The Informal Cross-Border Trade of agricultural commodities between Cameroon and its CEMAC's Neighbours

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by

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Abstract

Cameroon is the first trading partner of the Economic and Monetary Community of Central Africa (CEMAC) countries. Despite belonging to the same sub-regional organisation, the formal trade ties between Cameroon and its neighbours have been hampered by a combination of factors that have spurred the growth of informal (unrecorded) trade. Interest in cross-border trade of agricultural and horticultural commodities between Cameroon and its neighbours has been overwhelming, but knowledge of its magnitude, determinants, and consequences remains inadequate, leading not only to undervaluation of figures in the national accounts, but also inhibiting formulation of appropriate policies and strategies to exploit its potential impact, particularly on food security. Using a monitoring method of cross-border flows of informal trade, the study aims to estimate the volume / value of informal (unrecorded) cross-border trade between Cameroon and its CEMAC's neighbours and compare it with the official trade. The results indicate that in 2008 a volume of just over 155 000 tons of agricultural and horticultural commodities has been shipped from Cameroon to its neighbours in the CEMAC for an estimated value of almost 38 billion CFA francs and representing 0,4% of GDP in Cameroon. The comparison in relative terms shows that informal or unrecorded trade represents 96% of the official and mainly includes agricultural and horticultural commodities. The failure of the institutional intra-business community framework through the informal trade policy practices is the factors explaining the informal trade in the CEMAC.

Keywords: Informal cross-border trade, agricultural products, CEMAC countries.

JEL Classification: F150

Glossary of Acronyms and Abbreviations

SSA	Sub-Saharan Africa
BEAC	Central Bank of Central Africa States
CEMAC	Economic and Monetary Community of Central Africa States
CEEAC	Economic Community of Central Africa States
CEA – BSRAC	African Economic Commission, Central Africa Sub-regional Office
CCI	International Trade Centre
CIRAD	International Centre for Agronomic Research for Development
AERC	African Economic Research Consortium
DESA	Direction of Surveys and Agricultural Statistics
ESG	High School of Management
FAO	Food and Agricultural Organization
FSEGA	Faculty of Economic and Applied Management
CFA	French Franc Community in Africa
INS	National Institute of Statistics
IR	Regional Integration
MINADER	Ministry of Agriculture and Rural Development
NP	New Proposal
PNUD	United Nations for Development Program
CAR	Central Africa Republic
SADC	Southern Africa Development Community
UDEAC	Trade and Economic Union of Central Africa
UEMOA	Economic and Monetary Union of West African States

1. Introduction

In Central Africa, the 80s is considered as a turning point between the boom experienced by the countries of the CEMAC sub-region since their independence and the economic crisis whose consequences is the development of informal trade in General.

For some people, the informal trade is a factor of development that must be encouraged and incorporated into development strategies of countries, including poverty reduction. Others see it as a phenomenon on the fringes of the State law of which the withdrawal from regulating it, in addition to tax evasion that it generates, makes it an unfair competitor in the formal sector.

In all cases, the issue is concerning the Economic and Monetary Community of Central Africa (CEMAC) which one of its objectives is the promotion of trade within the Community. In line with this objective, CEMAC has included in its priorities, a study of informal trade in its member states to better identify the volume of trade within CEMAC.

In fact, the CEMAC in general and Cameroon in particular need a careful study whose objective would be to assess and present data based on actual statistics, the trade volume of informal trade conducted between States since under the current economic environment, the informal economy tends to accentuate as noted by Aryeetey (2009) in this quote: "*Contrary to what a large part of the early literature on development, informal economy has not only persisted but also increased in many developing countries, particularly in Africa. With increasing globalization and openness of economies and the current economic crises, it is almost certain that the informal economy, once again, continue to act as a safety net for many displaced workers from formal employment. A key component of this perspective in Africa will be to improve the data collection on informal economy with the objective to identify the segments of the informal market that can be targeted with appropriate policies*"

This research aims to help achieve this overall objective by looking a particular case: the informal or unrecorded cross-border trade of agricultural and horticultural commodities between Cameroon and CEMAC neighbouring countries.

