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Informal Trade Practices

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Abstract

Several WCO Members have reported on the challenges of managing informal trade practices in their country in light of the fact that this type of activity accounts for a significant part of their national economy. This paper has been informed by research carried out in this area and by experience gained in the field. It sets out the difficult choice facing governments and administrations of either negotiating with the informal sector and, if so, on what basis, or having the law rigorously applied at the risk of tipping the informal sector into illegal trade. The paper presents the issues specific to the informal sector, suggests a definition of the term 'informal' applied to international trade and looks at the informal sector in the context of the law, economic policy and social practices.

Key words

Informal trade practices

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Note

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'The books of administrators are never of any use to the State, because when they talk about a remedy they never go right to the heart of the problem. The actions of individuals, heads of organized bands, vagabonds and others, who attract public odium, are more reliable, because they reveal, usually to sovereigns, weak points in the government'

Political testament written in prison by the smugglers' leader Louis Mandrin¹ – Ange Goudar, 1756

The informal economy is important in most countries. Of the 162 countries studied by Schneider et al. (2010) in the period 1999-2007, 107 have an informal economy representing 30% of Gross National Product (GNP) or more, and in 18 of these the figure is over 50%². These informal national economies are based partly on formal and informal international goods trade, whether cross-border or covering a wider geographical area (Dongala, 1993)³, coupled with financial flows not declared to the supervising authorities. The significant proportion of the Customs revenue in the budgets of developing and emerging countries makes informality an important issue of governance for Customs⁴. The informal sector may deprive the State of part of its resources. However, this article also shows that the informal sector is not always reduced to smuggling and it is sometimes difficult to classify strictly operators in the informal or formal. Some of the operators pay a portion of the taxes or mix formal and informal activities. As such, the government and the administration may fear that too much pressure on the informal activities could reduce the economic activity or make the informal switch completely to the invisible economy, more elusive and depriving the national budget of the whole potential tax revenue.⁵

A contribution of knowledge on matters that are, by their nature, kept concealed by the main actors is necessary if administrative reforms are to be geared to local conditions. The practices of the Customs authorities, by contrast, are extremely standardized internationally, whether in WCO conventions or current WCO negotiations, or the dissemination of 'good' or 'best' practice by development agencies. Most administrative rules generated internationally are designed to fit in with international trade practices, themselves standardized and highly formalized.

¹ The Frenchman Louis Mandrin (1724-1755) was convicted of smuggling and counterfeiting. There have been more accounts and portrayals of him than any other smuggler, robber or criminal in Ancien Régime France (Lusebrick, 1979).

² When the results are related to WCO regions by country, the percentage of GDP represented by the informal economy varies, from 18% to 39.6% in the North of Africa, Near and Middle East, 33.5% to 59.7% in West and Central Africa, 24% to 63% in East and Southern Africa, 8.8% to 68.1% in South America, North America, Central America and the Caribbean, 8.7% to 68.8% in Europe and 12.1% to 57.2% in the Far East, South and South East Asia, Australasia and the Pacific Islands.

³ See also the numerous articles in the Algerian press in 2011 on the links between the national informal sector and importer networks. Since the informal sector does not pay tax, it can also pay a slightly higher price for imports ('the informal sector and counterfeits linked to imports' 14/08/2011 *El Watan*).

⁴ La question du commerce informel a déjà fait l'objet de deux communications à l'Organisation mondiale des douanes, au Comité technique permanent. En novembre 2008, l'OCDE a présenté un document de travail sur la facilitation et le commerce informel transfrontalier intitulé "Informal cross-border trade and trade facilitation", TD/TC/WP(2008)13/REV1. En mars 2010 le Mozambique a diffusé une note intitulée "Cooperation between the Mozambique Revenue Authority and the Informal Sector aiming at Maximizing Revenue Collection" et présentée par M. Herminio Sueia.

⁵ Within this framework, WCO proposes to its Members the *Revenue Package* (2011) that gathers all the relevant tools in order to empower the fiscal functions of the Customs administrations. The WCO will include the issue of informal trade in a document to be published in June 2012 entitled "Practical Guidelines for Valuation Controls".

