GLOBAL FINANCIAL INTEGRITY

Trade-Related Illicit Financial Flows in the Middle East and North Africa (2013 - 2022)

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1 | Introduction

The Middle East and North Africa (MENA) region occupies a singular position in global commerce. Home to over half the world's proven oil reserves, the region's hydrocarbon exports have long anchored international energy markets and generated trade volumes far exceeding what its population or non-oil economies alone would suggest. By 2022, the Middle East had recorded the strongest export volume growth of any WTO region at 14.6 percent, buoyed by elevated commodity prices following Russia's invasion of Ukraine, and the region accounted for roughly 7.4 percent of total global merchandise trade. Yet the very features that make MENA indispensable to global trade also create conditions in which trade-related illicit financial flows (IFFs) can flourish. The region is home to dozens of free trade zones offering full foreign ownership, zero transit duties, and minimal reporting requirements, features that international bodies including the Financial Action Task Force (FATF) have identified as creating significant vulnerabilities for trade-based money laundering.

Fuel accounts for a significant share of MENA's total exports, concentrated in a handful of countries where hydrocarbon pricing opacity and multi-year contract structures complicate independent valuation. At the same time, protracted conflicts in Yemen, Libya, and Iraq have dismantled customs infrastructure, created vast data gaps, and opened channels for smuggling and sanctions evasion. Comprehensive international sanctions on Iran have driven trade through deceptive shipping networks, front companies, and shadow banking arrangements that further distort the region's official trade records. Taken together, these structural characteristics, including hydrocarbon dependence, extensive re-export infrastructure, active conflict zones, and overlapping sanctions regimes, make the MENA region one of the most complex environments in the world for analyzing trade-related financial crime.

Illicit financial flows (IFFs) are cross-border movements of money or capital that are illegally earned, transferred, or utilized. The primary sources, as classified by the UNCTAD-UNODC Conceptual Framework, include commercial tax evasion, proceeds from illegal markets, corruption, and terrorism financing. These flows matter profoundly for development: they drain revenues that countries urgently need to finance public services and infrastructure, with UNCTAD estimating that countries with high illicit outflows invest 25 percent less on health and 58 percent less on education than comparable low-outflow countries. Under SDG Target 16.4, the international community has committed to significantly reducing illicit financial and arms flows by 2030. Among the channels through which IFFs move, international trade is particularly significant because it provides a high-volume, routine mechanism within which illicit value can be concealed. Trade misinvoicing, the deliberate falsification of the price, quantity, quality, or description of goods on customs invoices and trade documents, is one of the largest measurable components of global IFFs. It operates through four principal channels. Import over-invoicing shifts money abroad by inflating the declared cost of imports so that the excess payment can be redirected to an offshore account, a technique especially prevalent in countries with capital controls or weak currencies where actors seek to move wealth into hard-currency holdings. Export under-invoicing similarly facilitates capital flight by understating the declared value of exports, allowing the unreported difference to accumulate outside the exporting country's jurisdiction, and this practice is particularly damaging for natural resource exporters

because it directly erodes both export and income tax revenues. Import under-invoicing is used to evade customs duties and value-added taxes (VAT) by declaring goods at lower values than actually paid, a practice that deprives governments of tariff revenue. And export over-invoicing generates illicit inflows by inflating export values to exploit government subsidy and rebate programs.

The FATF and the Egmont Group have identified trade-based money laundering (TBML) as one of three primary methods through which criminal proceeds are laundered globally, alongside the formal financial system and bulk cash smuggling, and have noted that it remains the most difficult for financial institutions to detect. The scale of opportunity is vast: with more than 860 million container movements annually accounting for nearly 90 percent of global trade, fewer than two percent of containers are ever physically inspected. For the Arab region specifically, the United Nations Economic and Social Commission for Western Asia (ESCWA) has estimated that trade misinvoicing costs Arab economies between $60.3 billion and $77.5 billion per year.

This report applies Global Financial Integrity's trade value gap methodology to MENA economies for the period 2013 to 2022. The methodology uses a mirror analysis of United Nations Comtrade data. It compares what a given country reports as its exports to what its trading partners report receiving as imports from that country, and vice versa, flagging persistent bilateral discrepancies as potential indicators of trade misinvoicing. As the World Customs Organization's 2018 Study Report concluded, while the existence of trade misinvoicing is indisputable, aggregate estimates derived from partner-country analysis should be understood as risk indicators rather than precise measurements of illicit activity. This report adopts that framing throughout: the value gaps analyzed in the sections that follow signal where misinvoicing risk may be elevated and where further investigation by customs, tax, and law enforcement authorities is warranted, not where criminal conduct has been established.