THE RESEARCH PROBLEM

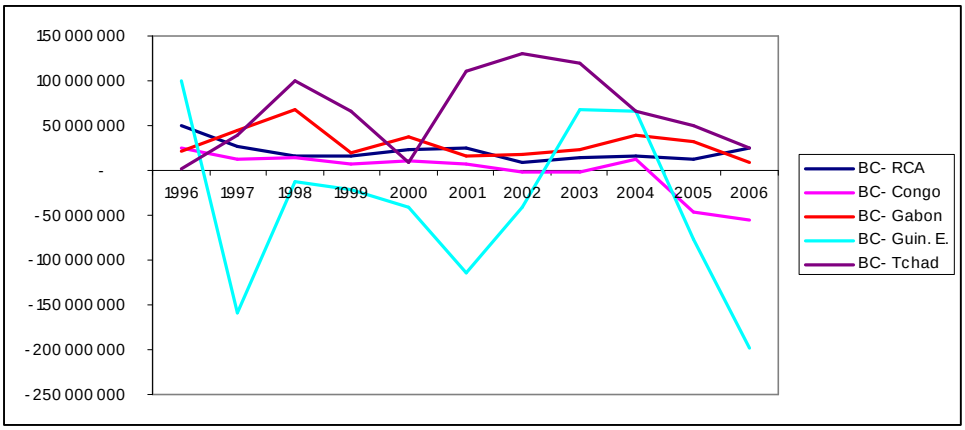
Research on informal trade has been an abundant literature (World Bank, 1989; Musonda, 1995; Ongaro, 1995 Ackello-Ogutu, 1997, Bennafla, 2002). Although informal trade takes different forms and is known under different names (for example, unrecorded trade, illegal trade, unofficial trade, underground trade, part of parallel market activity, the activities of black market, trade subject of over-and under-invoicing, smuggling or hoarding), he is best characterized by its non-inclusion in the national accounts of a country or region in terms of its domestic and International trade (Aryeetey, 2009).

The omission of informal trade may give wrong signals to those responsible for the definition of economic policies and distorts perceptions of the business environment for investors. In Central Africa, the description of cross-border flows includes informal trade (unrecorded) and official trade (recorded) since it is impossible to discuss one without mentioning the other (Bennafla, 2002). Although the author recognizes that the volume of formal trade intra-CEMAC is low in tonnage and value, at least compared to the foreign trade of each country, the fact remains that the volume of informal trade (not registered) is very high. For example, it is estimated that food-trafficking from Cameroon to Gabon would be the order of 30 000 tonnes per year (Bennafla, 2002). Moreover, there is also an intensification of informal cross-border trade from Cameroon to other countries of the CEMAC (Equatorial Guinea, CAR, and Chad) and no research has yet attempted to estimate their volumes and values.

Cameroon is the largest trading partner "CEMAC" of each member country. Because it has a relatively diversified industrial base, it exports through official or fraudulent channels, manufactured goods (mainly to Chad, CAR and Equatorial Guinea). The list of Cameroon industrial goods released to CEMAC is long. These include consumer goods (beer breweries in Cameroon, mineral water, etc.), building materials, but also petroleum products. These commodities are spreading to the Congo, partly through official channels. Most of these products are goods that are not produced in neighbouring countries (matches, batteries, cement, etc.). In agriculture side, Cameroon is the nourishing breast of the sub-region countries in foods (tomatoes, plantains, fruits and vegetables, beans, etc.). In all cases, the trade balance is in favour of Cameroon in intra CEMAC flows (Figure 1.1) except the Equatorial Guinea and to a lesser extent the Congo from 2005 that is a country of transit for imported products (red wine, cigarettes, etc.) from around the world in the direction of

Cameroon. But when we look only to agricultural products, one finds that Cameroon's exports to these two countries are far superior to imports.

Figure 1.1: Evolution of Trade Balance of Cameroon (in volume) vis-à-vis other countries of the CEMAC



Source: Constructed by the authors

Despite the obvious presence of cross-border trade from Cameroon to its neighbours in the CEMAC, little is known about the volume and/or exact value of the unrecorded flows subject to such trade. According to MINADER-DESA (2008), the unrecorded flows generally include agricultural and horticultural products because the Cameroon Customs are not interested in quantitative data of foodcrops. A lack of knowledge of the magnitude in volume or value of this unrecorded or informal trade, not only may lead to poor incorporation of figures into national account, but also prevent the formulation of appropriate policies and strategies to measure its potential impact, particularly on food security at national and sub-regional level.