Governments and administrations are therefore faced with the choice of either negotiating with the informal sector without always knowing on what basis, since they have little objective knowledge of the field, or having the law rigorously applied, at the risk of stirring up social unrest and tipping the informal sector over from illegal trade in legal goods to trade in illegal goods, which is more lucrative and commensurate with the risks taken⁶.

The object of this research is to clarify that choice, since no country with a high level of informal activity is proposing to eliminate that activity in the short term or solely through enforcement measures. The political authorities have a consensual approach, aiming to 'work with' the informal sector. This results in the more or less standard practices of negotiating acceptable tax pressure or flexibility on prohibitions, sometimes linked to corruption practices in the field.

Amongst the commercial practices and their relationship to the tax and Customs authorities, the Research and Strategies Unit has opted to study those that are not highly standardized and, in fact, are given very little consideration internationally when drawing up official standards or nationally in Customs reforms.

This report comments on some of the issues specific to the informal sector. The first one is the definition of the term 'informal', especially when applied to international trade. A second section looks at the informal sector in the context of the law, economic policy and social practices. Finally, the third section explains the research principles adopted and reports on some of the current action.

A (very) brief history of the term 'informal': should we do away with a vague concept?

The term 'informal' was first used in a report by the International Labour Office (1972) and in an article by Keith Hart (1973), an anthropologist who had worked in Ghana a few years previously and had been 'successful' in the local market trade as an active observer (Hart, 2002). Since then, the adjective 'informal' has been bracketed with 'labour', 'sector', 'economy' and has been used in a variety of different contexts, including 'trade' and even 'practices'.

Informal has become such a heterogeneous concept that virtually every analysis of the informal starts with a definition of informality. Furthermore, the scale of the informal in developing economies has led some researchers to question whether the term is even relevant (Hart, 2005) and indeed to consider the distinction between the formal and the informal to be no longer meaningful (Klein, 1999).

Although the term informal is used in many different ways, it is generally based on a quantitative concept. The informal is associated with small scale: few human resources, limited finance, low-level production, low-volume or low-value trade.

That concept of the informal is evident in the analyses of informal trade. These relate mainly to border areas, undeclared overland trade between neighbouring countries: India and Bangladesh (Pohib et al, 2000; Skider, 2005), Mali and Algeria (Scheele, 2009),

⁶ In an analysis of Saharan terrorist groups, Masson (2011) notes that their income is derived mainly from smuggling and the abduction of foreigners; in fact, one of their backers is nicknamed 'Mr Marlboro'.

Benin and Nigeria (Flynn, 1997), Uganda and its neighbours (Titeca, 2010), Peru and Bolivia (Ødegaard, 2008).

In these small cross-border areas, when they become more qualitative the definitions seek to identify the goods specifically associated with informal activity. These are generally characterized by the fact that the target customers are the poor, or they are prohibited or there is a shortage or a price differential between two neighbouring countries.

Thus the informal concept is associated with the local and the small scale, which is ultimately in keeping with the general view that informality can merely be put down to an entrepreneurial spirit or to individual survival. However, that does not take account of the flexibility of informal activity, although that seems obvious. Is it not a characteristic of all trade in goods resold in the same condition that it is based on a price differential or shortage? Furthermore, are the poor not by definition most numerous in the developing countries, making it less relevant to discriminate purely according to the type of customer?

The idea of concealment which distinguished the informal from the formal is now proving to be insufficient, since the informal is now more than just the shadow economy that operates independently; it fits in with the formal sector and the State apparatus.

Certainly the idea of economic activity that is unregistered and/or does not keep regular accounts is still relevant to the tax authorities, whether for the purpose of collecting taxes and hence identifying potential taxpayers or, in the Customs context, facilitating transactions subject to the possibility of ex post control. Furthermore, that invisibility and the avoidance of bureaucratic formalities and taxes continue to drive competition between the informal and the formal in many cases, whether in occupancy of public markets (Ødegaard, 2008) or the importation of mass-marketed goods and counterfeits of such goods.