2 | Regional and Country-Level Findings (2013-2022)

## Figure 1: Total Trade Value Gaps in the Middle East and North Africa
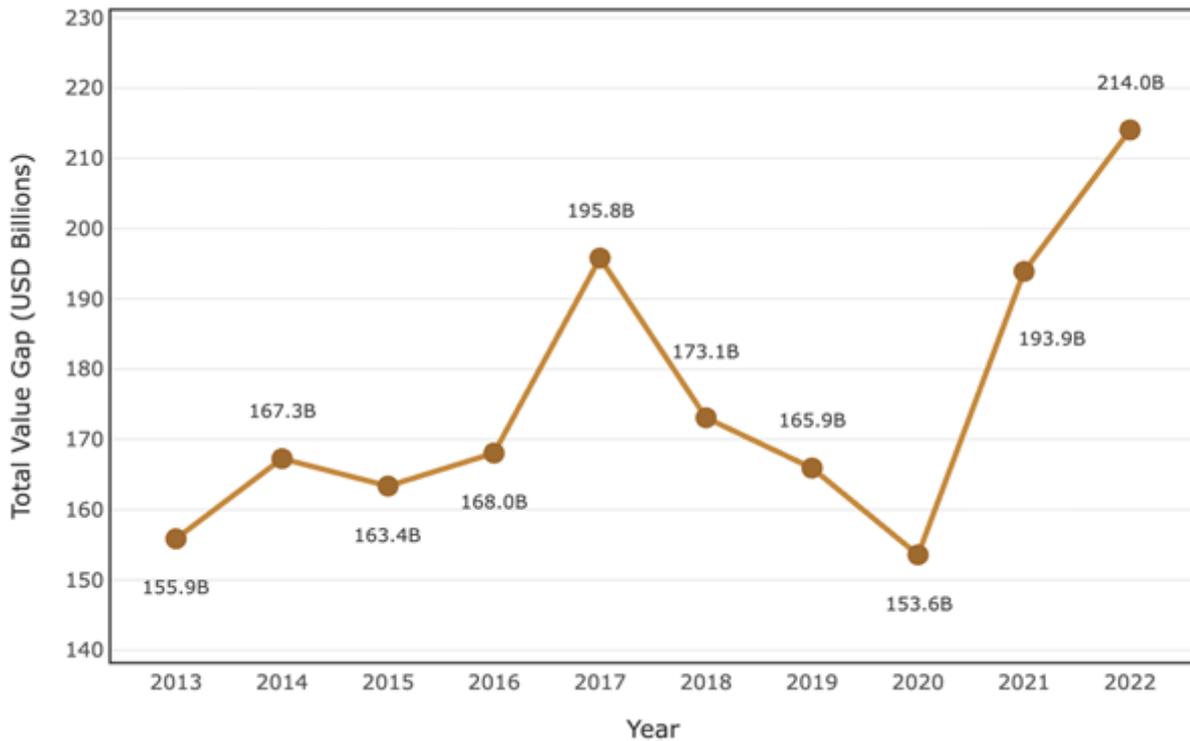
The MENA region's total value gap shows a cyclical pattern with two peaks (2017 and 2022) separated by a significant trough around 2020. Specifically, value gaps climbed from ~$156 B in 2013 to a peak of $196 B in 2017, then declined through 2018–2020 (reaching a low of $154 B in 2020) before rebounding sharply to $214 B by 2022. The 2020 collapse coincided with the COVID-19 shock and global trade slump, consistent with a WTO finding that Middle Eastern export volumes fell steeply during the pandemic. Likewise, the subsequent jump in 2021–22 follows the broader global trade recovery. Oil price volatility also likely contributed: for oil-exporting MENA states, the oil glut of 2014–16 and pandemic drop cut trade values, while oil and commodity price recovery in 2021–22 revived both legitimate and illicit flows. This pattern highlights that MENA's trade-based IFFs are sensitive to economic cycles and shocks, but remain large.

Figure 2: MENA Countries Cumulative Trade Value Gap with All its Global Trading Partners, 2013–2022 (USD Millions)