Furthermore, although the Cameroon and its neighbours are important trading partners and belong to the same sub-regional grouping which is the CEMAC, there are still major constraints to the development of formal trade. It is widely accepted that the estimated volume of informal trade (unrecorded) between Cameroon and its neighbours is likely to be important and vital to the sub-region, but many questions remain unanswered: What commodities are traded and what are the quantities and values? What are the profiles of traders in the informal cross-border trade and the constraints they face, such as transportation, information, financing, etc.? What economic policy measures should be taken by the Governments of the CEMAC member countries, both individually and at community level to strengthen the formal trade and improve the business climate in the sub-region?

This report is organized into three chapters. After this introduction chapter where we present successively the research problem, objectives and research hypotheses, literature review, the second chapter is devoted to the methodology so that the third chapter presents the results and their discussions. The report ends with a conclusion where policy recommendations are made.

OBJECTIVES AND HYPOTHESES OF RESEARCH

Objectives

The main objective of this research is to estimate the volume and value of informal cross border trade between Cameroon and its CEMAC neighbouring countries.

The specific objectives are to:

1) Estimate the volumes and values of informal cross-border trade of the main agricultural and horticultural products between Cameroon and its neighbours;

2) Make a comparative analysis of estimated volumes and values of informal trade with those of official trade, highlighting the determinants of the disparity between the two;

3) Find the reasons that explain the informal trade before recommend policies that should be taken to strengthen the formal trade between Cameroon and its neighbours.

Research hypothesis

Hypothesis 1: The estimated volume/value of informal cross-border trade between Cameroon and its neighbours is higher than the official trade.
Hypothesis 2: The determinants of this disparity are taxes and formal burdensome bureaucratic import and export promoting unrecorded trade.

LITERATURE REVIEW

The literature specifically on informal cross border trade is usually discussed in the context of the informal economy in general that includes: conceptual issues regarding the definition of the informal economy, the role that the informal economy can play in the growth process and poverty reduction, the debate on the legalization of the informal economy, the reasons that explain informality and estimation of informal cross-border trade, etc..

Conceptually, the definition of the informal economy is no unanimity among researchers as pointed out so well Aryeetey (2009): "*The first studies of" informal sector "have sometimes been criticized for being vague because they have not clearly defined what the "informal sector" was. Conceptually, the informal economy focuses on activities that are under the form and structure, operating outside the bureaucratic controls, which are likely to be more insecure and less stable*". With regard to informal trade, it has been an abundant literature (Ongaro, 1995, Ackello-Ogutu, 1997, Bennafla, 2002). Although informal trade takes different forms and is known under different names (for example, unrecorded trade, illegal trade, unofficial trade, underground trade, part of parallel market activity, the activities of black market, trade subject of over-and under-invoicing, smuggling or hoarding), he is best characterized by its non-inclusion in the national accounts of a country or region in terms of its domestic and International trade.

The relationship between economic growth and the informal sector has always led to considerable interest at different points in time (Aryeetey 2009, Ranis and Stewart, 1999; Tokman, 2001). In the early days of the development economic, growth was viewed as growth of economic activities organized by the rapid industrialization through capital formation and expansion of domestic and external demand. Literally, the "informal sector" has been considered as a temporary situation that would disappear with economic growth take off. The expansion of the informal economy over several years and the deterioration of employment situation in many developing countries in sub-Saharan Africa, Latin America and the Caribbean have been regarded as the cause of low GDP growth (ILO, 2004). However, as shown by a number of recent studies (Becker, 2004), this positive relationship of the informal and economic growth is not always verified. In the cross-border trade of agricultural products between Cameroon and the CEMAC, the relationship between the informal and economic growth in the region is not fully established although recent years have found an increase of informal activities with a lower rate of growth in Cameroon and in other CEMAC countries except Equatorial Guinea (CEA-BSRAC, 2007).

