDH and the GoT over human rights violations and the restrictions on press freedom in Tunisia. This law paved the way for the gradual and constant interference of the ruling party in the activities and financial funding of associations in Tunisia. In accordance with article one, applying for associative membership constituted a fundamental right of citizens which could not be rejected by the association itself. Through legal means, the GoT undertook to readjust its social policy by celebrating the activities of associations and by encouraging citizens, and members of the RCD, to become members. This policy was not only aimed at stimulating the state-led participation of 'civil society' in the process of increased liberalization, but also at evaluating and gauging the activities of financially autonomous associations, of which the Institut Arabe des Chefs d'Entreprises (IACE) became, until 1993, the emblematic case.

4.1.2 *Business and Associations*

Clearly, the GoT needed to reinforce its centrality in all spheres of private initiatives. In an attempt to make entrepreneurs more sensitive to the need for social consensus, the GoT undertook what it called the '*décompartmentalisation*'³⁶ of the firm, through associative action. This recent coinage metaphorically refers to the need to pull down the walls which separate the various components of Tunisian society from one another (e.g., citizens, entrepreneurs, political militants), with a view to mobilizing their initiatives.

Following the 1988 National Pact, the top-down mobilization of business owners represents the second step which led to the *rapprochement* between the state and a group of entrepreneurs.

This new orientation may have stemmed from the GoT's awareness that entrepreneurs in Tunisia could represent, in a context of reinforced liberalization and privatization, a potential threat to the top-down management of the economy, and also to the national consensus on which its reform policies are based. Six years after the endorsement of the National Pact, the yearly celebration of the 'Journée Nationale des Associations', which started on 25 April 1993, could be viewed as an official attempt to re-aggregate all social forces, whether influential or not, in order to complement, but not to counter, the action of the GoT.³⁷

This concern has become explicit since 1993, even though, as will be explained in the forthcoming sections, its scope appears different in today's Tunisia. The most illustrative example of the GoT's awareness of the existence of potentially competitive initiatives led by private entrepreneurs regarded the associative activities of the (IACE).

The BIAT-IACE episode The Institut Arabe des Chefs d'Entreprises (IACE) was created in 1985, on the initiative of Mansour Moalla, who was Minister of Finance from 1980 to 1983 in the government of President Habib Bourguiba. He was also the founder of the private Banque Internationale Arabe de Tunisie (BIAT). Owing to the political contacts of Moalla in the public and the private sectors, and to the effective management strategy of its chairman, BIAT succeeded in challenging the state oligopoly on the Tunisian banking system, by expanding its branch network all over the country and by diversifying its loan portfolio. Moreover, it

claimed to be in the forefront of Tunisia's computer revolution, developing on-line capabilities so that branches could act more autonomously. Its computer planning dovetailed with an organizational strategy that encouraged greater autonomy at the regional and local level. By pioneering decentralized management systems, BIAT was diffusing more flexible forms of credit allocation that might indirectly affect future political development.³⁸

Just like BIAT, the IACE greatly developed thanks to the initiatives of its chairman, who made clear, from 1985, that the success and popularity of the IACE, among private entrepreneurs, was not opposed to the corporatist interests of the state-sponsored business association, UTICA.³⁹ The November

1987 change of power did not impair the scope of the associative activities of the IACE. On the contrary, collaboration between the IACE and BIAT was reinforced, and their common chairman's endeavours resulted in several new initiatives; the IACE also became financially autonomous from the state authorities, but not immune from official suspicion. It is possible that the suspicion of the GoT was aroused following Moalla's project to create a private foundation, called the Fondation de l'Entreprise, whose purpose was to elaborate a data bank on Tunisian business concerns (called INFONET), as well as an observatory of the Tunisian private sector, a private university for the training of Tunisian cadres, and a private review.

It is also possible that the realization of such ambitious initiatives, aimed at promoting market information about economic development in Tunisia would have turned the IACE, and its chairman, into prominent and influential actors at economic and political levels, while jeopardizing the normative consensus on domestic issues, and weakening the symbolic monopoly of the GoT.⁴⁰ The GoT's response was made clear in a half-page article of the official daily newspaper *La Presse de Tunisie* entitled 'L'affaire BIAT: Qu'en est-il au juste?' ['The BIAT Case: What exactly is it all about?']. *La Presse* denounced the existence of a 'network of businessmen and financiers who planned to control the structures of the national economy, owing to the context of liberalization, which, needless to say, promotes private initiatives'. This 'network' was compared to a 'Masonic lodge', which turned itself into an 'unavoidable lobby', and created the Fondation de l'Entreprise, 'without respecting the law on associations'.⁴¹ A few days later Mansour Moalla had to resign from the BIAT and the IACE.

The 1993 BIAT-IACE episode also revealed the tolerable threshold beyond which autonomous private initiatives could not prosper. Undeniably, the legal retaliation against Mansour Moalla marked a milestone in the GoT-entrepreneurs relationships. It might also have constituted, for Tunisian entrepreneurs at large, a message according to which autonomous private initiatives are encouraged in a context of economic liberalization, provided such initiatives do not infringe on the overriding centrality of the GoT in the social, political and also economic fields. In other words, the process of decompartmentalization of the firm, through associative action, revealed its own limits and prerequisites.

Moreover, associative action in Tunisia has become subject not only to state regulation, but above all, to the ruling party's tight control, following the decision of Chedli Neffati, the Secretary-General of the RCD, to set up four formal institutions aimed at supervising the activities of associations and

their financial status.⁴² The creation of a data bank on associative activities was even put forward by the permanent secretary of the RCD, Moncef Bahi, with a view to both knowing the geographical distribution of associations in Tunisia and to reinforcing the involvement of RCD members in associative activities.⁴³

No official data concerning the exact number and the multifarious activities of associations in Tunisia are available. However, the numerous headlines in official Tunisian newspapers and magazines illustrate the growing interest of the GoT (and that of the RCD) in associations. This interest can be viewed as threefold.

First, by strengthening the involvement of the ruling party in associative activities, the GoT seeks to avoid all forms of 'political deviation'.⁴⁴ Second, its involvement in associations, under the guise of a model based on participatory development, reinforces its self-image of social provider at a domestic level, and refurbishes its relationships with 'civil society' (an element which, arguably, may appeal to its international economic partners and financial donors). Third, the state control over the financial situation of private associations may lie in its desire to act against the potential formation of autonomous IACE-like counter-powers, and to channel the allocation of their own financial resources to charitable or social activities, such as the Fonds de Solidarité National (FSN).⁴⁵

However, it is important to stress that the interference of the governing RCD, as well as that of the GoT, in associative activities in Tunisia, should not be overestimated. On the one hand, the resources provided by associations are multifarious and hardly controllable through legal means. For instance, informational resources and interpersonal contacts are far less tangible, and consequently manageable, than financial resources. On the other hand, the international magnitude of an association can be a valuable asset to limit, without avoiding, state interference.⁴⁶ However, this argument holds only provided the international association itself limits its activities to areas which either do not compete with or complement the action of the GoT, but rather contribute to reinvigorating its central position of social provider. In other words, associations in Tunisia may survive if their *core* activities are formed inside the realm of the state and the RCD, even though some of their *peripheral* activities may evolve outside their direct control. This nuance is of paramount importance to understand the reasons for which some *New Entrepreneurs* interviewed have maintained their associative membership, despite the growing guidance of the GoT (see chapter five).

Scant attention has been given in general to the state strategy designed to

reinforce its control on associations. It has to be said that the way in which the GoT built the legal classification of their associative activities may also constitute a means of identifying the initiatives which 'complement' the dominant ideology of participatory development in Tunisia, and those that might infringe on it.⁴⁷ The ruling party's infiltration of voluntary associations, and the gradual political mobilization of business leaders, have been part and parcel of the measures aimed at supporting the top-down pattern of participatory development in Tunisia since the early 1990s.

With reference to the aforementioned IACE-BIAT episode and the widespread political involvement of the RCD in associations, the GoT's desire to *décompartmentaliser* the firm is viewed as an attempt to show that entrepreneurs, who are presented as the paragons of private initiatives, can develop their business activities as long as they do not impair the centrality of the state. This prerequisite has to be stressed, for, in the wake of reinforced economic adjustment and liberalization, it has shaped, more explicitly than ever, the GoT-entrepreneurs relationships. The next section analyses the scope of this *rapprochement* as well as its configuration.

4.2 The 1993 Investment Incentives Code: The Limits of Participatory Development

The 1993 New Investment Incentives Code, which constitutes a more compact remake of the various laws which had been enacted in the late 1980s,⁴⁸ granted various financial opportunities and tax exemption to support entrepreneurial activities in Tunisia, whether these are owned by Tunisian or foreign investors. In accordance with law 93-120, dated 27 December 1993, the New Investment Incentives Code (NIIC) established a legal framework to support the creation of projects and incentives for investments made in Tunisia by either Tunisian investors or foreign investors. The circumstances which prompted the GoT to introduce this new code of investment stood in stark contrast with those which prevailed during the late 1980s.

Firstly, the NIIC constitutes an instrument aimed at dealing with the aftermath of the crisis which hit the textile sector in 1991, and the consequential decline in employment in Tunisia. In fact, the share of textile and clothing industries in the growth of GDP fell from 14.9 per cent in 1990 to 4.3 per cent the following year.⁴⁹ This drop had a direct impact on the global exports of manufactured products and on the creation of jobs in the manufacturing industries, where textiles and clothing account for an estimated 47 per cent of

employment in the manufacturing industries (circa 230,000 workers).⁵⁰ The textile crisis revealed the weaknesses of the manufacturing sector in Tunisia, as well as its fragility in terms of quality production and competitiveness vis-à-vis foreign textile manufacturers. Moreover, in the late 1980s, competition in textile exports came from Eastern European countries, whose export outlets to the European Union have increased steadily, in the wake of the 1990 PHARE programme and the Europe Agreements, which were signed in 1991 with Poland, Hungary and Czechoslovakia. Subsequently, the prospect of the implementation of the customs union between Turkey and the EU, which took place in January 1996, contributed to worsening disaffection among Tunisian textile manufacturers. Gross domestic fixed investment (GDFI) in the textile and clothing industries decreased by 22 per cent between 1991 and 1994.⁵¹ Finally, in the context of the World Trade Organization (WTO), the gradual dismantling of the multifibre agreements, which provide for the limited access of Asian textile products to the EU, will generate increased competition in European markets and might jeopardize the European export outlets of the Tunisian textile and clothing sectors.⁵²

Secondly, the New Investment Incentives Code may also have been a means of showing that, despite the constant threat of Islamic fundamentalism and the negative consequences of the Gulf war, Tunisia had all the main elements to reinforce economic liberalization and guarantee social and political stabilities, provided the EU, Tunisia's main supplier-customer-investor, supported the application of the reform policies.

The NIIC standardized incentives for foreign investors, who are expected to increase exports, promote the transfer of technology, and generate additional employment. Foreign investors are granted fiscal advantages, which vary according to the legal status of the firms and their sectoral distribution. For instance, foreign business companies in Tunisia which are wholly export-orientated (i.e., offshore companies) benefit from a 10-year tax exemption on all income and profits. Moreover, they may also import freely all the products and materials they need for their production line, and may sell up to 20 per cent of their output on the local market. As regards the textile and clothing industries, the NIIC offers large benefits, since foreign firms are not subjected to a 17 to 43 per cent customs duty on the import of textile manufacturing equipment and materials, and to value-added tax (VAT). As for business concerns which are partly export-orientated, the NIIC stipulates that they benefit from incentives similar to those granted to offshore companies, but only on the exported portion of their output. In other words, such business concerns benefit from a 10-year tax exemption on all income and profits

stemming from their export activities. Moreover, the products, goods and services required for exports are not subjected to VAT.⁵³

While additional tax advantages have been granted to all entrepreneurs, those who run export-orientated business concerns are the most favoured by the measures contained in the NIIC. For instance, tax exemption is applied to a share (35 per cent) of their reinvested profits and income. Imported goods and equipment which are not available on the domestic market are subject to a ten per cent customs duty. Most of the measures contained in the NIIC have been introduced to stimulate exports and attract foreign direct investments (FDIs) to Tunisia. Others have been implemented in the wake of the principles of participatory development, which present the state as the main guarantor for social mobility and the promoter of private entrepreneurship. The 'New Promoters programme' is illustrative of this top-down vision of state-sponsored entrepreneurship.

4.2.1 *From the New Promoters to the 'New Creators'*

Another important objective of the NIIC consists in giving citizens the opportunity to engage in the private sector. This programme, organized by the Agence de Promotion de l'Industrie (API) in 1993 and developed by the Centre de Soutien à la Création d'Entreprises (CSCE), is part and parcel of law 93-120, which stipulates the eligibility of applicants to the *New Promoters* programme. It is aimed at training young educated people, former civil servants, and laid-off workers from state-owned enterprises.⁵⁴ For example, in the city of Gafsa, following the restructuring of the state-owned Compagnie des Phosphates de Gafsa, the CSCE helped laid-off technicians and workers to set up their own business concerns.

As a CSCE administrator who was interviewed emphasized, the *New Promoters* programme is aimed at 'instilling in applicants' minds an entrepreneurial spirit, a will to create and to undertake', rather than at supporting the creation of business concerns financially (Hoube Khechine, June 1996). The programme is based on a three-phase approach.

Firstly, to be eligible, applicants are not supposed to have any previous experience in the field of entrepreneurship. Nonetheless, they must be endowed with the necessary qualifications to run a business concern. Secondly, following a six-month training period within the CSCE, applicants elaborate their own investment programmes with a view to realizing their entrepreneurial projects.⁵⁵ The applicants are called, in the jargon of CSCE administrators, *diplômés*. Thirdly, the last phase consists in having their investment

programmes accepted by bankers. This phase determines the success of the programme.

From 1992 to 1995, according to official data related to the number of applicants in the Tunis-based CSCE, the programme enjoyed constant popularity. However, the sharp decline in the rate of success among *diplômés* (see Table 4.1) demonstrates that, despite their proven eligibility, their participation, and the assistance of a formal institution, the *New Promoters* found it difficult to create their own firms.⁵⁶ A report of the CSCE accounted for this anomaly by explaining that, owing to the low degree of financial guarantee, Tunisian bankers remained reluctant to grant the financial credits needed to set up the *New Promoters'* firms.⁵⁷

The slackened activities of the *New Promoters* programme is too recent a fact to be thoroughly understood. However, it seems obvious that, given the small number of operative firms run by *New Promoters*, it is unlikely to constitute a driving force in the promotion and the expansion of the private sector in today's Tunisia.

Table 4.1 Tunis-based CSCE

	Applicants	<i>Diplômés</i>	Operative projects	Rate of success among <i>diplômés</i>
1993	45	23	6	26.0%
1994	88	44	12	27.2%
1995	121	61	6	9.8%
Total	254	128	24	18.7%

Source: Data elaborated by the author, on the basis of CSCE internal documents, 1996.

Nevertheless, the poor results from the *New Promoters* programme do not entail the demise of the CSCE. In early 1998, Arbi Ben Youssef, the CSCE director, proposed to 'revise the current system of creation of new projects' by encouraging, among other things, the

transfer and takeover of existing business concerns to the *New Promoters*. The takeover [of a pre-existing business concern] should be viewed as a *creation* performed by the new creator [emphasis mine]... As far as enterprises are

concerned, particularly the largest ones and those which are being restructured [in the context of the *Programme de Mise à Niveau*], it is in our interests to think about a reconversion programme of the staff [...] New measures of assistance should be made available to such potentialities, and will be implemented by the enterprise and the state. The point is to suggest a *congé-création* [i.e., paid leave aimed at training civil servants and private-sector employees to the management of business concerns] to facilitate the preparation and elaboration of the *creator's* [entrepreneurial] project.⁵⁸

Despite the terminological variation, the *congé-création*, as suggested by the director of the CSCE, seems to share some similarities with the 1970s state-sponsored programme which was aimed at encouraging former civil servants to engage in the private sector.⁵⁹ However, the *congé-création* appears to be addressed to a double category of potential applicants, namely, former civil servants and private sector employees. Will the *New Promoters* be replaced with the 'new creators', in the context of the reforms that Tunisia has been experiencing since 1995? If anything, the changes inherent in the CSCE objectives are too recent to allow this argument to be either invalidated or supported. Nonetheless, as will be explained in this chapter, these changes, which are so far part of a rhetoric, might be consistent with the adjustment policies that the GoT has adopted to maintain its dominance in various arenas. Finally, and most importantly, the disappointing outcome of the *New Promoters* programme shows that the model of participatory development designed by the GoT has its own limits, and that access to entrepreneurship remains subject to impediments. These impediments will now be examined.

4.2.2 Access to *Entrepreneurship*

Clearly, it could hardly be argued that the *New Promoters* programme has had a significant impact on the configuration of the Tunisian private sector, despite its being part and parcel of the main investment policies contained in the 1993 NIIC. The aforementioned tax exemption and fiscal advantages that have been granted to Tunisian and foreign investors, together with the creation of an array of financial funds aimed at supporting private entrepreneurship, give a superficial image of the context of participatory development in Tunisia. Formal institutions such as the API and the CEPEX have been mobilized by the GoT to supervise the expansion of the private sector, in the context of the New Investment Incentives Code (NIIC).

Undoubtedly, economic actors have been better informed about the activities of certain financial funds, created in the 1970s and the 1980s. This

regards more particularly the Bourse de la Sous-Traitance et du Partenariat (BSTP),⁶⁰ the purpose of which is to select business companies eligible for industrial subcontracting in Tunisia. The improvement of quality production and the evaluation of transaction costs are also part of the programme of the BSTP. Similarly, the creation of the Fonds de Promotion et de Décentralisation Industrielle (FOPRODI),⁶¹ the Fonds de Promotion et de Maîtrise de la Technologie (FOPROMAT),⁶² the Fonds de Dépollution (FODEP),⁶³ the Fonds de Développement de la Compétitivité Industrielle (FODEC),⁶⁴ and tax exemption granted to promote vocational training in industrial firms, through the Centre National de Formation Continue et de Promotion Professionnelle (CNFCPP),⁶⁵ illustrate the scope, as well as the costs, of the reforms led by the GoT.

It is difficult to evaluate the extent to which such financial funds have been incidental to the development of the private sector in Tunisia. Few official reports exist on the concrete outcome of their activities which are, arguably, directed to *one* component of the national economy, namely the private sector. If anything, the existence of such funds is congruent with the export-led economic policies that have been reinforced since the late 1980s, following the 1986 SAP.

Importantly, the creation, in June 1992, of a Ministry for International Cooperation and Foreign Investment, and the subsequent settlement, in several European industrial cities, of numerous agencies⁶⁶ designed to channel inward direct investments to Tunisia, support the argument that investments, and exports, constitute a priority in the growth strategy of the GoT. Such sectors as agriculture, textiles, mechanics, and food processing have increased their contribution to growth.

However, as shown in Figure 4.1, the number of operative firms in the manufacturing industries has constantly decreased since 1990, together with the number of additional jobs.⁶⁷ The decreasing number of operative firms created in the Tunisian manufacturing sector does not mean that the contribution of the manufacturing sector to growth in GDP has diminished accordingly. On the contrary, the manufacturing sector accounted for 16.5 per cent of GDP in 1992 and for 18.8 per cent in 1995.⁶⁸ Rather, this phenomenon shows that the reforms contained in the 1993 NIIC have been more beneficial to a limited number of well-established firms in the manufacturing industry which increased their profits than to the expansion of the private sector itself.

Three interrelated factors may account for this causal relationship. Firstly, the impediments to the expansion of the private sector lie in the high cost of

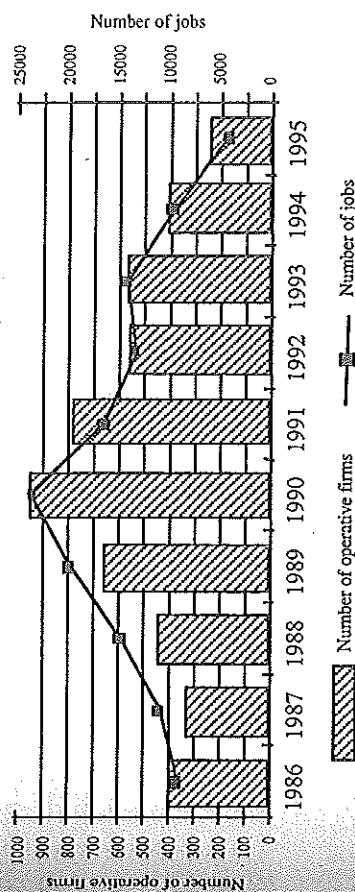


Figure 4.1 Growth and decline in the number of operative firms and job creation in the manufacturing industries (1986-95)

Source: Data elaborated by the author on the basis of *Le Courrier de l'Industrie*, No. 73 (March 1996).

the contributions to the National Insurance, namely, the Caisse Nationale de la Sécurité Sociale (CNSS), which amount to 40 per cent of labour cost, on average. This policy, based on the principle of the welfare state, turns out to have a double-edged effect. On the one hand, it reinforces the alliance between economic growth and social stability⁶⁹ in Tunisia, as the former Minister of Industry Slaheddine Bouguerra argued in 1996, and contributes to the redistributive effects of growth. On the other hand, however, the high social cost of labour induces employers (and employees) not to declare the actual amount of wages, in order to limit the financial burden of the CNSS on their profits and salaries.⁷⁰ This constraint results in the development of the black market and tax fraud, which was officially evaluated at 36.9 per cent in 1989.⁷¹ Contemporaneously, tax fraud practices should not be viewed exclusively as a mere illegal strategy for survival performed by economic actors. Such practices, whether real or hypothetical, may also allow dissent, in its various forms, to be monitored through tax aggressiveness. Tax aggressiveness constitutes not only a means of strengthening the control of the GoT on zealous entrepreneurs, but also publicizes the ethical and moralistic principles on which the GoT has built its self-image.

The second factor which may constitute an impediment to the development of entrepreneurship is related to structural characteristics. Despite the adoption of various policies aimed at guaranteeing the process of state divestiture and privatization, state-owned enterprises (SOEs) remain the central actors of the

national economy, not only in terms of market outlets, but also in terms of employment.⁷² Figures related to the number of privatized firms remain unclear and contradictory. In 1989, the GoT introduced another legal definition related to SOEs, as happened in 1985 under Bourguiba. Law 89-9 stipulated that an SOE is a firm, whose capital is owned by the state or public bodies for up to 50 per cent (article 8). Following this new definition, the number of SOEs dropped from 307 to 200, in 1989. However, it has to be said that this mathematical approach to the process of privatization is not automatically conducive to state disengagement.

In fact, in accordance with law 94-102, even after their privatization former SOEs remain subject to the control of the state or the public administration for public administrators can veto the merger of a newly privatized firm with another one, or its would-be liquidation.⁷³ Moreover, not only can the shares of a privatized firm be subject to the prior approval of the minister in charge of privatization, but they are not transferable for a certain period of time.⁷⁴

In other words, regardless of the different definitions and the official number of SOEs in Tunisia, their privatization does not necessarily imply a loss of state control on their management. The interference of the GoT in the management of a privatized firm stems from its desire to minimize the social consequences of privatization, in terms of dismissals, and to maximize its centrality in the field of economic control, by impeding the potential formation of mergers. Moreover, such interference contributes to the blurring of boundaries between the Tunisian private and public sectors; so much so that IMF officials consider that the amount of investments dedicated to the private sector tends to be statistically overstated, 'as investment by public enterprises is generally included in the data for private sector investment'.⁷⁵ In the same vein, Riadh Zghal, a Tunisian economist, confirms that 'there are no statistics related to the [specific] contribution of the private sector to Gross Domestic Product (GDP)'.⁷⁶

The legal aspects of privatization shed light on the reasons for which some of the interviewed *Heirs* tended to perceive the privatization of SOEs as a mere sale of companies, which did not entail genuine state divestiture (see chapter three). Moreover, the commitment of the state in the management of privatized firms secures its position of social provider, but does not conceal the impediments with which the expansion of Tunisian private entrepreneurship is faced. The technical and legal foundations of the process of privatization are important to understand the extent to which these have shaped the configuration of the private sector in Tunisia, and how these have allowed the commitment of the GoT in the economy to be readjusted since the late 1980s.

The third impediment to the expansion of private entrepreneurship is related to the second and refers to cumbersome bureaucratic procedures. Owing to the existence of import quotas on raw materials and equipment, and to the introduction of import licence, entrepreneurs may find it difficult to deal with a public administration which remains 'protectionist'.⁷⁷ Moreover, while, in the late 1980s, Eva Bellin observed that 'a project [required] signatures from over one hundred offices before it [could work] its way through the bureaucratic approval process',⁷⁸ today, and despite the 'freedom to invest' that has been reasserted in the 1993 NIIC, various hindrances persist. For example, customs clearance procedures constitute a serious hurdle to the survival of private firms: although Abdelkader Ammar, the Director of Tunisian Customs, has promised to simplify customs clearance by reducing the number of documents to roughly ten, sixty administrative documents are still required to clear imported materials.⁷⁹ Nonetheless, it has to be said that not all business concerns are subject to such hindrances. In accordance with the New Investment Incentives Code, export-orientated firms benefit from a privileged treatment from the customs, as long as they are legally labelled 'nonresidents', namely, when at least 66 per cent of their capital is owned by nonresident investors and financed by means of the import of foreign currencies.⁸⁰ Again, this legal aspect is of paramount importance for the subsequent sections of this chapter, as it has determined the *New Entrepreneurs'* investment choices and orientations, in terms of financial resources and strategies for survival, in a constraining institutional environment.

Undoubtedly, the 'freedom to invest' constitutes one of the basic building blocks of the liberal policies, which have been reinforced since the late 1980s. Official statistics confirm the growing number of private firms licensed by the Agence de Promotion de l'Industrie (API) from 1986 to 1993. However, these figures do not reflect the actual number of entrepreneurial projects which led to the effective creation of manufacturing firms. In other words, the fact that an entrepreneurial project can easily obtain an API-licence does not automatically lead to its actual realization. Table 4.2 demonstrates that the ratio between licensed and operative firms in the manufacturing industry has constantly decreased during that period. This means that, despite the growing popularity of private entrepreneurship, a large number of projects did not materialize.

For lack of any official account on the downward trend in the access to entrepreneurship, the hypothetically explanatory factors of this paradox do not only stem from a 'problem of communication'⁸¹ between the public administration and Tunisian firms, but also from the fact that private firms

Table 4.2 A comparison between the number of licensed and operative firms in the Tunisian manufacturing industries (1986-93)

	Licensed firms (no.)	Operative firms (no.)	Operative firms/ licensed firms ratio
1986	929	393	42.3%
1987	923	333	36.0%
1988	1942	434	22.3%
1989	3416	647	18.9%
1990	4321	931	21.5%
1991	4406	768	17.4%
1992	3629	550	15.1%
1993	2918	555	19.0%
Total	22484	4611	20.0%

Source: Data elaborated by the author, on the basis of API internal documents, 1996.

are faced with the problem of the availability of financial capital. The interest rates applied to bank credits remain relatively high, varying between 12 to 17 per cent, depending on the sector of activity.⁸² Finally, as a World Bank official claimed, 'the state is too present: it swallows too large a share of available savings, which is earmarked for public investment'.⁸³ This is another element which has to be highlighted.

The legal context of privatization, the high level of interest rates of bank loans, as well as stifling bureaucracy have had a certain bearing on the configuration of the Tunisian private sector, but have not necessarily limited its expansion. Despite the fact that private entrepreneurship can hardly be viewed as a launching pad for social mobility in Tunisia, owing to its selective access (in terms of financial resources, and bureaucratic treatment), the private-sector landscape has changed since the late 1980s. Entrepreneurs have needed to elaborate new strategies in order to provide for the maintenance of their own business concerns. The gathering of alternative resources is part and parcel of such strategies, which have enhanced the heterogeneity of the private sector.

4.2.3 The Actors of the 'Private Sectors'

It could be argued that, in the wake of the export-led growth of Tunisia, two categories of private sectors have emerged, which differ in terms of legal

status, actors, and financial resources. The first group is related to the onshore private sector and is comprised of firms in the manufacturing industry. This private sector is labelled *onshore* inasmuch as its development is primarily dependent on domestic outlets, and on the existence of high tariff protection from foreign competition. Similarly, state subsidies have allowed the expansion of the onshore private sector to be secured, although the subsidization of local business concerns was called into question following the balance-of-payment and the external debt crises in the early 1980s.

The tariff protection of the onshore private sector stems from the need to secure social stability and employment in Tunisia. The lack of competitiveness and strong vulnerability of this private sector have been examined by Tunisia's international financial donors who pointed out that tariff protection does not encourage local firms to develop new technologies of production in order to improve their competitiveness *vis-à-vis* foreign markets. This has not only strengthened their dependence on state protection, but has also increased the vulnerability of a large number of local business concerns, dramatically jeopardizing their survival when the Euro-Tunisian Association Agreement is completed.

The second subgroup in which business concerns have developed is the offshore private sector. As discussed above, the various legal advantages and tax exemption from which export-orientated firms benefit vary according to the composition of their financial capital. The regulations, which have been enacted since the early 1970s, have undeniably been attractive to economic actors, both foreigners and Tunisians, residents and nonresidents.⁸⁴ The participants in the export-orientated private sector can be divided into three groups. Firstly, export-orientated firms may be wholly owned by foreign investors or nonresident Tunisian investors (namely the TREs). Secondly, they may be partially owned by foreign investors or the TREs, in the context of a joint-venture with a Tunisian resident investor. Thirdly, export-orientated firms may be wholly owned by Tunisian resident entrepreneurs.⁸⁵

The distinction between the on- and offshore private sector is a necessary one in order to analyse the participatory heterogeneity inherent in both private sub-sectors. Arguably, the latter are not watertight, even though their respective impacts on the national economy differ substantially from one another. A firm from the onshore private sector may, for example, become involved in the offshore sector while facing international competition.

As mentioned earlier in the chapter, a business-friendly environment emerged and materialized through the creation of various formal institutions and financial funds aimed at promoting private investments. The promotion

of local entrepreneurship was also part of a political manoeuvre from the GoT aimed at refurbishing its self-image, following the failure of state-developmentalism in Tunisia (1960s). The expansion of the private sector turned out to be highly dependent on imports from European countries, in the wake of the logic of import-substitution.

This model of economic openness led to asymmetric patterns of development which are still noticeable today. However, the private-sector landscape has undergone some changes since the early 1970s.

From 1972 to 1996, the number of export-orientated business concerns climbed from a mere two to *circa* 1,600.⁸⁶ These official figures demonstrate the growing prominence of the export-orientated sector and its impact on the economy. Nonetheless, as far as the manufacturing industry is concerned, the largest share of private firms has been orientated towards the local market, which has evolved in an economic environment protected from international competition. Today, this protective situation has not changed substantially, since the adoption of the 1986 structural adjustment programme, even though the average nominal tariff rate on imported goods has decreased. This means that various advantages have been granted to firms in the manufacturing industry (see Table 4.3) and that 'effective protection of the internal market is substantially higher than customs duties alone would suggest'.⁸⁷

Table 4.3 Effective protection rates of the domestic market

Sectors	1986	1990	1995
Manufacturing industries	124%	84%	179%
Food processing	421%	100%	472%
Mechanical/electrical	88%	101%	229%
Chemicals	88%	78%	207%
Textiles	194%	73%	158%

Source: Béchir Chourou, 'The Partnership Agreement between the European Union and the Mediterranean Countries', paper presented at the seminar on *The Baltic and Mediterranean Sea Regions: Security and Development since the End of the Cold War*, held at the Swedish Institute of International Affairs (SIIA), Stockholm, 24-26 October 1996, p. 17 (unpublished manuscript).

It is possible that, as reinforced economic openness is in the offing, the need for production diversification or industrial concentration will be the only

alternatives for business survival. The owners of large business concerns have adopted the strategy of concentrating on specific sub-sectors on the national economy. Industrialists, in particular, have adopted this strategy: the size of their firms, together with the financial resources from which they benefit, allow their production line to be concentrated. This was mentioned in the cases of the *Heirs*, who are, in effect, fully-fledged participants in such business concerns. As explained in the preceding chapter, the technical qualifications they acquired abroad may be viewed as an investment aimed at securing the survival of their family-owned firms. Some of these entrepreneurs have been able to set up or to take over numerous subsidiaries in various sectors, which then become part of their integrated entrepreneurial activities. The integration of their entrepreneurial activities allows transaction costs to be lowered, and market position to be reinforced at a local level. Importantly, their alliances with foreign capital have materialized in the framework of state-to-state economic and financial cooperation.

The 1986 SAP, as well as the programme of the Revamped Mediterranean Policy of the EU, generated a variety of cooperation schemes between Tunisia on the one hand, and European countries on the other. A growing number of foreign firms took advantage of the offshore legal status and settled in Tunisia, while contributing to employment. France, Italy, and Germany have been the main investors, through inward direct investments (IDIs), in the Tunisian economy. IDIs have had considerable economic, financial and social impacts: IDIs in the manufacturing industry (e.g., textile, mechanics, chemicals) should not be viewed as a means of delocalizing production, by taking advantage of certain comparative advantages (e.g., skilled and cheap labour); rather, they contribute both to an inflow of foreign currencies and to the transfer of technology. Also, they should offset the various domestic repercussions of European immigration policies, which have been tightened since the 1970s.

Undoubtedly, the partnership with multinational companies has turned some export entrepreneurs into prominent figures of the Tunisian private sector. Those whose initiatives evolve in the participatory development framework that the GoT has designed for them have become the 'Captains' of entrepreneurship. Their large firms, which employ from 500 to 3,000 workers, benefit from the support of bankers and have been able to mobilize funds from formal institutions, with a view to both modernizing their production line and to enhancing quality.⁸⁸

Large companies have strengthened their position in the Tunisian private sector, not only because of subcontracting, but also because their alliances with foreign investors symbolically convey a modern image of the liberal

policies adopted by the GoT. Politically engaged export entrepreneurs have actively defended such options. Importantly, their close relationships to the regime turned them into the main followers of the drastic reform policies contained in the upgrading programme of the industrial sector, namely, the *Programme de Mise à Niveau*. Hédi Jilani, from UTICA, and Chékib Nouria, from the (restructured) Institut Arabe des Chefs d'Entreprises (IACE), have become the key actors, if not the enthusiastic representatives, of the liberal reforms. The former, a leading textile manufacturer and the head of the Tunisian business association, embodies the unconditional support of the new generations of entrepreneurs. The latter, the direct descendant of former Prime Minister Hédi Nouria,⁸⁹ acts as a guarantor for foreign investors of the continuity of the 'modern' open-door economic policies implemented by his father during the 1970s.

Perhaps, by mobilizing some prominent figures of Tunisian entrepreneurship, the GoT hopes to give more credibility to the implementation of its modern version of participatory development and economic liberalization at domestic and international levels. Contemporaneously, this process of mobilization reinvigorates its own image and allows the consensus – and required sacrifices contained in the 1988 National Pact – among Tunisian entrepreneurs, to be taken as a mere *fait accompli*, while prohibiting all forms of economic deviation which could tarnish the reform process and lead to social instability.⁹⁰

Undoubtedly, the GoT has been aware of the fact that 'any reform allowing foreign capital into the country weakens the ability of the state capital to control the domestic private sector'.⁹¹ This issue has gathered momentum in Tunisia, in the wake of reinforced economic openness. Since the moment in which the 'freedom to invest' has been implemented, some entrepreneurs have succeeded in setting up their firms, whether these are export-orientated or not, without necessarily relying upon the patronage system or benefiting from the financial support of formal institutions. The *Tunisiens Résidents à l'Étranger* (TREs) are a case in point.

Self-financing and changing patterns of entrepreneurship As mentioned in chapter one, the TRE label refers, in the administrative parlance, to Tunisian citizens who officially reside abroad, whether they have effectively returned to their homeland or not. In other words, they may be viewed as return migrants, even though they maintain their resident status abroad. By law, when they declare their permanent return to Tunisia, the TREs who wish to set up business concerns are entitled to benefit from tax exemption on the import of the equipment and goods needed to run their firms. It should be pointed out that

importing duty-free the equipment needed to carry out their entrepreneurial activities is congruent with the GoT policies since the 1970s. As regards international migrations, these policies consist in encouraging in-kind transfers in an attempt to offset the gradual decline in immigrants' remittances to Tunisia. Tax exemption has undeniably favoured the participation of the TREs in the expansion of the private sector since the 1970s. However, this is not fully explanatory of the maintenance and survival of the TREs' private firms.