| Countries	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Grand Total	Average
Afghanistan	20.29	50.71	259.08	177.33	428.54	493.97	596.55	N/A	N/A	N/A	2026.46	289.49
Algeria	11713.81	11374.44	10184.36	8590.20	10023.25	N/A	N/A	N/A	N/A	N/A	51886.07	10377.21
Bahrain	3143.15	3578.73	2708.50	2444.11	2941.40	3515.25	2998.61	3208.67	3818.20	4888.06	33244.68	3324.47
Djibouti	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	828.62	1119.26	1947.88	973.94
Egypt	11937.47	15425.02	10737.42	10695.60	10522.25	12577.97	13201.33	12191.58	16263.89	16949.12	130501.66	13050.17
Iran	10631.86	12053.48	11405.33	12773.85	14587.38	11136.37	8563.06	7106.95	9286.68	9478.89	107023.84	10702.38
Iraq	N/A	875.66	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	875.66	875.66
Jordan	3891.43	3975.02	3543.04	3235.45	4180.67	3141.56	3298.62	2656.24	3126.80	3908.56	34957.37	3495.74
Kuwait	7003.51	6467.07	11153.86	10540.65	13593.04	12106.62	6319.87	5231.27	6580.41	5030.97	84027.28	8402.73
Lebanon	3858.13	3837.15	3691.86	3740.45	3273.49	3777.49	3814.23	2524.04	3505.61	3566.19	35588.64	3558.86
Libya	N/A	N/A	N/A	1662.45	1598.98	2715.89	2672.47	N/A	N/A	N/A	8649.80	2162.45
Mauritania	485.30	459.12	344.42	410.51	538.83	529.41	572.70	1014.93	1056.27	1471.93	6883.43	688.34
Morocco	11154.53	11364.77	12298.97	12496.42	16840.32	19983.15	19791.79	15759.75	20803.92	23958.89	164452.51	16445.25
Oman	6973.52	5835.26	5689.63	5940.35	6356.24	6608.42	6288.30	6808.62	8484.43	6076.58	65061.35	6506.13
Pakistan	9549.40	10042.89	10542.47	12194.52	12645.40	11859.02	11611.26	10646.99	14368.68	15955.39	119416.04	11941.60
Qatar	5101.37	5583.80	4077.59	4082.16	6178.22	5639.63	4488.25	4848.91	6272.86	7694.32	53967.12	5396.71
Saudi Arabia	30707.45	33004.65	34562.43	31064.59	33805.89	23046.17	24343.23	31093.00	36148.15	42443.42	320218.98	32021.90
Tunisia	6479.00	6375.22	5260.49	5526.12	7863.27	8241.17	7498.66	5531.33	7735.21	7462.35	67972.81	6797.28
United Arab Emirates	31268.14	35332.37	36180.32	42474.95	50430.86	47611.32	49092.46	44943.46	55624.40	64038.33	456996.61	45699.66
Yemen	1940.93	1626.33	718.74	N/A	N/A	96.13	769.81	N/A	N/A	N/A	5151.95	1030.39

Figure 3: Top 10 MENA Countries by Trade Value Gap as a Percentage of Total Trade, 2013-2022 (All Trading Partners)
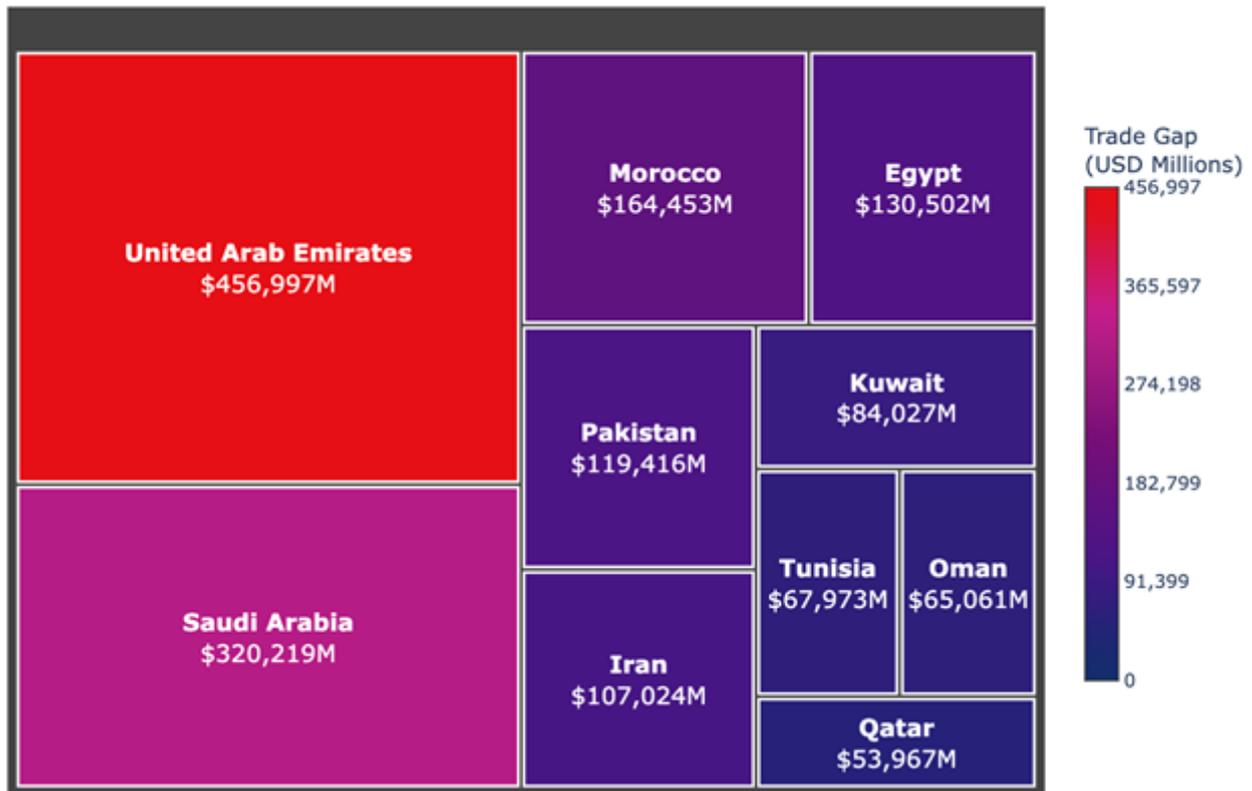
In absolute terms, the largest trade gaps are overwhelmingly in the Gulf Arab oil economies and some large diversified economies. The United Arab Emirates tops the list by far (~$457 billion), followed by Saudi Arabia (~$320 B). These two oil exporters are also major trading hubs (especially the UAE, with its re-export trade). Next come Morocco (~$164 B) and Egypt (~$131 B), reflecting their larger populations and active trade, despite not being oil exporters. (Both Morocco and Egypt have significant manufacturing exports and tourism-driven imports.) Iran (~$107 B) is also high-ranked, reflecting extensive sanctions-evasion trade. Other notable countries include Kuwait (~$84 B), Tunisia (~$68 B), Oman (~$65 B), and Qatar (~$54 B). Together, these ten economies account for roughly 90% of the region's cumulative value gaps across the period This concentration pattern is analytically important because it suggests that regional risk reduction will be shaped disproportionately by a limited set of high-volume traders and hubs.