However, the boundary between the formal and the informal is no longer as clear. Economic and fiscal policies always seek to formalize the informal and are partly successful. That applies to all activities. People might be in the informal sector in regard to some rules and not to others. Some traders make declarations to the local authority and pay the relevant taxes but not to the social security authorities (Lautier, 1995). Taxation, which has often been regarded as a characteristic of the formal (MacGaffey, 1998), is often incomplete and partial. Thus there is a semi-formal grey area (Ødegaard, 2008) in which business is both formal and informal. An operator working in the formal sector uses his logistical resources and collaborates with informal operators or works on his own account in diversifying his business and achieving a larger profit margin through smuggling or undeclared imports.

Hence applying the informal concept to international trade means going beyond the cross-border context. The example of trade in second-hand clothes, originating from the colonial period and facing competition from new clothing from Asia, shows the geographical scale of informal trade. Informal trade is increased by globalization and migratory movements which have extended kinship, linguistic and community networks to a wider geographical area. The kind of informal trade described by Trampsen (2004) in Asia (Philippines) is also found amongst traders in North and Sub-Saharan Africa: goods sent by air through relatives or travellers carrying large quantities of clothing for resale, parallel financial systems, arrangements between networks of money changers and

importers authorized to export currency (Benouzi, 1999). Once it becomes more than cross-border trade, informal trade requires the availability of substantial capital, whether this is money circulating amongst migrants (Peraldi, 1997) or funds managed collectively, such as tontines.

In addition, international trade is particularly fertile ground for the activities of intermediaries. Thus a system has evolved in which informal declarants act as a link between importers and officials and even have access to funds. Customs officers call them 'standing declarants' or 'declarants with a bag', meaning that they do not have an office. In one Member country, modern telecommunications enabled one such declarant to set up his connection to the Customs clearance system on a laptop computer linked to a mobile telephone and to run his business from an airport. Sometimes these agents themselves employ people to liaise with Customs at various stages in the procedure. For instance, a 'freelance declarant' explained that he had 'his' couriers, 'his' collectors (people who liaise with Customs to collect the goods after the permit to collect has been issued). So he had around 10 employees, who were themselves informal. In the exporting countries, agents from the importing countries are employed to meet and assist traders, or commissioned to load goods as air freight.

Finally, the bureaucratic practices of the authorities themselves, whether in the form of corrupt practices or the local application of the regulations, are themselves to some extent informal. Thus the term 'informal' is applied to illegal practices without any moral stigma. The informal payments concept is used by the international institutions, particularly in enterprise surveys⁷. Informal payments are more wide-ranging than just corruption in which services are exchanged: users pay a small sum to the Customs inspectors who deal with their declarations, not because they have received favourable treatment but simply because that is how the system works; they use to say that the inspector has done his job well, and civil servants are poorly paid. On the other hand, if users did not pay, it is quite likely that they would be penalized, with their future business operations being delayed. Hence informal payment covers a range of practices, some of which it is difficult to legally condemn.

Informality in international trade has several characteristics: a wide geographical area, organization of financial and goods flows, links between formal and informal operators, a mixture of informal and formal practices, a variety of informal activities grafted on to administrative practices and corruption practices. This paper will not, therefore, focus only on cross-border trade or a category of businesses based on size or financial situation but will look at international trade practices, which are marginal in the sense that little or no attention is paid to them when discussing trade policies and standards in the relationship between the private commercial sector and States.

The informal in between enforcement, economic policy and social practices

The term 'informal' was first used in 1973, but that was not when the phenomenon itself originated. That prompts the question of how what is now termed 'informal' was described in international trade. The 1970s were probably a turning point in the political approach to the informal. States no longer class it purely as a breach of the law, smuggling as they did in the colonial periods. Now they take an economic and statistical

⁷ See, for instance, the Enterprise Surveys' 'Informal payments to public officials (% of firms)' indicator on the World Bank website.

approach, which is also driven by bilateral and international cooperation, the development of Customs clearance software (ASYCUDA) initially used for foreign trade statistics, and the advent of international experts making quantitative comparisons. Thus what Customs used to class simply as smuggling has now been subsumed in the concept of informality. Customs offences have come to be included in a more political and economic framework.