The TREs' entrepreneurship in fact appears to be primarily reflective of the changing characteristics inherent in the Tunisian immigrant community in receiving countries. Such characteristics pertain to patterns of social mobility and generation changes, higher levels of qualifications, knowledge, skills and, above all, financial resources. The main objective of the TRE-programme was probably to maximize the positive effects of international migrations in Tunisia, and to minimize the side effects of tightened immigration policies in European countries. By importing freely the equipment needed to start their business concerns, return migrants had a chance to invest their foreign-owned incomes and savings in the creation of small firms, in such sectors as textiles, mechanics and food-processing (see Table 4.5 below). Moreover, just like their Tunisian counterparts, the TREs' entrepreneurial activities have benefited from the effective protection rates that have allowed their domestic market-orientated firms to survive without facing international competition.

What sets the TREs' entrepreneurship apart is that their personal financial resources are invested in the capital of their firms. This may account for the fact that an estimated 90 per cent of the TREs who wish to set up their own firms do not solicit bank credits.⁹² This element, highlighted by Azzam Mahjoub in 1992, is worth mentioning as it may explain the relatively high rate of entrepreneurial success among the TREs. So much so that, on the basis of official statistics (see Table 4.4), almost half of their API-licensed entrepreneurial projects became operative from 1988 to 1994.

These data stand in stark contrast with those regarding the overall number of operative firms in the manufacturing industry (Table 4.2), and support the argument that self-financing constitutes a crucial factor to the survival of the TREs' firms.

Since the early 1990s the GoT has paid growing attention to the pool of human resources that immigration has generated abroad. There are two reasons for this: first its desire to catch up with the aforementioned changing characteristics inherent in immigration communities, and, second, its attempt to channel private initiatives through its foreign-based ruling party offices and state-sponsored associations.

Table 4.4 A comparison between the number of licensed and operative firms created by the TREs in the Tunisian manufacturing industries (1988-94)

	Licensed firms (no.)	Operative firms (no.)	Operative firms/ licensed firms ratio
1988	129	82	63.5%
1989	166	69	41.5%
1990	224	126	56.2%
1991	296	85	28.7%
1992	103	64	62.1%
1993	183	88	48.0%
1994	143	72	50.3%
Total	1244	586	47.1%

Source: Data elaborated by the author, on the basis of API internal documents (1996) and *Le Courrier de l'Industrie*, No. 70 (July 1995), p. 5.

Importantly, the entrepreneurship of the TREs, shown on Table 4.5, is partly illustrative of the entrepreneurial dynamic of Tunisian migrants as a whole. Actually, the cases of joint ventures, namely the partnership between Tunisian and foreign investors, are not reported in Table 4.5, which exclusively takes into account the number of operative firms run by the TREs. The fact that some Tunisian migrants are involved in the *management* of foreign firms in Tunisia shows that the entrepreneurship of Tunisian migrants may overlap with the configuration of inward direct investments to Tunisia. The *New Entrepreneurs* are fully-fledged participants in this phenomenon which can hardly be depicted statistically and mobilized politically. These actors have succeeded in investing their competencies, expertise and acquaintances in the creation of joint-ventures with foreign partners they met in their former immigration countries.

The *New Entrepreneurs'* alliances with foreign capital gave birth to export-orientated entrepreneurial activities characterized by state-of-the-art technological equipment, acquired through their business partnership, and able to produce high-quality items. It would be too simplistic to compare them to mere subcontractors. The case studies presented in chapter two show that most of them have opted for pluri-activity, in that they run or manage at least two business concerns, and trade diversification. Pluri-activity and trade diversification constitute a subset of all the strategies for survival that the *New Entrepreneurs* have developed. These in part result from their negative

Table 4.5 Number of operative firms run by the TREs: their sectoral distribution (1980-95)

	Food	Chemicals	Consultancy	Various	Building	Mechanics	Software	Telecom-	Textile/ leather	services	Total	As % of the number of firms
1980	6	0	0	0	12	2	9	0	6	0	35	16.6
1981	7	0	0	0	13	1	8	0	4	0	33	9.8
1982	17	1	0	0	10	2	8	0	2	0	40	11.5
1983	10	1	0	0	11	3	9	0	10	0	44	12.9
1984	15	0	0	0	12	1	10	0	16	0	54	13.1
1985	12	0	0	0	16	7	9	0	11	0	55	9.1
1986	20	4	0	0	35	3	17	0	19	0	98	24.9
1987	23	1	0	0	14	3	14	0	17	0	72	21.6
1988	18	2	0	0	12	0	16	0	34	0	82	18.8
1989	19	1	0	0	11	1	8	0	29	0	69	10.6
1990	20	1	0	0	25	5	9	0	64	0	126	13.5
1991	16	1	0	0	10	5	13	0	40	0	85	11.0
1992	13	2	0	0	11	1	5	0	28	0	64	11.6
1993	17	1	0	0	12	4	15	0	33	0	88	15.8
1994	7	2	0	0	15	1	10	0	21	0	72	18.1
1995	0	3	0	0	18	5	13	0	24	0	83	34.7
Total	220	20	0	0	237	44	173	3	358	1	1100	14.4

Source: Data elaborated by the author, on the basis of API internal documents, 1997.

* Various industries include such activities as the production of building materials (e.g., agglomerated cork, glazed ceramic set), stationery, furniture, craft industry.

perception of the institutional environment of entrepreneurship. Most importantly, the main distinctive element of the *New Entrepreneurs'* firms lies in their informational capacities inherent in their strategies for survival. All the incentives aside, their firms have developed thanks to their high degree of flexibility *vis-à-vis* market uncertainties.

The entrepreneurship of such actors shows that the patterns of participatory development have changed since the late 1980s, together with the structure of trade. Participatory development can no longer be described with exclusive reference to state policies aimed at promoting private entrepreneurship, nor can it be viewed as being solely dependent on the latter. Although, as mentioned above, economic openness remains subjected to state control, and the persistence of institutional and bureaucratic hindrances supports this argument. Moreover, business alliances with foreign investors are no longer the exclusive offshoot of state-to-state economic agreements. Entrepreneurship and partnership opportunities have in fact changed substantially since the 1970s. Above all, in the wake of the 1986 SAP and reinforced economic liberalization, other actors and other patterns of business partnership have emerged, in which the *New Entrepreneurs* are involved. For lack of any statistical data, this underlying participatory change can only be apprehended through the detailed examination of data contained in lists of joint-ventures and through the analysis of field investigations and individual interviews.

Undeniably, the 'freedom to invest', which was introduced in the 1987 Industrial Investment Code, and reasserted in the 1993 New Investment Incentives Code, has transformed, in a complex manner, the whole spectrum of entrepreneurial participation in Tunisia. New patterns of social and economic interaction have emerged in an international context laden with significant effects on the political management of the domestic economy. Today, entrepreneurs in Tunisia represent too a heterogeneous group of private actors to be uniformly referred to as a 'family',⁹³ unless this usage simulates the taken-for-granted attainment of an overriding degree of consensus among private actors. Furthermore, neither the inclusion of some members of the business circles in the political arena, which occurred following the 1994 parliamentary elections, nor their growing media coverage, are automatically conducive to the retreat of the state from the economy. Access to entrepreneurship has been markedly improved, but neither the availability of financial resources, nor its institutional environment have constantly supported its expansion. Nevertheless, the *rapprochement* between the GoT and some leading figures of Tunisian entrepreneurship may contribute to both the broadening of the public realm and the strengthening of the normative

consensus in which private initiatives are expected to be embedded.

The participatory diversity in Tunisian private entrepreneurship and the various patterns of alliances with foreign partners (or firms) constitute a fundamental issue for the GoT. This variety of patterns generates the development of divergent interests, different expectations for the future, and new aspirations, all of which the GoT has to deal with if it wants to maintain a medium of alliance between economic growth and social stability, while securing its monitoring of private initiatives. The *Programme de Mise à Niveau*, which has been implemented since the signature of the Euro-Tunisian Association Agreement, exemplifies the GoT's responsiveness.

4.3 The Euro-Tunisian Association Agreement

While the 1986 Structural Adjustment Programme (SAP) was presented as being 'purely national',⁹⁴ the Euro-Tunisian Association Agreement (henceforth, the Agreement) is presented by the GoT as the outcome of the combination of domestic interests with the economic worldwide conjecture. The Agreement appears to be part of a continuum process of cooperation which started in the 1970s between the EU and Tunisia.

In effect, since 25 April 1976, almost all Tunisia's industrial exports have had free access to European markets, in accordance with a cooperation agreement signed with the former EEC, and following the conclusion of protocols. Under the Agreement, free access to European markets is maintained, but Tunisia has to reciprocate on a 12-year transitional period such import privileges to European products. The aforementioned principle of 'reciprocity', together with the need to secure its export outlets in the framework of a Euro-Tunisian trading bloc, the strong economic dependence of Tunisia on its 'traditional partner' (i.e., the EU), and the effects of 'economic globalization' are repeatedly mentioned by Tunisian officials to argue that the Agreement, in contrast to the 1986 SAP, constitutes a 'new step which is at once necessary and inevitable'.⁹⁵

This change of perception has to be emphasized, for Tunisia appears with its hands tied by a binding Agreement, laden with costs and benefits, which entails a reconfiguration of the leadership and state interference as well as redefined relationships between the GoT and entrepreneurs in a changing institutional environment.

Tunisia is the first Mediterranean Nonmember Country (MNC) to have its Association Agreement ratified.⁹⁶ This has two implications: first, in terms

of financial aid, the EU allocates its loans on a first-come, first-serve basis.⁹⁷ second, owing to this first position, Tunisian officials have often presented the Euro-Tunisian Association Agreement as a crucial and decisive test for all the signatory MNCs involved in the Barcelona Agreement.⁹⁸ Regardless of the debatable emblematic dimension of the Agreement signed with Tunisia, this official perception is worth mentioning as it stems from the desire of the GoT to share the responsibilities that will determine the economic, social and political impacts of the Agreement. The GoT has remained adamant that the principle of reciprocity is not exclusively limited to the dismantling of trade barriers; otherwise the Agreement might represent another 'stream of negotiations dotted with waivers, breakdowns, and renegotiations'.⁹⁹ This perception can be better understood if one considers the requirements contained in the Agreement, and their wide-ranging consequences.

In the long term, and at a macro-level, the Agreement is expected to have various effects on the Tunisian economy. On the one hand, the gradual lowering of import barriers will not only increase the exposure of the national economy to international competition, but also entail a loss of fiscal revenue. Owing to the gradual dismantling of tariff barriers, the financial resources of Tunisia decreased by 3.5 per cent from 1996 to 1997. The loss of import duties should amount to TD 800 million when all tariff protection is lifted, following a 12-year transitional period (by 2010). The completion of tariff dismantling will be significant for Tunisia since, according to Alfred Tovias, it will (probably) generate a loss of 24.3 per cent of Tunisia's total revenue, namely 6 per cent of its GDP.¹⁰⁰ Moreover, reinforced economic openness is also expected to increase the vulnerability of a substantial proportion of domestic business concerns which have been protected so far by high tariff barriers (see Table 4.3 above). Official reports argue that, out of the estimated number of 10,000 operative firms in the Tunisian private sector, only 15 per cent will survive the gradual dismantling of import barriers, 70 per cent will be threatened and the remainder will go bankrupt.¹⁰¹ Export-orientated firms are expected to be the least threatened by the dismantling process, but these only represent a small share of the number of business concerns in the Tunisian manufacturing industries.

The direct consequences of the bankruptcy of business concerns are threefold. First, widespread bankruptcy will affect overall unemployment and the management of social stability in Tunisia. Second, it will reconfigure the whole private-sector landscape and may lead to the gradual emergence and reinforcement of conglomerates, with a high degree of industrial concentration. The third consequence is linked to the second, insofar as it may lead to a

redefinition of the relationships between the GoT and some entrepreneurs, and perhaps to a closer interference of the administration in the economic sphere.

Nevertheless, the Agreement is also expected to yield some benefits to Tunisia inasmuch as its requirements should enhance the credibility of its reforms and increase the inflows of foreign investment.

In this respect, the expected upgrading programme of the private sector and the institutional environment, thanks to European financial cooperation, should favour the inflows of inward direct investment (IDIs) to Tunisia, while compensating for job losses due to economic openness. This effect is based on the 'locking-in'¹⁰² process of reforms, which should reduce market uncertainties and accelerate the drive to open economy. However, this process has to be completed in the long term, just like the envisaged alignment of Tunisia on European production and quality standards. A cooperation in terms of standardization is stipulated in the 40th and 51st articles of the Agreement, but this should be clearly defined in order to understand the extent to which it will lead to the mutual recognition of quality standards. This need for clarity is essential not only to avoid non-tariff barriers, but also to promote exports and maintain the credibility of the reform process.¹⁰³ Importantly, the need to enhance quality standards also reflects the fact that Tunisia can no longer rely on the comparative advantages (cheap labour) which could guarantee, until recently, the inflow of foreign investment.

However, the Agreement includes other measures which should, on the one hand, determine in the near future the credibility of the reform programme and, on the other, redefine state interference in the economic sphere. In fact, in an attempt to stabilize and then reduce the public deficit, government subsidies, earmarked for state-owned enterprises and certain staple goods, will have to be gradually reduced, and subject to examination and evaluation by a joint committee.¹⁰⁴ The reciprocal liberalization of public markets is on the agenda, but this process will have to be mutually defined by Tunisia and the EU (Article 41). The Agreement also requires that economic transparency be respected, including the allocation of financial resources between the public and the private sectors (Article 36, §4b). In the same vein, and in accordance with Article 60, statistics will have to be standardized.

As a matter of fact, the costs and benefits of the Agreement remain circumscribed to the economic field. This framework is congruent with the Barcelona Declaration, which constitutes the building-block of Euro-Mediterranean Agreements. It institutionalized a partnership designed to promote economic liberalization in an attempt to favour the emergence of

political liberalization in Tunisia and to reduce 'migratory pressures'.¹⁰⁵ On the one hand, the liberal credo is expected to encourage private initiatives, as well as the creation of small and medium-sized firms and the flows of IDIs to Tunisia. These, in turn, should contribute to solving the problem of rising unemployment. On the other hand, the liberal credo and increased openness are premised on the idea that they should lead to the subsequent 'strengthening of democracy and respect of human rights'.¹⁰⁶ In other words, economic liberalization is viewed as paving the way to the democratization of the political systems of the MNCs. This vision, which is repeatedly mentioned in the Barcelona Declaration, is referred to in the introduction of the Euro-Tunisian Association Agreement and stipulates that 'the respect of democratic principles and human rights constitute, in this context, an essential element'.¹⁰⁷

However, one could wonder, with Fatiha Talahite,¹⁰⁷ whether the disappearance of a large proportion of private business concerns, owing to the gradual tariff dismantling, might jeopardize social stability in Tunisia, and strengthen the statization of society, while postponing democratization. Moreover, the GoT is far from being willing to carry out the Agreement without securing its political survival and its position of social provider. The Agreement offers a complex framework of long-term 'tactical adjustments',¹⁰⁸ which confirm that state divestiture and reinforced privatization do not necessarily entail the demise of the Tunisian model of top-down participatory development.

In the same vein, one could also wonder whether the pessimistic statistical forecasts of state officials, related to the consequences of tariff dismantling on business survival, do not implicitly support the logic according to which there is no salvation for economic actors out of the *pedagogical* supervision of formal institutions and the state administration. The point is not to underrate the consequences of tariff dismantling on the Tunisian industrial landscape; rather, to stress the resilience of the top-down framework of economic development and growth.

Although the consequences of the Agreement have still to be evaluated, there is no question that its requirements have shaped the adjustment strategies adopted by the GoT. However, it would be erroneous to believe that these strategies stem exclusively from the manifold measures of the Agreement. Rather, history supports the argument that the Agreement is only one step in a whole process of economic adjustment and trade-offs that had been considered long before July 1995, and to which the GoT has been responsive. In fact, negotiations between Tunisia and the EU started in 1993, on the project of a free-trade area. Even before 1993, in the context of the EU's Revamped Mediterranean Policy (RMP), the two parties held various talks and set up a

number of economic cooperation schemes, which constitute, in the context of this analysis, the forerunners of the *rapprochement* between the GoT and entrepreneurs.

The remainder of this chapter examines how the reform policies of the Agreement have paved the way for other patterns of state interference and control of the economy. These patterns are partly dependent on the aforementioned *rapprochement* between certain prominent figures of Tunisian entrepreneurship and the government. Contemporaneously, it should be noted that President Ben Ali himself has played a key role in shaping and legitimizing the adjustment efforts, under the guise of a collective programme of pedagogy.

4.3.1 Mise à Niveau and Pedagogy

To achieve its goals of adjustment, and with a view to anticipating the consequences of economic openness on the national economy, the GoT has undertaken a programme aimed at upgrading and restructuring the private sector and its institutional environment. This programme, called the Programme de Mise à Niveau (PMN) or *at-tâ'îl ach-châmil*, has been implemented in the wake of the financial cooperation between the EU and Tunisia (Title VII of the Agreement), and in accordance with article 36 §4a of the Agreement, which states that, for a five-year period, Tunisia is entitled to subsidize the restructuring process of firms with a view to reinforcing their viability.¹⁰⁹ This costly programme is divided into two phases.¹¹⁰ The first one (1996–2001) is concerned with the reinforcement of the ability of Tunisian firms to face international competition, thanks to an array of formal institutions and financial funds promoted by the GoT and the EU. The second phase (2001–08) is aimed at consolidating the action of the PMN, and remains to be defined.

As far as the private sector is concerned, the PMN constitutes, first of all, a selective programme of adjustment which is exclusively addressed to well-established and viable business concerns. In other words, its official purpose is not to rescue business concerns, as a whole, but to buttress the ability of a given number of private firms to face international competition, by modernizing and optimizing their production line, developing vocational training, and promoting their export capacity.¹¹¹

With a view to better informing the PMN, the GoT selected, in late 1995, 109 business concerns in the manufacturing industries, whose activities were geographically scattered, in order to upgrade their means of production.¹¹² At its inception, from 1995 to May 1997, the PMN was presented by the GoT as a restructuring process which required the voluntary application of private

actors.¹¹³ The PMN is made of various stages through which the application is evaluated. An application is first elaborated by a technical centre (i.e., a consultancy firm) and is then transmitted to the Bureau de Mise à Niveau (BMN),¹¹⁴ which audits the firm and defines the upgrading programme on a case-by-case basis. At this point, the *comité de pilotage* (COPL)¹¹⁵ is in charge of evaluating the application and granting the loan to the entrepreneur, with a view to carrying out its PMN.

Officially, around 4,000 firms should be upgraded by the year 2008, i.e., circa 400 firms yearly. Few detailed data are available concerning the actual implementation of the PMN in the manufacturing industries. However, if one considers that only 148 firms were upgraded from late 1995 to mid-1997,¹¹⁶ there is no question that the expected results may turn out to be too ambitious. Moreover, during the same period of time, out of the 4,000 firms to be upgraded, only 1,100 firms officially manifested their will to do so.¹¹⁷

Three interrelated reasons may account for this lack of enthusiasm among Tunisian entrepreneurs. First, the applications are examined and accepted only after a lengthy bureaucratic procedure. Second, the audit of an applicant's firm entails detailed examination by public administrators of its management and financial resources. This prerequisite may induce entrepreneurs not to adopt the PMN. Third, the PMN of private business concerns may be viewed by entrepreneurs as a programme which lacks credibility and efficiency, given that the administration itself needs upgrading.

With a view to 'encouraging small and medium-sized firms to adhere to the PMN',¹¹⁸ in May 1997 the Council of Ministers adopted a series of measures which changed the organization and scope of the PMN. Since then, the API has been in charge of collecting applications and the Bureau de Mise à Niveau has to 'present, on behalf of entrepreneurs, the application forms, which, not only, effects a considerable saving in time, but, above all, induces [private actors] to adhere to the PMN'.¹¹⁹ It is too early to evaluate the impact of this change of prerogatives on the performance of the upgrading programme of the private sector and on the aforementioned principle of voluntary application. However, such a change indicates that the GoT is intent on using the PMN as a means of reinforcing its involvement in economic affairs, and on making entrepreneurs more sensitive to their 'social and economic accountabilities' for stability in Tunisia.

Moreover, since the beginning of the PMN, the GoT has remained adamant that it must control the monopoly of resource allocation as well as the pace of the PMN, to the extent that Uwe Jung, the head of the Europe-Tunisia-Enterprise (ETE), a European business centre involved in the PMN, felt obliged

to mention that the activities and objectives of the ETE were not 'in competition with the technical centres [and various formal institutions created by the GoT]', in the context of the PMN of the private sector.¹²⁰

Most importantly, the PMN goes far beyond the definition of accountabilities to private actors. Since 1995, it has encompassed all spheres of society and has been viewed by President Ben Ali as a 'qualitative change of mentalities, behaviours, organizational behaviours, management, as well as of the distribution of roles in society'.¹²¹ It has been recurrently presented by official media as 'the challenge of a civilization' and a 'historical gamble',¹²² which requires the mobilization and adherence of all citizens, be they politicians, top civil servants, RCD militants, trade unionists, members of associations, entrepreneurs, workers, scholars, or immigrants.

Just like the 1988 National Pact, the GoT and the ruling party have undertaken a revamped programme of social readjustment 'which can only be achieved through the toil, the abnegation, the solidarity, the coherence and the respect of the rights and duties of everybody'.¹²³ This version of the PMN, and its terminological variants, can be viewed as a taken-for-granted consensus that the GoT and its leadership have redrawn in a context of increased openness and vulnerability to social and political instabilities. Further, it has established a hierarchical system of social relationships which has gradually set the GoT up as a pedagogue which explains the challenges of the Euro-Tunisian Association Agreement. In this framework of social consensus and additional accountabilities, the PMN is presented as the only prism through which these challenges can be understood.

Clearly, the economic and social consequences of the gradual dismantling of trade barriers, as a result of the completion of the Agreement, have been considered and anticipated by the GoT. However, the state subsidies and loans granted to the entrepreneurs who adopted the PMN constitute just one aspect of the package of measures aimed at securing 'the alliance between economic growth and social stability'. As regards business concerns, such an alliance could not exclusively be based on the allocation of financial resources to a selected number of well-established firms. Consequently, the GoT has paid growing attention to the other side of economic openness, in other words, the threat of business bankruptcy, and its potential impact on social stability (e.g., unemployment, social discontent). In an attempt to contain the consequences of bankruptcy on social stability, the GoT designed a regulatory framework which has reconfigured its interference in the economic sphere. This new regulatory framework is subject to examination for it is also illustrative of the adjustment policies of the GoT, in a context of increased openness.

4.3.2 Law 95-34: The Primacy of Social Stability

As argued before, the GoT has managed to anticipate the correlative effects of tariff dismantling and increased economic openness. On 17 April 1995, the National Assembly voted law 95-34, with a view to establishing a regulatory framework aimed to 'help the firms which, owing to economic difficulties, can no longer [1] secure their activities, [2] maintain their jobs, and [3] refund their debts'.¹²⁴ The enumeration of these three consequences constitutes, as explained below, an order of priorities.

In fact, for the sake of social stability, various measures have been stipulated in an attempt to maintain the activities of ailing firms, to the extent that the survival of firms is viewed, in today's Tunisia, as a priority over the repayment of their debts. In contrast to the 'winding-up' arrangements (i.e., 'concordat préventif') contained in the 1959 Code de Commerce, the creditors can no longer interfere in the recovery plan of a firm.¹²⁵ Moreover, law 95-34 clearly draws the line between the enterprise which must be recovered and the entrepreneur who may lose the control of his firm and be prosecuted for indebtedness. This fundamental distinction is developed in this section.

The main *raison d'être* of law 95-34 lies in its design to secure the maintenance of firms and employment, despite their ailing financial situation. Various stages have been considered to guarantee their survival and to prevent their bankruptcy, as far as this is feasible.

A new formal institution, which depends on the Ministry of Industry, was created in 1995. In accordance with article 4 of law 95-34, the Commission de Suivi des Entreprises Economiques (CSEE) is in charge of (1) 'centralizing all data related to enterprises', (2) 'informing the judge about the situations of firms losing one third of their own capital', and (3) of 'elaborating a recovery plan'.

The CSEE constitutes an instrument of information aimed at evaluating and detecting the signs which indicate that the survival of a given enterprise is jeopardized. Moreover, owing to its participation in the recovery process of a firm, it also represents an advisory public body which intervenes in the final decision of the judge. In other words, the GoT has created a formal institution aimed at anticipating 'any action which compromise entrepreneurial activities', while justifying its interference in the management of the firm.¹²⁶

Law 95-34 is based not only on the fundamental primacy of social stability, but also on the discretionary power of judges. Whether the settlement of the situation of an ailing firm leads to an out-of-court arrangement between creditors and debtors, or to its receivership, or to its compulsory liquidation,

or even to the disposal of its assets, the decision of the judge remains central.¹²⁷ This central discretion of the judge is one characteristic of this new regulation. The second characteristic lies in its lack of clarity concerning the identifying criteria of an ailing business concern, and the duration of a recovery programme. The interview conducted with a CSEE administrator may throw light on this lack of definitional clarity:

What is the definition of an ailing business concern?

When the entrepreneur realizes that market opportunities are not as buoyant as he expected. Either because he didn't adopt the good strategy or for other reasons. Anyway, I deal with the 'demise' of firms. I'm in charge of a thankless task. [...]

They talk about recovery programmes, however, the criteria which define an ailing business concern ...

... remain blurred: this is done purposefully. All in all, we realized that an ailing firm ... what is it? Each time I asked myself that question, and each time I ask that question of somebody else, either I didn't find an answer, or I found a variety of answers. I realized that everybody is right and everybody is wrong. Eventually, truth must be somewhere in the middle. I thought: why should we elaborate a legal text which would limit our sphere of activity by stipulating that this firm is an ailing firm? I for one think that a firm is in financial straits when the entrepreneur did not reach his objectives (May 1997).

Actually, the CSEE administrator laconically explained, *defining* the criteria of identification of an ailing firm would *limit* 'the sphere of activity' of the administration and the judiciary.

As mentioned before, there is no clearly set duration related to the recovery programme of a firm. Moreover, its contents remain unspecified. This juridical gap implies the fact that the recovery programme is dealt with on a case-by-case basis. Consequently, if the duration of this programme turns out to be too short, the entrepreneur might not have enough time to provide for the necessary restructuring of his firm, which might then be liquidated. On the other hand, if the duration of the recovery programme is too long, the creditors of the entrepreneurs might find it difficult to have their outstanding debts refunded. These technical details are essential to highlight that, when a firm is subjected to law 95-34, the judge remains the unique decision-maker of its survival and that his decision may be given at the expense of either the entrepreneur (namely, the debtor) or his creditors.

Moreover, in this section related to the relationships between Tunisian entrepreneurs and the GoT in the context of the PMN, it has to be said also that the regulatory framework of ailing firms has instituted a clear distinction between 'the firm, which has to be rescued, and the entrepreneur, who would not be an 'entrepreneur' if he failed to comply with his duty of manager, in case he mixed the property of the economic institution with his own property, with a view to deriving an individual profit from them'.¹²⁸ Similarly, the interview made with the CSEE administrator confirms this clear distinction:

Rescuing a business concern is very motivating. However, we rescue the firm, but we don't always rescue the business owner. This happens more often than not: we rescue the firm, but, for sure, not the entrepreneur.

What happens to the entrepreneur?

He will be obliged to repay his debts and if he turns out to be unable to do so, he will be prosecuted (May 1997).

By being entitled to exclude creditors from the recovery programme of an ailing firm, and to oust the 'bad' entrepreneur from the management of his firm, as is clearly mentioned in article 31 of law 95-34, the GoT, through the extended action of the judiciary, takes on the role of an ethical shield which protects social good against mismanagement. While the primacy of social stability has been referred to as the fundamental basis of law 95-34, the primacy of ethic, as a repressive means against economic deviation, has to be stressed also. Ethic results in the legitimate expression of the pedagogical measures that the GoT has implemented since the beginning of the *mise à niveau*.

However, the GoT's apparent concern for social stability cannot be viewed, in the context of this research, as being fully explanatory of the premises of law 95-34. It is argued that the extensive prerogatives of the judiciary, and the correlative exclusion of creditors from the recovery programme of ailing firms, may generate additional financial risks for creditors, above all, if one considers, as Béchir Ben Hadj Yahia observes, that

business concerns also act as the creditors of ailing trade companies. [Consequently, and just like their debtors] they risk to be faced with problems [of outstanding debts] if their own [financial] constraints are not taken into account.¹²⁹

In other words, the financial interdependence of creditors and debtors should be taken into account if the GoT wants to avoid the potential consequences of a chain reaction phenomenon, which would lead inevitably to the gradual restructuring of the private sector, if not to its contraction.

Admittedly, it is too early to evaluate the actual impact of law 95-34 on the situation of the Tunisian private sector. Nonetheless, the repressive legal measures against the 'bad' entrepreneur, as well as the empowering and predominance of state institutions and the judiciary, induce one to think that the context of the *mise à niveau* may lead to a new reconfiguration of the domestic private sector. Actually, by remaining adamant on maintaining employment and securing the survival of business concerns, the GoT will have to deal with (and monitor) the emergence of mergers and synergistic patterns of business management, in order to counter the side effects of tariff dismantling; hence, the need for stronger coalitions with the 'Captains' of the manufacturing industries.

4.3.3 The Visibility of the 'Captains'

The Programme de Mise à Niveau (PMN) constitutes in today's Tunisia a diffuse pattern of interpretation of domestic challenges which tends to draw the line between those who are expected to adhere to 'the choices of President Ben Ali'¹³⁰ and those who are not, as well as between the actors who succeeded in providing for the maintenance of 'the alliance between economic growth and social stability', and those who failed to do so.

As argued before, the PMN shares some similarities with the 1988 National Pact, even though this revamped version of social consensus, namely the PMN, did not require the endorsement of the various components of Tunisian society. The 'challenges of globalization', and the fact that Tunisia appears to have its hands tied by a reciprocal Agreement with the EU, have legitimized the emergence of a wide-ranging model of reference and understanding of the world, which has led, however, to the supremacy of a group of leading and visible entrepreneurs.

However, in contrast to the 1988 National Pact, the PMN cannot be viewed as an egalitarian model of social consensus. The flaunted definition of accountabilities has necessarily reinforced a kind of pyramidal approach to economic development and political management. In other words, as an interviewed *Converrt* suggested, the context of the PMN has generated 'titles of nobility' that have been selectively conferred by the GoT and the leadership in an attempt to make the transition to economic openness more manageable, in terms of political survival.

In the context of this pyramidal structure of relationships between the GoT and its citizens, the Tunisian business association (UTICA), professional associations and some leading entrepreneurs have, since the mid 1990s, been mobilized while acquiring various privileges.¹³¹ While becoming the prominent figures of Tunisian entrepreneurship, at domestic and international levels, these entrepreneurs have been endowed with the privilege of debating upon such matters as the need for 'enhanced privatization and state divestiture', the 'persistence of bureaucratic hindrances', the 'challenge of globalization'. All these media debates may support the argument that some changes are in the making. However, such changes seem to lie, above all, in the visibility of these 'official dissenters',¹³² and in their predictable and controllable 'voice option', as Albert Hirschman would point out, than in the very substance of the debates in which they participate.¹³³

It is important to recall that these leading entrepreneurs have been, as it were, *ennobled*; some of them were decorated by President Ben Ali himself during the 'Journée Nationale de l'Entreprise', which has been celebrated annually since 1996.¹³⁴ After the fashion of the 'Journée Nationale des Associations', the celebration of the 'Journée Nationale de l'Entreprise' may be viewed as an attempt to reinvigorate, through the umbrella UTICA, a spirit of corporatism among Tunisian entrepreneurs at large, or to take it for granted.

Today, the institutional context of the PMN has strengthened the *rapprochement* between a limited group of actors and the GoT. As argued before, it is possible that leading Tunisian entrepreneurs will reinvigorate the self-image of the state, but, contemporaneously, the desire of the GoT to reorientate some segments of the economy to the gradual development of conglomerate groups of firms exists in Tunisian law,¹³⁵ the GoT has been keen to make leading entrepreneurs more sensitive to the possibility of concentrating their business activities. As a Tunisian official suggested, 'it is necessary to help Tunisian corporate groups develop their dimension, also through the processes of mergers and take-overs'.¹³⁶ This declaration appears to be in sharp contrast with the official rhetoric of the late 1980s, in that it explicitly shows the existence of complementary interests between Tunisian conglomerates and the government, in the wake of the 'presidential option' for the PMN. Also, it demonstrates that the terms 'corporate group' and 'conglomerate' have now entered Tunisia's business lexicon.

For Tunisian conglomerates, the extension of their corporate activities yields three main opportunities. First and foremost, the reduction of transaction costs is favoured, owing to large economies of scale. Second, the acquisition

of state-of-the-art technologies of production, as well as the improvement of human resources should contribute to reinforcing their ability to face international competition, in the offing of the completion of tariffs dismantling. Finally, the last opportunity lies in their ability to be granted preferential access to large-scale government projects. As for the GoT, the mobilization of the 'Captains' of such corporate groups allows a certain degree of control on economic openness and social order to be secured. The second interest is related to the preceding one and refers to the protection of national sovereignty, which is based on the revival of the 'patriotic feeling' of this group of entrepreneurs in an attempt to shield Tunisia against the potential competitive aggressiveness of foreign multinational companies.

The role of the leadership has played an essential role in the aforementioned *rapprochement*. With hindsight, the *rapprochement* has moved by fits and starts since the early 1990s. Some prominent figures of Tunisian entrepreneurship were ennobled, others were disgraced, and then, forgiven. Some were publicly accused of tax fraud (or *infraction économique*) and were granted, the ensuing year, preferential access to public urban projects. For lack of any clear report on these issues, it is difficult to delve into the complex reasons which account for this paradox. However, the guidance of the GoT and its administration clearly remain dominant in this context of increased openness. While the PMN has allowed a given category of entrepreneurs to come to the fore, it has undeniably strengthened the interconnectedness between the latter and the GoT, through the distribution of financial resources, 'titles of nobility', and media visibility.

Contemporaneously, the leadership has reinforced its role in the transition. This does not only stem from the fact that President Ben Ali enumerates the main priorities of the nation, and 'exhorts' citizens to change their mentalities, but also from the fact he has been presented as the superior guarantor of social justice and order. He has become, since the early 1990s, the 'Craftsman of the New Era' who distributes resources and recalls the multifarious duties of citizens, whether the latter reside in Tunisia or abroad. He embodies steadiness and stability, at a national level, and guarantees the ethical protection of the poor. He 'opens the doors of hope' for those who remain wary of the consequences of the Euro-Tunisian Association Agreement. He is depicted as a humble listener of the people, who decided to amend and complete the Tunisian Constitution, in May 1997, in order to foster 'the direct participation of the people in the definition of national choices' and to ask, through the use of referendum, 'the opinion of the people on issues related to the superior interests of the country'.¹³⁷

In this populist context, the leadership also embodies the wide-ranging pedagogical measures of the PMN, which encompass all spheres of Tunisian society. In a nutshell, the leadership is viewed as being at once 'simple and complex'.¹³⁸ This brief overview is important in that it shows how the pyramidal structure of the regime, the various symbols and ceremonies, and the transcendental image of the leadership have organized and institutionalized the relationships between entrepreneurs and the state, between society at large and the state, as well as within Tunisian society *per se*. It is also essential to understand how resources, whether these are tangible or not, have been selectively allocated with a view to legitimizing the top-down framework of participatory development that was evoked before, and to securing the predominant centrality of the state and of its institutional and political ramifications (i.e., the ruling party, formal institutions, state-sponsored associations, professional associations) in the maintenance of stability and consensus.

4.4 Upgrading Formal Institutions

In the context of this research, formal institutions relate to the state capacity to achieve its goals and to organize its relationships with citizens. Formal institutions include organizations concerned with the respect and control of legal norms and administrative procedures, with the collection and allocation of manifold resources. They may be viewed as the instruments of the Weberian 'modern state',¹³⁹ if one considers that formal institutions constitute entities aimed at invariably implementing the requirements of the bureaucratic authorities. However, as Philippe Braud observed, this instrumentalist vision of formal institutions relates to the need for impersonal relationships between the governed and civil servants, which does not apply in the Tunisian setting.¹⁴⁰

In fact, the resilience of clientelistic practices and the dynamic of *networking*-like patterns of relationships between administrators and economic actors induce one to qualify the impersonal basis of administrative management. This qualified approach to the action of formal institutions is advocated by scholars of African countries as it allows 'accommodative patterns of state-society relations'¹⁴¹ to be identified. Moreover, these patterns are not conducive to the political legitimacy of a 'governance realm', as suggested by Goran Hyden.