The conceptual issues regarding economic growth and poverty are vast and varied. However, whether economic growth leads to poverty reduction or not is a question that has been debated for years among governments and economists. There are those who advocate growth at any price and those who suggest that the emphasis is made on policies that directly affect the poor. However, the impact of economic growth on the rate of poverty reduction depends the nature,

strength and other characteristics of the linkages between growth and poverty at some point in time and in a country in particular (Aryeetey, 2009).

Concerning the debate on the legalization of the informal economy, the views are divided on a question: is the legalization of the informal sector is a prerequisite for economic growth? Some studies have argued that legalization of the informal economy is a precondition for faster growth because informal prevent growth and investment because of tax evasion that it entails (Fisman and Shang-Jin Wei , 2004; Arndt and Van Dunem, 2009). This position is born of the idea that informal enterprises operating outside of taxation and regulation and, consequently, have difficulty accessing credit, which limits the scope of their operations and their ability to exploit investment opportunities. In addition, the informal sector affects the ability of governments to raise revenues and, consequently, adversely affects public sector resources with their complementary role in financing private investment through infrastructure development or facilitation of the business environment is obvious (Loayza, 1996; Arndt and Tarp, 2008). In the case of informal cross-border trade between Cameroon and neighbouring countries of CEMAC, the problem of legalization remains unsolved and current (CEA-BSRAC, 2007).

On the question, why economic agents do encourage informal trade in disfavour of formal trade? In the case of the SADC member countries in East Africa, Ackello-Ogutu (1997) summarized these reasons as follows: it was stressed that the adoption of restrictive policies in many countries creates incentives for illegal trade. Restrictions such as tariffs on imports, quotas, exchange controls, state monopolies in certain businesses and export restrictions (such as currency declaration and obtaining licenses to export) create incentives for informal activities. The high tariffs and export taxes encourage smuggling and shortcomings of invoicing of imports and exports, primarily as a means to evade taxes. This leads to an underestimation of cross-border flows and a poor record of trade. The overvaluation of the currency resulting from exchange controls reduce export prices and thus act as implicit taxes on exports. The exchange controls contribute to distortions of official trade encouraging overcharging of imports and under invoicing of exports as a means of capital flight. This overestimates the official imports and underestimates exports. Smuggling has also been facilitated in the past by barter and the semi-convertibility of currencies in the border areas. Import licenses are often presented as a response to an overvalued currency, limiting the supply of imports and increases in domestic prices which offer incentives for black market in

smuggled goods. The relative price differentials between countries and also shortages in one country encourage informal trade across borders. The scarcity and shortages in some neighbouring countries create effective demand and high profits which make it extremely difficult to control smuggling. Other causes could be lack of coordination and partial implementation of structural adjustment programs and measures aimed at removing formal trade barriers.

In addition, certain events in the history of SSA countries in general and CEMAC in particular have prevented the "normal trade" to take its course. For example, civil wars in Uganda in the mid-1980s, Congo in the late 90s, CAR and Mozambique, which lasted nearly two decades, there are few events. Another important factor is drought. It is well known that the main foods are differently susceptible to drought. As production methods differ between countries and that consumption patterns of grain are more or less similar in SSA, increase cross-border trade in times of drought to mitigate the effects of production fall in countries affected by drought. At the CEMAC sub-region, several factors are advanced to explain the increasing activities of informal cross border trade including the urban cities (Libreville, Brazzaville, Douala, Yaounde, etc.), recurring socio-political instability, the inadequate physical infrastructure, trade liberalization, the HIV / AIDS and lack of employment (CEA-BSRAC, 2007).

Regarding the question on the estimation of volumes and values of cross-border informal trade, several researches were conducted in the case of Eastern Africa (Ogutu-Ackello, 1996; Macamo, 1999) showing that the volume of informal trade between Kenya and Uganda represents 150% of official trade between both countries. In central Africa in general and CEMAC in particular, researches were initiated to estimate the informal cross border trade between Cameroon and its neighbours (CIRAD-SCAC, 2007; MINADER-DESA, 2008). For now, the results of these researches are qualitative and explain, for one, the factors that underestimate cross-border trade and another one identifies agricultural products as well as volume and price. A quantitative research to estimate the volume/value of the informal cross-border trade between Cameroon and its neighbours is necessary to supplement the results of previous researches and is the subject of this research.