Reforms and action by the authorities have been conditioned by the global ideological thinking on the informal. Some liberalizers see the growth and dynamism of informal activity as an indication of the need for State deregulation. That view was propounded particularly by the economist Hernando de Soto (2000), who points out that, in developing countries, businesses are judged more by their ability to respond and take on board bureaucratic processes than on the relevance of their business to the market. In his view, therefore, laws are only good if they encourage entrepreneurial activity. That thinking, which predominates in the developing countries, reflects the idea of a developer State, using taxation to finance development rather than to regulate wealth. In that school of thought, the informal is seen as the first positive sign of liberalization of the economy (Lindell, 2004). The predominance of the informal is then associated with corruption and the degree of regulation; the more regulation there is, the more the informal and corruption will develop. One of the solutions advocated is then liberalization, cutting back bureaucratic constraints so that they are reduced to securing the right of ownership.

The idea of the informal as a first stage in liberalization or a liberal response (and hence legitimate in the eyes of those authors) to State regulation takes no account of how complex the informal sector is in practice.

Firstly, there is not necessarily any measurable link between the informal and State regulation. Kus (2010) has produced a comparative study of countries which had identical levels of development and regulation, but the proportion of their economies represented by the informal sector was different. He showed that the development of the informal sector could not be accounted for by the degree of regulation.

Secondly, there is no conflict between State regulation and the modernization and rationalization of the private sector. Since 2010, Cameroon has signed contracts with around 20 importing firms, offering them more facilities in exchange for quicker payment and greater compliance with procedures and regulations (Libom et al., 2012). A survey of those companies showed that official pressure required them to resolve internal conflicts between the units responsible for management, finance and transit procedures. The survey also showed that that pressure increased the transparency of relations between importers and intermediaries (forwarding agents, banks), as a result of which the latter made improvements in order to offer the same level of service to all users (Cantens et al., 2011).

Thirdly, regulation cannot be reduced to State action. The State is not the only regulator at borders, and the other regulatory institutions are often linked to the informal economy, which is not consistent with an association between the informal and liberalization. One Member country has a commercial river port on the border, managed by a 'traditional' authority which collects its own taxes on goods in circulation, to which Customs officers have no access.

Sometimes the presence of the State at the border can also create opportunities for informal taxation of the informal sector. The establishment of juxtaposed border offices can disrupt cross-border trade and introduce new parameters encouraging informal methods of taxation. Some Members did not have a border post actually on the border (for instance the Benin-Nigeria border until 1990) or a permanent presence on the border. Thus there was a strip of a few kilometres between the two countries which allowed unregulated cross-border trade. Flynn (1997) refers to informal taxes levied on non-residents by people living on borders. In the Sahara too, traditional authorities are reported to levy a payment on people and goods for right of way. In a border town separated from the neighbouring country by a wire fence, traffickers have made holes in the fence. These crossing points are guarded by soldiers, who charge tax for right of way based on their valuation of the goods being transported. This shows that taxation is not represented, still less accepted, as being purely a State monopoly. The second consequence is that informal taxation also has an effect on formal tax pressure and is involved in its negotiation.

Although, in theoretical economic policy, relations between the informal and the State might appear to be simple and organized around liberalization of the economy, relations between informal or semi-formal operators and the authorities on the ground are more complex.

Firstly, the idea of a regulatory State still makes sense for operators in the informal sector, who use the State to regulate competition locally. In border areas, informal traders can seek help from the authorities when they face local competition from traders in neighbouring countries (Roitman, 2004). In controlling informal trade, Customs officers sometimes discriminate between national or border activities and those of non-local traders operating over longer distances (Flynn, 1997). Locals act as intermediaries with the authorities to facilitate the access and informal payments whose structure they are familiar with (*idem*).