The governance realm is defined with reference to four basic properties, namely: authority, reciprocity, trust, and accountability.¹⁴² Authority pertains

to 'the voluntary acceptance of an asymmetrical relationship' between the public and political leaders. In this stance, political leaders are accountable for the effective performance of their governmental duties. Moreover, should political leaders prove unable or unwilling to perform such services, the public has the right to withdraw its allegiance and stop obeying.¹⁴³ The second dimension refers to 'the extent to which individuals are free to form associations to defend and promote their interests in the public realm'.¹⁴⁴ Trust refers to a normative framework which should be seldom subject to amendments in order to reach consensus; it is however viewed by Hyden as being dependent on the need for accountability, namely, on 'the effectiveness with which the governed can exercise influence over their governors [...]. Indicators of accountability consist of various forms of holding elected and appointed officials responsible for their decisions and actions'.¹⁴⁵

Hyden's basic dimensions of the 'governance realm' constitute a fundamental theoretical framework of state-society relationships. The governance realm has to be viewed as an ideal-type which proposes exploring, beyond the traditional state-centred approach, how formal institutions may be responsive to changes in society, while modulating their initial goals. Furthermore, the governance realm approach illustrates the institutional and structural constraints which hinder the emergence of its four dimensions.

However, such dimensions fail to desegregate the internal factors that are conducive to the readaptation – if not, to the limits – of state policies. In this respect, in the introductory chapter of *State Power and Social Forces: Domination and Transformation in the Third World*,¹⁴⁶ Joel S. Migdal et al. propose analysing the effectiveness and magnitude of state policies in a 'state-society perspective', which entails that state-society interactions must be studied at the core and the periphery. This stance is essential as it argues that the formulation and implementation of state policies may be transformed or modulated at an intermediate level. The authors' empirical observations and theoretical analyses regarding such a process of transformation are of great interest to this section related to the *mise à niveau* of formal institutions in today's Tunisia.

On the one hand, they highlight the internal logic of resistance, within state institutions, against reform policies aimed at restructuring the administration, while inducing the necessary changes of privileges and prerogatives of administrators. On the other hand, the authors argue that the external logic of resistance to state policies may occur when these have a direct impact on the resources of actors (e.g., tax collection may lead to the persistence of the black market). In other words, the implementation of the

reform policies decided by the commanding heights may be faced with patterns of resistance which exist within formal institutions themselves and among actors (namely, the governed).

The upgrading programme of the Tunisian public administration can be apprehended with reference to these internal and external logics of resistance. Since the inception of the PMN, the upgrading programme of the public administration has been on the agenda of the Tunisian government. Its purpose lies in building a business-friendly environment, by modernizing the infrastructures of industrial areas, simplifying bureaucratic procedures, promoting market information, creating additional institutions aimed at promoting vocational training, and enhancing the quality of administrative services to citizens, particularly entrepreneurs. These various restructuring measures should also contribute to attracting foreign investors, while conferring trust on the wide-ranging reforms that Tunisia is implementing.

Few official data are available concerning the resources used to implement this programme.¹⁴⁷ However, it seems that the reform of the institutional environment emphasizes the quantitative, rather than the qualitative, expansion of the state apparatus. This is not because the prerogatives of some existing formal institutions are 'reinforced'; but rather because additional formal institutions were created, whose objectives do not substantially differ from those already in existence. Consequently, the overlapping of their activities and objectives might result in additional bureaucratic conflicts or problems of power between public bodies and administrators. Such conflicts, which were observed by Ridha Ferchiou, may lead to lengthy bureaucratic procedures, and the persistence of unreliable information, while impairing the activities of economic actors.¹⁴⁸

More importantly, the quantitative expansion of the administrative apparatus, in the wake of the *mise à niveau*, also rests upon the unprecedented incorporation of consultancy firms in peripheral administrative tasks. These entities evolve at the periphery of the bureaucratic nebula and have widely developed in Tunisia since the mid-1990s, following the introduction of the PMN.¹⁴⁹ However, the participation of experts in the overall upgrading programme of the Tunisian industrial sector is too peripheral to constitute another element of conflict and resistance to organizational reforms. On the contrary, it has to be said that the incorporation of technical centres in the PMN has turned the aforementioned selective allocation of financial resources into an objective, if not scientific, process.

Admittedly, all measures designed to upgrade administrative services require time, and can not be evaluated in the short term. The upgrading

programme of the Tunisian public administration started in early 1996, in accordance with a decree of Prime Minister Hamed Karoui,¹⁵⁰ which stipulates that each minister is personally in charge of elaborating a specific programme of *mise à niveau*, which will be implemented until late 1999. However, the frequent government reshuffles¹⁵¹ ordered by the leadership might have a direct bearing on the congruent implementation of these public reforms, while impairing the capacity of the GoT to comply with the requirements of the Agreement, concerning the *mise à niveau* of Tunisian formal institutions.

To conclude, the visibility and political inclusion of the 'Captains' of the Tunisian manufacturing industries shows that entrepreneurs are no longer 'dispensable to the regime', as they were until the late 1980s.¹⁵² The inclusion of leading entrepreneurs stems from a *rapprochement* which actually started in the early 1990s, and which has gathered momentum since the 1995 Euro-Tunisian Association Agreement. It allows the image of the GoT to be refurbished by turning leading Tunisian entrepreneurs into bridging agents between Tunisian business circles and the government, and into the followers of the pedagogical *mise à niveau* adopted by President Ben Ali, in the context of the Agreement. Whether this rapprochement has led to political activism on the part of such leading entrepreneurs remains to be seen. In the same vein, even though the denunciation of high interest rates, the burden of the public debt, the blurry frontier between strategic and non-strategic sectors, the lack of clarity concerning the process of privatization, and bureaucratic hindrances cannot conceal a certain degree of perplexity among the 'Captains' of the Tunisian manufacturing industries concerning state disengagement, their public criticisms have never gone beyond the limits tolerated by the government.

Furthermore, the transition to liberalization can hardly be viewed as the result of leading entrepreneurs' action or pressure. On the contrary, their visibility occurred in the wake of a redefined model of controlled openness that has redrawn the relationships between the GoT and entrepreneurs at large, without impairing the guidance of the former. The *New Order*, which was referred to in the introduction of this chapter, consists more in the coming to the fore of certain ennobled leading entrepreneurs than in the GoT's willingness to undertake divestiture.¹⁵³ In this respect, the predominance of the state does not only stem from the selective allocation of financial resources and titles of nobility but also, in the wake of the *mise à niveau*, from its ethical governance of the economy. Law 95-34, which is based on the primacy of social stability, is a case in point.

One should recognize, however, that the 'freedom to invest', the array of

financial funds designed to promote exports, technological transfers, vocational training, the modernization of production lines and quality, and job flexibility, demonstrate that the GoT has redoubled its efforts to make economic actors more confident about its willingness to orientate itself to economic liberalization and, more recently, to the promotion of corporate groups of firms. However, compliance with the liberal credo does not necessarily mean that the GoT is willing to confer trust to private initiatives. The remnants of 'dirigisme', and the dominant guidance of the administration and the ruling party, in the economic field, invite qualification concerning the retreat of the state, which seems to remain wary of allowing the free entry of foreign capital into the Tunisian private sector.¹⁵⁴

Nonetheless, the ratification of the Agreement has, as it were, reinforced some of Tunisia's externalities. The gradual dismantling of import tariffs is expected to strengthen the dependence of Tunisia on imports from the EU. A major increase in the amount of inward direct investments (IDIs) is expected to offset the loss of tariff revenue, but this remains contingent partly on the credibility of the reforms, and partly on the comparative advantages existing in Tunisia. In this respect, a more attractive or updated legal framework of investment is being reconsidered by the GoT.¹⁵⁵

These reinforced externalities stem from the fact that the structure of trade has changed since the late 1980s. There has been a shift from trade transactions to an association with the EU, which has had a certain bearing on the configuration and emergence of various patterns of business alliances between Tunisian entrepreneurs and foreign partners.

The industrialists and their *Heirs* may be viewed as the most established and emblematic actors of such economic alliances with foreign capital, and truly they are. However, they are far from being the only participants in such alliances; their growing visibility should not conceal the cumulative factors of economic openness, the inflows of foreign investment, the improved access to entrepreneurship, and changing patterns of resource mobilization providing for the survival of business concerns. The overlapping of these various factors has led to the participation of other actors whose initiatives have grown and matured out of the public realm, but in the wake of the GoT's decision to liberalize its economy. In the context of this research, and with reference to chapter three, the *New Entrepreneurs* appear to be at the crossroads of these cumulative factors.

Today, the heterogeneity of Tunisian private entrepreneurship is more discernible than ever. Strategies for survival have been adapted to the characteristics of an institutional environment where access to private

entrepreneurship has been liberalized,¹⁵⁶ but where resources needed to provide for the survival of firms remain selectively allocated or subject to bureaucratic hindrances, whether these resources are financial or informational.

Economic actors have been responsive to the aforementioned limits of participatory development. The formation of cross-border social and economic networks in which the *New Entrepreneurs* are involved are reflective of this responsiveness and adaptability. These are subject to examination in the next chapter.

Notes

- 1 The emerging worldwide conjecture, with its complex networks and its new concepts, beyond its positive aspects and its noble motivations, must not be allowed to contribute to the development of policies aimed at lobbying, influencing and intervening in the manipulation of the interests of states and peoples, on behalf of given interests. These policies, although based on different rules and new pretexts, recall, in an unprecedented way, what happened during the last century. Excerpt from the speech of President Zine ElAbidine Ben Ali, during the celebration of the 40th anniversary of the proclamation of the Tunisian Republic, on 25 July 1997, and the contemporaneous signing of the Ninth Development plan (1997–2001). See *L'Economiste Maghrébin*, No. 188 (August 1997), p. 13.
- 2 Nullo Pasotti, *Gli Italiani e l'Italia in Tunisia prima del Protettorato francese*, Tunisi, 1969, p. 33.
- 3 'Not until the Congress of Berlin in 1878 would France get the green light to take over Tunisia. To alleviate the bitterness of France's defeat by Germany in 1870, the loss of Alsace-Lorraine, and the repayment of an enormous tribute to the victor, Bismarck considered Tunisia expendable if it gave French morale an imperial boost and helped to cement good relations with Germany.' Clement Henry Moore, *The Mediterranean Debt Crescent: Money and Power in Algeria, Egypt, Morocco, Tunisia, and Turkey*, University Press of Florida, Miami, 1996, p. 165.
- 4 Pierre Agate, Michel Camau, Maurice Flory, Bahgat Korany and Robert Mantran (eds), *Les régimes politiques arabes*, Puf, Paris, 1990, p. 391. For a comprehensive historical analysis of this period, see Jean Ganaïg, *Histoire contemporaine du Maghreb de 1830 à nos jours*, Fayard, Paris, 1994, pp. 265–320.
- 5 For a global amount of ECU 743 million. See Union Européenne, Délégation de la Commission Européenne en Tunisie, *Rapport Annuel 1996*, Tunis, 1996, p. 24.
- 6 Interestingly, Tim Niblock observes a clear division following the refinement of European policies in the context of the RMP. One package of policies is specifically related to Maghreb countries, the other to Middle Eastern countries. 'The EC's position was made clear in two documents: "The future of Relations Between the European Community and the Maghreb" and "Future Relations and Co-operation Between the Community and the Middle East". Both were communications from the European Commission and the Council of Ministers and both were subsequently accepted by the Council of Ministers.' Tim Niblock, 'North-South Socio-Economic Relations in the Mediterranean', in Roberto

Alboni, George Joffé and Tim Niblock (eds), *Security Challenges in the Mediterranean Region*, Frank Cass, London, 1996, p. 125.

⁷ The European Parliament [...] believes that the decline in the economic situation of many MNCs in recent years is not solely the result of demographic growth, balance-of-payments deficits or external debt, but is also due to factors relating to their economic structures and political and social systems.' European Parliament, *Session Documents, Reports*, PE DOC A3-121/91, 3 May 1991, p. 7.

⁸ See the work programme of the Barcelona Conference, Agence Europe, *Europe Documents*, No. 1974, 9 February 1996, p. 5.

⁹ Abdelali Jbili and Klaus Enders, 'The Association Agreement Between Tunisia and the European Union', *Finance and Development* 33, No. 3 (September 1996), p. 19.

¹⁰ According to the official daily newspaper *La Presse*, law 95-34 depicts the private entrepreneur as an individual 'responsible for economic and social progress, which vindicates the interference of the [Tunisian] judicial power with a view to protecting the firm'. See *La Presse*, 27 May 1995, p. 2. See also *L'Economiste Maghrébin*, No. 173 (January 1997), pp. 28-9. In the same vein, Kamel Chérif, a Tunisian scholar, claimed that 'in a country where free enterprise and democracy constitute the fundamentals of the regime, one may be prosecuted for abuse of social goods and laxity. Needless to mention the names of the big bosses who were, in the past, put on a pedestal. Some of them are now prosecuted and they liquidated their companies.' *L'Economiste Maghrébin*, No. 187 (July 1997), p. 19.

¹¹ It is referred to the increasing media visibility of some leading private entrepreneurs, among whom are the *Heirs*. Often, official newspapers and magazines present the success of these visible leading entrepreneurs as the result of the GoT's reform policies and state divestiture. As argued in chapter three, their media visibility officially shows the redistributive effects of liberalization and, if anything, the expected adherence of the whole business middle class to the newly adopted reforms. These arguments are developed in this chapter. See the official reviews *L'Economiste Maghrébin*, No. 187, (July 1997), p. 15 and *Exporter*, No. 103 (August 1997), pp. 27-9.

¹² For a historical analysis of the implementation of economic reforms in Tunisia, since the 1970s, see, for instance, the following works: Michel Camau, *La Tunisie (Que sais-je?)*, Puf, Paris, 1989; Iliya Harik, 'Privatization and Development in Tunisia', in Denis J. Sullivan and Iliya Harik (eds), *Privatization and Liberalization in the Middle East*, Indiana University Press, Indianapolis, 1992, pp. 211-32; Eva Rana Bellin, *Civil Society Emergent? State and Social Classes in Tunisia*, Princeton University, UMI, Ann Arbor, 1993; I. William Zartman (ed.), *Tunisia: the Political Economy of Reform*, Lynne Rienner Publishers, Boulder, 1991; Jon Marks, 'Tunisia' in Tim Niblock and Emma Murphy (eds), *Economic and Political Liberalization in the Middle East*, British Academy Press, London, 1993, pp. 166-76; Abdelbaki Hermassi, 'State, Legitimacy, and Democratization in the Maghreb' in Ellis Goldberg, Resat Kasaba and Joel S. Migdal (eds), *Rules and Rights in the Middle East: Democracy, Law, and Society*, University of Washington Press, Seattle, 1993, pp. 102-17.

¹³ This rise was aimed at curtailing public expenditure and the burden of the Caisse Générale de Compensation, the Tunisian institution of price subsidies. Following the riots, a state of emergency was declared (3 January 1984) and troops were called to control street demonstrations. Ninety-eight people were killed, 938 injured and 1,000 arrested. President Bourguiba personally intervened to reverse the price rises and said that the government

of Prime Minister Mohammed Mzali exceeded his instructions; since he authorized 'that the price of bread be raised, but slightly'. *New York Times*, 7 January 1984, p. 6L. Actually, eight months later, the price of bread and other grain products was increased from 10 per cent to 12 per cent. *The Wall Street Journal*, 11 July 1984, p. 34.

¹⁴ Actually, these drastic measures were put forward by a previous visit of IMF officials to Tunis in early 1983. 'In order to decrease imports, the government should not limit them quantitatively; rather it should bring down domestic demand by freezing wages [...] In order to curb the budget deficit, subsidies on the consumption of staple goods should be stopped [...] the recruitment in the public administration should be suspended as well as financial transfers to state-owned enterprises. Finally, inflation should be contained by increasing interest rates, in order to make the access to financial credits more difficult.' See Sophie Bessis, 'Banque mondiale et FMI en Tunisie: Une évolution sur trente ans', *Annuaire de l'Afrique du Nord* 26 (1987), p. 145.

¹⁵ In effect, as Jamal Saghir noticed, 'privatization took place on a case-by-case basis before the current legal and organizational framework was in place'. Jamal Saghir, 'Privatization in Tunisia', *CFS Discussion Paper Series*, The World Bank, January 1993, p. 2. See also, Jean-Philippe Bras, 'Les Enjeux socio-culturels des privatisations au Maroc et en Tunisie' in Driss Guerraoui and Xavier Richet (eds), *Stratégies de privatisation: comparaison Maghreb-Europe*, Les Editions Toukhal, L'Harmattan, Casablanca, Paris, 1995, pp. 197-204.

¹⁶ The statization of society refers to the links of domination and authority existing between society and the state which resorts not only to coercion but also to social and political repression and social control by intelligence agents (in Arabic, *Moukhabarat*). It is one component of state neo-patrimonialism (see previous chapters).

¹⁷ In other words, in accordance with law 85-72, dated 20 July 1985, an SOE was a firm whose share capital is owned up to 34 per cent by the state or public bodies. This new definition of state-ownership reduced the number of SOEs from 600 to 307. See Mohammed Rebei, *La Privatisation des entreprises publiques tunisiennes: contextes portées et perspectives*, Faculté des Sciences Economiques et de Gestion, Sfax, 1992. In February 1989, SOEs underwent another definition of state ownership up to 50 per cent, which officially reduced the number of SOEs to 189.

¹⁸ The vague definition of 'strategic' industries was mentioned in an article of *La Presse*: 'Clarity is needed to know about the GoT's strategy of privatization.' *La Presse*, 10 January 1991 (Sadok Bahroun). The label 'strategic industries' has been constantly subject to various interpretations and extrapolations on the part of the administration. Still today, it refers to a vaguely defined category of activities which comprises energy, infrastructure, transport and basic industries (phosphates, concrete).

¹⁹ More precisely, the World Bank approved, in September 1986, two loans of \$150 million each to support Tunisia's agricultural efforts and finance the imports of tractors, pumps, irrigation pipe and other equipment. *The Wall Street Journal*, 23 September 1986, p. 5. Later, in November 1986, Tunisia was awarded two loans from the IMF totalling \$260 Million. One of the credits, amounting to \$136.5 million, was available immediately to help offset the decline in Tunisia foreign exchange earnings from the sale of oil and other commodities, a slackening of tourism, and the decrease in remittances, following the expulsion of 30,000 Tunisian migrants from Libya in 1985. The remainder of the loan package represented a stand-by credit that could be drawn in several instalments to support Tunisia's economic and financial adjustment programme over the next 18 months. *The Wall Street Journal*, 6 November 1986, p. 54.

- 20 From 40 per cent in 1986 to 25.8 per cent in 1990.
- 21 Michel Camau, 'Etat, espace public et développement: le cas tunisien', *Annuaire de l'Afrique du Nord* 26 (1989), p. 76.
- 22 Dirk van de Walle and Abdelbaki Hermassi, 'The Second Stage of State Building in I. William Zartman and William Mark Habeeb (eds), *Polity and Society in Contemporary North Africa*, Westview Press, Boulder, San Francisco, 1993 (State, Culture, and Society in Arab North Africa), pp. 19-41.
- 23 On 7 November 1987, and in accordance with the Constitution, former prime minister Ben Ali took over power, following the official declaration that President Habib Bourguiba was no longer able to govern, owing to senility and sickness. The new president of the Tunisian Republic was 51. President Ben Ali was born in Hammam Sousse, namely in the same region as Bourguiba's birthplace (Monastir) and studied electronic engineering, but made his career in the army. In 1958, he was appointed to his first security post as Director of Military Security. In 1974, he served as a military attaché in the Tunisian Embassy in Rabat (Morocco). In December 1977, he was named director-general of National Security in the Ministry of Interior, and coordinated military and police actions during the violent clashes between the GoT and the UGTT in 1978. He became General in 1979. One year later, he was appointed Tunisia's ambassador to Poland for three and a half years. By October 1984, following the cost-of-living riots, he returned to Tunisia and became Secretary of State for Internal Security. In October 1985, he was promoted to Minister of National Security in the Interior Ministry and six months later became Interior Minister.
- 24 Bellin, *Civil Society Emergent? State and Social Classes in Tunisia*, p. 189.
- 25 Economic cooperation developed above all between Tunisia and Libya. In May 1988 Colonel Muammar Qaddafi and President Ben Ali signed an agreement to favour social and economic cooperation between the two countries, the free movement of people and goods across their common border, the establishment of a common identity card system and the freedom to live, work and own property in the respective countries. In August 1988, Ben Ali visited Libya and signed a series of co-operation agreements and an agreement concerning the settlement of the dispute over the continental shelf in the Gulf of Gabès. Later, an agreement was signed establishing a joint Tunisian-Libyan company, which would exploit the '7 November' oil field on the continental shelf in the Gulf of Gabès. An agreement to link the two countries' electricity grids was also signed. These ambitious bilateral agreements were called into question in 1989; Libya turned out to be reluctant to implement them. As regards Egypt, Tunisia resumed its diplomatic relations with Egypt in January 1988. Relations had been severed by Tunisia in 1979 after Egypt signed the Camp David Agreement with Israel. In January 1989, Boutros Boutros Ghali, former Minister of State for Foreign Affairs, became the first Egyptian minister to visit Tunisia for 10 years.
- 26 Tunisian entrepreneurs' political inclusion culminated in March 1994, when Hédi Jilani was elected in Parliament as a representative of the first constituency (*dâyyrat*) of Tunis. Together with Jilani, five other entrepreneurs were also elected: Tjiani Hadad (a publisher) as well as Ali Slama (the Head of Slama Frères, an olive oil refinery) for the constituency of Ariana, Abdellaziz Chuchan for the constituency of Susa, Habib Naciri (industrialist) for the constituency of Sidi Bou Zid, and Béchir Ben Amor (the head of SOGEGAT, a service company) for the constituency of Mednin. Source: Majlis an-Nuab, *A dâ majlis an-ruab* (1994-99), Tunis, 1994.
- 27 Agence Tunisienne de Communication Extérieure, *Le Pacte national*, Tunis, 7 November 1988, p. 6.
- 28 Lisa Anderson, 'Political Pacts, Liberalism, and Democracy: The Tunisian National Pact of 1988', *Government and Opposition* 26, No. 2 (1991), p. 256.
- 29 Moreover, in the text of the *Pacte national*, the word 'entrepreneur' is mentioned only once in the section dedicated to 'Development'.
- 30 Agence Tunisienne de Communication Extérieure, *Le Pacte national*, p. 24.
- 31 See Abdelbaki Hermassi, 'L'Etat tunisien et le mouvement islamiste', *Annuaire de l'Afrique du Nord* 28 (1989), pp. 297-308. See also Stephen Benedict, 'Tunisie, le mirage de l'Etat fort', *Esprit*, No. 230-31 (1997), pp. 27-42.
- 32 Actually, in order to exclude the Mouvement de la Tendence Islamique from the process of political pluralism, in the context of the National Pact, a 1988 law stipulated that no political party is legally entitled to refer to race, region, religion or linguistic particularism. Faced with this legal measure, the MTI changed name and became the Hizb En-Nahda (or Parti de la Renaissance), but was nonetheless denied official status. As a consequence, during the 1989 parliamentary elections, En-Nahda, which was outlawed as a political party, presented independent candidates in 19 out of the 25 constituencies, in which a total of 480 candidates contested 141 seats. The ruling party (the RCD) won all 141 seats at the national assembly.
- 33 *Journal Officiel de la République Tunisienne*, No. 21, 3-7 April 1992, p. 411.
- 34 In order to counter the action of the LTDH, the Comité Supérieur des Droits de l'Homme et des Libertés Fondamentales (CSDHLF) was inaugurated in April 1991. After its 1992 suspension, the LTDH was reintegrated in March 1993. Moncef Marzouki resigned in February 1994 and was arrested one month later for 'having troubled public order and slandered legal authorities' in an interview issued in a Spanish newspaper. See Guilain Denoux, 'Tunisie: les élections présidentielles et législatives', *Monde Arabe Maghreb Machreq*, No. 145 (1994), p. 53.
- 35 I refer to an article of the official daily newspaper *La Presse*, entitled 'L'Association, un pouvoir de la société sur elle-même', which mentioned that associative action in Tunisia 'is never political in its essence and does not have to replace a political party'. *La Presse*, 2 October 1990.
- 36 See *La Presse*, 'L'entreprise et l'association: ensemble pour l'avenir', 13 May 1991. This article mentioned the need for close collaboration between private firms and associations in Tunisia in order to 'decompartmentalize the firm and to reinforce associative action'.
- 37 This aspect was explicitly highlighted during the third celebration of the 'Journée nationale des associations', on 23 April 1995. President Ben Ali declared that 'an association is a social school. Moreover, it constitutes another area where good deeds materialize, so much so that it complements the action of the government and makes the role of civil society tangible enough to reach its objectives.' See the daily newspaper *Le Renouveau*, 23 April 1995.
- 38 Henry Moore, *The Mediterranean Debt Crescent*, p. 201.
- 39 Bellin, *Civil Society Emergent?*, p. 221.
- 40 Karmel Labidi and Larbi Chouikha, 'La Tunisie, sans filet, dans le grand jeu de la libéralisation économique: dans l'attente de la démocratie ... et des investissements étrangers' in *Le Monde Diplomatique* (July 1993), pp. 18-19.

- 41 *La Presse*, 5 June 1993. It is possible that *La Presse* refers to organic law 88-90, dated 2 August 1988, and related to the activities of associations. Actually, in accordance with article 5 of law 88-90, the creation of an association in Tunisia is subject to the prior approval of the Ministry of the Interior. Moreover, once the licence is obtained, the association must carry out the objectives which were stipulated in the initial statement. Otherwise, the association might be disbanded. In extreme cases, the Minister of the Interior is entitled to decide the temporary (article 23) or permanent dissolution of an association (article 24), if its activities turn out to disturb public order or to be politically oriented. In case of dissolution, the assets of the association are sold, and the proceeds are given away to charity (article 27). See *Journal Officiel de la République Tunisienne*, No. 52 (2 August 1988), pp. 1100-1.
- 42 Namely, the Commission de l'Action Associative et des Enjeux de l'Ere Nouvelle, the Commission des Réalités et des Perspectives de l'Action Associative en Tunisie, the Commission du Rôle des Associations dans l'Oeuvre de Développement, the Commission du Financement de l'Activité Associative. It is important to underline that such political measures occurred during the BIAT-IACE case, in June 1993. *La Presse*, 5 June 1993.
- 43 The involvement of RCD members in associations was viewed by Moncef Balti as being 'congruent with the necessary alertness against any misuse or any political instrumentalization [of associations] for any reasons, other than those which are in the interest of the nation, i.e. those aiming at the creation and the existence of associations and organizations'. Moreover, the RCD was described as 'the guarantor of the rights that have been acquired since 7 November [1987], and its members are the dignified defenders of progress, democracy and human rights in Tunisia'. See *Le Renouveau*, 'Le rôle des associations dans la promotion de la société civile', 6 July and 21 October 1993.
- 44 Bourguiba Ben Rejeb, a journalist of the Tunisian daily *Le Temps*, noticed that, because of the 'traditional political tight control over associative activities, some associations are created as though they constituted the subsidiaries of some political organisations [the ruling party?]. Nonetheless, he eventually agreed that, 'when associative life develops on its own, it may contain the germ of political deviation. The case of the Tunisian League for Human Rights is a patent example.' See *Le Temps*, 9 October 1993.
- 45 The Fonds de Solidarité National (FSN), or Fonds 26-26, was created on December 8th 1992 by President Ben Ali, in order to struggle against poverty in Tunisian depressed areas. One year later, Kamel Sassi, the Secretary of State in the Ministry of Social Affairs, who presided over the Forum of Associations in Tunis, stressed the need to create a partnership between the FSN and the overall associative environment in Tunisia. See *Le Temps*, 9 December 1993. This financial merger materialized in the course of the ensuing years.
- 46 In effect, the Rotary Club constitutes a case in point. During his visit to Tunisia in November 1996, Luis Vicente Giay, the Argentine President of the International Rotary Club met Abderrahim Zouari and Daly Jazi, respectively the former Minister of Childhood and Youth and the Minister of High Education, and announced that a subsidiary of the Rotary Club, namely Rotaract, would merge its activities with those of the FSN. The proposal of Giay was complemented by a financial gift to the FSN, as well as by another in-kind gift (computers). See *La Presse*, 18 November, 1996, p. 7; see also *Tuniste Infos*, Agence Tunisienne de Communication Extérieure, 20 December 1996, p. 2.
- 47 Vivienne Shue observes the same process of classification of associations in China. Such a process has been performed by the Chinese Communist Party, since the demise of
- Maosism, in an attempt to reconfigure 'social structure and social status; it also served to identify those citizens who could be supposed to be friends, and those who would be enemies, of the state' (p. 68), so much so that 'the very arenas in which state and society have been accustomed to interact have been redrawn'. Vivienne Shue, 'State Power and Social Organization in China' in Joel S. Migdal, Anul Kohli and Vivienne Shue (eds), *State Power and Social Forces: Domination and Transformation in the Third World*, Cambridge University Press, Cambridge, 1994, p. 83.
- 48 Before 1993, an array of legal measures established the promotion of private investments in the manufacturing sector (law 87-51, dated 2 August 1987), agriculture and fisheries (law 88-18, dated 2 April 1988), the services sector (law 89-100, dated 17 November 1989) and international trade (law 88-100, dated 18 August 1988). Such investments could be made by Tunisian and foreign investors.
- 49 Béchir Chourou, 'The Partnership Agreement between the European Union and the Mediterranean Countries', unpublished paper presented at the seminar on *The Baltic and Mediterranean Sea Regions: Security and Development since the End of the Cold War*, held at the Swedish Institute of International Affairs (SIIA), Stockholm, 24-26 October 1996, p. 14.
- 50 For an illustration of the strategic importance of the textile and clothing sectors in the national economy, one has to consider that, in 1996, they accounted for 70 per cent of the overall exports of manufactured products, 22.4 per cent of the global investments in manufacturing industries. See Ridha Kefi, 'Le Textile veut rester roi', *Jeune Afrique*, No. 1853 (July 1996), p. 99.
- 51 GDFI allows the value of investment made in a sector to be evaluated. As regards the textile and clothing industries in Tunisia, GDFI amounted to TD 160.2 million and TD 125.5 million in 1991 and 1994, respectively, i.e., this corresponded to a 32 per cent share of global GDFI in the manufacturing industries in 1990 and to a 22.5 per cent share in 1994. Source: République Tunisienne, *Budget économique 1996*, Tunis.
- 52 In effect, not only do exports of standard, low-cost clothes represent 92.7 per cent of the exports of the Tunisian textile and clothing industries, but also 94 per cent of such exports are exclusively orientated to the EU.
- 53 All the incentives granted in the framework of the NIIC, which contains 67 articles, cannot be detailed. I refer to some legal aspects which, arguably, are of interest to this chapter related to the relationships between the GoT and entrepreneurs. For a more technical approach to the NIIC, see the report of the US Embassy in Tunis entitled 'Foreign Investment in Tunisia: Incentives under the New Code', *Middle East Executive Reports* 17, No. 9 (1994), pp. 19-21. See also République Tunisienne, *Nouveau Code d'incitations à l'investissement*, API, 1994.
- 54 The CSCE was actually created in April 1992. A first evaluation of the *New Promoters* programme took place in the city of Kairouan. Then, the CSCE started its activities in Tunis in 1993.
- 55 It has to be said that, in 1995, 47 per cent of the applicants to the *New Promoters* programme organized by the Tunis-based CSCE, were technicians and engineers, 17.5 per cent were qualified in economics and the remainder was comprised of highly educated people, with other qualifications.
- 56 In 1997, only four projects of *diplômés* materialized during the first 10 months of 1997.
- 57 This report was published in *Le Courrier de l'Industrie*, No. 80 (January 1998), pp. 35-41.