2. Methodology and data

THE ANALYSIS FRAMEWORK

Definition of informal cross-border trade / unofficial / unrecorded

In this research, several concepts are used namely: informal trade, unofficial trade, unrecorded trade. But when we use the concept of informal trade in this research, it is mostly the unrecorded trade of agricultural and horticultural commodities between Cameroon and its CEMAC neighbours. That is to say, the volume/value of trade that is not included in the official accounts of the Governments of the CEMAC in general and Cameroon in particular. The reasons for that not recording are varied and may be "goods crossing borders through unofficial routes, the products passing through the official points, but under-recorded or not recorded at all, these include mostly agricultural and horticultural commodities. In clear, as noted by Bennafla (2002), it is difficult to separate the official and informal trade in Central Africa and vice versa. In this research, one is interested of estimating the unrecorded trade of agricultural products between Cameroon and CEMAC neighbouring countries because these are usually not recorded by customs staff at the various cross borders (MINADER-DESA, 2008).

Given the above definition, the methodology for estimating the informal or unrecorded trade between Cameroon and CEMAC neighbouring countries is the Weekly Observation (Monitoring) methodology. This methodology has been applied by Ackello-Ogutu (1996) for estimating informal trade (unrecorded) between the East Africa countries and Southern Africa (Kenya, Uganda, Tanzania and its neighbours, Malawi and its neighbours, Mozambique and its neighbours).

The rationale for this method is that the data recorded by the customs officers do not always estimate the volume / value of unofficial (informal) trade between two countries for several reasons (Ackello-Ogutu, 1996): i) For a given product, official figures from both countries do not correspond in trade because of over / under-invoicing or false statements to pay less tax to the operation or to avoid it entirely by the traders; ii) Other estimation problems arise when two countries do not have records of trade flows as in the case of flows of the contraband iii) Similarly, trade flows of food commodities such as bananas , maize, beans, fish, fruits and vegetables, appear to move freely across the border especially when the amounts involved are small (charges per head). The records hardly exist for these types of exchanges of small

amounts of food and only the technical monitoring of borders (monitoring) may be the only option for their quantification. Moreover, in the border trade between Cameroon and the CEMAC sub-region, Cameroon Customs do not interest in quantitative data exchange of food crops (MINADER-DESA, 2008).

The monitoring methodology contains the following:

• Using descriptive statistics to assess the importance and implications of trade policies and other constraints faced by informal traders. Baseline data are used to assess for certain products, the marketing structure, the functions performed and price formation.

• The estimation of informal trade (unrecorded) from monthly data from the monitored cross border trade over a period of 12 months. For a given month *m*, the data used to calculate the monthly trade and, ultimately, the annual trade volumes for a given product can be rated by $\mathbf{q_m} = (q_{mwd})$, where w = 1 ... 2 indicating the number of monitoring weeks of the month *m*, and d = 1 ... 7 showing the days. Taking a month of thirty days, the estimated average monthly trade $\mathbf{q_m}$ in physical units is derived from the average daily trade flows by multiplying by 30 ie:

$$\overline{q}_m = \frac{30}{14} \sum_{w=1}^{2} \sum_{d=1}^{7} q_{wd} \qquad (1)$$

where symbols are as explained in the text. The estimate for the annual trade volume of Q is then given by:

$$Q = \sum_{m=1}^{12} \overline{q}_m \qquad (2)$$

Given estimates of the average prices for each month $\overline{p}_m$ the total value (in local currencies duly converted to CFA francs) for the annual trade is:

$$V = \sum_{m=1}^{12} \overline{q}_m \overline{p}_m \qquad (3)$$

The trade balance between Cameroon and its neighbours is derived from a matrix of import / export built using the equation n° 3 above for all agricultural and horticultural key products.

DATA REQUIREMENT

To meet the objectives of this study, data were collected from the following sources:

1) Data from Weekly Observation (Monitoring) collected by the Surveys Office and Agricultural Statistics (DESA) of the Ministry of Agriculture and Rural Development (MINADER). Indeed, given its strategic position in Central Africa, Cameroon is expected to play an important role in the economic integration of the sub-region and the development of border trade. That is why the Cameroonian government with support from UNDP, formulated in 2007, the development program of cross-border Trade of Agro-Silvo-Pastoral between Cameroon and CEMAC neighbouring countries.