Two structural features help explain why certain MENA economies have significant trade value gaps. First, the region's hydrocarbon export scale and exposure to price volatility play a central role. Several OPEC members, including Saudi Arabia, the United Arab Emirates, Kuwait, Iran, and Algeria, export large volumes of crude oil and petroleum products, and sharp increases in global energy prices in 2021–2022 significantly inflated nominal trade values. Even without proportional increases in physical volumes, higher prices can mechanically enlarge value-based discrepancies. Second, the presence of major trade hubs, free zones, and re-export ecosystems adds complexity to trade documentation and partner attribution. As highlighted by the Financial Action Task Force, simplified procedures and reduced transparency in some free trade zones may be exploited for money laundering or terrorist financing.

Figure 4: Top 10 MENA Countries by Trade Value Gap as a Percentage of Total Trade, 2013-2022
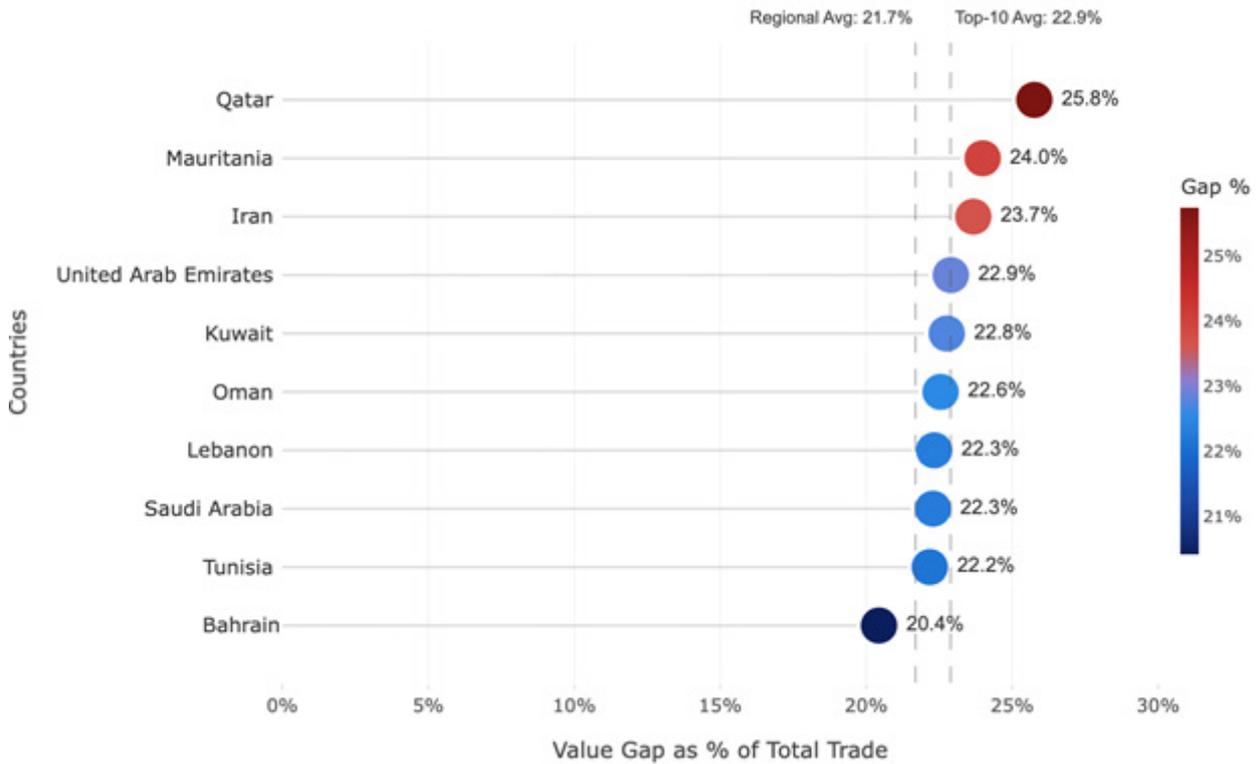
Absolute gaps highlight scale, but proportional gaps can better identify where discrepancies are large relative to the size of national trade. Figure 4 describes a regional average value gap of 21.7% of total trade and a top-ten average of 22.9%, with the largest proportional gaps in Qatar (25.8%), Mauritania (24.0%), Iran (23.7%), the UAE (22.9%), Kuwait (22.8%), Oman (22.6%), Lebanon (22.3%), Saudi Arabia (22.3%), Tunisia (22.2%), and Bahrain (20.4%). A comparison of Figures 3 and 4 reveals that Morocco and Egypt, both characterized by relatively large trade volumes, drop out of the top 10 ranking when trade value gaps are expressed as a share of total trade. This indicates that although their trade gaps are substantial in absolute terms, they are comparatively moderate when assessed relative to the overall scale of their trade activity.