- 58 *Le Courrier de l'Industrie*, No. 80 (January 1998), p. 38.
- 59 It is referred to the reconversion programme of Tunisian civil servants mentioned in chapter three. During the 1970s, when Tunisia adopted open-door economic policies (*Infithah*), this programme allowed many civil servants to take an active part in the development of the private sector, while guaranteeing the control of the state on the economy. See Eva Rana Bellin, 'Tunisian Industrialists and the State' in I. William Zartman (ed.), *Tunisia: The Political Economy of Reform*, Lynne Rienner Publishers, African Studies Library, Boulder, 1991, p. 51.
- 60 The BSTP was created by the API in September 1986, in the wake of the Structural Adjustment Programme, and thanks to financial aid granted by the UNDP. Today, the BSTP organizes the Salon Méditerranéen de la Sous-traitance et de l'Approvisionnement (SAMEST) every two years, in the ambit of a fair sponsored by the EU and the API, namely the Carrefours des Affaires et de la Technologie.
- 61 The FOPRODI was created on 20 October 1977, following Tunisia's open-door economic policies. This fund encouraging industrial decentralization as well as the promotion of small and medium-sized businesses in Tunisian depressed areas. The *New Promoters* programme is partly supported by the FOPRODI.
- 62 The FOPROMAT was created on 31 December 1990, in accordance with finance law 90-111. It collaborates with the API and is in charge of financing the industrial and technological projects of small firms and of enhancing their competitiveness. Financial aid is provided up to 50 per cent of the global amount of the technological and quality audit, for a maximum of TD 10,000. Following the 1993 NIIC, and in accordance with decree no. 94-878, dated 18 April 1994, the functioning and organizational of the FOPROMAT were changed to improve the acquisition of technological equipment. Financial aid is granted up to 50 per cent of the acquisition of technological equipment, for a maximum of TD 100,000. Technical assistance is subsidized up to 50 per cent of the global cost, for a maximum of 50,000 TD. Financial requests must be submitted to the API-based Commission technique du FOPROMAT and financial aid is granted following the decision of the Ministry of Economy. Cf. *Journal Officiel de la République Tunisienne* (26 April 1994), pp. 663-4. See *La Presse*, 30 May 1995.
- 63 In accordance with law no. 92-122, the FODEP was created in 29 December 1992. Its purpose is to finance investments made with a view to tackling the problem of industrial pollution, by promoting the construction of sewage plants, or firms recycling waste. On 26 December 1994, and in accordance with article 37 of finance law 94-127, the FODEC was created within the Ministry of Industry. It is in charge of 'stimulating the intervention of technical centres with a view to guaranteeing the development of the industrial sector and to facilitating the promotion of quality'.
- 64 Since 4 April 1993, in accordance with decree 93-696, all private firms which adopt vocational training programmes are entitled to benefit from a partial or total tax exemption on their profits.
- 65 In accordance with law 95-13, dated 6 February 1995, the Agence de Promotion de l'Investissement Extérieur (APIE or FIPA) was created in order to promote cooperation between foreign and Tunisian investors. It was created under the aegis of the Ministry for International Co-operation and Foreign Investment. See *Le Courrier de l'Industrie*, No. 69 (April 1995), p. 46; *Le Courrier de l'Industrie*, No. 76 (December 1996), p. 25.
- 67 A distinction has to be made between firms which are operative and those which obtained the 'licence' from the API, but did not start their activities. This distinction allows the gap
- between the expected number of entrepreneurial projects and the actual number of operative firms to be analysed.
- 68 Source: Banque Centrale de Tunisie, *Statistiques Financières*, No. 118 (March 1997).
- 69 See *Jeune Afrique*, No. 1853 (July 1996), p. 95.
- 70 This argument is analysed by Riadh Zghal, 'Le Développement participatoire. Participation et monde du travail en Tunisie' in Driss Guerraoui and Xavier Richet (eds), *Stratégies de privatisation: comparaison Maghreb-Europe*, Les Editions Toubkal, L'Harmattan, Casablanca, Paris, 1995, p. 210.
- 71 Zghal, 'Le développement participatoire', p. 210. In order to tackle the problem of tax fraud, the GoT put forward in 1995 a 'tax amnesty programme' for employers, which linked the levy of the CNSS tax to charges paid on outstanding debts. See *Le Renouveau*, 30 November 1995, p. 6; *La Presse*, 1 December 1995. Later, in accordance with law 97-4, dated 3 February 1997, employers' contribution to the CNSS decreased from 17.5 per cent to 15.5 per cent, and employees' contribution went from 6.5 per cent to 5 per cent. This decrease in the tax burden was officially presented as a policy aimed at favouring the development of private entrepreneurship. It has to be said that it also demonstrates the will of the GoT to curtail the black market issue. See *L'Economiste Maghrébin*, No. 178 (April 1997), p. 13; *Réalités*, No. 575 (November 1996), p. 11.
- 72 Seventy-five per cent of global employment was dependent on the public sector in 1995. See *L'Economiste Maghrébin*, No. 172 (December 1996), p. 63.
- 73 Fayçal Lakhoua, 'Le Processus de privatisation de l'appareil productif public en Tunisie', *Revue tunisienne d'économie*, No. 7 (1996), p. 144.
- 74 Article 32-2 of law 94-102 also stipulates that one or two administrators are members of the board of directors and that the minutes referring to mergers, divestment of assets and liquidation must be endorsed by an administrator. *Journal Officiel de la République Tunisienne*, law 94-102, dated 1 August 1994, No. 62 (9 August 1994), pp. 1290-1.
- 75 Saleh M. Nsouli and Jörg Deressin, 'Peace, Investment and Growth in the Middle East', *Finances et développement au Maghreb*, No. 18 (March 1996), p. 20.
- 76 Zghal, 'Le développement participatoire', p. 207.
- 77 Zghal, 'Le développement participatoire', p. 211.
- 78 Bellin, *Civil Society Emergent? State and Social Classes in Tunisia*, p. 164. The author refers to the documentary and oral data she collected in Tunisia in 1988 and 1989.
- 79 *L'Economiste Maghrébin*, No. 183 (May 1997), p. 20.
- 80 See article 14 of the 1993 Investment Incentives Code. Nonresident investors include foreign investors, but also, the Tunisians who took up residence abroad. As mentioned in the preceding chapters, they are called, in the Tunisian administrative parlance, Tunisiens Résidents à l'Étranger (TRÉs).
- 81 *L'Economiste Maghrébin*, No. 145 (December 1995), p. 57. The 'problem of communication' is part of the euphemistic phrases that leading entrepreneurs are used to mentioning during the numerous professional meetings organized by the business association, UTICA.
- 82 See *Jeune Afrique Plus*, '2001: l'Odyssée de la concurrence', No. 1867-8 (October 1996), p. 119 (dossier).
- 83 Cited in Michel Camau, 'D'une République à l'autre: Refondation politique et aléas de la transition libérale', *Monde Arabe Maghreb-Machrek*, No. 157 (1997), p. 15.
- 84 Law 72-38, dated 27 April 1972, constitutes the first legal measure in favour of export-orientated business concerns. It is officially presented as the law which signed the

- beginning of Tunisian *Irjfiyah*. Additional tax advantages for export-orientated firms were included in the 1987 New Investment Code as well as in the 1993 NIIC.
- 85 In 1994, export-orientated business concerns accounted for 14.8 per cent (*circa* 1,500 firms) of the whole number of business concerns in the manufacturing industries. 25 per cent of the export-orientated business concerns in the manufacturing sector were foreign business concerns. 49 per cent were Tunisian, and 26 per cent were nonresident joint-ventures.
- 86 Officially, the Ministry of International Cooperation and Foreign Investment numbered 1,600 foreign-owned firms and mixed capital trade companies in 1996; they generate a global investment of TD 3,888 million. *L'Economiste Maghrébin*, No. 192 (October 1997), p. 21.
- 87 Chourou, *The Partnership Agreement between the European Union and the Mediterranean Countries*, p. 17.
- 88 In this respect, some visible entrepreneurs of the Tunisian manufacturing industries have acquired the ISO 9000 label, which represents an international certificate of quality achievement.
- 89 Nourib Nouria is the son of late Hédi Nouria. The latter died on 25 January 1993. Hédi Nouria, a lawyer, was one of the most prominent political figures of Tunisia's Independence, and an ally of Habib Bourguiba. He was appointed prime minister under the government of Bourguiba, and was considered the architect of Tunisia's open-door economic policies (*Irjfiyah*) in the 1970s. Owing to illness, he resigned in 1980 and was replaced with Mohammed Mzali.
- 90 Economic deviation refers, for example, to a substantial reduction in manpower, leading potentially to mass redundancies and uncontrollable social instabilities.
- 91 Joshua Aizenman and Sang-Seung Yi, 'Controlled Openness and Foreign Direct Investment', Working Paper No. 6123, National Bureau of Economic Research Inc., 1997, p. 3.
- 92 Azzam Mahjoub, *La Migration internationale des Tunisiens: aspects démographiques et macro-économiques*, CERES, Tunis, 1992, p. 71.
- 93 The term 'family' is recurrently used by officials to assert the cohesive characteristics of the Tunisian business middle class. Implicitly, it takes for granted the existence of a unique pattern of referents and values, which is founded on the adherence of all economic actors.
- 94 'Even though this Programme [i.e., the 1986 SAP] was presented by the authorities as being purely national, and even though the promotion of the restructuring process had been initiated by the former government [...] it remains clearly influenced by the IMF and the World Bank,' Hassine Dimassi and Hédi Zaiem, 'L'industrie: mythe et stratégies', in Michel Camau (ed.), *Tunisie au présent: une modernité au-dessus de tout soupçon?*, Editions du CNRS, Paris, 1987, p. 174.
- 95 UTICA, *L'Accord de libre-échange Tunisie-Union Européenne: Impact sur l'entreprise tunisienne*, November 1995, Tunis, p. 30.
- 96 Chronologically, the countries which ratified the Agreement were Sweden, Austria, France, Greece, Portugal, The United Kingdom, Finland, Denmark, Ireland, Spain, Germany, Italy, The Netherlands, Luxembourg, Belgium, and Tunisia. The Agreement has been enforced since 1 March 1998.
- 97 Jon Marks, 'High Hopes and Low Motives: The New Euro-Mediterranean Partnership Initiative', *Mediterranean Politics* 1, No. 1 (1996), p. 15. According to Robert Van Der

- Meulen, the European Commission Ambassador to Tunis, Tunisia is part of the MNCs which most benefited from the EU's financial support. In the context of the Mediterranean-European Development Agreement (MEDA), Tunisia benefits from an estimated loan of ECU 300 million, from 1996 to 1999, against ECU 116 million, under the 1992-95 Fourth Protocol. The MEDA loan to Tunisia accounts for up to 11 per cent of the overall financial aid allocated to MNCs. Among other things, it is earmarked for the promotion of the private sector, privatization, employment, vocational training, foreign investments and the upgrading of the Tunisian industrial sector. *L'Economiste Maghrébin*, no. 203 (March 1998), pp. 30-2.
- 98 In effect, one year after the signature of the Agreement, Abderrazak Zouari argued that 'in case the Euro-Tunisian Agreement turns out to be a failure, I don't see how it could succeed in the other countries of the southern shore of the Mediterranean', *L'Economiste Maghrébin*, No. 172 (December 1996), p. 35. In the same vein, two years after the signature of the Agreement, Hédi Jilani made clear that the involvement of other partner-countries in the Euro-Mediterranean agreements 'will depend on what Europe will offer to Tunisia as well as to the other countries of the southern shore of the Mediterranean'. *L'Economiste Maghrébin*, No. 187 (July 1997), p. 32.
- 99 Miles Kahler, 'Bargaining with the IMF: Two-Level Strategies and Developing Countries' in Peter B. Evans, Harold K. Jacobson and Robert D. Purnam (eds), *Double-Edged Diplomacy: International Bargaining and Domestic Politics*, University of California Press, Berkeley, 1993, p. 364.
- 100 Alfred Tovias, 'The Economic Impact of the Euro-Mediterranean Free Trade Area on Mediterranean Non-Member Countries', *Mediterranean Politics* 2, No. 1 (1997), p. 116. According to Hoekman and Djankov, tariff dismantling should generate a 28 per cent loss of total revenue, see Bernard Hoekman and Simeon Djankov, 'Catching up with Eastern Europe? The European Union's Mediterranean Free trade Initiative', Centre for Economic Policy Research (London), Discussion Paper Series, n° 1300, November 1995.
- 101 Moncef Mahroug, 'Champions, menacés et condamnés', *Jeune Afrique*, No. 1853 (July 1996), p. 91.
- 102 Jbilil and Enders, 'The Association Agreement Between Tunisia and the European Union', p. 20.
- 103 In effect, while tariff barriers (i.e., customs duties) will be gradually lifted, in accordance with the Agreement, non-tariff barriers (i.e., quotas, quality standards) might remain problematic. See Chedly Ayaari, 'La Zone de libre-échange euro-méditerranéenne et l'Organisation Mondiale du Commerce', *L'Economiste Maghrébin*, No. 195 (November 1997), pp. 57-62.
- 104 Article 36 §1 stipulates that such measures, aimed at reducing state subsidies, will take place in a five-year transitional period, which may be extendable on a five-year basis.
- 105 Agence Europe, *Europe Documents*, No. 1974, 9 February 1996, p. 1.
- 106 Agence Europe, *Europe Documents*, No. 1974, 9 February 1996, p. 1.
- 107 Faïtha Talahite, 'Le Partenariat euro-méditerranéen vu du Sud', *Monde arabe Maghrébin-Machrek*, No. 153 (1996), pp. 45-60.
- 108 'When forced to implement stabilization plans, [Middle Eastern] regimes opted for tactical adjustments that did not lead to substantial change in economic and political structures', Henri J. Barkey, 'Can the Middle East Compete?', *Journal of Democracy* 6, No. 2 (1995), p. 115.
- 109 Such a period of transition may be extendable, prior agreement of the EU and Tunisia.

- 110 The global cost of the first phase is evaluated at TD 2,500 million and is partly financed by the EU and the World Bank. On 22 March 1996, following the visit of James Wolfensohn, President of the World Bank, Tunisia was granted a loan of \$750 million. ECU 45 million were granted by the EU, in April 1997, in the context of the MANFORM programme aimed at promoting human resources and vocational training within private firms. One month later, two loans, which amounted to ECU 40 million were granted by the EIB for the financing of the PMN.
- 111 See 'L'API à l'heure de la mise à niveau: Dossier', *Le Courrier de l'Industrie*, No. 71 (November 1995); pp. 21-44.
- 112 See the daily newspaper *Le Temps* which gives all the names, as well as the sectoral and regional distribution of the 109 selected firms. *Le Temps*, 'Programme de mise à niveau de l'industrie tunisienne: Liste des entreprises choisies', 21 October 1995.
- 113 In effect, when the PMN started on 25 December 1995, in accordance with finance law 95-109, it was based on the principle of voluntary action. 'Voluntary action is the fundamental principle of the *mise à niveau*. Nobody will urge you to apply for the *mise à niveau*. Without your will and your ambition to do better, the *mise à niveau* of your firm can hardly be achieved.' UTICA, *La mise à niveau de l'entreprise*, Tunis, 1995, p. 23.
- 114 In accordance with decree 95-916, the Bureau de Mise à Niveau (BMN) was created, on 22 May 1995, with a view to evaluating the viability of Tunisian private firms in the context of the PMN. *Conjoncture*, No. 195 (November 1995), p. 18.
- 115 The COPIL was instituted, one year before the beginning of the PMN, under the aegis of the Ministry of Industry, and in accordance with finance law 94-127, dated 26 December 1994. The COPIL is comprised of 16 members from the Tunisian public administration (five members), the UTICA (the Tunisian business association; five members), the banking sector (five members) and the UGTT (one member). *Jeune Afrique*, No. 1853 (July 1996), p. 85.
- 116 See *L'Economiste Maghrébin*, No. 192 (October 1997), p. 19. These 148 firms account for TD 402 million of investment and represent a global turnover of TD 1,200 million. They employ 24,500 people. Most of them are wholly or partly export-orientated.
- 117 *L'Economiste Maghrébin*, No. 183 (May 1997), p. 17. Moreover, during the first phase of the *mise à niveau* (1997-2001), the GoT plans to upgrade 2,000 business concerns. In January 1998, an official report announced that 1,160 business concerns had been 'contacted'. 42 per cent of them were active in the textile and leather industries, 20.2 per cent in the food-processing, and 13 per cent in the mechanic and chemical industries. Out of these 1,160 solicited firms, 67.3 per cent planned to modernize their technologies of production; 57.1 per cent their human resources, 54.9 per cent their financial management, 52.4 per cent their production processes. The report mentioned that the difficulties of firms lay in their need for capital (41.6 per cent), and bank loans (36 per cent). Out of the 1,160 business concerns, only 100 were in the process of being upgraded. Source: *Le Courrier de l'Industrie*, No. 80 (January 1998), pp. 4-5.
- 118 *L'Economiste Maghrébin*, No. 183 (May 1997), p. 18.
- 119 *L'Economiste Maghrébin*, No. 183 (May 1997), p. 18.
- 120 The ETE was created in the wake of a programme approved by the European Commission on 20 July 1995. The ETE was faced with 'difficulties' at its inception and had to clarify its objectives concerning its participation in the PMN of the private sector. Actually, its activities started in 1997, following a change of direction which took place in November 1997. In order to avoid any misunderstanding with the Tunisian authorities, the new

- director of the ETE, Uwe Jung, explained that 'the ETE is not in competition with the technical centres, nor with the consultancy firms [that have been sponsored by the GoT, in the context of the PMN]'. *L'Economiste Maghrébin*, No. 205 (April 1998), p. 37.
- 121 *La Presse*, 'Esprit d'initiative, effort et don de soi pour renforcer la société civile' (24 April 1997), p. 4.
- 122 *Le Renouveau*, 'Sensibilisation tous azimuts', 10 May 1996.
- 123 *Le Renouveau*, 'RCD: Atout dialogue', 7 April 1996.
- 124 Article one of law 95-34. See *Journal Officiel de la République Tunisienne*, No. 33 (25 April 1995), pp. 792-5.
- 125 According to Skander Raâch, a Tunisian lawyer, law 95-34 confirms 'the shift from a collective to a judiciary procedure. Hence, the hindrances which impeded the recovery of a business concern, and which stemmed from the selfishness of creditors and their entitlement to veto the recovery plan through a winding-up arrangement, are now eliminated'. Skander Raâch, 'Les différentes fonctions du droit tunisien et du droit français des procédures collectives: critiques et comparaisons' (manuscript), Tunis, 1997, p. 25.
- 126 This interference takes place through the judiciary power. As this was mentioned in an article of the Tunisian daily *La Presse*, law 95-34 depicts the private entrepreneur as an individual 'responsible for economic and social progress, which justifies the interference of the [Tunisian] judiciary, with a view to protecting the firm [and employment]'. *La Presse*, 27 May 1995, p. 2.
- 127 It is referred to articles 10, 25, 41, and 47 of law 95-34.
- 128 *L'Economiste Maghrébin*, No. 173 (January 1997), p. 28.
- 129 Béchir Ben Hadj Yahia, 'Le plan de redressement des entreprises en difficulté', *L'Economiste Maghrébin*, Special Issue *Les 200 de l'Economiste* (December 1996), p. 14.
- 130 *Le Renouveau* stated on 10 May 1996 that 'thanks to their adherence to the choices of President Ben Ali, the Tunisians are able to win the challenge of the *mise à niveau*'.
- 131 In other words, they have become above-the-average citizens, as this was explicitly declared during a meeting presided over by Prime Minister Hamed Karoui and organized by UTICA, on 13 January 1997: 'Tunisian businessmen can not be viewed as mere citizens. The need for a special status was accounted for with reference to the problem of visas. *L'Economiste Maghrébin*, No. 183 (May 1997), p. 13.
- 132 Actually, an 'official dissenter', in the words of Albert Hirschman, is the 'devil's advocate to the doubters within the government'. By publicly expressing his disagreement or criticisms, the 'official dissenter' makes the 'voice option' more manageable, from a political point of view. It can also be added that he implicitly defines the rigid limits within which the 'voice option' can be publicly expressed. See Albert O. Hirschman, *Exit, Voice, and Loyalty: Responses to Decline in Firms, Organizations, and States*, Harvard University Press, Cambridge, Mass., 1970, p. 115.
- 133 In effect, if one reads the official magazines and newspapers of the post-1986 SAP period, one could notice the same rhetorical debates.
- 134 In 1996 and 1997, the 'Journée nationale de l'entreprise' was celebrated on 5 October; see *L'Economiste Maghrébin*, No. 168 (October 1996), p. 10. However, perhaps with a view to reinforcing the corporatist dimension of this celebration, President Ben Ali changed, in early 1998, the date of the 'Journée nationale de l'entreprise'. Since then, its yearly celebration takes place on 17 January, which coincides with the anniversary of the creation of the Tunisian business association (UTICA), on 17 January 1947; see *L'Economiste Maghrébin*, No. 201 (February 1998), p. 10.

- 135 In effect, the definition of a conglomerate in Tunisian law does not exist. Since early 1998, and on the initiative of Moncef Ben Abdallah (the newly appointed Minister of Industry), a *code des sociétés* should allow this juridical gap to be bridged. The *code des sociétés*, which is being considered by the Ministry of Justice, should 'be aimed at developing, through an array of incentives, the sizes of firms. Also, it should include provisions designed to promote the groupings of firms'; *L'Economiste Maghrébin*, No. 203 (March 1998), p. 18. Despite the absence of legal criteria concerning conglomerates in Tunisia, the names of some leading (private) entrepreneurs may be identified in the Tunisian manufacturing industries, such as Elloumi, Brahem, Tili, Ben Aïed, Ben Aïssa, Ben Amor, Slama. These entrepreneurs run conglomerates which occupy various sectors of industry and whose management is, more often than not, family-based. It has to be said, however, that the most emblematic figure of the 'Captains' is Aziz Milad, who manages one of the most profitable private export-orientated business concern in Tunisia, namely, Tunisian Travel Service (TTS). TTS represents a group of firms which participates in the capital of numerous banks and private business concerns operating in tourism, agriculture, the manufacturing industries and finance. Aziz Milad is also part of the boards of directors of the Banque Internationale Arabe de Tunisie (BIAT), the Union Internationale de Banques (UIB), the Société Financière Arabe de Tunisie (SOFIAT), and the Tunisian Central Bank. Milad was awarded in 1997 the prize of the best Tunisian manager. See *L'Economiste Maghrébin*, No. 199 (January 1998), pp. 12-17.
- 136 Excerpt from Fachel Zrelli's speech, General Director of Industry, during a conference organized by UTICA, and entitled 'Conglomerates and Economic Openness', in April 1997. See *L'Economiste Maghrébin*, No. 182 (May 1997), p. 33.
- 137 This decision took place following an extraordinary meeting of the council of ministers, on 26 May 1997. The amendment provided for the 'extensive use of referendum' to the fields of constitutional and legislative matters and to 'issues which involve the future of the country'. On the one hand, a legislative referendum will be organized for 'important bills. On the other hand, another type of referendum will be organized 'in an advisory capacity', in order to ask 'the opinion of the people on issues related to the superior interests of the country'; see the Tunisian daily *Le Temps*, 27 May 1997.
- 138 This article refers to the 'Ben Ali style' which is at once *sahli wa mourtani*, which means in Arabic 'simple and complex (if not unreachable)'; see *L'Economiste Maghrébin*, No. 194 (November 1997), p. 19. By risking oversimplification, the official depiction of President Ben Ali's leadership shares strong similarities with former President Bourguiba's. This can be easily observed with reference to the analytical article of Yâdh Ben Achour, 'La Réforme des mentalités: Bourguiba et le redressement moral', in Michel Camau (ed.), *Tunisie au Présent: une modernité au-dessus de tout soupçon?*, Ed. du CNRS, Paris, 1987, pp. 145-59. The author presents an insightful analysis of the image embodied by former President Habib Bourguiba: 'His reign is presented as a form of sovereignty and supremacy: he is the father of the nation, the upright and sincere master, the honest pedagogue, the supreme intelligence. He is the one who dedicated himself to the people, through sufferings, endurance, and prophetic insight. He is responsible to God and History, he is the impeccable clear-sightedness' (p. 156).
- 139 In the words of Weber, the 'modern state' has: (1) an administrative and legal order subject to change by legislation; (2), it is a binding authority in its area of jurisdiction; (3) it has a territorial basis; (4) it monopolizes the use of force. Max Weber, *Sociological Writings*, Wolf Heydebrand (ed.), Continuum, New York, 1994, pp. 26-7.

- 140 Philippe Braud, 'Du Pouvoir en général au pouvoir politique', in Madeleine Grawitz and Jean Leca (eds), *Traité de Science Politique*, Vol. 1, Puf, Paris, 1985, p. 362.
- 141 Michael Bratton and Donald Rothchild, 'The Institutional Bases of Governance in Africa', in Goran Hyden and Michael Bratton (eds), *Governance and Politics in Africa*, Lynne Rienner Publishers, Boulder, 1992, p. 264.
- 142 Goran Hyden, 'Governance and the Study of Politics', in Goran Hyden and Michael Bratton (eds), *Governance and Politics in Africa*, Lynne Rienner Publishers, Boulder, 1992, pp. 1-26.
- 143 *Ibid.*, p. 10.
- 144 *Ibid.*, p. 14.
- 145 *Ibid.*, p. 14.
- 146 Joel S. Migdal, Amr Kohli and Vivienne Shue (eds), *State Power and Social Forces: Domination and Transformation in the Third World*, Cambridge University Press, Cambridge, 1994.
- 147 The Vice Secretary-General of UTICA, Mohamed Sahraoui, claimed that 'the upgrading programme of the institutional environment of private firms in Tunisia monopolizes up to 60 per cent of the financial resources earmarked for the PMN'. *L'Economiste Maghrébin*, No. 183 (May 1997), pp. 12-13.
- 148 According to Ridha Ferchou, these conflicts may lead to organizational constraints: 'Some directors and other top managers are afraid of losing a part of their power or prerogatives, and consequently try by indirect means to slow down organizational reforms. This situation is more evident in public institutions where the top executive who centralizes all the major decisions seldom spends more than two or three years in the same firm.' Ridha Ferchou, 'New Information Technologies and Employment in Financial Institutions in Tunisia', Working Paper, International Labour Office, World Employment Programme, Geneva (1991), p. 28. In the same vein, and more recently, Hamed Belkhiria, a visible leading entrepreneur, complained about the code du commerce, which, according to him, does not allow foreign investors to collect satisfactory and reliable information about the market place and firms. Bureaucratic hurdles have to be eliminated. *L'Economiste Maghrébin*, No. 185 (June 1997), p. 47.
- 149 I refer to the creation of numerous state-sponsored technical centres which are in charge of evaluating the applications for the PMN. When an entrepreneur wishes to benefit from the financial funds aimed at supporting the upgrading of the quality standards of production, he has to work out, with the help of a consultancy firm, a restructuring programme, as a prerequisite to submitting it to the Bureau de Mise à Niveau. The cost of consultancy is subsidized up to 70 per cent by the state.
- 150 It is referred to decree 96-49, dated 16 January 1996. See *La Presse* (4 April 1996), p. 3. See also the legal text of decree 96-49 which stipulates that the prime minister is in charge of coordinating the *mise à niveau* of the public administration (article 6), which is implemented from January 1996 to December 1999 (article one). The prime minister must present a report to the President of the Republic on the progress of the public reforms (article 7); *Journal Officiel de la République Tunisienne*, No. 7 (23 January 1996), p. 206.
- 151 To date, the most recent government reshuffle dates back to 9 October 1997. Among others, this reshuffle regarded the ministries of transport, equipment, industry, education, agriculture, interior, and foreign affairs. Source: AFP, October 1997. Since the date in which President Ben Ali took power (November 1987), and through the numerous

government reshuffles, more than 100 people have been part of the government establishment. The role of the government is mitigated by the reinforcement of the presidency [...] Ministers and names change but the policy of the President remains the same, and the chief of government holds the trump card.' See Canau, 'D'une République à l'autre', p. 9.

152 Eva Rana Bellin, 'The Politics of Profit in Tunisia: Utility of the Rentier Paradigm?' *World Development* 22, No. 3 (1994), p. 431.

153 Jean-Pierre Cassarino, 'The EU-Tunisian Association Agreement and Tunisia's Structural Reform Program', *The Middle East Journal* 53, No. 1 (1999), p. 73.

154 According to the governor of the Tunisian central bank, Mohamed El Béji Hamda, 'the interrelationship between social and economic factors, as well as [the fact that the GoT has] dissuaded, on a large scale, the anarchical entry of foreign capital', have contained the impact of the southeast Asia crisis, which occurred in late 1997, on the Tunisian economy. *L'Economiste Maghrébin*, No. 203 (March 1998), p. 19.

155 In effect, in January 1998, the Tunisian fortnightly *L'Economiste Maghrébin* announced that a revamped and updated version of the New Investment Incentives Code (NIIC) is in the making. Incentives should be dependent on the strategic character of sectors. In terms of investments and exports, incentives will be more selective in order to promote promising activities. Investments and exports with good prospects of success will be promoted. In the future, it is unlikely that declining exports and investments will continue to be promoted, for these are condemned. *L'Economiste Maghrébin*, No. 200 (January 1998), p. 13.

156 In this context, the liberalized access to private entrepreneurship refers to the official 'freedom to invest' that was evoked in the development of this chapter, and which dates back to August 1987, in the wake of the adoption of the New Incentives Code. Since then, obtaining the licence from the Agence de Promotion de l'Industrie has been substantially facilitated, although bank credits remain problematic, owing to their high prices and to the requirement of strong guarantees.

5 The New Entrepreneurship and the Circularity of Cross-Border Social and Economic Networks

As a prerequisite to identifying the *New Entrepreneurs*, chapter three presented a basic definition of the entrepreneur which takes into account the human and social dimensions of his initiatives, and which allows the social-capital resources of *New Entrepreneurs* to be compared with those of the *Heirs* and the *Converts*. Chapter Three focused on the distinguishing characteristics of these actors' entrepreneurial activities, while stressing the importance of what some of them referred to as an 'address book' in the strategies for the survival of their own business concerns. In the context of this research, the address book seems to constitute an illustration of cross-border social and economic networks, inasmuch as it pertains to patterns of interaction and entrepreneurial cooperation between actors living in the sending and the former receiving countries of the *New Entrepreneurs*. Importantly, it has to be said that emphasis should not be laid exclusively on the successful investment of past experiences of migration when accounting for the business strategies of the *New Entrepreneurs*. Undeniably, the acquisition of skills, knowledge and contacts abroad have shaped the entrepreneurial initiatives as well as the collaborative patterns of these actors, following their return to Tunisia. However, as stated in Chapter Three, since the late 1980s the implementation of reform policies, at a domestic level, have also had a certain bearing on their market opportunities and economic orientations. Moreover, there is no question that if the 'freedom to invest' – introduced in the 1987 Industrial Investment Code – and increased economic openness had not been implemented, the *New Entrepreneurs* would not have become fully-fledged participants in the Tunisian private sector following their return.

In other words, past experience of migration constitutes *one* explanatory factor of the business success of the *New Entrepreneurs*. The relevance of a

past experience of migration also may determine the cross-border network involvement of these actors. It has to be stressed that the top-down framework of participatory development in Tunisia, which has been reinforced since the late 1980s and early 1990s, as well as the selective allocation of resources to private actors, may have motivated the maintenance of cross-border network linkages. These environmental conditions, at a domestic level, highlight the benefits of such networks, and make the strategies for survival of the *New Entrepreneurs* atypically organized, compared with those of their local counterparts, as well as with those of the *Converts* and the *Heirs*.

However, if cross-border social and economic networks may be viewed as being responsive to the domestic institutional environment of private entrepreneurship in Tunisia, it is important to mention that a set of cumulative factors, at an international level, may have favoured the emergence of such networks. As stated in the concluding remarks of the preceding chapter, the various patterns of alliances between the *New Entrepreneurs* and their foreign partners seem to be at the crossroads of a set of phenomena that combine increased economic openness with new patterns of resource mobilization providing for the survival of business concerns.

Unprecedented regional and international circumstances have in fact favoured the emergence of various patterns of industrial delocalization and the diversity of market opportunities, while reinforcing the drive to economic liberalization. These circumstances will be explored in this chapter.

The second aim of this chapter is to examine the dynamics of cross-border social and economic networks, going deliberately beyond a functional approach. On the one hand, stress has to be placed on the extent to which the involvement of the *New Entrepreneurs* in such networks has been meaningful and on the reasons for which such networks have been *maintained*. On the other hand, with reference to the findings presented in the preceding chapters, the last objective will consist in localizing the dynamics of cross-border social and economic networks with regard to the top-down framework of participatory development that has been designed since the early 1990s.

5.1 New Opportunities and Constraints in a Changing International Environment

Before returning to Tunisia, the *New Entrepreneurs* had only a partial knowledge of the institutional environment of private entrepreneurship in their home country. They were, however, aware of the potential business

opportunities and benefits that could stem from the reinforcement of the open-door economic policies that the government undertook in the wake of the 1986 structural adjustment programme (SAP), and following its entry into a regional trading block called the Arab Maghreb Union (AMU).

The late 1980s in Tunisia were marked by these two events, which confirmed the liberal orientation of the country, at least at the economic level. As of February 1989, Tunisia became involved in an ambitious project of regional cooperation, in the context of the Arab Maghreb Union (AMU). This new regional block emerged following the signature of the Treaty of Marrakech (on 16–17 February 1989), which provided for the creation of the *Grand Maghreb*, comprising Mauritania, Morocco, Algeria, Tunisia, and Libya. The AMU was based on a package of policies aimed at stimulating economic exchanges between each member country, as well as a political dialogue and the settlement of security issues. Moreover, substantial progress was made towards the promotion of the free circulation of labour and the unification of regional transportation infrastructures.¹

The main reasons for reinforced economic integration among the AMU member countries lay mainly in the desire to offset the repercussions of a more protectionist Europe on their respective balances of trade and macroeconomic equilibria. The entry of Spain and Portugal into the European Community enhanced the need for the promotion of intra-Maghrebi (or horizontal) trade exchanges. These exchanges were also designed to change the dominant patterns of asymmetric development between European and North African countries which have prevailed since the latter's independence.² Furthermore, the five North African countries, Algeria in particular, viewed the AMU as a means of strengthening the Maghreb's leverage in the framework of bilateral negotiations with the European Community.³

However, the AMU initiative was not only a response to the potential consequences of European enlargement; there is no question that the economic, social and political objectives contained in the work programme of the Marrakech Treaty reconfigured the relationships between the respective member states and their societies, and also reinforced this symbolic legitimacy and centrality at both domestic and international levels.

Following the violent social unrest in Algeria (in October 1988), the constitutional *coup d'état* in Tunisia (in November 1987), and the short-lived settlement of the Western Sahara conflict between the Polisario and Morocco, the political regimes sought new sources of credibility, allowing the historical legitimacy of neo-patrimonialism to be refurbished *vis-à-vis* growing social contest and political dissent. In 1989, various steps towards multipartyism,

press freedom and the respect of human rights were taken in Algeria, Tunisia and Morocco. Several opposition political parties were legalized in Algeria and Tunisia by the regimes of Presidents Chadli Bendjedid and Zine El-Abidine Ben Ali respectively, and a large number of political opponents were released in Morocco.⁴ It was in this context of institutional and political transition and of 'ambiguous political openness',⁵ as Remy Leveau put it, that the Marrakech Treaty was signed and then ratified.

It has to be said that the AMU appeared more as the fragile symbol of the commonality of the Maghrebi states' political and social dilemmas, than as the catalyst of the drive to economic (and political) liberalization. At the economic level, the challenges shared by the Maghrebi states lay, and indeed still lie, in their increasing rates of youth unemployment, and social discontent concerning the management of the national economies, as well as in their external debt burdens. At a sociopolitical level, all member countries have been faced, to various degrees, with the problem of political competition⁶ (i.e., rising Islamist political opposition) and security issues. It was such 'internal security matters [which] brought the neighbors together [in 1989] and, six years later, restored the normal pattern of conflicting relations within the Maghreb'.⁷ In fact, while the creation of the AMU turned out to be the cause of the member countries' attempt to settle their internal and external issues, its decline, if not, unofficial demise, has resulted from these same issues since the early 1990s.

Indeed, as far as external events are concerned, the invasion of Kuwait by Iraq, and the uncoordinated political reaction of each AMU member country, revealed a deep division between Morocco, which was in favour of a Western intervention in the Gulf, and Mauritania, Algeria, Tunisia and Libya, which were overtly opposed to it. The Gulf war revealed not only deep divisions⁸ among the AMU member, but also the vibrant political strength of the Islamist opposition, particularly in Morocco, Algeria, and Tunisia. Its ensuing repression by the regimes questioned the drive to multipartyism, which had, as mentioned, been initiated in the late 1980s. Following the consequences of the open conflict between the Maghreb governments and their respective Islamist opponents, the order of priorities was changed, and the consolidation of the AMU seemed to fade away, as the daunting need to bridge the widening gap between each member state and its citizens was increasing, for the sake of political survival.⁹ The years 1991 and 1992 marked the gradual diminution of the regional expectations of the *Grand Maghreb*, if not its postponement.

Moreover, the United Nations Security Council sanctions against Libya, following the 1988 Lockerbie affair, not only impaired the regional scope of

the Arab Maghreb Union, but also weakened its international magnitude and credibility with regard to other regional trading blocks, particularly the European Community, while generating serious regional uncertainties.¹⁰ Also, the AMU organization became even more weakened following the assassination of former Algerian head of state Mohamed Boudiaf, on 29 June 1992, and the ensuing deterioration of diplomatic relations between Algeria and Morocco, as the former started to interfere in the Western Sahara confrontation between Morocco and the Polisario.

Only a few years after its inception, therefore, the priority of purely domestic imperatives over regional interests revealed the fragility of the AMU. As William Zartman noticed, 'security enjoys top priority, and in times of crises, the neofunctionalist notion of cooperation always falls before the neorealist notion of selfish security'.¹¹ This new order of priorities hampered the gradual move towards free circulation of goods, services, and labour among the AMU member countries, which were stipulated in article 2 of the Marrakech Treaty, and which stimulated trade exchanges between Morocco and Algeria, from 1989 to 1991.¹²

Moreover, the transition to a regionally integrated economy, which was one of the building-blocks of the 1989 Marrakech Treaty, could not but have generated greater economic and standard-of-living disparities between each member country in the short term, rendering the process of economic integration uncertain from a political point of view.

Faced with the dithering and internal crises of its regional neighbours, as well as with the loss of credibility of the AMU project, the government of Tunisia (GoT) decided to capitalize more than ever on other external sources of partnership and international credibility, with a view to both maximizing its liberal economic policies and legitimizing the top-down framework of participatory development (analysed in the preceding chapter), in an attempt to secure economic growth and the inflows of foreign investment.

5.1.1 Foreign Investment Faced with the Tunisian Top-Down Framework of Participatory Development

There is no question that the GoT's desire to reinforce economic liberalization, as well as its attractiveness for inward direct investments (IDIs) has been far less influenced by Tunisia's entry into the AMU, than by the prospects – commonly shared with Morocco¹³ – of strengthening its links with the European Union. As the AMU has not favoured the promotion of trade exchanges and foreign investments, Tunisia reinforced the predominant vertical patterns

of regional integration, based on its geographical proximity with the EU.

As far as Tunisia is concerned, it would be difficult to argue that the prospects of the regional Union, in the context of the AMU, have been particularly relevant to the increase in inward direct investments (IDIs) since the late 1980s. Strong obstacles and political uncertainties have so far hampered the expected benefits of regional integration and the possibilities of developing economies of scale among the Maghreb economies, even if the impact of the 1989 announcement of the AMU should not be underestimated, for it has generated market opportunities aimed at attracting 'foreign capital from Arab and European nations alike to be invested in large-scale projects that would serve the whole region'.¹⁴ None of the *New Entrepreneurs* interviewed, however, are involved in such large-scale business projects. Rather, they run small and medium-sized business concerns which stem from entrepreneurial partnerships that have been partly shaped by the unprecedented context of increased economic openness in Tunisia, and by the attractive regulatory reforms designed to promote foreign investments.

The preceding chapter analysed the liberal reforms adopted by the GoT aimed at promoting the expansion of the domestic private sector, in the context of increased economic openness. The GoT also designed policies to stimulate the inflows of investments by foreign firms. Faced with a constant increase in the external debt deficit, and with a sharp decline in export receipts, which led to a high deficit on the balance of payments, the GoT decided to promote the participation of foreign investors and nonresident Tunisians in its growth programme. In order to analyse this configuration and development in Tunisia, a precise definition of inward direct investments (IDIs) is needed.