The purpose of the program is to collect information on cross-border flows to provide information to decision makers in the framework of management of food crises, the availability of cross-border data for a good assessment of inventory levels, a quality improvement analysis on the evolution of agricultural prices, trade and hence food security.

The monitoring of trade at the border between Cameroon and CEMAC neighbouring countries began in early 2008 and still going on. The data of the first 12 months and for the year 2008 will be used to estimate the unrecorded trade between Cameroon and its neighbours.

The main points of the methodology used by the MINADER-DESA to collect these data are:
The geographic coverage is the national territory. It is specifically for all exit points of food products traded between Cameroon and countries sharing its borders. Thus, investigators are positioned in all these exit points where they recorded data on incoming and outgoing flows of products traded. Based on similar research conducted in East Africa, it is shown that cross-border informal trade is concentrated around phytosanitary police points established in borders (Macamo, 1999). Based on this data, markets or border points of exit / entry products monitored are presented in the following table 2.1:

Table 2.1 Markets and border points surveyed

Market or Border points	**Province**	**Division**	**Sub-division**	**Border with**
Abang-Minko'o	South	Ntem valley	Olamze	Gabon
Kye-ossi	South	Ntem valley	Olamze	Gabon, E. Guinea
Aboulou	South	Dja et Lobo	Ma'an	Gabon
Idenau	South-West	Fako		E. Guinea
Garoua-Boulaï	East	Lom et Djerem	Garoua-Boulaï	CAR
Mouloundou	East	Boumba et Ngoko	Moloundou	CAR, Congo
Kenzo	East	Kadey	Bombe	CAR
Kousseri	Far-north	Logone et Chari	Goulfey	Nigeria
Amchide	Far-north	Mayo sava		Chad, Nigeria
Mbaîboum	North	Mayo rey	Touboro	CAR, Chad
Port peschaud	Littoral	Wouri		Gabon, E Guinea

Source : MINADER-DESA (2008)

The time chart of monitoring above markets or border points is presented in Table 2.2 below:

Table 2.2 Time Chart for Monitoring Cross-Border Trade

Month	JAN (1)	FEB (2)	MAR (3)	APR (4)	MAY (5)	JUN (6)	JUL (7)	AUG (8)	SEP (9)	OCT (10)	NOV (11)	DEC (12)
Monit. weeks	1.2 1.3	2.1 2.4	3.1 3.3	4.1 4.4	5.2 5.3	6.1 6.4	7.2 7.3	8.1 8.4	9.2 9.4	10.2 10.4	11.1 11.4	12.2 12.3
Days/Weeks	Seven (7) Days : Monday – Sunday											
Total # of days	168											
Time	Day Time											
Note: 1.2 refers to the second week (2) of jan. (1), 2.4 refers to the fourth week (4) of Feb. (2) and so on.												

The figures in the second main line of the table indicate the weeks of the month which monitoring have taken place, for example, 1.2 and 1.3 mean that the second and third week of January 2008 were monitored. The weeks of the month to be monitored were selected randomly with the restriction that each week is sampled (observed) six times during the 12 months to provide adequate data to take into account the variability of trade in a month. The random selection of weeks has been used to avoid the potential influence of agents that investigators could have on business.

The monitoring was done using a census approach during the day (or when the exchange took place normally) for every day of the week, giving a total of 168 days (12 months x 2 weeks x 7 days). The period of 12 months is sufficient to capture the seasonality of the business in a year (Ackello-Ogutu, 1996). According to interviews held with the head of investigations,

efforts were made to cover at least 80% of informal trade (unrecorded). The uncovered proportion has been counted as the flows of contraband and goods that are not easily observable, such as electronics, cigarettes, alcohol, precious metals and other valuable natural resources. The same applies to exchanges that took place late at night and being on places that can not be covered with any degree of certainty. The problem of double counting was avoided by conducting the monitoring exercise only one border side which is the Cameroonian side. It should be noted that the study focused on agricultural products were traded freely and openly during the day, although the investigators were permitted to investigate all the products being cross-border. Data are collected on the composition of traded goods, quantity or volume of goods, prices, the direction of trade, modes of transport, packaging and measurement units. The raw data collected on traded volumes are contained in appendix 1.