Figure 5: Top 10 MENA Countries by Cumulative Trade Value Gaps with Advanced Economies, 2013–2022 (USD Millions)
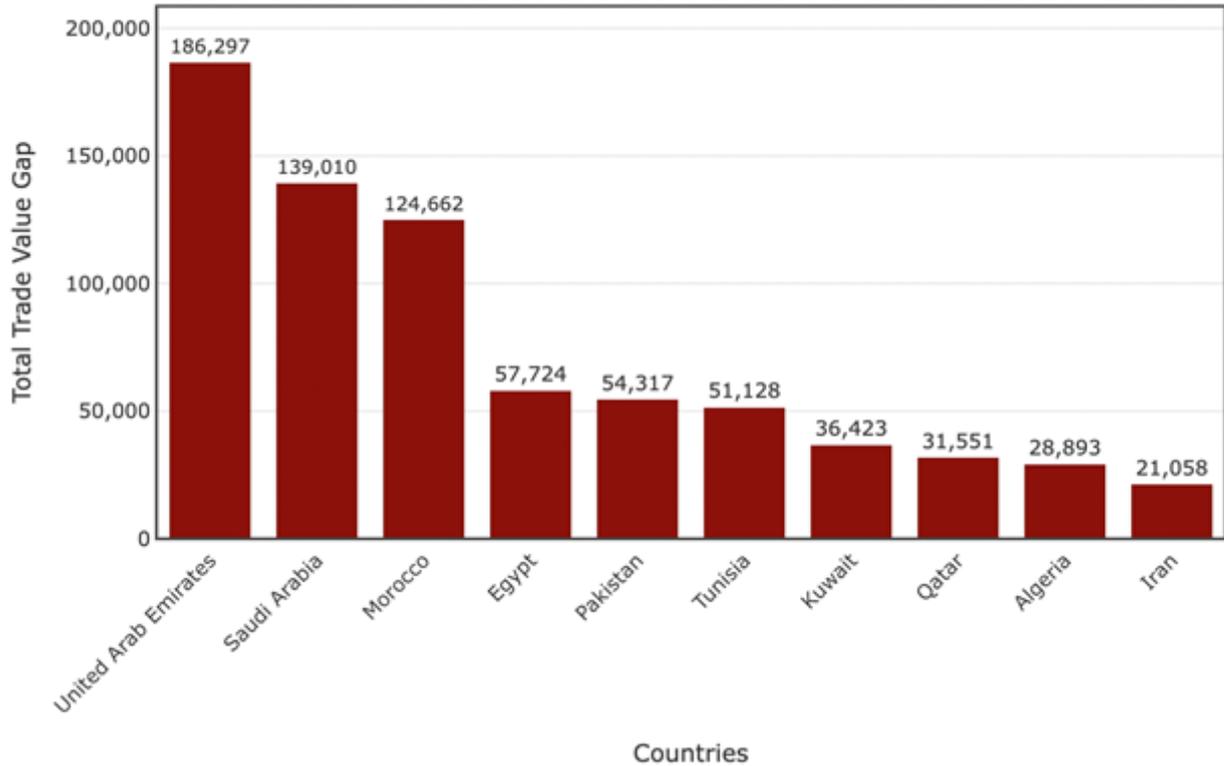
In absolute terms (Figure 5), the United Arab Emirates ($186,297 million), Saudi Arabia ($139,010 million), and Morocco ($124,662 million) lead the ranking. The next group is Egypt, Pakistan and Tunisia, followed by Kuwait, Qatar, Algeria, and Iran.