In the context of this research, inward direct investments refer to the creation of a firm which is wholly or partly owned by foreign or nonresident economic actors. The creation of the firm may not only pertain to the settlement of a subsidiary or subcontracting company operating in Tunisia, linked to its parent company located abroad, but also to the financial participation of a foreign or nonresident investor in the capital of a firm, for example, with a view to benefiting from the fiscal advantages granted to nonresident firms in Tunisia. This definition includes the distinction, which is applied by the Tunisian Ministry of International Cooperation and Foreign Investment, between portfolio investments and direct investments. Foreign portfolio investments refer to the acquisition of shares or bonds of a public or private firm operating in Tunisia, whereas inward direct investments (IDIs) refer to an investment in the capital of a company operating in Tunisia. The Ministry seems to place more emphasis on the extent to which a firm succeeds in

influencing the activities of another firm, than on the extent to which the former contributes to the maintenance of the latter in an institutional context, at domestic and international levels.¹⁵

Portfolio investments represent a tiny share of the global amount of foreign investments in Tunisia. These are determined by the ability of the state to reinforce its own programme of privatization and to disengage itself from the economy. As John Page and John Underwood have suggested, it is possible that the locking-in process, stemming from the liberal measures contained in the 1995 Euro-Tunisian Association Agreement, will encourage market development activities, while favouring the inflows of foreign portfolio investments.¹⁶ However, for the time being, foreign investments, as defined above, have been directed to inward direct investments, in the context of delocalization, subcontracting and international trade activities.

The configuration of IDIs in Tunisia Since the early 1970s, foreign firms have been subjected to law 72-38, which marked the liberal orientation of the Tunisian economy, following the demise of state developmentalism. During the 1970s, large investments were made by foreign firms attracted by the existence of comparative advantages, such as cheap labour costs and substantial tax exemption. From the early 1970s to the late 1980s, as mentioned before, the GoT adopted a gradual policy of openness to foreign investment. However, it was not until the adoption of the World Bank structural adjustment programme (SAP) in 1986 that the GoT implemented a set of measures aimed at strengthening its liberal orientations, with a view to both attracting new foreign investments (small and medium-sized foreign investments) and stimulating the entry of foreign currencies.

Admittedly, IDIs, specifically in the manufacturing industries, have been attracted to Tunisia by substantial tax exemption granted to foreign firms. However, analysts agree on the fact that, from a general point of view, the promotion of foreign investment in the Tunisian manufacturing industries has generated no spillovers to the domestic economy, in terms of technological transfers and modes of management.¹⁷

The *New Entrepreneurs* have naturally been fully-fledged participants in the increase in IDIs in the Tunisian manufacturing industries, as their activities stem from a partnership with foreign investors. Foreign investments in the Tunisian manufacturing industries increased dramatically when the GoT implemented supportive reforms to the private sector, in the wake of the reinforced drive to economic liberalization, and in accordance with its export-led growth strategy.¹⁸ The reform programme included not only the promotion

of private initiatives, in the context of the 'freedom to invest' (see chapter four), and the restructuring of state-owned enterprises, but also the introduction of incentives designed to attract and stimulate the inflows of foreign investments. Substantial tax exemption has been granted to foreign firms in such sectors as the manufacturing industries, tourism and agriculture. In accordance with law 87-51, 'fiscal incentives induced a total or partial exemption from income tax (on a temporary or permanent basis) and registration duties, preferential tax treatment of income from exports; partial or total exemption from tax on reinvested profits; and suspension or repayment of VAT and customs duties'.¹⁹

Until the early 1990s, Tunisia capitalized on tax exemption and cheap labour to attract IDIs. However, such comparative advantages became less relevant to European investors, who have tended, since then, to reorient their interests to Central Eastern European countries.

The 1990 textile crisis hit the Tunisian economy severely, thus also affecting its capacity to attract additional foreign investment in the textile sector. In response, in late 1993, the GoT adopted the New Investment Incentives Code. As far as IDIs are concerned, the regulatory framework has been improved to encourage export-oriented activities in order to offset the excessive concentration of foreign investments on the energy sector, and to favour the settlement of labour-intensive industries. Sadly, neither the overall configuration of IDIs in Tunisia, nor their dynamics and geographical origins, have been changed by these additional incentives.

In fact, foreign investment in the energy sector accounted for an estimated 90 per cent of global investment in 1993. In 1997, this share decreased slightly.²⁰ Figure 5.1 presents an illustrative overview of how foreign investments in Tunisia have been largely determined by the importance of IDIs in the energy sector.

Between 1972 and 1994, foreign investment reached two peaks. The first one (1980-82) was due to large-scale investments made by foreign investors in the reinforcement of the exploitation of the El-Borma and offshore Ashtart oil fields, together with the state-owned *Entreprise Tunisienne d'Activités Pétrolières (ETAP)*. The second peak, represented on Figure 5.1, stemmed not only from the exploitation of a new offshore gas deposit called *Miskar*, in which the Houston-based American subsidiary of British Gas invested US\$ 600 million in June 1992,²¹ but also, from the existence of additional exploration incentives, which were introduced in 1987 by the Tunisian government, with a view to both discovering other unexplored reserves and to sustaining large-scale foreign investments in the energy sector.²²

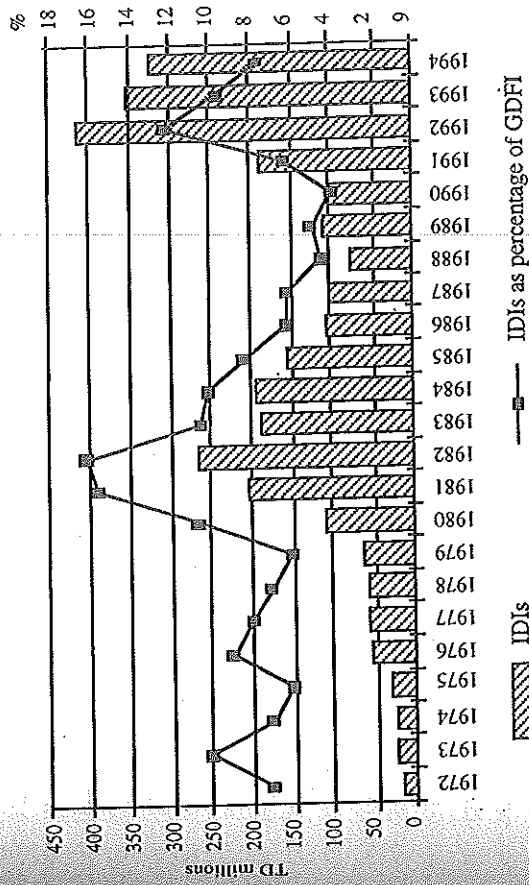


Figure 5.1 Flows of IDIs in Tunisia as percentage of gross domestic fixed investment (1972-94)

Source: Tunisian Central Bank, and Ministry of Foreign Investment and International Cooperation, April 1997.

Owing to the predominance of foreign investments in the energy sector, IDIs in the Tunisian manufacturing industries slightly contributed to the overall upward trend in foreign investments, which occurred between 1990 and 1992 (see Figure 5.1). Although foreign investment in the manufacturing industries went from TD 13 million in 1987 to TD 51 million in 1994, it accounted for only 13 per cent and 15 per cent respectively of the global inflows of foreign investments in Tunisia.

Importantly, 73 per cent (i.e., 635 firms) of the overall number of foreign manufacturing firms created between 1972 and 1994 (i.e., 861), were set up between 1987 and 1994. These were primarily small and medium-sized business concerns, originating mostly in France, Italy, and Germany. The high concentration of operative foreign firms in the manufacturing industries since the late 1980s is represented in Figure 5.2.

This phenomenon would seem to be caused by the accumulation of three factors. Firstly, this period of time coincides with the emergence of new patterns of regional delocalization in the Mediterranean, which have been recently observed by Agnès Chevallier and Gérard Kébabdjian. According to these

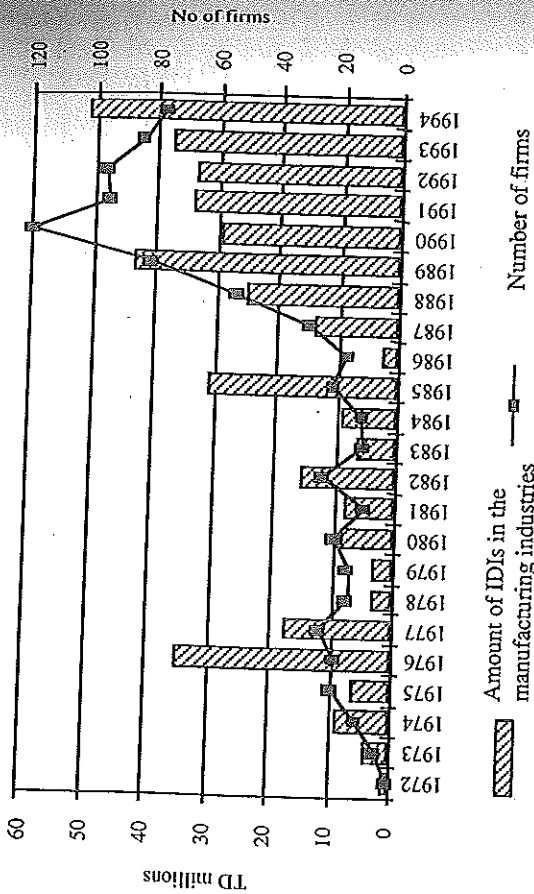


Figure 5.2 Amount of IDIs in the Tunisian manufacturing industries (1972-94)

Source: Internal documents, Ministry of Foreign Investments and International Cooperation, April 1997.

analysts, there has been a shift from standardized and rigid forms of delocalization, based on cheap labour costs, to flexible networks of production, based on skilled labour and on more complex forms of subcontracting partnerships, adapted to constant changes in demand.²³ Secondly, with specific interest to the institutional context in Tunisia, the introduction of the 1987 Industrial Investment Code, and the ensuing 'freedom to invest',²⁴ whereby obtaining the licence (or *agrément*) from the Agence de Promotion de l'Industrie (API) was substantially facilitated, certainly had a strong impact on the flows of IDIs to Tunisia, for it confirmed the liberal orientations of the country, and reinforced its attractiveness. Thirdly, in the late 1980s a number of source European countries, needing to contain their own production costs, look to the west Mediterranean basin for alternative cheap labour. Italy is a case in point. As some Italian manufacturing firms were no longer able to cope with increasing production costs, the need for delocalization and subcontracting became stronger.

The predominance of European IDIs Since the early 1990s, France and Italy have constituted the main European countries from which inward direct

investments originate. France's participation has, since 1972, been by far the most important. Since the late 1980s the flow of French IDIs to Tunisia has been mainly sustained by a series of bilateral partnership protocols, such as the 'Bérégovoy credit line', for a global amount of FF530 million.²⁵ The main purpose of these protocols, which involve the Tunisian Central Bank and the Caisse Française de Développement, has been to promote the creation or extension of small and medium-sized French-Tunisian joint ventures, whether these were resident or not.²⁶

Through the six protocols, signed between 1989 and 1995, 85 investment projects were carried out in Tunisia, including 61 in the manufacturing industries, ten in the services, five in tourism, and nine in agriculture.²⁷ It has to be said that these figures do not show whether such investments were made in the context of the creation or the extension of joint ventures still operating in Tunisia. French IDIs are primarily concentrated in the banking and insurance sectors rather than the energy sector. France is also the largest foreign investor in the manufacturing sector, above all, in the clothing, textile, and leather industries. No official statistical data were available to evaluate the extent to which the 328 French joint ventures which existed in 1995 in the Tunisian manufacturing industries, financially benefited from the aforementioned protocols. Nonetheless, some analysts have denounced the premises of such protocols with Mediterranean third countries, arguing that they favour 'heavy, centralized projects, often very expensive and sophisticated',²⁸ which turn out to be monopolized by large firms.

In the late 1980s, just like France, Italy reinforced its programme of bilateral cooperation with a view to promoting the creation of joint ventures.

Following the settlement of fishing dispute between Italy and Tunisia, a cooperation agreement was signed to encourage the development of Italian joint ventures, mainly in the Tunisian manufacturing industries. As suggested before, owing to the increase in production and labour costs in the Italian manufacturing industries, some investors started to delocalize a part of their production to Tunisia, while taking advantage of the scope of the newly promoted bilateral agreement.²⁹ Few data are available concerning the impact and allocation of the US\$ 350 million and US\$ 150 million which were respectively granted and donated to Tunisia in 1988. However, the former Italian Ambassador to Tunis declared, seven years later, that the 1988 financial cooperation agreement between Tunisia and Italy did not meet the expectations of either party, for the funds could not be allocated to economic actors, owing to 'long bureaucratic procedures'.³⁰

Despite the inefficiency of the aforementioned cooperation agreements, Italy has become, since the early 1990s, the second trading partner and investor in Tunisia. After the fashion of the 'Bérégovoy credit line', Italy proposed a revamped version of cooperation which took the form of a US\$ 60 million credit line. The main objective was to make funds available to private investors within a maximum period of two months, as opposed to two years under the previous cooperation agreements. Moreover, since 1995, in an attempt to promote financial transparency, Italian non-state agencies have been involved in the technical evaluation and financial allocation of resources.³¹ This revamped approach to international cooperation was responsive to the large-scale legal investigations which occurred in the early 1990s in the Italian political circles. Its aim was to rationalize the allocation of loans to private investors, not only by fixing a maximum amount of US\$ 3 million for each project, but also by creating additional safeguards against corruption and embezzlement.³²

The international cooperation agreements which have been signed between Tunisia, on the one hand, and France and Italy, on the other, since the late 1980s have, as it were, constituted the lifeline of cross-border social and economic networks. As stated in the general introduction of the book, cross-border social and economic networks are reactive to structural changes, at domestic and international levels. Such networks evolve in the wake of liberal reforms and reinforced patterns of economic liberalization. This means that they could not have emerged if the GoT had not promoted the 'freedom to invest', in its 1987 Industrial Investment Code, and reinforced economic openness, at domestic and international levels. The approach to the configuration of foreign investment in Tunisia allow the international structures of cooperation in which the initiatives of the *New Entrepreneurs* and their European partners are situated to be highlighted.

Attention has now to be paid to the structural constraints and market uncertainties, and to the strategies for survival that the *New Entrepreneurs* have elaborated with a view to responding to these constraints in Tunisia.

The persistence of constraints In addition to their contribution to employment and technological transfers, the inflows of direct investment tend to be increasingly viewed as indicators of political and social stabilities, as well as of modernity, in host developing countries. The GoT has been aware of these correlative effects, which symbolically constitute an external source of legitimacy. The Foreign Investment Promotion Agency (FIPA, or Agence de Promotion des Investissements Extérieurs, APIE), as well as the Ministry of

Foreign Investment and International Cooperation, which were created in 1995 and 1992 respectively, have played a key role in promoting abroad the policies of economic development and openness. These initiatives are illustrative of the GoT's awareness that the inflows of foreign investment could no longer be exclusively guaranteed by foreign investors' economic interests, but also, required a level of credibility in economic reforms and in the Tunisian institutional environment. Tunisia's diplomatic representations in Western European countries have also been involved in this process of trust-building.³³

However, it has to be said that, while the 1993 New Investment Incentives Code (NIIC) crystallized and extended most of the liberal measures which were put forward in the 1987 New Industrial Code, the centrality of the state has remained untouched. The fact that more than 70 per cent of foreign investment is concentrated in the Tunisian energy sector, and that most of the foreign firms operating in the manufacturing industries are exclusively export-oriented, illustrate the limitedly attractive policies aimed at promoting foreign investments.

In other words, foreign investments have also been subject to the top-down framework of participatory development that was examined in the preceding chapter.

Tunisia's FDI flows have grown in the 1990s, primarily as a result of investments in the energy sector. Investment flows to other activities have been very low and stable since 1990, partly reflecting reservation of investment licensing to the state in such potentially attractive areas as chemicals, cement, mining, electricity, and telecommunications [...] Many service and infrastructure sectors, such as telecommunications, tourism, computer services and information technology remain subject to prior approval.³⁴

Indeed, in accordance with article 3 of the NIIC, if the participation of foreign firms exceeds 50 per cent of the firms' capital, the investments of the joint venture are subject to the prior approval of a formal institution called the Commission Supérieure des Investissements. Such a legal prerequisite demonstrates, as Karlgerd Quinck pointed out, that the 'principle of non-discrimination' between national and foreign investors, on which the NIIC is officially premised, should be qualified.³⁵

Despite the adoption of two consecutive liberal investment codes, foreign investment seems to be viewed as a competitive threat to the domestic structures of the national economy, and not as a potential means of enhancing quality production and transfers of technologies. The lack of spillovers between the offshore and the onshore private sectors remains a case in point. IDIs

have, in fact, been contained in a legal and institutional framework which has not changed substantially since the late 1980s, and which, possibly, finds its roots in the desire of the GoT to secure 'the alliance between economic growth and social stability', while guaranteeing its own centrality and guidance.

Large investment projects have been primarily favoured in Tunisia, and sustained by the nature of the bilateral cooperation agreements signed with European countries. Owing to the close participation of formal institutions, financial resources have tended to be channelled and selectively allocated to large-scale projects, in the energy and manufacturing sectors. Tunisian large firms have benefited from such investment inflows, so much so that they are viewed by Faouzi Dhemaïed, head of the FIPA, as the 'most appropriate carriers of foreign investments'.³⁶ The growing interest of the GoT in the promotion of foreign investment, through the intermediation of Tunisian large groups of firms, can be better understood with reference to the *rapprochement* between the 'Captains' of the Tunisian manufacturing industries and the state, which was analysed in the preceding chapter.³⁷ Moreover, foreign investment does not only constitute a source of technological and financial transfers, but also a strategic resource, which may make foreign investors' home governments more sensitive (or committed) to 'the maintenance of economic and political stability in the country in which their investment is sunk'.³⁸

Contemporaneously, there is no question that the GoT is intent on maintaining its control on the development and expansion of foreign investment, and on making economic openness more manageable, while reinforcing its interference in the assessment of potentially competitive investment projects, which could challenge the oligopolistic structures of the economy. The high degree of compartmentalization between the offshore and onshore private sectors, which was referred to as the dualism of the Tunisian private sector, also finds its roots in a specific institutional context. Such a context tends to externalize the activities of foreign firms, while making their potential access to domestic markets highly determined by structural and legal hindrances, or by the 'favourable' treatment of the Tunisian administration.³⁹

In accordance with decree 94-78, dated 17 January 1994, offshore business companies were entitled to sell up to 20 per cent of their export turnover to the domestic markets. However, this provision was hindered by complex administrative and customs procedures. In February 1997, the GoT abrogated decree 94-78, and introduced new measures which were supposed to facilitate the access of offshore business concerns to the domestic market.⁴⁰ Since then, customs clearance procedures have been simplified. However, by law, the new decree is still based on the provisions of articles 16 and 17 of the

1993 NIIC, which stipulate that 'sales made and services rendered on the local market by offshore companies [...] are subject to the foreign trade procedures and regulations and to the payment of customs duties and other taxes on imports'.⁴¹ It appears that the maintenance of high tariff trade barriers (see chapter three) allows the improved access to domestic markets, which is put forward in the aforementioned new decree, to be qualified.

Moreover, just like their local counterparts, foreign investors may be faced with lengthy administrative and customs procedures. Further investigations are needed to know whether such constraints are uniformly perceived by all foreign investors. It is, in fact, likely that small and large-sized foreign firms entertain different relationships with the state administration. By the same token, these may differ according to the sectoral activities of foreign investors. However, the survey conducted by Page and Underwood of 124 foreign firms established in Tunisia confirms that, on an average, problems '[related to] the application of regulations and absence of systematic transparent treatment by public officials' constitute the main hindrance to the entrepreneurial activities of foreign investors.⁴²

Stressing the characteristics of the institutional and legal frameworks in which foreign investment has developed since the late 1980s is crucial to show that the drive to increased economic openness does not necessarily lead to an erosion of state interference in the economy and that the state capacity to channel the potential impact of foreign firms' competitiveness on the domestic economic structures remains critical. What is also apparent from the above is that the top-down management of the economy has been somewhat solidified by the symbolically legitimizing effects stemming from the inflows of foreign investment and external financing. Thanks to this external source of legitimacy, the GoT has gradually introduced its own liberal choices, while undermining any form of opposition or dissent at the domestic level. It is likely that unpopular measures, such as the revision of the labour code which introduced job flexibility,⁴³ as well as the general application of value-added tax (VAT),⁴⁴ could not have been implemented, if the GoT had not legitimized its policy choices in the context of the 'necessary' drive to economic liberalization (see chapter three).

It is necessary to describe the configuration of foreign investments in Tunisia, as well as their institutional and legal contexts, in order to understand the lifeline of cross-border social and economic networks. Such networks do not evolve in a vacuum: their dynamics are embedded in a set of contextual or environmental elements whereby market opportunities may arise, together with institutional constraints; their dynamics are also reactive to changing

circumstances, at domestic and global levels, and constantly adapt to the characteristics of their environment.

The examined networks here have arisen since the late 1980s, at a time when the GoI chose to reinforce its open-door economic policies, and following a change in the structure of trade. A new regional economic conjuncture emerged, characterized by a series of bilateral cooperation agreements which generated various patterns of industrial delocalization and business partnership. Foreign investment in the manufacturing industries, although accounting for a tiny share of global IDIs in Tunisia, cannot be viewed as a homogeneous construct, in terms of resource mobilization, strategies for survival, and relationships with formal institutions. With reference to the typology developed in the second chapter of the book, the variety of the alliances with foreign capital was demonstrated, while laying emphasis on the atypical patterns of resource mobilization of the *New Entrepreneurs*.

However, arguing that the entrepreneurial activities of the latter are embedded in the dynamics of cross-border social and economic does not suffice to understand their working and the extent to which they have been influential on the choices and initiatives of the *New Entrepreneurs*. We need to know how such networks have been reactive to the opportunities and constraints associated with their environment, while paying the way for the emergence and maintenance of what is referred to as the *New Entrepreneurship* in Tunisia.

5.2 The *New Entrepreneurship*

The *New Entrepreneurship* does not only refer to patterns of entrepreneurship based on the mobilization of external resources (i.e., market information and financial resources), and on the diversification of business activities; nor does it pertain solely to the 'alertness' (Kirzner, 1992) of economic actors, as was demonstrated in the preceding chapters; nor does it stem from the top-down framework of participatory development, adopted by the GoI, although its emergence remains contingent on the liberal reforms that have been reinforced since the late 1980s. Rather, the *New Entrepreneurship* can be viewed as the concrete illustration of convergent initiatives shaped and maintained by alliances with foreign partners, in the context of cross-border social and economic networks.

With reference to the interviews with the *New Entrepreneurs*, this new pattern of entrepreneurship in Tunisia is characterized by actors who keep a low profile and who try to limit as far as possible the interference of Tunisian

formal institutions in their business activities. This argument was empirically illustrated in the third chapter, while explaining, from an economic point of view, that the resources obtained from formal institutions would turn out to be redundant, compared with those provided by cross-border social and economic networks. However, at this stage of the research, it is important to highlight that the *New Entrepreneurs'* low profile may also stem from the relational compactness which feeds cross-border social and economic networks, and which would be weakened, or jeopardized, if such networks were incorporated in other types of structures, above all when these involve formal institutions.

Undeniably, the cross-border social and economic networks in which the *New Entrepreneurs* and their foreign partners are involved remain highly sensitive to situational factors. In a context of controlled economic openness, which fosters the overriding centrality of the state and its institutions of governance, keeping a low profile does not necessarily demonstrate that the *New Entrepreneurs'* network embeddedness overlaps in a conflicting manner the activities of formal institutions. Rather, the *New Entrepreneurs'* low profile may stem from their awareness of the fact that the continuous flows of informational and financial resources, from which they benefit, through their involvement in cross-border social and economic networks, could be viewed as being at odds with the centrality of the state, while arousing official suspicion. The 1993 BIAT case, which was analysed in the preceding chapter, is emblematic of this.

The *New Entrepreneurship* that we seek to analyse in this section results from the consolidation of long-standing face-to-face relationships between actors; such relationships antedate the materialization as well as the maintenance of the business partnerships in which the *New Entrepreneurs* participate, and find their roots in their past experiences of migration in Europe. Finally, *New Entrepreneurship* appears to be contingent on the dynamics of cross-border social and economic networks, which are in turn receptive to changes in their institutional environment.

More importantly, with reference to the foregoing analysis, it clearly appears that cross-border social and economic networks do not involve transnational actors, as defined by Thomas Risse. The editor of *Bringing Transnational Relations Back In* provides a fruitful definition of transnational actors, which includes multinational corporations and international non-governmental organizations. Such actors 'seek to influence policies, mainly state behavior in the foreign policy arena ... [and] aim to change policies in various issue-areas'.⁴⁵ Risse views transnational actors as being 'purposeful

in the sense that they attempt to achieve specific political goals in the 'target' state of their activities'.⁴⁶ According to the international relations scholar, 'in order to affect policies, transnational actors have to overcome two hurdles. First, they have to gain access to the political system of their "target" state. Second, they must generate and/or contribute to "winning coalitions" in order to change decisions in the desired direction.'⁴⁷ The extent to which transnational actors succeed or fail to affect policies depends not only on the centralization of the political system of the 'target state', but also on the degree of institutionalization of interstate relationships, through international agreements.

Since the seminal book co-edited by Robert Keohane and Joseph Nye, scholarly approaches to transnational networks and interactions have been legion. Scholars in transnational relations have focused extensively on the need for a broader 'world politics paradigm' in international relations, which could include any actor who 'attempts to exercise influence across state boundaries and possess significant resources in a given issue area'.⁴⁸ Another approach to this issue is put forward by Gregory Nowell and encompasses the two aforementioned definitions of transnational activities.

In an attempt to question the realist approach to international relations, Nowell's theory of 'transnational structuring' assumes that 'international corporations pursue political objectives simultaneously in many countries',⁴⁹ while using state power as a resource. By forming lobbies and interest groups, such corporations (e.g., groups of oil companies) gather resources which are significant enough to influence 'the ability of states to compete in the realist sense of the term'. The main thrust of Nowell's argument seems to lie in questioning the relative autonomy of states, in terms of power and decision-making, which is traditionally advanced by the realist (or state-centred) approach to the world system. Nonetheless, viewing the state as a resource used by international corporations remains problematic, for this stance implicitly argues that domestic institutional environments do not have an essential bearing on the strategies developed by international corporations. Consequently, Nowell's stance appears to be at variance with the assumptions formulated by Risse, since the latter observes with reference to specific empirical cases that 'domestic structures mediate, refract, and filter the policy impact of transnational activities'.⁵⁰

In the field of international migrations, some scholars have also adopted the transnational terminology. However, this terminological borrowing lies more in highlighting the way geographically dispersed groups of migrants 'feel linked to one another by their common place-of-origin and their shared

religious and social ties',⁵¹ than in analysing the *political* impact – at domestic and international levels – of transnational migration communities on sending or receiving countries. Moreover, the transnational approach to international migrations tends to view the action of migrants as the direct outcome of their belonging to their own (dispersed) migrant community. In-group solidarity and resources are defined with reference to the transnational community (or *diaspora*) in which their initiatives are embedded. In the same vein, as far as migrant trading networks are concerned, some scholars have borrowed the same transnational terminology while laying emphasis on the ethnic and cultural basis which characterizes the dynamics of such trading networks.⁵²

Admittedly, this brief overview does not do justice to the wide variety of scholarly writings which focus on the study of transnational activities, whether such phenomena are empirically or theoretically analysed.⁵³ Nonetheless, in the context of this research, it allows the central argument of this study to be clarified.

Indeed, on the one hand, whereas transnational networks refer to groups of actors (e.g., non-governmental organizations, multinational corporations, human rights groups) who seek to influence politics in a specific 'target state', cross-border social and economic networks have no political objectives or strategies included in their range of activities. On the other hand, whereas transnational networks are organized at the level of the group (e.g., migrant communities, ethnic group), cross-border social and economic networks focus on the actor himself, and on the extent to which his personal involvement in such networks has shaped and provided for the maintenance of his entrepreneurial initiatives.

Finally, as will be shown in the development of the next section, the cross-border social and economic networks in which I am interested are intentionally created and selectively organized. Consequently, in contrast to transnational networks, access to the resources provided by cross-border social and economic networks does not stem from the commonality of attributes (such as religion and ethnicity); rather, their maintenance requires long-standing interpersonal relationships, as well as the regular exchange of mutually valuable items between actors. This pattern of exchange is maintained thanks to the circularity inherent in such networks, which is analysed at the end of this chapter.

Admittedly, just like transnational relations, cross-border social and economic networks are based on the maintenance and recurrence of linkages across national boundaries, among 'people who know and trust each other'.⁵⁴ However, cross-border social and economic networks differ from transnational relations, in terms of organizational patterns, goals, and configuration. This

argument will be illustrated in the next section, as a prerequisite to delving into the formation and maintenance of such networks.

5.3 The Configuration of Cross-Border Social and Economic Networks

New Entrepreneurship relates to economic and social actors whose market opportunities and strategies for survival are embedded in

a specific type of relation linking a defined set of persons, objects, or events [...] The set of persons, objects, or events on which a network is defined may be called the actors or nodes. These elements possess some attribute(s) that identify them as members of the same equivalence class for purposes of determining the network of relations among them.⁵⁵

The definition of David Knoke and James Kuklinski emphasizes the need to consider the relational content of network ties that underpins the network structure to which actors, namely the *New Entrepreneurs*, belong.

5.3.1 The Meaningful Dimension

The *New Entrepreneurs* volunteered little information about the ways in which the 'acquaintances', the 'personal contacts', the 'friends', and the 'address book' they mentioned during their interviews, contributed to the maintenance of their entrepreneurial activities in Tunisia. Nonetheless, all of them discussed extensively the impact of their cross-border networks of social and economic relationships on the survival of their firms, in terms of market information and financial resources.

In fact, in the wake of the New Institutionalists, it is important to lay emphasis on 'the ongoing systems of social relations' in which the initiatives of the *New Entrepreneurs* are embedded, while pointing out, in the words of Mark Granovetter, that 'actors do not behave or decide as atoms outside a social context, nor do they adhere slavishly to a script written for them by the particular intersection of social categories that they happen to occupy'.⁵⁶

Furthermore, it is even more important to recognize that actors confer a subjective meaning to their embedded actions, in a given context. Such a meaning may vary with two interrelated factors, namely the type of exchange value, and the position of the *New Entrepreneur* in the network structure.

The exchange value In the views of exchange theorists, whether they are material or symbolic, ties or relations refer to a process which may include the exchange of what Karen Cook and J.M. Whitmeyer call 'valued items'.⁵⁷ For both scholars, actors participate in exchange relations which form and reinforce, in turn, a 'social structure'. The interaction occurs because of the exchange value of items that has been transferred. Hence, in the exchange theory, 'network ties consist of exchange relations of valued items, and what matters causally is the exchange value (i.e. due to actors' interests) of the items exchanged'.⁵⁸ In the context of this research, the value of the (symbolic and material) items exchanged between the *New Entrepreneurs* and their foreign partners must be taken into account to capture the way in which the former perceive their network-involvement. The way in which valued items are influential on the subjective meaning that the *New Entrepreneurs* confer to their involvement in cross-border social and economic networks is clear in the interview with Selim.

Selim became a consultant and set up his Tunis-based firm, in 1993, which employs two people, following a seven-year stay in Paris where he had completed his *maîtrise* in computer science and worked for a private business concern. Selim's firm results from a partnership with an Italian investor whom he met in the context of a private association:

I knocked about for a few years when I was in France. I worked for [a leading French firm in the computer industries] which allowed me to know lots of people [...] Some of them were also members of [the aforementioned private association]. I met [my partner] in the context of this association. [He] told me about his desire to invest in Tunisia. Well, one thing led to another and we decided to set up [the consulting firm] in 1993, in order to respond to the lack of information with which foreign investors are faced in Tunisia. The traditional institutions don't succeed in responding to this lack of information. [My firm] has become gradually famous abroad for facilitating arrangements between Tunisian and foreign entrepreneurs (June 1996).

Selim explicitly accounted for the success of his firm by emphasising his own capacity to overcome market uncertainties and to offer services which allow transaction costs to be reduced. It could be argued that the main exchange value stemming from Selim's entrepreneurial activities, namely market information, has made his network involvement meaningful, for it contributes to stimulating exchanges between the actors of the network structure. These elements confirm the fact that networks may be based on the principle of 'complementarity', introduced by Edward Laumann, Joseph Galaskiewicz

and Peter Marsden, and which pertains to 'cases where there is a scarcity of resources [...] are conducive to an exchange framework, the products of one organization in the network are resources to another'.⁵⁹ More specifically, 'complementarity' may occur in a situation where actors, who differ from one another in terms of access to resources, personal characteristics and ascribed attributes, decide to enter in a partnership which will be beneficial to both parties.

All the case studies regarding the *New Entrepreneurs* are illustrative of the effects of 'complementarity'. As a whole, their entrepreneurial partnerships result from the evaluation, the combination, and the dynamic exchange of complementary resources. Salah's entrepreneurship is a case in point. The export-oriented textile firm he has been managing since 1991 is wholly owned by the foreign investor with whom Salah formed a partnership. Salah's partner, a French textile manufacturer, financially sponsored the entrepreneurial project, which consists in producing a specific quality of denim trousers. As a *New Entrepreneur*, Salah credited the creation of his offshore factory, which employs 130 workers and is equipped with high tech textile machinery, to his personal *savoir-faire* in the field of chemistry, on the one hand, and to the fact that he has maintained 'good contacts' in France, thanks to which he could meet his *parrain* (i.e., mentor), on the other. The extent to which the *New Entrepreneurs* view their own resources as being complementary to those of their 'mentors' seems to influence the way in which the respondents perceive their participation and action in the context of cross-border social and economic networks.

In-between-ness and centrality Similarly, complementarity also refers to the 'discovery' of resources, as Israel Kirzner would argue, which do not necessarily lie in the *savoir-faire* of the *New Entrepreneurs*; but rather, in their ascribed capacity to deal with different institutional, cultural and economic frameworks, namely, in their *in-between-ness*. Monceur's case study appears to be emblematic of how a *New Entrepreneur* can succeed in capitalizing on his *in-between-ness*, by mediating the flows of resources between two distinct network structures of relationships and economic exchanges.

Since 1991, Monceur has been running in Tunis an international trade company, which materialized thanks to his intermediation. More precisely, Monceur succeeded in mobilizing linkages between Marseilles, where he earned a degree in economics, Tunisia, where he decided to set up his trade company, and Algeria, where most of his relatives live. The entrepreneurial activities of Monceur clearly overlap the various patterns of relationships

which he has maintained in this geographically extended area. The maintenance of such linkages has not only provided for the survival of his firm, in terms of financial and informational resources, but has also reinforced the central position of Monceur in a cross-border network structure, which partly owes its existence to his ascribed characteristics, his past experience of migration, and environmental conditions. It could also be argued that Monceur's centrality in the aforementioned global network structure of cooperation and exchanges has contributed to rendering his own involvement meaningful and consequential.⁶⁰

Note that, in the empirical case of Monceur, as well as in the cases of most *New Entrepreneurs* interviewed, access to external resources does not automatically weaken the cohesiveness of a social structure. On the contrary, it is possible to consider that the overlapping and the interconnectedness of two patterns of social relationships may turn out to be beneficial to both social structures, while strengthening their respective characteristics, as well as the centrality of the *New Entrepreneurs* themselves. The latter are social and human actors who evolve in various patterns of relationships but do not necessarily limit their resources and opportunities to their own social structures of relationships; they may sometimes have to externalize their activities.

Importantly, it should be stressed that *in-between-ness* is not necessarily conducive to centrality, for the former pertains to the instrumental use of the aptitude of the *New Entrepreneur* to deal with market uncertainties and environmental constraints, while the latter refers to a certain degree of identification with his current entrepreneurial activities, owing to the successful investment of his competencies in the activities of the firm.

The meaning that an actor attaches to his involvement in networks may vary with his position in the network structure. Networks have ramifications which can be central or peripheral, and, hence, more or less receptive to network meaningfulness. In other words, the actor's position in a network structure may have a certain bearing on the meaningful content that he attaches to his network involvement. The more central the position of an actor, the more important his 'role-set', namely 'all those persons with whom an actor has direct relations',⁶¹ and the more meaningful his network involvement.

Determining the position of a *New Entrepreneur*, as well as his role-set, appears to be highly problematic, for it requires the delimitation of the whole global network structure in which his activities are embedded. Nonetheless, the centrality of an actor's network position may also stem from his personal (and subjective) understanding of the linkages which he has maintained with his European partner, in the context of his entrepreneurial activities. More

precisely, this implies that network meaningfulness may vary with the perception of the actor's position in the network structure. With reference to the sample of interviews with the *New Entrepreneurs*, some actors viewed themselves as being fully-fledged participants in cross-border social and economic networks, who could mobilize multifarious resources from the 'address book' they have maintained, following their past experiences of migration in Europe. Others, on the contrary, perceived their network activities as being primarily instrumental and dependent on the forces of circumstances. The interview with Rafik is a case in point.