2) In addition to monitoring data, a baseline data has been collected (CIRAD, MINADER-DESA, 2008) for the following information: the characteristics of actors, sources of information, mode of communication prices, costs, financing (sources and availability), contracts and payment methods, standards, storage, mode of transport, origin and destination of the goods and packaging materials.

Baseline information was obtained using structured questionnaires. A total of 143 traders and 22 resource persons working in the field of trade in the CEMAC zone were surveyed. This sample was chosen randomly on the market or border points shown above. The single-pass survey was conducted. The baseline survey allowed investigators to have enough time to follow the movement of goods from one country to another without asking themselves too many questions. The baseline survey was also an opportunity for individuals, both traders and government officials to register their views and experiences on the issue.

The advantages of these data come from the fact that they were collected by official specialists from MINADER who are used to collecting such data with a rigorous methodology (see Appendix 3). The weakness is that these data contain only agricultural commodities and neglect manufactured goods.

The advantages of these data come from the fact that they were collected by specialists from the MINADER in charge of official data collection with a rigorous methodology (see

Appendix 3). The weakness is that they contain only the agricultural data and do not include those of manufactured goods.

3. Results and discussion

One begins by describing the border markets by locating them and describing the contractual relationship, then presents successively the description of this trade, the profiles of traders and their financial sources, marketing functions, costs and benefits of this trade, and cross-border marketing costs before presenting the estimated volumes and values of informal trade, and their comparison with those of official or formal trade. The section ends with the reasons for the development of informal trade in the CEMAC zone.

CAMEROON BORDER MARKETS OR "REAL MARKETS" WITH ITS CEMAC NEIGHBOURS

Border markets are exchange places located near the border of Cameroon or located within walking distance of it (less than 20 km). Border markets function as storage and relay sites that provide the distribution of goods to neighbouring countries. Inside the country more or less close to the border markets, one can find storage or consumption markets (Douala, Yaounde, Bafoussam, ...), collection or production markets that are responsible for supplying them. The market is great diversity in terms of size, the number of traders who use them, their catchments area or degree of stability. If the consumption and production markets within the country have been researched to understand the degree of spatial integration (Nkendah et al. 2007) or their functioning (Temple et al. 1996) in terms of supply, demand and prices, border markets themselves are very diverse and involve different economic, political and sociological contexts. Bringing together all the elements of "real markets" or "spontaneous markets" (Fafchamps, 2006; 2007), they are based on social networks of trust and behaviour of traders are influenced not only by an economic environment, but also by a sociological and cultural environment. Their role in the context of informal cross border trade of food and horticultural crops between Cameroon and its neighbours is primordial.

Spatial localization of border markets in Cameroon

As shown in Table 3.1, the border markets are scattered in five provinces over the ten in Cameroon with predominance in the provinces of South and East. The commodities traded are mainly agricultural and horticultural goods even if one can find some manufactures goods like clothes, electronic goods, cigarettes, etc…

Table 3.1: Characteristics of border markets between Cameroon and its neighbours

Border markets	Border with	Geographic localization	Main agricultural and horticultural products exchanged
Abang Minko	Gabon	South (Olamze)	Banana plantain, cassava stick, vegetables, beans, tomato, onion, Macabo, Pepper, Peanut, Potato
Kyo-ossi	Gabon, E. Guinea	South (Olamze)	Tomato, cassava stick, vegetables, onion, fruits, Macabo, Pepper, Peanut, Potato
Aboulou	Gabon	South (Ma'an)	Plantain, Macabo, Pepper, Peanut, Potato, Tomato
Idenau	E. Guinea	South-west	Okok, Tapioca, Potato
Garoua-Boulaï	CAR	East (Gar. Boulaï)	yam, cassava, peanuts, corn, vegetables
Mouloundou	CAR, Congo	East (Mouloundou)	Plantain, macabo, cassava, vegetables
Kentzou	CAR	East (Bombe)	Cassava, corn, Macao, plantain, peanut
Kousserri	Nigeria	Far-north (Gfey)	Maize, sorghum, rice, yams, fruit, onion, sugar cane
Amchide	Chad, Nigeria	Far-north	sorghum, groundnut, bambara nut, onion, fruits, sugar cane
Mbaîmboum	CAR, Chad	North (Touboro)	sorghum, groundnut, bambara nut, onion, fruit
Port Peschaud	Gabon, E. Guinea	Littoral (Wouri)	All commodities

Source: Compiled from survey data

As shown in the table above, most border markets are located in the southern province, followed by Eastern Province and finally in provinces of the Far North, North and Littoral.