Using the cumulative values shown in Figures 3 and 5, the implied concentration of gaps in advanced-economy trade differs sharply across countries. Morocco and Tunisia's gaps with advanced economies are roughly three-quarters of their total cumulative gaps, consistent with their deep trade integration with the European Union, which remains their dominant trading partner. By contrast, Iran's implied advanced-economy share is under one-fifth. For several large Gulf economies, including the United Arab Emirates and Saudi Arabia, the implied advanced-economy share is closer to two-fifths, while Qatar's is above half. These patterns imply that, while advanced-economy trade is a major component of discrepancies in some economies, others accrue most of their cumulative gaps outside advanced-economy trade relationships.

Figure 6: Top 10 MENA Countries by Trade Value Gap with Advanced Economies as a Percentage of Total Trade, 2013 to 2022
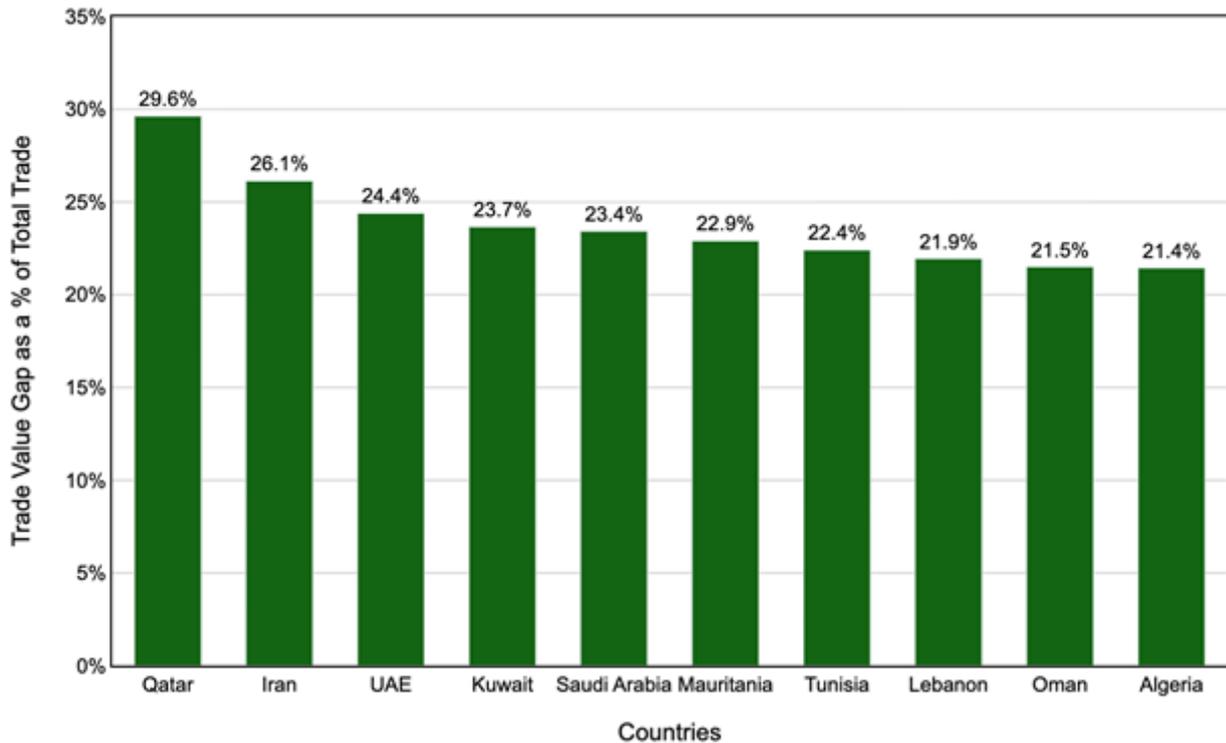
As shown in Figure 6, value gaps as a percentage of total trade between MENA countries and their advanced economy trading partners are most pronounced for Qatar and Iran, which top the list at 29.6% and 26.1%, respectively. They are followed by the United Arab Emirates (24.4%), Kuwait (23.7%), Saudi Arabia (23.4%), Mauritania (22.9%), Tunisia (22.4%), Lebanon (21.9%), Oman (21.5%), and Algeria (21.4%).

Kuwait, Saudi, UAE and Oman (all Gulf oil producers) also have shares above 21%. The high shares in the Gulf are likely due to a combination of high-value oil/commodity transactions (where small mispricing yields big gaps) and free-trade enclaves. In Qatar's case, the concentration of liquefied natural gas exports routed through major global partners may heighten the visibility of reporting asymmetries. Iran's high ratio is consistent with distortions introduced by sanctions, reliance on alternative payment channels, and longstanding concerns regarding statistical transparency. Transparency International (TI) does not include Iran in its annual Corruptions Perception Index (CPI) due to sanctions but the country traditionally ranks very low on governance.