When asked about the reasons for which he set up his business concern, Rafik stressed the fact that he had been solicited by his Italian partner who, according to him, was more interested in his ability to deal with institutional uncertainties (e.g., customs procedures) than in his own personal competencies:

[My Italian partner] knew that I was familiar with clearance procedures in Tunisia, not only because I studied economics, but also, because my father was a customs officer. You know, it makes things easier (Rafik, June 1996).

Rafik's understanding of his partnership with his Italian investor is based on an instrumental vision. This vision has undoubtedly influenced the nature of the partnership. Although Rafik's past experience of migration in Italy was crucial to the materialization of his entrepreneurial activities in Tunisia, in contrast to most *New Entrepreneurs* interviewed, Rafik's entrepreneurial activities were motivated more by his Italian partner's solicitation than by Rafik's personal commitment to participating in a business partnership. It is important to underline this nuance which may have shaped the extent to which Rafik understands his own participation in the entrepreneurial partnership and, by the same token, his position in the network structure.

Network relationships can be based on the principle of 'the similarity of goals', which leads to 'a commonality of interests and hence interorganizational linkages'.⁶² However, such a commonality of goals is not automatically conducive to membership which requires other elements of paramount importance for the formation and maintenance of networks.⁶³ Moreover, the analysis of the way in which he perceives his network embeddedness cannot be accounted for with exclusive reference to shared common interests.

In order to grasp the meaningful dimension of the *New Entrepreneurs'* involvement in cross-border social and economic networks, one must consider their in-betweenness and subjective centrality. One must also take into account the extent to which complementarity has been crucial to the materialization

of their business partnership. However, the *New Entrepreneurs'* awareness of their network involvement can also be defined with reference to the fact that their own patterns of partnership and management generate a form of intellectual ambience; a distinctive element that the *New Entrepreneurs* like cultivating.

Distinctiveness Most of the *New Entrepreneurs* interviewed did not only view themselves as being marginal or different, with regard to their local counterparts, but also more capable of understanding of their European partners' expectations. This element is far from being irrelevant, for it certainly shapes their feelings of belonging to an entity – in the words of Weber, *Zusammengehörigkeit*⁶⁴ – which generates not only mutual understanding and conveys referents, but also delimit the boundaries of the social and economic networks in which actors are involved. Together with the afore-mentioned exchange of valued items, such referents are at once embedded in and conducive to a distinctive self-image, which finds its roots in the *New Entrepreneurs'* past experiences of migration.

During their interviews, most of the *New Entrepreneurs* stressed the flexibility of their firms, as well as their specific patterns of gathering information and discovering market opportunities. Their firms react quickly to change in markets, economic policies, and environmental conditions, as was demonstrated in the third chapter of this book.

The cross-border social and economic networks in which the *New Entrepreneurs'* activities are embedded provide not only for business flexibility and informational resources, but also for what James Coleman has called a 'psychic income'.⁶⁵ The 'psychic income' constitutes a form of personal investment of sympathy towards a 'recipient', namely, in the context of this research, towards the partner or 'mentor' of the *New Entrepreneur*. The 'psychic income' represents a fruitful analytical tool inasmuch as it allows the feeling of distinctiveness of the *New Entrepreneur* to be highlighted. Indeed, taking into account Coleman's 'psychic income' also represents a way of showing that cross-border social and economic networks do not only stimulate informational exchanges but generate some patterns of identification which may influence the self-images of the *New Entrepreneurs* interviewed.

Moreover, distinctiveness is part and parcel of a process of identification that seems to underlie the various meanings that the *New Entrepreneurs* attach to their network embeddedness. Distinctiveness manifested itself in different ways, and to various degrees, during the interviews with the *New Entrepreneurs*, who subjectively viewed their atypical characteristics as being

the offshoot of their long-standing past experiences of migration (and learning) in Europe, and of their current entrepreneurial strategies aimed at providing for the maintenance of their firms:

I'm a very well-informed person, thanks to my wife who works for [an] embassy in Tunis. They are informed about everything: international trade opportunities and so forth. Within a quarter of an hour she tells me if we can take advantage of any kind of opportunity. We are very flexible. I know I'm quite different from my colleagues, I'm not normal and, on top of that, I married a [non-Tunisian] woman [...] (Maruan, October 1996).

Other interviewees expressed their distinctive characteristics and referents which arguably served as a basis for their choices and decisions:

Before the electoral campaign,⁶⁶ they asked us to contribute to the financing of the President's campaign. I refused. First, I didn't really understand the political risks of Ben Ali. Second, I didn't know against whom we had to support him. The results of the game were already fixed. One day, I was surprised to see, in the streets of Tunis, the face of one of my Tunisian colleagues on a big poster. At the bottom, there was a slogan in favour of Ben Ali. I was surprised, but, at the same time, I understood. At least, I know that this guy opted for a long-standing immunity. Anyway, as long as Ben Ali is president, nobody will bother that guy with continuous tax controls. He's what I call a 'successful entrepreneur'.

Is there another type of entrepreneur?

There is the 'ideal entrepreneur', namely the one who does business because he wants to develop markets and networks, whether he has to rely on informal or formal means; anyway, one day or another, everything becomes more or less informal. The 'ideal entrepreneur' should also combine the knowledge of the local market with the need for information on the part of foreign entrepreneurs. He has to show that a Tunisian entrepreneur is as worthy as a European entrepreneur. The economic market also includes this kind of relationship [...] It's so funny to see a Western entrepreneur filled with wonder when he looks at a Tunisian entrepreneur who is at once fascinated by Verdi and Suleymiyah⁶⁷ (Selim, June 1996).

The analytical relevance of the above excerpt lies more in stressing the way in which the *New Entrepreneurs* tend to distinguish themselves from their local counterparts than in knowing whether the 'ideal entrepreneur' remains an ideal-type or an empirical reality. In the context of this research, distinctiveness not only illustrates the subjective awareness of the actors

involved in cross-border social and economic networks, but also indicates this desire to be part of communal social relationships that contemporaneously delimit the boundaries of the network (between those who are in and those who are out), generate mutual understanding, and secure the survival of their firms.

Finally, the *New Entrepreneurs'* desire for distinctiveness sheds light on their unwillingness to form business partnerships with their Tunisian counterparts, which was mentioned in the third chapter. It was stressed that these economic actors viewed themselves as being more demanding than their local counterparts regarding the quality of service and the need for rigour at work. Now it is possible to elaborate on these findings while arguing that this argument is partly explanatory of their unwillingness to form partnerships with their local counterparts.

In fact, cross-border social and economic networks not only provide resources, but also convey values and referents, which lubricate transactions and make the involvement of the *New Entrepreneurs* meaningful. Alejandro Portes and Julia Sensenbrenner call this type of economic action 'value introjection'. Economic action is understood within a collectivity, the expectations of which 'affect the economic goals and goal-seeking behaviour of its members, even if these expectations are not oriented toward the economic sphere'.⁶⁸ Financial and informational resources, mutual expectations, and values are mutually dependent variables which confer a meaning to cross-border social and economic network embeddedness, and which find their roots in the *New Entrepreneurs'* past experiences of migration.

Clearly, when analysing the configuration of cross-border social and economic networks, attention has to be paid to the meaningfulness for actors of being involved in network structures. In the same vein, their perceived position in the patterns of partnerships seem to have a certain bearing on the extent to which these actors subjectively identify themselves with their networks of social and cooperative relationships. In other words, there exist as many degrees of network embeddedness as there are various types of relational contents.

Moreover, from the interviews with the *New Entrepreneurs* it emerges that the extent to which they feel that their activities are embedded in cross-border social and economic networks varies accordingly with their in-betweenness and their own perceived position in the network structure. Importantly, network embeddedness does not pertain to an over-socialized vision of economic action which presupposes, broadly stated, that a generalized morality in business could be a guarantee for moral behaviour. This conception would

correspond with Weber's 'rational orientation to an absolute value',⁶⁹ such as ethic or religion. Rather, the social action, and by the same token, the economic action, of the *New Entrepreneurs* is achieved as a result of the discovery of 'complementarity', which antedates the materialization of their business activities with their European partners, while stemming from long-standing relationships.

The importance of distinctiveness, identification, the exchange of 'valued items', and in-between-ness are all factors which, to various degrees, make the involvement of the *New Entrepreneurs* interviewed meaningful and selective. The focus on these variables supports the argument that there exist various patterns of *New Entrepreneurship*, which differ from one another owing to the actors involved in cross-border social and economic networks, but also, owing to the variety of 'psychic incomes' that the latter can draw on their network embeddedness.

There is a last common characteristic which was recurrently discussed by the *New Entrepreneurs* interviewed, although in vague terms. When asked to explain how their entrepreneurial partnerships materialized, most of them stressed the importance of trust; or rather, of being trusted. Actually, being trusted by their foreign partners was presented as another form of distinctive characteristic, a differentiating resource, which stemmed from their long-term experiences of migration in Europe.

Trust and regard In the context of this research, the consideration of trust implies two preliminary remarks. On the one hand, economic action involves actors who try to maximize their own profit, without necessarily being viewed as calculative or 'boundedly rational and opportunistic'.⁷⁰ On the other hand, in the wake of Granovetter's analytical stance, it is important to recall that the market place does not 'approximate a Hobbesian state of nature that can only be resolved by internalization within a hierarchical structure'.⁷¹ Actually, the *New Entrepreneurship* and its correlated elements (i.e., in-between-ness, 'valued items', 'psychic income') exemplify the social embeddedness of market transactions and confirm the need to go beyond the under-socialized rationalist approach to economic action.

Admittedly, the concept of trust varies according to the context and to the social position of the individual who confers trust or who earns it. Trust is, then, a polysemic word which needs clarifying each time it is used. The works of Diego Gambetta and Russell Hardin, confirm this problematic polysemy.⁷²

Whatever the definition or the degree of abstraction inherent in the usage of trust, this notion involves the person who confers trust, namely, the trustor,

and the one who earns it, namely, the trustee. This commonplace observation basically characterizes an interaction between at least two parties, which is expected to lead to the attainment of reciprocally beneficial ends. Without a prior interactive process, trust would not emerge. This does not mean that any interactive process generates trusting relationships. Trust appears central when one party (the trustor) expects his trustee to perform a given action, because the latter is viewed as reliable and trustworthy, because the trustee has good reasons (e.g., profit, prestige, personal commitment) to perform a given action in collaboration with the trustor, and because of the parties' common welfare and belief.

Admittedly, this account cannot illustrate the various patterns of trust which differ from one another in terms of behaviours, expectations, relationships, knowledge, norms, and settings. It does show that trust, while feeding interactive linkages and communication, does not only arise among actors because of their common interests, but also as a result of long-standing relationships, which have had a certain bearing on how the *New Entrepreneurs* perceive their own institutional environment and how *they want to be perceived by others*.

The purpose of this section is not to analyse the various trust-based patterns of relationships which have emerged between the *New Entrepreneurs* and their respective European partners. Rather, on the one hand, I seek to explain how the *New Entrepreneurs* whom I interviewed discussed and understood trust; and, on the other, in accordance with the aforementioned arguments related to distinctiveness, I try to demonstrate that they appear to be regard-seeking actors, who tend to associate trust with their own personal characteristics and ascribed attributes.

Just like networks, trust does not emerge in a vacuum, or spontaneously. Rather, trust has a temporal dimension, and needs, before its formation, familiarity. This argument is emphasized by Niklas Luhmann, who also pointed out that 'the modes of acquaintanceship, the capacity for truth, and the extent of the comprehensible complexity of what exists in the world vary according to the manner in which meaning and world are intersubjectively constituted'.⁷³ Trust, as a construct, is only possible in a familiar world and comes out of a learning process which requires time. This temporal dimension was discussed by some *New Entrepreneurs*, who viewed trust-earning as being the outcome of long-standing relationships, which antedated their return to Tunisia:

It is thanks to an Italian investor that I was able to set up this firm. I had no financial capital. He placed all his trust in me. He knows that I'm an honest

person. I want to respect the trust of this investor. He sends the materials to me and, when I sell them, I pay him. [...] This trust results from time. I met him four years ago in Italy. Then, he came and visited me here in Tunis. I'm a straightforward person and he realized that I wanted to go ahead. Honesty, as well as trust are very important (Riadh, June 1996).

However, laying emphasis on the temporal dimension of trust is not sufficient to explain how the interviewees understand it. While referring to their trust-based patterns of partnership, the *New Entrepreneurs* stressed on the reasons which induced their *parrains*, or mentors, to confer trust. Like Riadh, most *New Entrepreneurs* understood trust as stemming more from the fact they appeared honest and loyal to their partners, than from interest. Honesty, loyalty and transparency were the main qualities which they highlighted to account for their trustworthiness.

The underlying consequences of this explanation are threefold. Firstly, trust is viewed by the *New Entrepreneurs* as being motivated by a *preference*, because of their competencies and capacities to deal with market uncertainties. Secondly, it supports the argument that the *New Entrepreneurs* think they possess the 'desirable traits'⁷⁴ to appear trustworthy; namely loyalty, honesty, 'straightforwardness', as argued by Riadh. Thirdly, it shows that the interviewees are not unaware of their distinctive characteristics, which they seek to cultivate. The *New Entrepreneurs* care about their desirable traits because they know that, other than generating trustworthiness, such traits contribute to maintaining strong exchange relationships with their partners, while conferring distinction, regard, and equal status. Indeed, as Selim aptly suggested before, they have 'to show [emphasis mine] that a Tunisian entrepreneur is as worthy as a European entrepreneur'.

When accounting for trust with reference to their distinctive characteristics, the *New Entrepreneurs* are actors who want to be thought different, loyal to their *parrains*, and able to meet the latter's expectations. In the words of Philip Pettit, they are trust-responsive, in that they are 'moved at once by loyalty, and by the desire to be thought loyal'.⁷⁵

According to you, what do your foreign customers appreciate in your service?

My will. Anyway, I'm very keen on the quality of service. I've never had serious problems with my customers, because I'm transparent. It's true that things are quite new for now, but so far so good: my partnership with the Italian investor is rather recent, and I know that with me they have been satisfied. The most important thing is not to abuse the trust of one's own partner, that's it. Foreigners

are sensitive to this kind of thing because they are biased against us: the Arabs (Riadh, June 1996).

Pettit's 'trust-responsiveness' constitutes a fruitful theoretical tool which highlights the fact that the trust the *New Entrepreneurs* were referring to, during their interviews, was not the exclusive offshoot of their will to 'commit [themselves] and to convince others that [they are] committed',⁷⁶ but also of their desire to be thought different, particularly, with regard to their local counterparts:

Do you think that your past migration experience in France was crucial to the survival of [the firm which you created in 1989]?

Definitely. I developed a substantial address book when I was in France [...] A variety of relationships originated from this experience in France. Many of my Tunisian colleagues did not live these things, and it makes a great difference.

What are the required qualities of an entrepreneur, on the whole? Of an entrepreneur in Tunisia?

Patience and the ability to run a business concern and to develop projects which require the least interference of Tunisian formal institutions. [...]

Which advice would you give to someone who hopes to run a business activity in Tunisia?

Again, he has to be patient. He should be surrounded by trustworthy and competent people, who have a business culture.

What do you mean by business culture?

I refer to rigour at work. He should not work carelessly and should respect the principle of well-done work, as well as that of the *parole donnée* (Moncef, July 1996).

Hence, trust appears as a resource which complements the distinctiveness of the *New Entrepreneurs*. Moreover, trust, or rather the awareness of being the beneficiary of trust, constitutes an adjunct to the meaning that the interviewees attach to their involvement in cross-border social and economic networks. It has a historical background, a memory, which makes sense for the current entrepreneurial activities of these actors, as well as for their future

expectations and initiatives. It may constitute their rational basis of cooperation and mutual understanding. In fact, it is crucial to stress this fundamental component of trust, i.e. memory. Memory provides a knowledge about the relational content of network relationships, 'but a kind of knowledge which is never complete, if not trusting would be meaningless'.⁷⁷

Memory, seen as one cognitive component of trust, is not sufficient to account for the durability of cooperation between economic actors. However, it remains essential to their mutual understanding.

Undoubtedly, past experience explains but does not secure the maintenance of trust-based relationships. It may strengthen the ties of trust and may also reinforce cohesiveness.⁷⁸ However, while memory may be conducive to trust, it does not guarantee the persistence of trust in the long run, insofar as the latter has to be reaffirmed. Although trust is difficult to assess and illustrate, it seems to be perceived, only retrospectively, that is, after a certain period of time during which their efficiency and reliability have been 'tested'.⁷⁹

It turns out that the main thrust of this argument lies in the fact that trust is not based on pre-existing common attributes, such as religion or ethnicity. Rather, the trust the *New Entrepreneurs* recurrently discussed finds its roots in their past experiences of migration, as well as in their will to exhibit desirable traits of trustworthiness and to cultivate them, namely, in their trust-responsiveness. Trust-responsiveness is a congenial theoretical tool to demonstrate that exchange relationships are 'embedded in the identity of the partners, without which it loses its meaning',⁸⁰ as Yoram Ben-Porath suggested, and, moreover, that such exchange relationships are maintained, not only because of the existence of common interests, but also by the desire of the *New Entrepreneurs* to be viewed as different.

It would be contradictory to conclude that the *New Entrepreneurs'* initiatives are determined by their trust-responsiveness and embeddedness in cross-border social and economic networks, for they represent the quintessence of human action and social action, in the words of Kirzner (1989) and Weber (1978), and because embeddedness does not refer to an over-socialized vision of network relationships. The *New Entrepreneurs* keep on discovering other resources and market opportunities which can provide for the survival of their firms. They not only look for potential sources of information about the market, but also evaluate the possibility of participating in additional patterns of network structures. This evaluation takes place on the basis of what can be referred to as the criteria of *relevance* and *congruence*.

5.3.2 Neither Voice Nor Exit: Hidden Disaffection

To grasp the significance of cross-border social and economic networks, one must consider the above-mentioned characteristics inherent in their dynamics. Moreover, their prominence is contingent on the existence of various degrees of embeddedness in such networks. As demonstrated, such degrees vary according to the salient dimensions of 'valued items', complementarity, the degrees of in-between-ness and centrality of the *New Entrepreneurs*, the latter's distinctiveness, and the extent to which they have been responsive to their partner-mentors' trust.

All these elements have a temporal background which spans the past experiences of migration of the *New Entrepreneurs* as well as their current entrepreneurial activities in Tunisia. It would be incorrect to think that the *New Entrepreneurs'* current activities and initiatives remain shaped, in a determining manner, by the cohesiveness of their network relationships. Rather, as argued before, the *New Entrepreneurs* constantly explore other potential opportunities and resources which are not necessarily dependent on cross-border social and economic networks. Consequently, when needed, they may also develop contacts with actors who do not belong to such networks. However, this process does not take place randomly.

In fact, while being aware of their involvement in cross-border social and economic networks, the *New Entrepreneurs* evaluate the relevance of peripheral relationships, namely, the extent to which such relationships may contribute to the maintenance of their business activities. For instance, some *New Entrepreneurs* mentioned the fact that, since their return to Tunisia, they have been able to develop informal relationships with some public administrators who facilitated bureaucratic procedures (see the case study of Rafik, chapter three). Others have maintained various contacts, at local and regional levels, which have turned out to be useful in the discovery of additional market opportunities. In this respect, the interview with Monceur is emblematic, for he has secured his export outlets to Algeria partly because of his capacity to look for potential contacts in this neighbouring country. The personal characteristics of Monceur have undoubtedly been crucial to the acquisition of such peripheral network contacts. Nonetheless, being of Algerian origin may not fully explain Monceur's capacity to participate in other network structures. On the one hand, it is possible that his in-between-ness and centrality in cross-border social and economic networks have made Monceur's position more valuable with regard to the participants in the other network structures. On the other hand, it is likely that Monceur's decision to become involved in

additional network structures stems from the fact that he evaluated such additional network relationships as being relevant to his current entrepreneurial activities.

However, relevance constitutes just one (functional) explanatory element of the reasons for which the *New Entrepreneurs* may be inclined to participate in additional network structures, parallel to their participation in cross-border social and economic networks. It has to be said that looking for potential market opportunities and information is not only motivated by the aforementioned criterion of relevance, but also by what I refer to as the criterion of *congruence*.

Congruence pertains to the fact that a *New Entrepreneur* is likely to become involved in additional network structures provided these do not impair his role-set in pre-existing cross-border social and economic networks and jeopardize the cohesiveness and dynamics of the latter. In other words, *congruence* is an analytical criterion which highlights the ability of the *New Entrepreneurs* to evaluate the extent to which other types of network relationships (e.g., in the context of local professional associations, political parties) would contribute to or weaken the cohesiveness of cross-border social and economic networks.

Congruence is essential to understand that the *New Entrepreneurs'* potential involvement in additional network structures is not only based on interest (i.e., relevance), but also on their desire to protect the dynamics of cross-border social and economic networks from potentially disruptive additional network linkages. More precisely, the *New Entrepreneur* does not only evaluate the potential benefits of additional network linkages, in terms of financial and informational resources; rather, he also pays attention to the relational contents of such additional linkages as well as to their potential impact on the dynamics of cross-border social and economic networks. If such additional network linkages are viewed as 'too compromising', as Selim explained (see below), or potentially disruptive, as mentioned before, then the *New Entrepreneur* might choose not to participate in such parallel network linkages, despite their high degree of *relevance*:

Are you a member of the Union Tunisienne de l'Industrie, du Commerce et de l'Artisanat (UTICA) [the national business association]?

No, I'm not. And I'm not a member of the RCD [i.e., the ruling political party in Tunisia, the Rassemblement Constitutionnel Démocratique] because it's too compromising.

What do you mean?

That's it: it's too compromising. You never know what lies behind it. Well, I'm an entrepreneur (Selim, June 1996).

Relevance and congruence are important inasmuch as they allow the constant search for additional relationships which characterizes the recurrent image of the profit-seeking entrepreneur to be qualified. As stated before, in specific environmental conditions, entrepreneurs may view additional network linkages as being relevant to their business activities, for instance in terms of market information, but not necessarily as being congruent with the characteristics inherent in the network structures to which they already belong. This point is schematically illustrated by the position of 'C' on Figure 5.3. C pertains to the case of an actor who, despite the perceived *relevance* inherent in other network structures, decides not to participate in such network structures, owing to their low degree of congruence.

Clearly, as far as the *New Entrepreneurs* are concerned, a certain balance between relevance and congruence appears to be necessary to develop additional network relationships (point B). There exist various degrees of relevance and congruence which shape the *New Entrepreneurs'* decision to become part of other forms of network structures of relationships. Considering the interrelationship between these two factors is of paramount importance to understand that the *New Entrepreneurs* do not involve themselves randomly in other patterns of network relationships, but gauge the extent to which these may impair the functioning, the cohesiveness, and the resources inherent in cross-border social and economic networks.

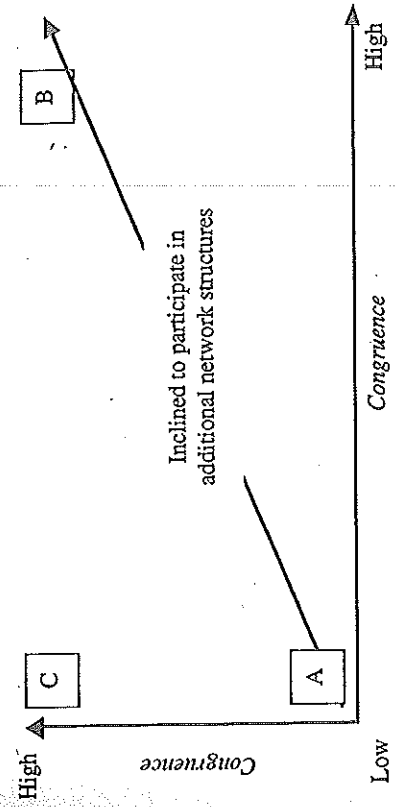


Figure 5.3 The interrelationship between *relevance* and *congruence*

In this respect, *relevance* and *congruence* shed new light on the reasons for which the *New Entrepreneurs* may decide not to develop a business partnership with their local counterparts or do not participate in state-sponsored professional associations and unions. It is worth recalling the interview with Maruan:

Are you a member of the UTICA?

No, I'm not. If you're powerful, you can be a member of the UTICA. I run a small business concern; if I find a market opportunity, all the big fishes of the UTICA will know about it, and then, they'll pinch it. If I talk about it, they steal it. In Tunisia, we say that the Tunisians don't sleep during the night. Information is channelled very quickly. I don't want to be a member just out of caution. I don't want to belong to such a circle because, inevitably, they will ask me many questions like 'What's your job? With whom do you trade?'. That's it. I'm not interested in the UTICA: I keep away from all that is political (Maruan, October 1996).

The norms as well as the relational contents associated with other forms of membership have had a certain bearing on the *New Entrepreneurs'* decision not to become involved in the activities of the Tunisian business association, namely the Union Tunisienne de l'Industrie du Commerce et de l'Artisanat (UTICA), or in other forms of professional associations. The *New Entrepreneurs'* tendency to eschew formal organizations is not only because they view Tunisian professional associations and unions as an extension of the ruling political party (the Rassemblement Constitutionnel Démocratique, RCD), but also because the patterns of membership inherent in such 'circles', as Maruan put it, might jeopardize the dynamics of the cross-border social and economic networks in which their entrepreneurial activities and resources are embedded.

Contemporaneously, the ability of the *New Entrepreneurs* to evaluate the *congruence* and *relevance* of additional forms of network relationships is illustrative of the flexibility and adaptability of cross-border social and economic networks to environmental conditions. It is because of the 'alertness' of these actors that such networks have not been incorporated into potentially disruptive patterns of relationships. Also, it is because the *New Entrepreneurs* have conferred a specific meaning on their participation in cross-border social and economic networks, in terms of in-between-ness, distinctiveness and role-set, that these actors have been able to identify which peripheral patterns of network relationships could be relevant to and congruent with their cross-border network embeddedness.

This contention highlights the fact that the *New Entrepreneurs* evaluate not only the resources that could contribute to the maintenance of their entrepreneurial activities, but also the extent to which other patterns of network relationships are beneficial to or reinforce their own position in cross-border social and economic networks. In sum, the *New Entrepreneurs* continuously look for multiple involvement in various patterns of relationships, but turn out to be wary of the incorporating characteristics of some specific patterns of network structures, such as formal professional associations and political parties.

Undeniably, the extent to which the characteristics of additional patterns of network relationships may impair the dynamics of cross-border social and economic networks varies with time.

Furthermore, one cannot ignore the impact of state regulation and environmental factors on the development of associative activities and on their scope. Similarly, one cannot deny the gradual infiltration of the RCD militants in associations, which has been explicitly promoted by the GoT since 1993, as well as the overt aim of the regime (and its leadership) to channel the financial resources of private associations under the umbrella Fonds de Solidarité Nationale (FSN), in order to strengthen its central position of social provider. Finally, these environmental conditions have certainly had a bearing on the *New Entrepreneurs'* capacity to keep a balance between the *relevance* and the *congruence* of their peripheral relationships with their involvement in cross-border social and economic networks, and on their proclivity to take a low profile.

This section dedicated to the interrelationship between *relevance* and *congruence* is not so much an analysis of the *New Entrepreneurs'* awareness of their involvement in cross-border social and economic networks as a demonstration that these actors are protective towards their own resources and position in such networks. Consequently, cross-border social and economic networks are not inclusive; rather, they appear to be selectively organized.

With a view to protecting cross-border social and economic networks from any disruptive influences, the *New Entrepreneurs* interviewed have mainly opted for what could be referred to as *hidden disaffection*. This label results from the combination of a low profile, towards Tunisian state-sponsored syndicates and institutional organizations, with the desire not to support or to participate in the latter's activities.

Hidden disaffection is a congenial label which stresses the *New Entrepreneurs'* tendency not to manifest their 'exit option' (Hirschman, 1970), perhaps in order not to raise the suspicion of the domestic institutions of

governance. Moreover, hidden disaffection appears when the degrees of congruence and relevance are too low (see point A on Figure 5.3 above), or even when the degree of congruence turns out to be too low compared with the degree of relevance (see point C on Figure 5.3).

There is no question that the *New Entrepreneurs* have been sensitive to the social and political events which have punctuated, since the early 1990s, the gradual *rapprochement* between the state and the 'Captains' of the Tunisian manufacturing industries. By the same token, despite the reinforcement of liberal reforms, they have not been unaware of the adjustment strategies adopted by the Government of Tunisia (GoT), aimed at securing 'the alliance between economic growth and social stability', as well as the resilient control on private initiatives by the state, the ruling party, and formal institutions of governance. Moreover, the *New Entrepreneurs* have witnessed the governance self-image that the GoT has redrawn since the introduction of the Programme de Mise à Niveau, and following the definition of Tunisian entrepreneurs' accountabilities for 'economic and social progress'.⁸¹

Hidden disaffection mirrors the force of these environmental circumstances. One cannot deny the prominence of this institutional framework and the extent to which it has shaped the strategies for survival of the central actors of this study. Hidden disaffection does not only constitute a way of 'keeping away from all that is political', as some *New Entrepreneurs* clearly expressed, but also an attempt to preserve their own business autonomy from any inclusive forces, which would impair their strategies for survival.

Finally, hidden disaffection, viewed as a consequence of an unbalanced relationship between *relevance* and *congruence*, illustrates the accommodation of cross-border social and economic networks, and shows that these are not akin to transnational activities, as argued before, insofar as they do not involve actors who seek to achieve political goals in Tunisia. In contrast to non-governmental organizations and private associations, such networks are neither institutionalized nor formally structured, and it is possible that these properties have made them less vulnerable and manageable. Moreover, their dynamics do not compete directly with the activities of formal institutions, aimed at promoting the development of the private sector and market information. If anything, they tend to be flexibly reactive to market discrepancies and environmental conditions, by circumventing rather than changing them.

The interrelationship between *relevance* and *congruence* is useful for the analysis for three reasons. Firstly, it goes beyond the mere observation that the *New Entrepreneurs* explore market opportunities and develop additional network relationships, while making cross-border social and economic

networks 'capable of change, adaptation and accommodation',⁸² it in fact explains *how* and *why* multiple involvement may be performed. Secondly, it shows that the *New Entrepreneurs* evaluate the relational content inherent in such additional network structures. Thirdly, it supports the argument that the *New Entrepreneurs* are committed to maintaining the cohesiveness of their cross-border social and economic networks, not only because these provide a flow of resources, in terms of financial capital, acquaintances, and market information, while securing the survival of their firms, but also because the very exchange of such resources has reinforced the meaningful dimension of their involvement in such networks; hence, the importance of *congruence*.

All the elements which have been presented so far illustrate the meaningful dimension that the *New Entrepreneurs* attach to their participation in cross-border social and economic networks. Examination of these elements was necessary for the analysis of the internal and external factors which have shaped, in the long run, the configuration of the networks, from the moment in which the various patterns of partnership emerged in Europe and the moment in which they crystallized.

Clearly, the *New Entrepreneurship* has developed against a temporal background that must be considered, together with contextual factors, at domestic and international levels. However, this does not suffice to account for the *maintenance* of cross-border social and economic networks. If anything, this argument emphasizes the extent to which the *New Entrepreneurs'* past experiences of migration have been crucial to the *formation* of these network linkages, and consequently, to the survival of their firms.

On the basis of the interviews with the *New Entrepreneurs*, it seems that the *circularity* of the multifarious resources and 'valued items' inherent in cross-border social and economic networks has also been of paramount importance to their maintenance.

Circularity is based on continuous exchange and interactive patterns that sustain the dynamics of cross-border social and economic networks, enhance the *New Entrepreneurs'* ability to evaluate the *relevance* and *congruence* of additional network involvement, and contribute to reinforcing their feelings of belonging to cohesive network structures. It is important to recall that, unlike the *Heirs*, the resources the *New Entrepreneurs* gathered have not been incorporated in pre-existing network structures (i.e., the *family system*). Nor do they mobilize their resources at a local level, like the *Converts*, in the framework of networking. Indeed, while there appears to be no causal relationship between the past experiences of migration and the current business activities of the *Heirs* and the *Converts*, in the specific case studies of the

New Entrepreneurs, this causation has been maintained. The circularity inherent in the dynamics of the cross-border social and economic networks illustrates this relationship of cause and effect.

Five stages allow circularity to be analysed. Its inception dates back to the time when the *New Entrepreneurs* discovered the existence of market opportunities in Tunisia, in a context marked by the reinforcement of open door economic policies and the implementation of the 'freedom to invest', which have facilitated the access to private entrepreneurship in Tunisia since 1987. The knowledge they acquired and the contacts (i.e., the 'address book') they mobilized during their experiences of migration in Europe have shaped the entrepreneurial projects they materialized, in collaboration with their European partners, with a view to securing their return to Tunisia.

The search for a European partner corresponds to the second stage, and pertains to the exploration of partnership patterns. Despite the fact that the *New Entrepreneurs* had a partial knowledge of the market place, they had developed the 'desirable traits' needed to appear credible and trustworthy with regard to their potential partners. Moreover, long-standing relationships between the *New Entrepreneurs* and their respective partners strengthened the prospects for collaboration. Given the lack of interviews with the *New Entrepreneurs'* partners, it is only possible to hypothesize that their reasons for collaborating were not only motivated by interest, but also by their belief in the personal *commitment* of the *New Entrepreneurs* to doing business as well as on the latter's capacity to deal with different institutional, cultural and economic frameworks; namely, what was referred to as ascribed capacity. In fact, the *New Entrepreneurs'* commitment to participating in a business partnership, following the discovery of market opportunities in Tunisia, has to be equated with their specific qualities, in terms of knowledge, alertness, and competency.

The third stage refers to the mobilization of resources, which provide for the survival of the partnership, in terms of financial capital and market information. Resource mobilization is shaped by the legal status of the firm and its market objectives. It may also be based on the capacity of the partners to maximize the complementarity of their respective resources.

The fourth stage takes place following the return of the *New Entrepreneurs* to Tunisia. Faced with the characteristics of the institutional environment of private entrepreneurship and the domestic structures of governance in their country of origin, the *New Entrepreneurs* acquire a more accurate knowledge about the strategies needed to maintain their business activities in the market-place. During a period of time ranging from one to two years, the abilities of

the *New Entrepreneurs* to ensure the survival of their firms are tested. Simultaneously, they have time to adapt their strategies to the 'difference between what is politically put forward and what is implemented in practice', as Moncef would put it (see chapter three), and to enhance their own competencies. In other words, they learn how to deal with market uncertainties and changing environmental conditions, and, in the process, such knowledge allows them to elaborate specific strategies for survival. Such strategies have not only shaped the patterns of resource mobilization of the *New Entrepreneurs*, but also the meaning they attach to their involvement in the dynamics of their cross-border social and economic networks. The meaningful dimension of cross-border social and economic networks appears all the more crucial as these are viewed by the *New Entrepreneurs* as the lifeline of their business activities.

The last stage is related to the rediscovery of market opportunities and to the subsequent need to gather additional resources in order to respond as quickly as possible to such opportunities. Tapping market opportunities may require the mobilization of the *New Entrepreneurs'* address book; namely, the contacts they acquired during their past experiences of migration in Europe, and which they have maintained since their return to Tunisia. Undeniably, the need for the mobilization of external resources to the domestic structures of the Tunisian national economy stems from the desire to reduce transaction costs. However, contemporaneously, the *New Entrepreneurs* have had time to learn the limits of the top-down model of participatory development and to understand the various constraints related to the access to entrepreneurship. As demonstrated in chapter two, these elements were repeatedly expressed by the interviewees.

Just like a loop, illustrated in Figure 5.4, the exchange of information and valued items completes the circularity inherent in cross-border social and economic networks. Moreover, as the circularity of these networks becomes well-established and effective, the *New Entrepreneurs'* involvement turns out to be more meaningful and influential on their strategies for survival. By the same token, circularity has had a certain bearing on the extent to which they feel themselves different from their counterparts and sensitive to the *relevance* and *congruence* of additional or external network relationships.

Most importantly, the emphasis on circularity supports the argument that the dynamics and the maintenance of cross-border social and economic networks constitute two processes which are simultaneously the cause and the effect of the other. It is precisely this circular characteristic which allows such networks to be formed and transformed, and to be adaptable and flexible to changing circumstances.

As a matter of fact, circularity synthesizes the juxtaposition of a variety of factors. On the one hand, it shows that past experience of migration has been crucial to the *New Entrepreneurs*, in the sense that it has constituted the launching pad of their current business activities. However, the importance of their past experiences of migration has become clear retrospectively, following the completion of the aforementioned five stages leading to the circularity of cross-border social and economic networks. Circularity pertains to Granovetter's on-going systems of relations, but its main thrust lies in highlighting the process through which such systems of relations have been maintained to date, and how trust-based patterns of exchange between the *New Entrepreneurs* and their partner-mentors have persisted, while making network membership meaningful.