Secondly, the authorities seek to control informal activity by various fiscal instruments, and that control is based on certain ways of negotiating taxation: final tax for domestic taxation, an overall tax linked to a pension contribution, negotiation of acceptable tax pressure through minimum import values. Algeria has enacted a law on those lines, formalizing its relations with traders operating a barter system.

The informal sector does not challenge the State; on the contrary, it finds opportunities for enrichment in bureaucratic procedures. For informal traders, there is a clear distinction between the State that enacts regulations and the State represented on the ground by its authorities and officials, with whom long-term social relationships are established.

Thus a form of governance is established with the informal sector through day-to-day negotiation of the statutory rules. Apart from the corrupt practices, which are also a form of negotiation, other bureaucratic practices are introduced (Cantens, 2011). One of the simplest is the negotiation of minimum values. Those rules may be national or even very local. In one country, the manager of an office in a remote area where there has been social unrest has offered fixed-rate Customs clearance for motorbike taxis, assigning a low value to motorcycles, and is advertising this to attract owners of motorcycles who have imported them illegally. Titeca (2010) mentions the types of concession Customs officers

allow for smuggled goods, either on quantity or by agreement to remit in exchange for Customs clearance ('tax-free moments').

These negotiations are also the result of extreme situations recalled by Customs officers, in which their action or that of their colleagues was considered too strict or inappropriate by the communities objecting to it. In one member country, the locals set fire to Customs officers' homes and offices after a motorcycle smuggler was stopped and killed when he tried to escape. Another Customs officer tells how he was sprinkled with petrol right in the centre of the town market by traders who threatened to burn him if he continued his 'tax harassment' when he was applying the Customs tariff. Titeca (2010) cites similar fears by Ugandan Customs officers and the example of organized informal traders up in arms against excessively draconian action by the State (confiscation), who later returned to their informal trading (Titeca, 2006).

In addition, this day-to-day negotiation with informal traders is part of the action decreed by governments. Firstly, in countries where Customs revenue represents a large proportion of the national budget, revenue objectives are the major pressure on Customs authorities. The objectives provide a framework for practical action by Customs officers, in which they can develop and manage real tax pressure, their presence on the ground and even, in the case of corrupt officers, the breakdown between payments of duties and taxes and informal payments.

Secondly, governments sometimes indicate that they will tolerate illegality in order to promote social peace. Thus some governments prohibit the importation of goods but do not curb their sale locally. This does not deter traders from importing and weakens the Customs authority, whose frontline officers might be tempted to allow goods through in exchange for an informal payment. The political public order argument is often used and reappropriated locally by officials to operate a flexible, even non-existent system of control in the informal sector, or even to introduce accompanying and support policies.

This governance of the informal sector, depending mainly on negotiation, is not based on an anarchic informal sector. Informality does not mean absence of regulation, even if it is replaced by practical rules which are also part of social relationships. Practical rules are observable in all areas of the informal sector (MacGaffey, 1991; De Soto, 2000; Titeca et al., 2010). In many Member countries, informal traders are organized in bodies that negotiate with the authorities and provide support for their members.

The informal sector is structured around social relationships which guarantee transactions where these are not governed by law. The simplest example is the mobilization of local affiliations between tribes, villages or regions for the resolution of conflicts. That is a factor often mentioned in interviews with informal traders⁸.

The representation is often strongly rooted in informal trade largely operated by a region within a country. The people of that region are sometimes seen as entrepreneurial and associated with rebellion or resistance to State authority. It might be questioned whether the informal sector within a country is, in fact, regionally or ethnically based, but that representation exists and is not neutral.

⁸ See Scheele (2008) on the tribally organized conflict resolution system on the Algeria-Mali border.

Regional and local organizations, and the role of the family in the pre-financing of business and training in the informal sector, show how the sector is structured around personal social relationships that are the counterpart of an impersonal bureaucracy. Traders learn from their parents how to operate; they form regional organizations, including financial organizations. Those networks create confidence, which replaces the legalism of normal commercial relations. As a corollary, the networks have political power and can mobilize resources in the event of disputes with the authorities, a factor that the authorities take into account when introducing new procedures.