Among non-GCC economies, Mauritania and Lebanon stand out, with gap ratios that are large relative to their comparatively modest trade volumes. Both have governance challenges. Indeed, in TI's CPI Lebanon has a score of 23 (out of 100) and is ranked 153 (out of 181). Algeria's score was 34 and its rank is 109 in 2025. Mauritania's CPI score is 30 and it ranks 130. Their high gap ratios suggest that, relative to their modest trade volumes, a large slice may be unofficial. Tunisia and Algeria also display elevated shares, underscoring the exposure of certain North African trade corridors to evasion risks.

Figure 7: Trade Value Gaps of MENA Countries with All Their Global Trading Partners as a Percentage of Total Trade, 2013 to 2022

Countries	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Geometric mean
Afghanistan	7.96%	21.40%	22.89%	15.26%	26.54%	21.87%	19.37%	N/A	N/A	N/A	18.23%
Algeria	20.31%	20.10%	22.82%	21.67%	23.59%	N/A	N/A	N/A	N/A	N/A	21.66%
Bahrain	21.05%	21.37%	21.49%	19.98%	20.65%	20.69%	18.53%	21.41%	19.01%	20.42%	20.44%
Djibouti	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	24.99%	25.11%	25.05%
Egypt	21.23%	22.11%	18.60%	19.82%	19.16%	19.50%	20.45%	20.95%	19.51%	19.51%	20.06%
Iran	23.34%	22.88%	24.28%	26.24%	24.38%	22.44%	22.46%	24.62%	23.15%	23.12%	23.67%
Iraq	N/A	14.84%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	14.84%
Jordan	22.41%	21.05%	21.03%	20.13%	19.53%	19.82%	21.21%	17.96%	18.07%	17.72%	19.83%
Kuwait	24.98%	22.63%	23.74%	22.88%	25.26%	27.53%	19.99%	21.52%	21.72%	18.70%	22.76%
Lebanon	21.59%	22.09%	22.70%	23.16%	21.83%	21.69%	21.36%	20.87%	24.98%	23.32%	22.33%
Libya	N/A	N/A	N/A	18.58%	15.86%	17.64%	15.33%	N/A	N/A	N/A	16.80%
Mauritania	19.84%	20.95%	23.45%	23.04%	28.01%	21.84%	23.98%	25.54%	29.02%	25.87%	23.99%
Morocco	19.29%	18.80%	20.03%	18.65%	20.13%	21.65%	21.00%	20.22%	20.34%	20.88%	20.08%
Oman	22.21%	23.47%	22.90%	26.62%	24.91%	22.07%	22.71%	23.28%	22.73%	16.23%	22.55%
Pakistan	19.35%	18.88%	19.62%	21.33%	19.14%	18.51%	18.54%	17.93%	17.61%	19.58%	19.03%
Qatar	21.09%	23.18%	21.93%	21.40%	26.65%	29.84%	27.78%	31.48%	27.64%	29.15%	25.76%
Saudi Arabia	21.79%	22.42%	23.31%	23.77%	25.25%	19.17%	19.57%	23.19%	22.41%	22.73%	22.29%
Tunisia	21.45%	21.31%	20.99%	20.99%	23.36%	23.41%	23.12%	22.02%	23.41%	21.91%	22.18%
United Arab Emirates	22.63%	24.02%	24.85%	25.27%	23.47%	21.47%	21.56%	22.39%	21.78%	21.94%	22.90%
Yemen	20.98%	18.91%	20.81%	N/A	N/A	15.51%	31.55%	N/A	N/A	N/A	20.96%

4 | Policy Recommendations

To curb trade-related IFFs, MENA countries and partners should pursue multi-pronged reforms. Key recommendations include:

1. **Modernize Customs and Trade Data Systems.** Invest in digital trade monitoring (e.g. the World Bank/UN ASYCUDA platform) to reduce human discretion and improve data quality. Use data analytics and AI to flag anomalies in real time. For example, the World Customs Organization advocates "technology-centric and data-driven risk management" in customs to detect suspicious trade patterns. Adopting single-window customs and e-invoicing can shrink paper fraud. Countries should conduct regular audits of their mirror-trade statistics to spot persistent gaps.

2. **Strengthen Free-Zone and FTZ Oversight.** Free Trade Zones are widespread in MENA (dozens in the GCC) and pose special risks. Authorities should implement the OECD's Code of Conduct for Clean FTZs, which calls for mandatory registration of zone companies and cross-border information-sharing. Adherence to the OECD FTZ Recommendation (2019), urging transparency and anti-illicit-trade measures would signal commitment to clean trade. In practice, this means requiring zone firms to declare ultimate beneficial owners to authorities, enabling verification and inspection. For example, FATF and the EU recommend that imports exiting a free zone should be treated as new imports (with duties due) to prevent tariff avoidance. MENA governments should also consider limiting certain high-risk goods (e.g. precious metals, chemicals) from freely transiting through zones without tighter controls.