However, the circularity of cross-border social and economic networks has not only been shaped by the characteristics inherent in the domestic structures of the Tunisian economy, in terms of market opportunities and institutional constraints, but has also coincided with an unprecedented context of increased economic openness since the late 1980s and with the emergence of multifarious patterns of inward foreign investment (IDI) and business alliances. Taking into account these exogenous factors, at domestic and global levels, was essential to gain insight into the atypical characteristics of the *New Entrepreneurship* in Tunisia and into the maintenance of cross-border social and economic networks.

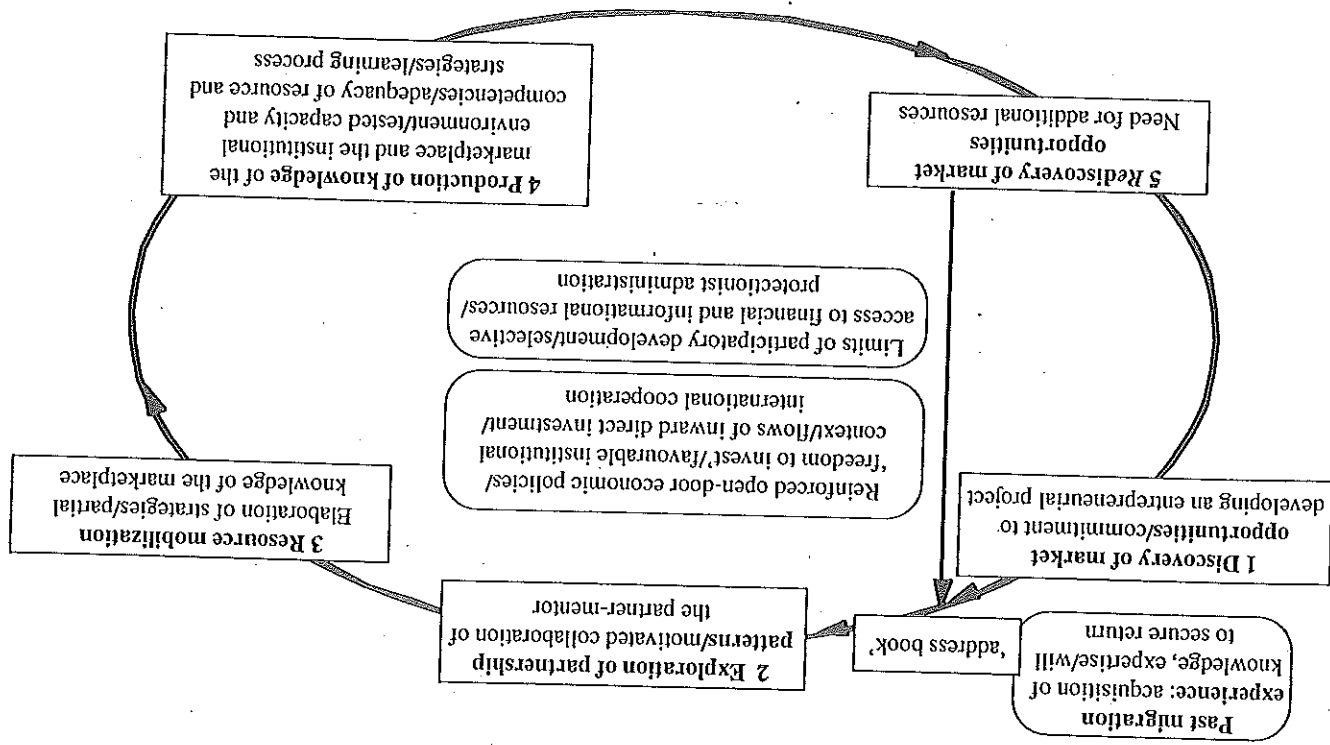
Finally, the intertwining of such exogenous and endogenous factors has led to the consolidation of flexible and accommodative forms of resource mobilization which circumvent, rather than compete with, the activities of formal institutions, while evolving out of the governance realm.

In this respect, the reference to *hidden disaffection*, which constitutes one characteristic of the *New Entrepreneurship*, was not so much a way of stressing the *New Entrepreneurs'* perception and capacity to deal with institutional uncertainties, as an attempt to highlight their desire not to support the fundamentals of the top-down framework of participatory development that has been redrawn by the Tunisian regime since the early 1990s.

Notes

- 1 'Visas are no longer required among Maghreb countries. Steps have been made to eliminate tariffs on the import of Maghreb-produced goods. The Maghrebi ministers of transportation agreed on a broad outline for the integration and joint utilization of Maghrebi transportation

Figure 5.4 The circularity of cross-border social and economic networks



- infrastructures.' See Oussama Romidhani, 'The Arab Maghreb Union: Toward North African Integration', *American-Arab Affairs*, No. 28 (1989), p. 43.
- 2 In 1989, the AMU countries exported 69 per cent of their total world exports to the EC, and depended for up to 60.2 per cent on European imports. Conversely, the EC exported 3.3 per cent of its total world exports to the Maghreb, and its imports from the AMU accounted for only 3.9 per cent of its total world imports. See William Mark Habeeb 'The Maghrebi States and the European Community' in I. William Zartman and William Mark Habeeb (eds), *Polity and Society in Contemporary North Africa*, Westview Press, Boulder, San Francisco, 1993, p. 205.
- 3 Zakya Daoud, 'La création de l'Union du Maghreb arabe', *Monde arabe Maghreb Machrek*, No. 124 (1989), p. 121.
- 4 As regards religious opposition political parties, Algeria was the only Maghreb country which went as far as integrating the Islamic Front of Salvation and the League of the Islamic *Da'wa* into the Algerian political arena, in contrast to the Tunisian Mouvement de la Tendence Islamique.
- 5 Rémy Leveau, 'Crise des Bats et transitions incertaines', *Les Cahiers du CERI*, No. 8 (1994), p. 48. According to the author, the incipient drive to political openness (1988/89) in Algeria was ambiguous, for it was not only aimed at countering the popular breakthrough of the Islamist opposition – the Front Islamique du Salut (FIS) – but also turned out to be engineered in an attempt to remobilize the rank and file of the politically and socially discredited Front de Libération Nationale (FLN). This made political openness even more uncertain if one considers that this transition was initiated by a leadership which gradually lost its popular support – owing to the adoption of drastic economic reforms – and its political backing – as a result of the internal dispute which took place between the *reformists* and the *hard-liners* of the FLN concerning the political inclusion of the FIS, and the scope of economic reforms.
- 6 'Although [the Arab Maghreb Union's] more immediate purpose may have been to resolve regional political issues in North Africa, there was also an underlying objective of creating a self-sustaining regional market that would of itself generate economic development. Sadly, political imperatives have meant that these hopes – involving a customs union by 1995 and a full common market by the year 2000 – have been shelved.' George Joffe, 'The Economic Factor in Mediterranean Security', *The International Spectator* 31, No. 4 (1996), pp. 83–4.
- 7 I. William Zartman, 'The International Politics of Democracy in North Africa' in John P. Entelis (ed.), *Islam, Democracy, and the State in North Africa*, Indiana University Press, Bloomington, 1997, p. 217.
- 8 For an analysis of how the members of the AMU expressed different views on the Gulf crisis, see Mary-Jane Deeb, 'The Arab Maghribi Union and the Prospects for North African Unity', in I. William Zartman and William Mark Habeeb (eds), *Polity and Society in Contemporary North Africa*, Westview Press, Boulder, San Francisco, 1993, pp. 200–1.
- 9 Mark Tessler observed that 'the Gulf crisis served as a proxy for a very different set of grievances and gave citizens of the Maghreb an occasion to express once again the discontent that had produced disturbances during the preceding decades. More specifically, there is intense opposition to the economic and political status quo and a profound desire for change.' Mark Tessler, 'The Origins of Popular Support for Islamist Movements: A Political Economy Analysis' in Entelis (ed.), *Islam, Democracy, and the State in North Africa*, p. 106.

- 10 'Such problems affect not only the flow of goods, but they also heighten uncertainties, which tend to hamper the process of integration [within the AMU]. In particular, the uncertain situation in some of the countries prevents AMU importers from enlarging their reliance on AMU partners for strategic commodities.' Mohamed Finaish and Eric Bell, 'The Arab Maghreb Union', IMF Working Paper, No. 94/55 (May 1994), p. 14.
- 11 Zartman, 'The International Politics of Democracy in North Africa', p. 218.
- 12 'This was a time when businessmen, industrialists, top civil servants and academics started to promote some forms of collaboration, or contract.' Raymond Benhaïm, 'Perspectives économiques maghrébines', *Les Cahiers du CERI*, No. 8 (1994), p. 38.
- 13 Béatrice Hibou, 'Les enjeux de l'ouverture au Maroc: Dissidence économique et contrôle politique', *Les Etudes du CERI*, No. 15, Fondation Nationale de Sciences Politiques, Paris (April 1996).
- 14 Deeb, 'The Arab Maghribi Union and the Prospects for North African Unity', p. 196.
- 15 Ministère de l'investissement extérieur et de la coopération internationale, *Rapport final de la commission sectorielle sur l'investissement extérieur*, Juillet 1996 (internal document).
- 16 John Page and John Underwood, 'Growth, the Maghreb and Free Trade with the European Union', in Ahmed Galal and Bernard Hoekman (eds), *Regional Partners in Global Markets: Limits and Possibilities of the Euro-Med Agreements*, The Centre for Economic Policy Research, The Egyptian Centre for Economic Studies, London, Cairo, 1997, p. 107. Portfolio investment accounted for 19.6 per cent of the global amount of foreign investment in Tunisia in 1989, 14.6 per cent in 1991, 9.5 per cent in 1994, and reached 14.4 per cent in 1995. Source: Ministry of International Cooperation and Foreign Investment, internal document, (Centre de Documentation), 1996.
- 17 Franco Zallio, *Rapporto Maghreb: Riforme economiche e competitività*, Edizioni della Fondazione Giovanni Agnelli, 1996, p. 28. See also Charles-Albert Mechalet, 'La Tunisie: le renforcement de l'attractivité', in Bertrand Bellon and Ridha Gouia (eds), *Investissements directs étrangers et développement industriel méditerranéen*, Economica, Paris, 1998, p. 107.
- 18 I refer to law 87–51, dated 2 August 1987, which introduced the Industrial Investment Code, which promoted wholly and partly export-oriented business concerns, tax exemption, and specific advantages linked to decentralization and the development of depressed areas in Tunisia. *Journal Officiel de la République Tunisienne*, No. 56 (14 August 1987), pp. 962–6.
- 19 Saleh M. Nsouli, Sena Eken, Paul Duran, Gerwin Bell and Zihiti Yücelik, *The Path to Convertibility and Growth: The Tunisian Experience*, IMF, Washington, No. 109, December 1993, p. 26.
- 20 For a statistical overview of the amount of IDI in the energy and manufacturing sectors in Tunisia, see Améziane Ferguene and Ezzedine Ben Hamida, 'Les Implantations d'entreprises off-shore en Tunisie: quelles retombées sur l'économie?', *Monde arabe Maghreb Machrek*, No. 160 (June 1998), pp. 50–68.
- 21 Source: *Nord Sud Export* (10 May 1993), p. 13. Other foreign large corporations operate in the Tunisian energy and mining sectors, such as Shell, Canadian Metal Mining, Agip, Eni, Conoco, Marathon Oil, Breakwater Limited, Péro-Canada, Air Products.
- 22 I refer to the new exploration legislation which came into force in April 1987, in accordance with law 87–9. For a discussion on law 87–9, see Michael Hopkins, *Tunisia to 1993: Steering for Stability*, The Economist Intelligence Unit, Special Report No. 1132, London, May 1989, p. 64.

- 23 Agnès Chevallier and Gérard Kebabdjian, 'L'Euro-méditerranée entre mondialisation et régionalisation', *Monde arabe Maghreb Machrek*, hors série (December 1997), p. 13.
- 24 The 'freedom to invest' was legally introduced in article 2 of law 87-51.
- 25 The first protocol was signed on 21 August 1989, following the visit of former President François Mitterrand to Tunisia, in June 1989. See *Réalités*, No. 518 (6-12 October 1995), p. 23. See also *La Revue L'Entreprise*, No. 16 (March-April 1995), p. 64.
- 26 The six protocols proposed long-term financial loans, at low interest rates. The amount of the loans could not exceed half of the projected investments. I thank Catherine Quinot, from the Paris-based Centre Français du Commerce Extérieur (CFCE), for having sent some information about the French-Tunisian cooperation agreements.
- 27 *Exporter*, No. 93 (December 1995), p. 30.
- 28 Susan Eirizabath Battles, *Economic Cooperation in the West Mediterranean Basin*, Istituto Affari Internazionali, Rome, June 1993, p. 29.
- 29 An Italian-Tunisian agreement of cooperation was signed on 28 October 1988. On the basis of this bilateral agreement, Italy granted a loan to Tunisia of US\$ 350 million, and gave US\$ 150 million. See *Le Courrier de l'Industrie*, No. 69 (April 1995), p. 29, and *L'Economiste Maghrébin*, No. 35, (August 1991), pp. 28-9.
- 30 See the interview with Francesco Caruso, former Italian Ambassador to Tunis, in *La Presse de Tunisie* (11 February 1995).
- 31 I refer to the intervention of a private consulting firm (FIDIMI) located in Rome, which is in charge of evaluating industrial projects. See *Le Temps*, 'Des lignes de crédit renouvelées', (11 February 1995).
- 32 Under the initial scheme of cooperation agreement between Tunisia and Italy, some investors benefited from loans which were superior to US\$ 18 million. According to the Tunisian daily newspaper *Le Temps*, the former cooperation agreement only succeeded in financing 'twelve projects [...] The remainder was lost in the middle of the administration of both countries. Anyway, there were enough hurdles to dissuade many investors from soliciting such credit lines.' *Le Temps*, 'Des lignes de crédits renouvelés', (February 11th 1995).
- 33 In July 1996, President Ben Ali stressed the existence of complementary interests between economic and diplomatic actors, in a context marked by the Programme de Mise à Niveau (PMN). Tunisian diplomatic representations 'must spend a lot of energy to inform about the PMN [...] not only as regards investment opportunities [in Tunisia] and foreign trade, but also technological cooperation and exchanges in every sectors of industry'. *L'Economiste Maghrébin*, No. 163 (August 1996), p. 9.
- 34 Page and Underwood, 'Growth, the Maghreb and Free Trade with the European Union', p. 103.
- 35 This point was discussed by Karlgerd Quinck, Secretary-General of the Tunis-based German-Tunisian Chamber of Commerce, during a conference which gathered together a number of prominent figures of the Tunisian and European industries: 'The principle, according to which private investment is free in Tunisia is surely valid for local investors, in many sectors, but not for foreigners.' *L'Economiste Maghrébin*, No. 185 (June 1997), p. 46.
- 36 *L'Economiste Maghrébin*, No. 185 (June 1997), p. 33.
- 37 See in chapter four, the section entitled 'The Visibility of the "Captains"'.
38 I borrow this hypothesis from an article by M. Ramesh, related to the case of Singapore's foreign investment policies. The author examines the effects of globalization on policy choices in three broad areas, namely economic development, national security, and social development, and shows that globalization has not only constrained policy choices, but expanded them as well. M. Ramesh, 'Economic Globalization and Policy Choices: Singapore', *Governance: An International Journal of Policy and Administration* 8, No. 2 (April 1995), pp. 243-60.
- 39 For instance, following the settlements of three large-sized German off-shore factories in Tunisia, operating in the production of electric cables, (i.e., Leonische, Draxlmaier and KBE), the fortnightly *L'Economiste Maghrébin* argued that 'five years after the implementation of a genuine global and coherent strategy [i.e., since the 1993 New Investment Incentives Code], investors, in any case those who are in favour with us [emphasis mine], no longer hesitate, but choose to settle in Tunisia'. *L'Economiste Maghrébin*, No. 205 (April 1998), p. 9.
- 40 Decree 97-308, dated 3 February 1997, replaced decree 94-78, following its abrogation. *Réalités*, supplément économique, (April 1997), p. 7.
- 41 Agence de Promotion de l'Industrie, *The New Investment Incentives Code*, Tunis, 1994, p. 12.
- 42 Page and Underwood, 'Growth, the Maghreb and Free Trade with the European Union', p. 109.
- 43 The revision of the labour code took place on 18 June 1996, following a parliamentary debate. Job flexibility pertains not only to the fact that an employer is entitled to hire labour for a limited period of time, but also to the fact that wages are paid on the basis of workers' productivity. Article 6 of the labour code stipulates that an employer may temporarily replace a worker who is absent or whose job contract has expired. Abdallah Chebi and Ahmed Khaskhoussi, both members of the Mouvement des Démocrates Socialistes (MDS), disapproved this project and claimed that article 6 goes against strike rights. Sadok Rabeh, Minister of Transport (formerly Minister of Social Affairs) answered that 'a firm faced with tough competition cannot guarantee job stability, at least at the beginning'. See *Jeune Afrique*, No. 1851 (July 1996). See also *L'Economiste Maghrébin*, No. 157 (May 1996), pp. 30-1. See *Conjoncture*, No. 201 (July-August 1996), p. 9.
- 44 Value-added Tax (VAT) has been charged on retail trade since 1 July 1996. From July 1988 to July 1996, the import, the production and the distribution networks became subject to VAT (up to 17 per cent). Nouri Zorgati, former Minister of Finance, explained that VAT charges are expected to make up for the forthcoming drop in revenue due to the gradual dismantling of tariff barriers between European countries and Tunisia, which was decided in accordance with the Euro-Tunisian Association-agreement. In 1996, the loss in tax revenue was estimated by Zorgati at TD 75 million. *Conjoncture*, No. 201 (July-August 1996) (*dossier*).
- 45 Thomas Risse-Kappen (ed.), *Bringing Transnational Relations Back In: Non-state Actors, Domestic Structures and International Institutions*, Cambridge University Press, Cambridge, 1995, p. 5.
- 46 Risse-Kappen (ed.), *Bringing Transnational Relations Back In*, p. 8.
- 47 Risse-Kappen (ed.), *Bringing Transnational Relations Back In*, p. 25.
- 48 Robert O. Keohane and Joseph S. Nye Jr, 'Transnational Relations and World Politics: A Conclusion', in Robert O. Keohane and Joseph S. Nye Jr (eds), *Transnational Relations and World Politics*, Harvard University Press, Cambridge, Mass., 1970, p. 383.
- 49 'The number of countries might be as little as two (simple transnational structuring) or many states across the globe (complex transnational structuring). The emphasis of the

- approach is not so much on outcomes – since these are constantly changing – as on the continuous process of international struggle.' Gregory P. Nowell, 'International Relations Theories: Approaches to Business and the State', in Ronald W. Cox (ed.), *Business and the State in International Relations*, Westview Press, Boulder, 1996, p. 195.
- 50 Thomas Risse-Kappen, 'Structure of Governance and Transnational Relations: What Have We Learned?', in Risse-Kappen (ed.), *Bringing Transnational Relations Back In*, p. 293. In the same vein, Stephen Krasner argues that 'it is the institutional structure of states which has the most important influence on the institutional characteristics of other actors, including transnationals'. As a matter of fact, the organizational forms of transnationals will vary across countries, because of different rules, political structures and values. Stephen D. Krasner, 'Power Politics, Institutions, and Transnational Relations' in Risse-Kappen (ed.), *Bringing Transnational Relations Back In*, p. 277.
- 51 Peggy Levitt, 'Forms of Transnational Community and their Implications for Immigrant Incorporation: Preliminary Findings'. Paper presented at the *Conference on Integrating Immigrants in Liberal States*, organized by Christian Joppke, European University Institute, European Forum, 8–9 May 1998, p. 4 (manuscript).
- 52 See You-tien Hsing, *Malang Capitalism in China: The Taiwan Connection*, Oxford University Press, New York, 1998. The author views common ethnicity and culture as factors which account for the durability and flexibility of transnational networks of [overseas Chinese] entrepreneurs'. The trading networks in Southeast Asia, including the emergence of Johor-Singapore-Riau growth triangle have also contributed to the establishment and expansion of transnational economic networks among ethnic Chinese. Most importantly, overseas Chinese capitalism has expanded not only in geographical but also in sectoral terms. Culture as an institutional and historical formation is a key characteristic of Chinese capitalism' (p. 8).
- 53 For a thorough account of transnational networks, from a sociological viewpoint, see Ariel Colonomos (ed.), *Sociologie des réseaux transnationaux: Communautés, entreprises et individus: lien social et système international*, L'Harmattan, Paris, 1995. In the field of international relations, see Bertrand Badie and Marie-Claude Smouts, *Le Retour au monde: sociologie de la scène internationale*, Presses de la FNSP, Dalloz, Paris, 1992. Patricia Chilton, 'Mechanics of Change: Social Movements, Transnational Coalitions, and the Transformation Processes in Eastern Europe', in Risse-Kappen (ed.), *Bringing Transnational Relations Back In*, p. 212.
- 54 David Knoke and James H. Kuklinski (eds), *Network Analysis*, Sage Publications, London, 1982, p. 12. The main ideas of the second chapter of this book are also reported in David Knoke and James H. Kuklinski, 'Network Analysis: Basic Concepts', in Graham Thompson, Jennifer Frances, Rosalind Levacic and Jeremy Mitchell (eds), *Markets, Hierarchies, and Networks: the Coordination of Social Life*, Sage Publications, London, 1991, pp. 173–82.
- 55 Mark Granovetter, 'Economic Action and Social Structure: The Problem of Embeddedness', *American Journal of Sociology* 91, No. 3 (1985), p. 487.
- 57 Karen S. Cook and J.M. Whitmeyer, 'Two Approaches to Social Structure: Exchange Theory and Network Analysis', *Annual Review of Sociology* 18, (1992), p. 110. 'Valued items' may include material, informational and symbolic elements. In an earlier article, and with reference to "valued items", Cook argues that 'ties between actors are established, maintained, or broken primarily in terms of the "value" provided by exchange relations [...]'. Karen S. Cook, 'Network Structures from and Exchange Perspective' in Peter V.
- Marsden and Nan Lin (eds), *Social Structure and Network Analysis*, Sage Publications Ltd., London, 1982, p. 195.
- 58 Cook and Whitmeyer, 'Two Approaches to Social Structure', p. 123.
- 59 Edward O. Laumann, Joseph Galaskiewicz and Peter V. Marsden, 'Community Structure as Interorganizational Linkages', *Annual Review of Sociology* 4, (1978), p. 462.
- 60 Indeed, this argument draws on the theoretical definition of a social structure, which constitutes a 'pattern of particular ties between actors, where variation in the network in the existence or strength of ties is meaningful and consequential'. Cook and Whitmeyer, 'Two Approaches to Social Structure', p. 110.
- 61 Howard E. Aldrich and Catherine Zimmer, 'Entrepreneurship through Social Networks', in Howard E. Aldrich (ed.), *Population Perspectives on Organizations*, Uppsala University Press, Uppsala, 1986, p. 20.
- 62 Laumann, Galaskiewicz and Marsden, 'Community Structure', p. 461.
- 63 In other words, as Geert Banck has argued, 'Membership must not be a priori defined in terms of rights and obligations derived from the group nor may we on a priori grounds accept that the members share common interests and goals', Geert A. Banck, 'Network Analysis and Social Theory: Some Remarks', in Jeremy Boissevain and J. Clyde Mitchell (eds), *Network Analysis: Studies in Human Interaction*, Mouton & Co., The Hague, 1973, p. 40.
- 64 Max Weber, *Sociological Writings*, Wolf Heydebrand (ed.), Continuum, New York, 1994, p. 16.
- 65 James S. Coleman, *Individual Interests and Collective Action: Selected Essays*, Cambridge University Press, Cambridge, 1986, pp. 313–4.
- 66 The interviewee was referring to the presidential elections which took place on 20 March 1994. President Ben Ali swept to victory, winning 99.91 per cent of the vote.
- 67 *Suleymiyah* is traditional music which is played during religious ceremonies.
- 68 Alejandro Portes and Julia Sensenbrenner, 'Embeddedness and Immigration: Notes on the Social Determinants of Economic Action', *American Journal of Sociology* 98, No. 6 (1993), p. 1323.
- 69 Weber, *Sociological Writings*, p. 4. In *The Protestant Ethic and the Spirit of Capitalism*, transl. by Talcott Parsons, introd. Anthony Giddens, George Allen and Unwin Ltd., London, 1976, Weber argues that the entrepreneur motivated by this type of orientation has almost disappeared. He adds that 'capitalism cannot make use of the labour of those who practice the doctrine of undisciplined liberum arbitrium, any more than it can make use of the businessman who seems absolutely unscrupulous in his dealing with others [...]'. (p. 57).
- 70 Oliver E. Williamson, 'Calculativeness, Trust, and Economic Organization', *Journal of Law and Economics* 36, (1993), p. 485.
- 71 Granovetter, 'Economic Action and Social Structure', p. 495.
- 72 Diego Gambetta (ed.), *Trust, Making and Breaking Cooperative Relations*, Basil Blackwell, New York, 1988; and to Russell Hardin, 'Conceptions and Explanations of Trust', Working Paper, No. 129, Russell Sage Foundation, April 1998.
- 73 Niklas Luhmann, *Trust and Power*, Introduction by Gianfranco Poggi, John Wiley & Sons, New York, 1979, p. 19. See also Niklas Luhmann, 'Familiarity, Confidence, Trust: Problems and Alternatives', in Diego Gambetta (ed.), *Trust, Making and Breaking Cooperative Relations*, pp. 73–93.
- 74 Philip Pettit, 'The Cunning of Trust', *Philosophy and Public Affairs* 24, No. 3 (1995), p. 203.

- 75 Petit, 'The Cunning of Trust', p. 217.
- 76 Russell Hardin, 'Trustworthiness', *Ethics* 107 (1996), p. 29.
- 77 Jean-Michel Servet, 'Paroles données: le lien de confiance', *La Revue du MAUSS semestrielle*, No. 4 (1994), p. 45 (translation by the author).
- 78 Indeed, as Howard Aldrich and Catherine Zimmer have suggested, 'within the group, strong ties keep alive the memory of past experiences from which to infer trustworthiness, and these relationships may carry strong expectations of trust', Howard E. Aldrich and Catherine Zimmer, 'Entrepreneurship through Social Networks', in Howard E. Aldrich (ed.), *Population Perspectives on Organizations*, Uppsala University Press, Uppsala, 1986, p. 23.
- 79 This is congruent with the observations of Charles Perrow, concerning the dynamics of small-firm networks. Charles Perrow, 'Small-Firm Networks', in Robert G. Eccles and Nitin Nohria (eds), *Networks and Organizations, Structure, Form, and Action*, Harvard Business School Press, Boston, 1992, pp. 445-70. The same author's article can be found in Richard Swedberg (ed.), *Explorations in Economic Sociology*, Russell Sage Foundation, New York, 1993, pp. 377-402.
- 80 Yoram Ben-Porath, 'The F-Connection: Families, Friends, and Firms and the Organization of Exchange', *Population and Development Review* 6, No. 1 (1980), p. 3.
- 81 Actually, as argued in chapter four, the ethical management of the economy has been a constant since the introduction of Law 95-34, which was depicted by the official daily newspaper *La Presse de Tunisie* as a legal measure making private entrepreneurs 'responsible for economic and social progress'. See *La Presse de Tunisie* (27 May 1995), p. 2. During the ensuing years, this ethic has been noticeably reinforced, while leading to an implicit distinction between the good and the bad entrepreneur. In an attempt to account for the difficult access to bank loans and for the persistence of bureaucratic hurdles, the fortnightly *L'Economiste Maghrébin* pointed out that Tunisian entrepreneurs were, to some extent, responsible for this statement of fact, and that 'parasitic exporters should quit their activities, for they darken the reputation of Tunisian businessmen in Tunisia and worsen their relationships with the public authorities and banks'. See *L'Economiste Maghrébin*, No. 183 (May 1997), pp. 12-13. In the same vein, more recently, Mohamed Jéri, the Minister of Finance claimed, during a forum organized on 11-12 May 1998 by the Ministry of International Cooperation and Foreign Investment, in collaboration with the Euromoney Institute, that 'the economic reforms implemented in Tunisia in favour of private initiative are irreversible [...] Private initiatives remain free but responsible'. See *L'Economiste Maghrébin*, No. 209 (May 1998), p. 18.
- 82 Wayne E. Baker, 'The Network Organization in Theory and Practice', in Robert G. Eccles and Nitin Nohria (eds), *Networks and Organizations, Structure, Form, and Action*, Harvard Business School Press, Boston, 1992, p. 398.

6 The Responsiveness of Cross-Border Social and Economic Networks

As should by now be clear, the findings presented in this book revolve around the circularity of cross-border social and economic networks. These networks have grown at the crossroads of a plurality of factors that have shaped their formation and dynamics. Moreover, the consideration of circularity has allowed the gap between two fields of research - namely return migration and private entrepreneurship in developing countries - to be bridged.

To grasp the interrelationship between the two fields of research, three categories of Tunisian return-entrepreneurs were identified and developed. The purpose was to determine the extent to which the past experiences of migration of this specific sample of economic actors have shaped their current entrepreneurial activities in Tunisia, in terms of resource mobilization, market information and opportunities.

The first endeavour was to understand why past experience and private entrepreneurship are causally related in given case studies and why such a causal relationship was virtually nonexistent in others. To be sure, as many migration scholars have underlined, return migrants are the bearers of tangible and intangible resources. However, this assertion does not explain how and why such resources may be successfully invested in their home countries. In other words, as has been demonstrated with reference to the compared case studies of the *Heirs*, the *Converts* and the *New Entrepreneurs*, a past experience of migration may not necessarily turn out to be relevant to the projects materialized by a returnee, nor may it influence his initiatives in his home country.

The comparison drawn between the entrepreneurship of these returnees shed light on the extent to which their past experiences of migration have had a bearing on the survival of their own business concerns in Tunisia. Moreover, the desegregation of the interviews into three categories allowed various patterns of resource mobilization to be analysed. This was a prerequisite to

delving into the formation and dynamics of cross-border social and economic networks, in which the *New Entrepreneurs* are fully-fledged participants.

The first interest of the typology, which was developed in the third chapter, lay in accounting for the irrelevance of past migration experience, with specific reference to the cases of the *Heirs* and the *Converts*. As regards the former, the *family system* constitutes a pool of pre-existing resources, or social capital, from which the *Heirs* benefited in the context of their business activities, and following their return to Tunisia. These actors are the direct descendants of the 1970s *industrialists* who became involved in the expansion of the domestic private sector, in the wake of the Tunisian *infatig*. The mobilization of the resources inherited from their fathers usually takes place at the level of a *family system*, which comprises ramifications in the public and private spheres. The significance of their social capital, together with the availability of pre-existing resources at the level of their *family systems*, were correspondingly opposed to the relevance of their past experiences of migration in Europe.

Indeed, the absence of any causal effects between the *Heirs'* past experiences of migration and their current entrepreneurial activities in Tunisia, stemmed from the fact that the knowledge and skills they acquired abroad were primarily designed to enhance the collective good of their *family systems*. Similarly, past migration experience constituted a mere adjunct to the resources needed to maintain their family firms, which the *Heirs* took over following their return (early 1980s). It turns out that, in the specific case of the *Heirs*, their legacy, embedded in a *family system*, has been of more relevance to their current entrepreneurship than their past experiences of migration.

These arguments do not, however, hold for the *Converts*. The irrelevance of their past experiences of migration in Europe does not lie in the prominence of a *family system*, but is rather because the patterns of resource mobilization of the *Converts* are dependent on (domestic) *networking*, namely, on the relationships and contacts they acquired during their work experiences in the Tunisian public sector or public administration, following their return to Tunisia (early-mid 1980s). *Networking* has been analysed with a view to stressing the investment of what was referred to as *trans-institutional* relationships in the framework of the *Converts'* current business concerns. Moreover, there is no question that contextual factors, pertaining to the erratic development of the private sector, the domestic structures of the national economy and the unpopular social image of the entrepreneur, were influential on the *Converts'* choices not to launch themselves in the private sector immediately after their return. Since their *conversion* to the private sector took place (late 1980s, early 1990s), *networking* has constituted their main

pattern of resource mobilization, in terms of both financial capital and market information.

Most importantly, the last explanatory element of the irrelevance of past migration experience, which is commonly shared by the *Heirs* and the *Converts*, pertains to the fact that these actors did not contemplate setting up initial business concerns before their return to Tunisia: the *Heirs* were expected to take over their family firms following their experiences of migration in Europe, and the *Converts* considered working as civil servants to be the logical outcome of their return opportunities.

The *family system* and *networking* constitute two patterns of resource mobilization which stand in stark contrast with those of the *New Entrepreneurs*. This last group did not rely upon the social capital provided by their households or family groups, nor did they contemplate working for the public administration, with a view to securing their return to Tunisia. As a prerequisite to explaining such discrepancies, it has to be remembered that the *New Entrepreneurs'* return context was marked by increased economic openness and liberalization in Tunisia, and that such contextual conditions were more often than not crucial in motivating their return.

As a result of these conditions, and in contrast to the *Converts*, these highly skilled returnees became involved in the expansion of the Tunisian private sector immediately after their return to their homeland. On the one hand, this was thanks to what some of the respondents referred to as an 'address book', i.e., the personal contacts they acquired during their past experiences of migration in their former receiving countries, allowing them to mobilize the financial resources and market information needed to provide for the survival of their joint-ventures; on the other hand, the *New Entrepreneurs*, unlike the *Heirs* and the *Converts*, had a clear entrepreneurial project which they materialized in Tunisia.

This finding led to the second interest of the aforementioned typology. Not only have the *New Entrepreneurs'* past experiences of migration been crucial to their business activities in Tunisia, but their patterns of resource mobilization have also been embedded in the framework of exchange patterns which are based on neither kinship nor on common ethnicity. Moreover, such patterns of resource mobilization support the argument that, in the specific case of the *New Entrepreneurs*, past experience of migration and private entrepreneurship remain causally related.

The thrust of this argument consisted in highlighting the key features of a new return migration phenomenon which differs substantially from the traditional pattern of the *immigré reconverti*,¹ namely the return migrant who

sets up a small business concern in his home country, as a result of the savings and incomes (or tangible resources) he accumulated in his former receiving country. The focus on the *New Entrepreneurs*' case studies allowed this linear approach to return migration to be qualified, while showing that, in specific conditions, a past experience of migration may be part and parcel of a whole structure of exchange relationships, which shape the entrepreneurial initiatives as well as the market opportunities of a returnee-entrepreneur. Such relationships are embedded in cross-border social and economic networks.

Network theory was essential to the analysis of the atypical characteristics of the *New Entrepreneurship*. It provided a framework which went beyond the simple description of a causal relationship between past experience of migration and entrepreneurship, and took into account the relational contents inherent in the linkages between the *New Entrepreneurs* and their European partners, considering, moreover, the extent to which the involvement of the *New Entrepreneurs* in these collective cross-border patterns of exchanges and interaction were, and continue to be, meaningful and consequential.

In the preceding chapters, I tried to demonstrate, on the one hand, that the economic action of the *New Entrepreneurs* could not be understood if we do not take into account the fact that they are 'embedded in ongoing networks of personal relationships rather than carried out by atomized actors',² and, on the other hand, how such networks have been receptive and adaptable to the environmental and institutional circumstances related to private entrepreneurship and economic openness in Tunisia since the late 1980s.

What Have We Learnt from the Formation of Cross-border Social and Economic Networks?

Clearly, cross-border social and economic networks are not a given in the fields of return migration and entrepreneurship. Arguing that the *New Entrepreneurs*' low degree of social capital increased their possibilities of being involved in cross-border patterns of exchange and interaction does not suffice to account for the formation of such networks. At the very least, this argument, expressed *ceteris paribus*, highlights that the need to become involved in cross-border social and economic networks is diametrically opposed to the availability of pre-existing resources at home, as illustrated in Figure 6.1.