This social basis has its advantages for trade. The continuity of the social structures underpinning the logistics and finance allows considerable flexibility in the choice of goods traded, based on a continuous exchange of information between importers who provide expertise on the demand and representatives in the diaspora with information on the availability and range of the supply.

That flexibility adapts to distance. The public who buy the goods do not have the same constraints as the customer firms or importers. The consumption period for imported products is not the same, and it allows informal traders to open up trade routes outside the usual routes that are closely monitored by Customs. Some goods pass through coastal countries in transit, then return to them or go by complicated routes outside the normal corridors (Flynn, 1997), or are imported into neighbouring countries before returning to their destination countries in transit.

These social relations are in keeping with a collective image of the informal. The goods now traded informally also date back to the time when there was no distinction between formal and informal.

The history of trade is part of that image. The second-hand clothing trade in Africa (Bredeloup et al., 2008) is typical of the history of goods whose importation dates back to the colonial period and was then banned under the policy of developing local industries. That opens up local channels, which in turn develop rapidly in the sub-region, spread with diasporas and then come up against competition from other channels (as in the case of new Asian clothes competing with second-hand European clothes). The history of these goods also shows how the political authorities have used the argument of the informal trading sector to explain the collapse of local industries, so that the negative image of the informal has become firmly entrenched.

The factors that make up this collective image include the ideas 'informals' have of themselves and their relationship to government authority. Discussions of liberal globalization have provided an ideological background legitimizing informal trade practices in the diaspora economies that were established with the movements imposed by the colonial authorities, for instance between India and Africa (Verges, 2003).

Furthermore, informal trade has an obvious connection with popular culture, whether in the adaptation of imported goods to local fashion, as in the clothing trade (Trampsen, 2004), or the emergence of a specific jargon for the trade. Some traders call themselves 'the Serbs' of the country, figures of resistance. Border towns are nicknamed Dubai or Kuwait City because of the abundance of goods available there. Smugglers are also popular figures in Algeria. A true entrepreneur in Cameroon 'does not fall into line' in the sense that he will not work for an employer. So informal trade has its successes, such

as the 'Mamas Benz' or the "Nanas Benz"⁹ in Togo and Benin who have become rich through selling fabrics (Heilbrun, 1999). In addition, the reputation of traders is enhanced by various beliefs. Female traders are thought to use magic to increase their powers of persuasion. Itinerant traders meet for religious rituals to promote fertility and prosperity (Ødegaard, 2008). More generally, the beliefs associated with trade and profit reflect a collective image specifically of enrichment, the redistribution or otherwise of wealth, and hence competition with State taxation.

Finally, informal trade is also seen as a form of rebellion, through membership of an economic relationship structure different from that imposed by the State.

Informal trade can also be seen as a right, associated with a claim to be identified with the same region separated by a border. Traders say 'we are the border' (Flynn, 1997).

Informal traders cite corruption as a legitimation of their activities (Flynn, 1997), showing smuggling in a more favourable light and thereby presenting it as a political option. The social acceptance of smuggling is not a new phenomenon. Smugglers are sometimes political figures. Mandrin was a famous smuggler in 18th-century France who pursued a kind of guerrilla warfare, and his activities have been exploited politically in apocryphal works.

Nevertheless, it is important not to take an idealistic or romantic view of the informal sector. The informal is sometimes a default choice, not necessarily taken because of a refusal to obey the law or an entrepreneurial spirit. It can have various motivations, from the complexity of the regulations which are considered difficult to implement, to sheer ignorance (Lautier, 1995), as in the case of women trading informally who thought that they had paid their duties and taxes when they made a payment to Customs officers. Businessmen in the formal sector often cite lack of information as a reason for the failure of informal operators to obey the law.

Civil servants are not immune from those ideas, both as citizens and also because the government sometimes uses civil servants who come from the regions where the informal trading is flourishing to run offices or liaise with traders. So some meetings with the traders are conducted in the local language by officials who speak the language and make short visits to the region to assist their locally-based colleagues.