3. **Enhance Beneficial Ownership Transparency.** Anonymous shell companies are a major enabler of IFFs. FATF standards (Recommendation 24) require all countries to maintain registries of ultimate beneficial owners of companies a nd trusts. Many MENA states have begun reforms: for instance, Algeria, Jordan, Morocco and Tunisia now have centralized BO registers, and Saudi Arabia and the UAE have introduced BO reporting. However, TI warns that implementation is still weak in practice (few countries conduct regular risk assessments or ensure public access). MENA governments should complete their BO frameworks: mandate verification of ownership data by corporate registries, ensure real-time access for FIUs and tax authorities, and ideally allow civil society access to BO data. This would help link trade misinvoicing to natural persons. Sanctions on jurisdictions with opaque BO (as FATF has done) also incentivize reform.

4. **Implement Risk-Based Trade Inspections.** Customs agencies should adopt a risk-based approach (FATF Rec. 1) to trade finance and goods. This means identifying high-risk corridors and targeting inspections accordingly. For example, Gulf states could flag high-value shipments of scrap metal or fuel (susceptible to layering), North African states could target luxury consumer goods or electronics, and all could monitor precious metal flows (due to gold trading risks). Cooperation with private sector (banks, logistics) is key: sharing of trade and shipment data allows better anomaly detection. Where technology permits, develop electronic linkage of import invoices to bank payment records (an audit trail from payment to goods).

5. **Expand International Cooperation.** Many trade IFF schemes involve cross-border networks. MENA tax and customs authorities should work with international bodies. Countries in the region should ratify and implement the OECD Convention on Mutual Administrative Assistance in Tax Matters (which includes trade data exchange); engage actively in the Global Forum on transparency and, Join FATF/ MENAFATF initiatives (some MENA states still lack FATF mutual evaluation). Regional information-sharing (GCC Customs Union, Arab Monetary Fund, etc.) can help detect triangular trade misinvoicing. For instance, when a Gulf country reports massively more imports of a commodity from country X than X's exports report, this should trigger inquiry. UNODC/ESCWA/UNCTAD SDG projects (like Egypt's IFF measurement project) provide models: several MENA countries should follow Egypt's lead in building cross-ministry teams (trade, statistics, FIU, central bank) to jointly analyze trade and financial data.

6. **Strengthen AML/CFT Regimes.** Link trade transparency to anti-money laundering enforcement. FATF recommends that financial institutions and DNFBPs (Designated Non-Financial Businesses – e.g. freight forwarders, commodity traders) be alert to trade-based money laundering (TBML) typologies. MENA countries should ensure AML laws specifically criminalize trade mispricing and include obligations for customs brokers to conduct due diligence. MENAFATF guidance (e.g. risk indicators for TBML) should be adapted regionally. In practice, banks in MENA (especially in dollar-clearing centers like UAE, Bahrain) must rigorously screen trade finance transactions for inconsistencies. Conduct regular joint exercises between customs and FIUs to identify suspicious trade patterns (for example, repetitive use of the same company as importer and exporter, or shipments not matching known trade profiles). Enhanced customer due diligence on trade-finance customers (including beneficial ownership checks) will also raise the cost of illicit schemes.

7.

Leverage Trade Data Transparency. Transparency in official trade statistics can itself deter fraud. Publishing detailed mirror statistics or providing platforms for exporters to self-report helps create public accountability. MENA authorities should improve public access to anonymized trade data (while safeguarding sensitive business information). This includes fully utilizing and updating national SDG monitoring of IFFs under UNCTAD/UNODC frameworks, as Egypt began to do. Encouraging civil society and researchers to analyze trade datasets can uncover abuses.

⑧ Adopt Digital and AI Monitoring Tools. Emerging technology can aid detection. Machine-learning models can be trained on historical price benchmarks to flag unusually high or low invoice values. Some customs agencies (e.g. India, UAE) are piloting AI risk engines. Blockchain-based trade documentation (e.g. WCO's Cadena project) might eventually ensure tamper-proof records. MENA governments should consider modernizing legacy systems, possibly with support from the World Bank and WCO, to enable such tools.

⑨ Capacity Building and Integrity. Finally, none of the above matters without trained, incorruptible officials. Invest in customs and FIU training (e.g. on TBML, beneficial ownership). Use rotation of personnel to prevent collusion, and publicize prosecution of cases of trade fraud to build deterrence. Regional bodies (Arab League, GCC forums) could host workshops on trade transparency. Encouraging a culture of compliance will pay long-term dividends.

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