Moreover, while the absence of social capital constitutes the common characteristic of the *New Entrepreneurs*, cross-border social and economic networks do not exclusively act as a surrogate for social capital. Rather, they

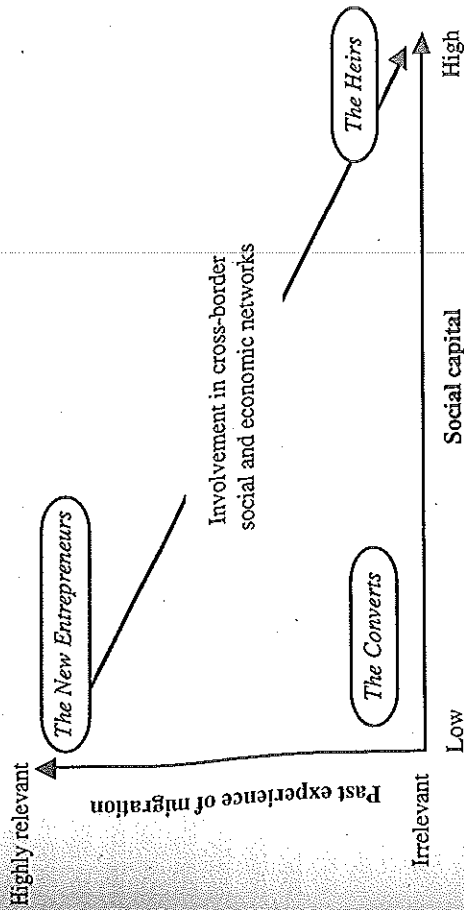


Figure 6.1 Social capital, past experience of migration and cross-border social and economic networks

involve patterns of relationships and resources which consolidated as a result of their intrinsic complementarity.

Complementarity antedates the formation of cross-border social and economic networks, and occurred during the past experience of migration of the *New Entrepreneur*. Complementarity was defined with reference to the sharing of financial resources, personal characteristics, skills, and knowledge, between the *New Entrepreneur* and his European partner. More precisely, it pertains to a process which includes the mobilization of the 'address book', or long-standing relationships, which the *New Entrepreneur* acquired abroad, as well as the evaluation of his entrepreneurial project. This process occurred as a result of the *New Entrepreneur*'s will to secure his return, together with the discovery of potential market opportunities in Tunisia, in the wake of the reinforcement of open-door economic policies and liberalization.

Importantly, the expansion of the private sector since the adoption of the 1986 structural adjustment programme, the 'freedom to invest', the analysis of the top-down framework of participatory development in Tunisia, the increase in foreign investment in the manufacturing industry, and the reference to the regional economic context in North Africa, all show that cross-border social and economic networks have not emerged in an institutional, economic and political vacuum.

In fact, the combination of these domestic and international changes has been crucial to the discovery of new market opportunities, above all, in the

export-oriented manufacturing sector. The *New Entrepreneurs* were clearly, albeit partially, aware of the potentialities and constraints inherent in such a business-friendly liberal context. A context that the *Convertis* had not discovered when they returned to Tunisia; hence, the irrelevance of their past experiences of migration for business purposes.

On the one hand, there is no question that the drive to economic liberalization made the entrepreneurial projects of the *New Entrepreneurs* more credible. On the other hand, in some specific case studies, the persistence of institutional constraints and market uncertainties, at a domestic level, made the 'desirable traits' of the *New Entrepreneurs*, namely their capacity to deal with market uncertainties and specific environmental conditions, more preferable, or of interest with regard to their European partner-mentors.

However, in order to avoid the pitfalls of functionalism, it is important to recall the prominence of other contributory factors to the formation of cross-border social and economic networks, as suggested in the preceding chapters. The formation of such networks also pertains to the maintenance of contacts, which guarantee the exchange of what was referred to as 'valued items'. These patterns of exchange may have occurred at a later stage, namely once the *New Entrepreneur* acquired or produced a practical knowledge about the market place and environmental conditions. Cross-border social and economic networks have undoubtedly the intrinsic capacity to respond to the scarcity of such resources as market information and financial loans. However, as their dynamics become more circular and self-sustaining, their scope has appeared more meaningful, and not only functional, to the *New Entrepreneurs*. This meaningful dimension was related to their feeling of marginality, their proclivity to cultivate distinctive qualities, not only because cross-border social and economic networks generate mutual understanding, while securing the survival of the *New Entrepreneurs'* business concerns, but also because the very exchange of 'valued items' has delimited the boundaries of a group, or social structure, which is neither formally institutionalized, nor structurally organized, but nevertheless highly cohesive.

This cohesiveness has to be viewed as a result of the formation of cross-border social and economic networks. Importantly, it does not only stem from the fact that 'weak ties provide [the *New Entrepreneurs*] with access to information and resources beyond those available in their own social circles',³ but also from the fact that the exchange of information and resources has been conducive to specific patterns of identification which have made their involvement meaningful.⁴

As matter of fact, the formation of cross-border social and economic

networks results from the overlapping of a series of elements which confirm that the patterns of interaction and exchange involving the *New Entrepreneurs* and their European partners are far from being spontaneous and inclusive. They are not spontaneous; rather, their *raison d'être* and dynamics have appeared retrospectively, that is, following the completion of the five stages which led to their circularity (see chapter five). They are not inclusive because, as the circular dynamics inherent in cross-border social and economic networks take shape, the ties the *New Entrepreneurs* have maintained, i.e., the 'address book', turn out to be not only 'useful' to the survival of their business concerns, as the strength-of-weak-ties paradigm would suggest, but also, and above all, meaningful.

The interviews with the *New Entrepreneurs* shed light on this meaningful dimension, and demonstrated that it is contingent on their perception of the institutional environment related to Tunisian private entrepreneurship, on their position, or role-sets in cross-border social and economic networks, as well as on the way in which the linkages they have maintained, since their return to Tunisia took place, have been understood by themselves. All these factors account for the process of formation of cross-border social and economic networks, and are conducive to various degrees of cohesiveness.

What Have We Learnt from the Maintenance of Cross-border Social and Economic Networks?

While cohesiveness clearly characterizes the configuration of cross-border social and economic networks, this alone cannot explain their maintenance and durability. Actually, as far as the *New Entrepreneurs* are concerned, their interviews provided compelling evidence of their ability to balance or evaluate the *relevance* and *congruence* of external relationships. In other words, they have been able to gauge the potential impact, whether this is disruptive or beneficial, of peripheral relationships on the dynamics of cross-border social and economic networks.

The *relevance-congruence* approach was essential to understand, on the one hand, the way in which the *New Entrepreneurs* may carry out multiple involvement in additional network structures, at a domestic level, and, on the other hand, the reasons for which they tend to eschew the Tunisian business association, i.e., the Union Tunisienne de l'Industrie, du Commerce, et de l'Artisanat (UTICA), professional associations, and the various state-sponsored corporate organizations which have mediated the relationships between the Tunisian state and society since the late 1980s.

Three interrelated reasons were identified to account for this characteristic which identifies the *New Entrepreneurs*. Firstly, the *New Entrepreneurs* tendency not to become involved in these formal organizations may stem from the fact that the latter provide resources which are already available, or which may be redundant to the resources provided by the cross-border social and economic networks in which their business activities are embedded. Secondly, the patterns of membership and the relational contents associated with the aforementioned formal organizations potentially jeopardize or 'compromise', as some respondents expressed, their involvement in cross-border social and economic networks. The last reason pertains to the *New Entrepreneurs*' proclivity for a low profile. In other words, they try to limit as far as possible their contacts with the Tunisian formal institutions of governance.

The *New Entrepreneurs* have in fact been aware of the atypical patterns of resource mobilization which characterize their entrepreneurship since the inception of their business activities in Tunisia. These have taken place out of the top-down framework of participatory development that the government of Tunisia (GoT) has redrawn since the late 1980s. The fourth chapter of the book demonstrated that the reinforcement of economic liberal reforms in Tunisia has been accompanied by a gradual *rapprochement* between some leading figures of Tunisian entrepreneurship and the GoT. This *rapprochement* has implicitly set the limits beyond which private initiatives could prosper provided these do not impair the centrality of the state and its institutions of governance. Contemporaneously, the leadership has played a major role in defining such limits. It has also participated in the reconfiguration of state interference in the national economy, and designed the contours of an overriding consensus which, unlike the 1988 National Pact, did not require the endorsement of the main components of Tunisian society. The implementation, and reinterpretation, of the IMF/EU-sponsored *programme de mise à niveau* has undoubtedly sustained the scope of this overriding consensus which has not only set the GoT – as well as its leadership and the ruling party – up as a pedagogue, but also legitimized their guidance.

At a domestic level, this complex framework of legitimization and ethical governance has turned any kind of uncontrolled dissent, discontent, and opposition into 'a bad thing',⁵ or into a deviant behaviour. It cannot be denied that such environmental conditions have induced the *New Entrepreneurs* to take a low profile and not to voice their discontent, concerning the limits of the top-down framework of participatory development, which were extensively analysed in the fourth and fifth chapters, and which were repeatedly mentioned

in their interviews. On the one hand, the *New Entrepreneurs* do not opt for voice, probably because the official channels through which voice can be expressed have been, as it were, adulterated by the growing visibility of the 'Captains' of the Tunisian manufacturing industries: Albert Hirschman's 'official dissenters'. On the other hand, the *New Entrepreneurs* do not opt for exit, probably because they are themselves the 'consumers'⁶ of a system which presented itself in its liberal clothing.

The *New Entrepreneurship*, which is embedded in the maintenance of cross-border social and economic networks, cannot be approached with reference to the voice-exit axiom. At the very least, the latter allowed a third alternative pattern to be highlighted; namely, hidden disaffection.

Hidden disaffection occurs when the possibilities for exit and voice are viewed as meaningless, if not counterproductive. It constitutes a reaction mechanism with regard to the specific characteristics of an institutional and political regime, which, despite its proven liberal orientations, has retained most of the traits of neo-patrimonialism, by means of an all-pervasive consensus, the production of an ethic of governance, the interference of the ruling party into the economic sphere, and the reconfiguration of the leadership.

While hidden disaffection provides for the maintenance of cross-border social and economic networks, it does not challenge the Tunisian framework of top-down participatory development, but questions its premises, although in an underlying manner. While hidden disaffection constitutes a reaction against the GoT's understanding of economic liberalization as well as against the resilience of institutional constraints, it may also be viewed as a response to the 'lack of realization of expected improvement'.⁷ However, this response does not lead to 'rebellion', as Gunnar Myrdal would suggest, but rather to the maintenance of cross-border social and economic networks. In effect, rebellion (or dissent) makes sense when it is understood as a rebellion, and not as a deviant opposition force aimed at jeopardizing the 'alliance between economic growth and social stability',⁸ which has characterized the political economy of Tunisia since the mid-1990s and gradually legitimized the resilient centrality of the state apparatus and the ruling party (i.e., the *Rassemblement Constitutionnel Démocratique*) in the economic sphere.

Finally, while the reinforcement of liberal economic reforms has, since the late 1980s, fostered the formation of cross-border social and economic networks, it is too early to argue whether the shift from state-to-state transactions to an Association Agreement with the European Union will pave the way for voiced disaffection on the part of the *New Entrepreneurs*. However weak the impact of these networks on domestic policies, however

imperceptible their responsiveness, this study has empirically substantiated the fact that the *New Entrepreneurship* exists and that it carries a clear message.

Notes

- 1 Literally 'converted immigrant' to entrepreneurship. See Pierre-Noël Denicuil and Abdelkhalak B'Chir, 'La PME tunisienne', in Abdelkader Sid-Ahmed (ed.), *Economies du Maghreb: L'impératif de Barcelone*, CNRS éditions, Paris, 1998, p. 186.
- 2 Mark Granovetter, 'Problems of Explanation in Economic Sociology', in Robert G. Eccles and Nitin Nohria (eds), *Networks and Organizations, Structure, Form, and Action*, Harvard Business School Press, Boston, 1992, p. 25.
- 3 Mark Granovetter, 'The Strength of Weak Ties: A Network Theory Revisited', in Peter V. Marsden and Nan Lin (eds), *Social Structure and Network Analysis*, Sage Publications Ltd, London, 1982, p. 113.
- 4 As Russell Hardin pointed out, 'one of the most important ways information affects groups is in giving group members an understanding of their common interests'. Russell Hardin, *One for All: The Logics of Group Conflict*, Princeton University Press, Princeton, 1995, p. 55.
- 5 Jean Leca, 'Opposition in the Middle East and North Africa', *Government and Opposition* 32, No. 4 (1997), p. 563.
- 6 This metaphor has to be understood not in terms of need, but in terms of participation in a system of social status and representation. Albert O. Hirschman, *Exit, Voice, and Loyalty*, p. 102.
- 7 Gunnar Myrdal, *Against the Stream: Critical Essays on Economics*, Macmillan, London, 1972, p. 175.
- 8 See *Jeune Afrique*, No. 1853 (July 1996), p. 95.

Appendix

Interview Schedule

A *The Enterprise*

- Legal status of the enterprise?
- Number of employees?
- In which economic sector? Why?
- Date of creation? Why at that moment?
- Who are the customers of your business concern?
- How much time did it take to be part of the local market activities? With which means?
- What are the objectives of your enterprise?
- What is the proportion of export benefits compared with the profits made at a local level? To which areas are your exports orientated? Why and since when?

B *The Profile of the Entrepreneur*

The geographical origins of the entrepreneur? In which European country did you live?

- When did you come back to Tunisia?
- What did you expect before coming?

The professional experience of the entrepreneur

- What is your academic level? Do you speak foreign languages? Have you ever studied abroad? When and how many years?
- Is it your first professional experience?
- Why did you set up your own business activity in this industrial sector?

- According to you, what are the required qualities of an entrepreneur, on the whole? Of an entrepreneur in Tunisia? What advice would you give to someone who hopes to run a business activity in Tunisia?

The entrepreneur and his economic environment

- Except from your own economic activity, have you any other projects in Tunisia?
- Do you feel personally different from your Tunisian counterparts?
- Did other Tunisian entrepreneurs help/inform you when you created your enterprise?
- What do you think about the process of privatization in Tunisia, about the situation of small firms?
- What do you think about the partnership agreement between the EU and Tunisia which will be enforced in 1997? Will it be influential on your current entrepreneurial activities? To which extent?

Resource mobilization and the entrepreneur

- Have you tried to create a partnership in Tunisia? If so, with whom and why? If not, why?
- Do you think that other business opportunities will be available in the future to other Tunisians?

The entrepreneur and Tunisian formal institutions

- How do you evaluate the action of some Tunisian formal institutions such as API, CEPEX, UTICA?
- Are you a member of UTICA? Of another state-sponsored union or association? If not, why?

C The Dynamics of Across-the-Borders Networks and the Activities of the Entrepreneur

The entrepreneur and his networks

- Do you think that, professionally, your past experience in Europe was helpful to the development of your firm? If not, which other elements contributed to its development?

- According to you, what do your foreign customers appreciate in your service?
- Do you think they could easily find another partner in Tunisia if they wished?
- Since when did you cooperate with them? Did Tunisian formal institutions help you find your customers abroad?
- Did some of your relatives, friends or acquaintances (i.e. colleagues) living in Europe inform you about potential cooperation? If not, would you resort to them to obtain further information about market opportunities abroad? Why and, if so, how?

The entrepreneur and associative networks of relations

- Are you a member of a club, a private association in Tunisia or abroad? Which one? How old is this association?
- What is the purpose of this association?
- What does it give you personally/professionally?
- Did you easily become a member of this association? What are the requirements of membership?
- Do you think it could, somehow, contribute to the development of your entrepreneurial activities in Tunisia or abroad?

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Index

- accountabilities 36, 59, 101, 136 137,
 141, 202; of entrepreneurs 59
 Achour, H. 103
 address book 39, 87, 89, 165, 184, 188,
 195, 209-10, 217, 219, 221
 adjustment strategies 134, 202
 Adler, S. 29
 AFI 25
 Agate, P. 34, 149
aide au retour 4, 30
 ailing firms 138, 139, 140
 Aizenman, J. 158
 Aldrich, H.E. 213-14
 alertness (according to Kirzner) 42-3,
 180, 200, 204
 Algeria 97; and the AMU 167;
 diplomatic relations with Morocco
 167
 Aliboni, R. 149
 alliances with foreign capital 125, 127,
 131-3, 150, 180
 Ammar, A. 121
 AMU 8, 68, 167-70; (regional
 uncertainties 208-9
 Anderson, L. 107, 153
 API 5, 25, 30, 33, 51, 70, 90, 96, 115,
 117, 121, 136, 156, 174
 APIE 34, 156, 176
 Appleyard, R.T. 13, 29
 Arango, J. 28
 Arnold, F. 11, 28
 associations 109; and business concerns
 108; infiltration of the RCD militants
 201; legal status) 109
 Ayari, C. 159
 Badie, B. 212
 Baker, W.E. 214
 Balti, M. 112, 154
Bamboo Network 88
 bank loans 122, 160, 214
 bankruptcy 36, 61, 132, 137-8
 Barcelona Declaration 2, 100, 133-4
 Barkey, H.J. 159
 Battles, S.E. 31, 210
 Bell, E. 209
 Bell, G. 209
 Bellin, E.R. 95, 121, 150, 152, 153, 156,
 157, 164
 Bellon, B. 209
 Ben Abdallah, M. 162
 Ben Achour, Y. 162
 Ben Ali, Z.A. 9, 23, 32, 59, 60, 65, 72,
 96, 98-9, 142-3, 147, 149, 152-4,
 161-3, 168, 190, 210, 213; and
 associative activities 154; and
 government reshuffles 163; and
 leading entrepreneurs 142; and
 liberal transition 98; and the 1994
 presidential campaign 213; and the
 PMN 210; and Tunisian migrants;
 23, 34; president of the CSE 59, 95
 Ben Ali style 162
 Ben Amor, B. 152, 162
 Ben Hadj Yahia, B. 140, 161
 Ben Youssef, A. 116
 Ben-Porath, 196, 214
 Benhaim, R. 209
 Bessis, S. 151
 BIAT 34, 110-11, 113, 154, 162, 181
 black market 9, 26, 33, 119, 145, 157
 BMN 136, 160

- Boettke, P.J. 94
 Boubakri, H. 21, 22, 31, 32
 Boudhiaf, M. 169
 Bouguerra, S. 96, 119
 Bourdieu, P. 95
 Bourguiba, H. 102, 105, 110, 120, 150, 152, 154, 158, 162
 Bovenkerk, F. 1, 8, 28
 Bras, J.-P. 151
 Bratton, M. 163
 Braud, P. 144, 163
 BSTP 118, 156
 bureaucracy 54-5, 90, 122; quantitative expansion 123; relationship with public administrators 197
 bureaucratic nebula 146
 business autonomy 202
Caisse Française de Développement 175
Caisse Générale de Compensation 150
 Callea, S. 31
 Camau, M. 34, 105, 149, 150, 152, 157, 158, 162, 164
carte de séjour 31
 Caruso, F. 210
 CAT 27, 66, 72
 Central Eastern European countries 172
 centrality 101, 109, 111, 113, 120, 144, 167, 177-8, 181, 186-8, 197, 222-3
 CEPEX 50, 52, 66, 82, 90, 95, 117
 CFNS 32
 Chauffour, J.P. 35
 Chebi, A. 211
 Chérif, K. 150
 Chevallier, A. 173, 210
 Chilton, P. 212
 Chouikha, L. 153
 Chourou, B. 124, 155, 158
 Chuchan, A. 152
 circularity 7, 165, 183, 203-5, 207, 215, 221
 civil society (state-led participation of) 108, 109, 112, 153
 clientelism 57, 144
 Club du 7 novembre 32
 CNFCPP 118
 CNSS 119, 157
codé des sociétés 162
 cohesiveness 198, 199, 203; and congruence 220-21; impact of network circularity on 220-21
 Coleman, J.S. 17, 30, 189, 213
 Colonomos, A. 212
 competencies 24, 45, 47-8, 56, 61-3, 69, 80, 128, 187-8, 194, 205
 complementarity 185-6, 188, 192, 197, 204, 219; discovery of 192
concordat préventif 138
congé-création 117
 conglomerates 132, 142, 162
 consensus 8, 106-11, 126, 130-31, 137, 141, 144-5, 222-3
 conspicuous consumption 11-12
 Cook, K. 185, 212, 213
 COPII 136, 160
 corporatism 142
 cost-of-living riots 66, 152
 COTUNACE 104
 Cox, 212
 creativity (according to Kirzner) 43, 53, 91
 CSCE 115, 116, 117, 155
 CSDHLF 153
 CSE (creation of) 60, 96
 CSEE 138, 139, 140
 currency swap schemes 3, 9
 customs clearance 105, 121, 178; and foreign investors 178; and the *New Entrepreneurs* 178
 Daoud, Z. 208
décompartmentalisation (of business concerns) 109, 113
 Decressin, J. 157
 Deeb, M.-J., 208, 209
 Denoex, G. 153
 Dhemaïed, F. 34, 178
 diaspora 14, 15, 29, 183
 Dimassi, H. 158
 diplomatic alliances, 106
 discovery: according to Kirzner 43, 69, 186, 219; and the *New Entrepreneurs* 219
 discretionary power of judges 138
 Djankov, S. 159
 Dumon, W. 24, 33
 Duran, P. 209
 Ebiri, K. 29
 Eccles, R.G. 30, 214, 224
 economic deviation 126, 140, 158
 effective protection rates 124, 127
 Egypt 48, 49, 52, 152
 Eken, S. 209
 El Béji Hamda, M. 164
 elite migrants 21, 31
 embargo (on Libya) 82, 97
 employment 64, 69, 105, 113, 114, 120, 123, 125, 138, 141, 157, 159, 161; in the public sector 157
 Enders, K. 150, 159
 energy sector 172-3, 175, 177
 Entelis, J.P. 208
 entrepreneurial legacy 61
 entrepreneurs' accountabilities 202
esprit de corps 44, 95
 ETAP 172
 ETE 136, 137, 160, 161
 ethic (for Weber) 192
 ethical governance 147, 222
 ethnicity 7, 15, 40, 44, 88, 183, 196, 212
 exchange: and complementarity, 186; and distinctiveness 220; and identification 220; and role-set 273; and trust 194, 196, 207; meaning of 220; network centrality 218-19; of resources 185, 220; of valued items 7, 189, 192, 205, 220
 expected destinations earnings 10
 experience of migration 14, 37-8, 40, 45, 48, 56, 61-2, 74, 192, 204, 217
 export-orientated firms 24, 37, 74, 83, 104, 121, 123, 132, 158
 Farsakh, L. 29
 Fawcett, J.T. 29
 FDIs 115
 Fefchiou, R. 146, 163
 Finaish, M. 209
 financial protocols (between Tunisia and the EU) 99
 fishing dispute 175
 Flory, M. 34, 149
 FODEC 118, 156
 FODEP 118, 156
Fondation de l'Entreprise 34
Fonds National de Solidarité 32
 FOPRODEX 104
 FOPRODI 25, 33, 118, 156
 FOPROMAT 118, 156
 France (and foreign capital) 174-6
 Frances, J. 212
 freedom to invest 121, 126, 130, 147, 164-5, 172, 174, 176, 204, 210, 219
 FSN 112, 154, 201
 Galal, A. 209
 Galaskiewicz, J. 30, 185, 213
 Gambetta, D. 95, 192, 213
 Ganaïge, J. 149
 Garson, J.-P. 3, 9
 GDFI 114, 155
 GDP 102, 113, 118, 120, 132
 Gellner E. 95
 geographical proximity 100, 170
 Gislain, J.-J. 94
 Goldberg, E. 150
 good governance 100
 Gouïa, R. 209
 governance (ethical) 8, 147, 222-3
 governance realm 144-5, 207
 government reshuffles 54, 147, 163-4

- government subsidies 100, 103, 133
 Granovetter, M. 7, 9, 30, 40, 184, 192, 207, 212, 213, 224
 Grawitz, M. 163
 group boundaries: meaning of 191-2;
 the effect of distinctiveness 192;
 variables of 191-2
 Guerraoui, D. 151, 157
 Habeeb, W.M. 152, 208
 Hadad, T. 152
 Hafsi, N. 33
 Hamilton, N. 13, 29
 Hardin, R. 192, 213, 214, 224
 Harik, I. 33, 47, 150
 Harris, D.R. 31
 Henry Moore, C. 149, 153
 Hermassi, A. 150, 152, 153
 heterogeneity of the private sector 24,
 122-3, 148
 Heydemann, S. 60, 96
 hidden disaffection: and business
 autonomy 223; definition 223
 Hirschman, A.O. 8, 9, 142, 161, 201,
 223, 224
 Hizb En-Nahda (*see also Mouvement do
 la Tendance Islamiste*) 108, 153
 Hoekman, B. 159, 209
 Hopkins, M. 209
 Hsing, Y. 212
 Hugo, G. 28
 human action (and the *New
 Entrepreneurs*) 40-43, 196
 human capital 17-18.
 human rights 108-9, 134, 154, 168
 Hyden, G. 144, 145, 163
 IACE 34, 59, 72, 109-13, 126, 154
 Ibn Khaldun, A. 95
 identification 139, 187, 189, 192, 220
 IDIs 169, 170-75, 177, 180, 207, 209;
 Bérégovoycreditline 175; and the
Commission Supérieure des
Investissement 177; customs
 clearance 178-9; definition of the
 Tunisian Ministry of International
 Cooperation 170-71; in the energy
 sector 172-3; and large Tunisian
 firms 175, 178; and the *New
 Entrepreneurs* 171, 207; and political
 stability 178; and portfolio
 investments 170-71; and the
 principle of non-discrimination 177;
 and social stability 177-8; source of
 legitimacy 176-7, 179
 IMF 58, 66, 102-5, 120, 151, 158, 222
 immigrant communities 3-5, 15
 immigrant entrepreneurship 4-5
 import-substitution 124
 in-kind transfers 2-4, 10, 23, 127
 indebtedness 138
 industrial concentration 124, 132
 Industrial Investment Code 104, 130,
 165, 174, 176, 209
 Industrial Investment Code (law 87-51)
 104
 industrialists 24-5, 37, 46-7, 56, 60,
 125, 148, 216
infittah 24, 33, 36, 46, 56, 60, 99, 156,
 158, 216
infraction économique 143
 innovation 41, 42
 INS 19, 30, 31
 interest rates 122, 147, 151
 international competition 26, 52, 53, 72,
 74, 123, 124, 127, 132, 135, 143
 interpersonal relationships 14, 183; and
 cross-border social and economic
 networks 183; linkages 193
 Italy: bilateral cooperation 175-6; and
 foreign capital 68
 ITCs 82-3, 95-6
 Jazi, D. 154
 Jbili, A. 150, 159
 Jegham, M. 82
 Jilani, H. 59, 97, 106, 126, 152, 159
 job flexibility (and foreign investment)
 148, 179, 211
 Joffé, G. 150, 208
 joint-ventures 77, 128, 130, 158, 217
 Joppke, 264 212
Journée Nationale de l'Entreprise 27,
 34, 142, 161
Journée Nationale des Associations 110,
 142, 153
*Journée nationale des Tunisiens à
 l'étranger* 9
 judiciary 139, 140-41, 161
 Jung, U. 136, 161
 Kahler, M. 159
 Karoui, H. 53, 54, 97, 147, 161: and
 entrepreneurs 53
 Kasaba, R. 150
 Kébabdjian, G. 173
 Keohane, R. 182, 211
 Khaskhoussi, A. 211
 King, R. 28, 29, 31
 Kirzner, I.M. 40, 42, 43, 53, 69, 91, 94,
 180, 186, 196
 Knoke, D. 184, 212
 knowledge (according to Kirzner) 43
 Kohli, A. 155, 163
 Korany, B. 34, 149
 Kouaouci, A. 9, 28
 Krasner, S.D. 212
 Kraus, R. 31
 Kritz, M.M. 28
 Kuklinski, J.H. 184, 212
 Labidi, K. 153
 Lakhoua, F. 157
 large companies 56, 81, 125
 Laumann, E.O. 30, 185, 213
 Lawless, R. 28, 29, 31
 leading entrepreneurs (and their voice
 option) 142
 Lean Lim, L. 28
 Leca, J. 163, 224
 Leontidou, L. 29
 Levacic, R. 212
 Leveau, R. 168, 208
 Levitt, P. 212
 Lewis, J. 29
 Libya: embargo on 82, 96
 Libyan and Tunisian businessmen 69,
 96, 152
 licence (*agrément*) 104, 174
 Lin, N. 9, 213, 224
 lobbies 182
 locking-in (of reform process) 133, 171
 low profile 8, 180-81, 201, 222
 LTDH 108, 109, 153
 Luhmann, N. 96, 193, 213
 Ma Mung, E. 9
 Madarassy, A. 95
 Mahjoub, A. 30, 127, 158
*Maison du Rassemblement des Tunisiens
 en France* 32
 MANFORM 160
 Mantran, R. 34, 149
 manufacturing industries 5, 7, 96,
 113-14, 118, 132, 135, 136, 141,
 147, 155, 158, 162, 171-3, 175,
 177-8, 202; and the Captains 223;
 foreign capital 180
 manufacturing sector 114, 118, 155, 158,
 175, 178, 209, 220
 market information 18, 27, 28, 49-50,
 53-4, 65, 67, 70, 72, 73, 85, 89,
 101, 111, 146, 180, 184-5, 202-4,
 215, 217, 220; and relevance 199;
 and social embeddedness 40
 market transactions (and social
 embeddedness) 192
 Marks, J. 150, 158
 Marsden, P.V. 9, 30, 186, 213, 224
 Martin, P.L. 28
 Marzouki, M. 109, 153
 Massey, D.S. 11, 28

- MDS 211
 Mechalet, C.-A. 209
 MEDA 159
 Medam, A. 14, 29
medba 98
 media visibility 60, 143, 150
 mergers 120, 141-2, 157
 methodological individualism 11
 Michalak, L.O. 16, 30
 Migdal, J.S. 145, 150, 155, 163
 migration: and learning 190; trans-
 national migration communities 183
 migratory pressures 134
 Milad, A. 162
 Mitchell, J. 212
 Moall, M. 34, 110, 111
 modern state 144, 162
 Morocco (diplomatic relations with
 Algeria) 2, 169
 Moss Kanter, R. 30
 MTI 103, 108: renamed Hizb En-Nahda
 153
 multifibre agreements 114
 multinational companies 48, 56, 125,
 143
 multipartyism 167: in the Magreb
 countries 167-8
 multiple involvement 201, 203: in
 networks 221
 Murphy, E. 150
 mutual understanding 91, 189, 191, 196,
 220
 Naciri, H. 152
 Neffati, C. 32, 111
 neighbourhood 10, 12
 Nellis, J.R. 33
New Creators 115, 117
 New Economics of Labour Migration
 11, 28
 New Era 9, 88, 106-7, 143
 New Institutionalists 18, 184
New Order 100, 147
 New Promoters 115-17, 155, 156
 Niblock, R. 149, 150
 NIIC 113-18, 121, 155-6, 158, 179: and
 foreign capital 177; revision of 164
 Nohria, N. 30, 214, 224
 Nouria, C. 24, 59, 126
 Nouria, H. 24, 59, 126
 Nowell, G. 182, 212
 Nsouli, S.M. 157, 209
 Nye, J. 182, 211
 OAU 65
 O'Connor, D. 29
 offshore private sector 123, 177-8
 onshore private sector 123, 177-8
 OTE 30, 31
 Ould Aoudia, J. 33
 Page, J. 171, 179, 209, 210, 211
 participatory citizenship 26, 36
 participatory development 98, 106, 112-
 13, 115, 117, 125-6, 130, 134, 144,
 149, 166, 169, 177, 219, 222-3: and
 the *New Entrepreneurs* 6-8, 180,
 205, 207
 past migration experience 6, 14-16, 18,
 21, 28, 36, 38-41, 45-6, 55-6, 61,
 74-6, 85, 87-91, 165-6, 181, 188-
 91, 195-7, 203, 205, 207,
 215-20
 pedagogy 27, 135
 Pellegrino, A. 28
 Pettit, P. 194, 195, 213, 214
 Pfeffemann, G.P. 95
 pluri-activity 87, 88, 128
 PMN 27, 34, 36, 70, 72, 73, 74, 95, 96,
 101, 135, 136, 137, 140, 142, 143,
 144, 160, 161, 163: as a diffuse
 pattern of interpretation of domestic
 challenges 141; and government
 reshuffles 53-4; of the public
 administration 54; as a scientific
 process 146
 political deviation 112, 154
 populism 108, 144
 Portes, A. 191, 213
 Prensky, D. 30
 prescience (according to Kirzner) 42
 principle of reciprocity 132
 private initiatives 25, 27, 34, 71, 93,
 101, 109, 111, 113, 127, 131, 134,
 148, 172, 202, 214, 222
 private sector (dualism) 178
 Privatization 58
 privatization 4, 25, 26, 37, 38, 46, 59,
 60, 62, 63, 66, 76, 95, 99, 100, 102,
 103, 104, 110, 119, 122, 134, 142,
 147, 151, 159, 171: and the *Heirs* 58,
 120
 psychic income 189, 192
 Quinck, K. 177, 210
 Raâch, S. 161
 Rabeh, S. 211
 Ramesh, M. 210, 211
rapprochement 102, 110, 113, 130, 135,
 142-3, 147, 178, 202, 222
 ratification (of the Euro-Tunisian
 Association agreement) 26, 34, 100,
 101, 148
 RCD 9, 32, 33, 106, 109, 111, 113,
 137, 153, 154, 201: and associative
 activities 112; and the *New
 Entrepreneurs* 200
 Rebei, M. 151
 referendum 143, 162
 referents 158, 189-91
 remittances 2-4, 9-13, 15, 23, 127, 151
 resistance to state policies 108, 145-6
 resources: and the address book 184; and
 congruence 196, 198; mediating the
 flows of 186
 return migration 1, 10-14, 16, 18, 19,
 21, 22, 30, 32, 215, 217, 218
 return students 21
 Richet, X. 151, 157
 Risse, T. 181, 182, 211, 212
 RMP 2, 8, 99, 100, 134, 149
 Rogers, R. 29
 role-set (and congruence) 187, 198, 200
 Romdhani, O. 208
 Rotary Club 154
 Rothchild, D. 163
 Russell Stanton, S. 29
 Saghir, J. 151
 Sahraoui, M. 163
 SAMEST 156
 SAP 4, 25, 26, 67, 93, 102, 105, 118,
 125, 130, 131, 158, 161, 167, 171
 Sassi, K. 154
 Schumpeter, J.A. 41-2, 94
 Schumpeterian entrepreneur 41-2
 security 8, 99, 100, 167, 168, 169, 211
 selective access to information 53
 selective stabilization 60
 self-financing 126-7
 Sensenbrenner, J. 191, 213
 Servet, J.-M. 214
 Sethom, N. 25, 33, 47
 Shue, V. 154, 155, 163
 Simon, G. 29
 Slama, A. 152, 162
 Smouts, M.-C. 212
 SMVDA 84, 97
 social action 40, 41, 43, 44, 95, 192, 196
 social capital 6, 16-17, 21, 36, 41, 45,
 48, 54, 61-2, 74, 216-18
 social embeddedness 18, 40, 192
 social stability 96, 98, 119, 123, 131,
 132, 134, 137-8, 140-41, 147, 202,
 223: and foreign capital 177-8
 social structure (cohesiveness) 187
 SOEs 104, 119-20, 151
 sovereignty 26, 98-99, 104, 143, 162
 state disengagement 25, 104, 105, 120,
 147
 state neo-patrimonialism 27, 34, 151

- statization of society 34, 103, 134, 151
 Steiner, P. 94
 Stoltz Chinchilla, N. 13, 29
 strategic and non-strategic sectors 58, 104, 147
 structural constraints 145, 176
 structuralist theory of international migration 11
 Sullivan, D.J. 33, 150
 Swedberg, R. 94, 95, 214

 Talahite, F. 134, 159
 tangible and intangible resources 13, 144, 215
 tariff dismantling 100, 132, 134, 138, 141, 159
 tariff protection 123, 132
 Tarrus, A. 9
 tax amnesty programme 157
 tax burden 157
 tax exemption 22, 24, 32, 83, 93, 105, 113-18, 123, 126-7, 156, 171-2, 209
 tax fraud 119, 143, 157
 Taylor, J.E. 11, 28
 Tessler, M. 208
 textile crisis 114, 172
 Thompson, G. 212
 titles of nobility 74, 141, 143, 147
 tourist-migrants 3
 Tovias, A. 132, 159
 Tozy, M. 94
 trade dependence (on the EU) 131, 148
 trade diversification 128
 trans-institutional dynamic 71
 transfer of technology 81-2, 114, 125
 transnational actors (migration) 181-2
 transnational networks (and cross-border social and economic networks) 182-3, 212
 transnational structuring 182, 211
 transparency 90, 133, 176, 194
 Treaty of Bardo 99
 Treaty of Marrakech 167

 Zaiem, H. 158
 Zallio, F. 209
 Zarman, I.W. 95, 150, 152, 156
 Zghal, R. 120, 157
 Zimmer, C. 213, 214

 Zlomik, H. 28
 Zneidi, M. 96
 Zorgati, N. 33, 34, 211
 Zouari, A. 154, 159
 Zrelli, F. 162