The informal has to be viewed in the light of its relationship to the State and how government pressure to organize the economy – in particular, the circulation of wealth for taxation – fits into existing social relationships based on the regulation of wealth.

An empirical and critical analysis

Countries have taken various steps to control the informal sector, but it cannot be dealt with purely technically or legalistically by strengthening control. Such attempts have all proved their limitations. In one Member country, the informal sector is controlled by asking for the originals of numerous documents for each transaction to ensure that the transactions are not carried out through straw men. That complicates all procedures,

⁹ « Mama Benz » or « Nana Benz » are nicknames for women who were successful in trading textiles and who had bought vehicles brand Mercedes Benz.

including those for the informal sector. The procedure has been made more flexible as time goes by, which again opens up the way for the informal.

It is true that some measures might be effective in reducing risks. For instance, not all Member countries have a unique tax identifier or require it to be shown on the Customs declaration for Customs transactions, or they allow an 'occasional operator' code to be entered. Nevertheless, where there is such a requirement, the virtual impossibility of locating importers and the need to allow individuals to import (if only vehicles) means that that measure is circumvented by informals using straw men who hold a tax identification card for each transaction.

Then, for the reasons mentioned above, the informal sector also takes advantage of differences between countries as to what is viewed as illegal and hence the extent to which the authorities clamp down on certain offences. For instance, Benbouzid (1999) describes the informal networks for the movement of currency between France and Algeria. Their operations in France were completely obscure and hidden, whereas in Algeria they were much more open and tolerated. There might also be national differences in enforcement. Since some informals pay certain taxes but not all, it might be worth cross-checking the files of the authorities collecting those taxes. Nonetheless, informals treat taxation as a whole, including duties and taxes, fees, expenses and even bribes. Hence an authority that is paid more or less the correct duties and taxes will not necessarily want to provide information to the authorities the informals are avoiding, for fear that their revenue will decline and they will not achieve their revenue objectives.

Although the technical and legalistic approach might be insufficient, it is still necessary to be able to produce information on informal trade locally. The informal sector is difficult to quantify, and it is important, in that respect, to take a qualitative, even micro-economic approach (Bailly, 2003). Initially the sector has to be examined not as a problematic sector that needs to be reduced but objectively, seeking to understand its rules and structures. Informal practices in international trade must be put into context, especially its relationship with the State. These informal practices derive from a combination of social and legal rules (Titeca et al., 2008). There is little or no research into the links between economic and social practices, often because of the nature of the questionnaires, which tend to focus more on the mechanisms and the functional dimension of informal trade than on a detailed study of certain cases. All social practices need to be considered if we are to understand how they can affect relationships with government officials. That research will be supplemented by interviews in the field with informal operators and forwarding agents working with the informal sector, in order to understand how they are organized.

Nonetheless, the qualitative aspect cannot be the only approach, on the grounds that a precise and quantifiable knowledge of the informal sector is unachievable due to its very nature. Tax and Customs authorities collect duties and taxes, and, from that point of view, in order to maximize or optimize tax revenue, the quantitative dimension cannot be ignored. A mirror analysis has been started with a Member country, and the initial results are encouraging; they have made it possible to identify trade flows and channels, evaluate potential losses and understand declaration practices. It is pointed out that WTO Member countries are required to publish their foreign trade statistics. Those figures, cross-checked with national data collected by the Customs authorities through their information system, are important sources of information.

The quantitative approach here is designed to be pragmatic and aims to enhance Customs capacities to collect revenue efficiently. Export figures are often criticized for being distorted, underestimated and, in every case, subject to little or no scrutiny by the authorities. This initial study of an African country, based on public export data and national export data obtained directly from the Customs information system, shows that imports are seriously underestimated. The issue is not the accuracy of the import and export data, because what is meaningful in this type of study is the existence and scale of a quantifiable difference.

It is also necessary to evaluate the real economic implications of the discourse in favour of the social importance of the informal sector comprised of traders making small profits and selling cheap goods to the local population. That is to be done through market studies evaluating the profit margins and the social effects of informal trade.

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