Coordination and contractual relations on the border markets of Cameroon

Like any "real market" or "spontaneous market" coordination of economic agents on the border markets of Cameroon is not only on the basis of a price system as teaches by the conventional economic analysis, but also and especially by the "rules", "conventions" or "contracts" because of the bounded rationality of economic agents. According to Simon cited by Coriat and Weinstein (1995), the economic agent's rationality as opposed to the belief of the classical theorists is limited. Indeed, the economic agent have not a perfect knowledge of his environment, he must daily learn to know him. This lack of information negatively affects its transactions because its capabilities are limited. According to Williamson (1985), uncertainty combined with asset specificity leads to organizational problems. The use of market leads to transaction costs, hence the need for an organization. Therefore, it is

necessary to see what various agreements by agents, how links are established between them, and how they resolve their disputes.

Following the investigations conducted it was noted that trust is largely in the centre of the agreements by the informal cross-border market players. For Fafchamps (2007), trust depends on the incentives of the contracting parties "*to trust someone rationally, we believe that the person has sufficient incentives to behave in a dignified manner*". These incentives include the following: guilt and shame, fear of a lawsuit or resort to force, the refusal to waste a valuable business relationship and the fear of losing his reputation. The results of our investigations on the border markets of southern Cameroon can confirm this and show that this trust mostly observed at the level of credit sales in the short term is built on several variables: the geographic proximity of residence places of Cameroon merchants or foreigners, family relationships, friendships or even simple affinity that encourages market actors to trust each other, references to common ethno-linguistic groups: the way in making the agreements change by surveyed areas. The fact that most traders resident in border areas and thus know each other facilitate a contracting for selling products on credit on the basis of trust.

Regarding coordination, there is the vertical coordination between the different functions in downstream production and horizontal coordination that is to say, the organization of traders in Economic interest groups (EIG).

On the contractual area, the activities taking place in the informal, actors are bound by ties of trust and did not need a legal paper to guard against risk. The trust is established by the frequency of transactions and the ability of the buyer to pay cash. The loss of confidence can cause large losses for the victim because the use of court to resolve conflicts (non-payment etc. ..) is unlikely. Our results show that the risk of contractual disagreements are overall low and show once more the importance of trust that characterizes the border trade. Between Cameroon producers and collectors/exporters of agricultural and horticultural products to Equatorial Guinea and Gabon, the percentage of traders who complain of non-payment is only 3% and 5% respectively.

Dispute settlement is generally made outside the legal framework governed by the legal justice system. This result is a characteristic of real or spontaneous markets according to research by Fafchamps (2007, 2006) that the use of legal action is costly in the informal sector

and for transactions of small size. For small transactions, litigation costs are generally too high to justify court action. Even when legal costs are low relative to the size of the transaction, the cheat trader may have nothing to pay. This is particularly true for developing countries where many people are poor. In these cases, the threat of a lawsuit is not credible to induce honest behaviour of the buyer. Nevertheless, the threat of reprisals (the refusal to pursue the transaction with the defaulting party, for example) coordinated by market institutions can effectively induce compliance with contractual obligations. Indeed, our investigations show that when a party fails in the execution of the contract activities in cross border trade of agricultural products between Cameroon and other CEMAC countries, trade relations are suspended with the failed trader until the execution of the initial contract.

PROFILE OF TRADERS AND OPERATION OF CROSS BORDER TRADE

Profile of informal traders

Discussions with various government officers and traders during the field survey in the CEMAC sub-region have confirmed the existence of informal or unrecorded trade both for the exchange of agricultural and industrial commodities. Many traders engaged in informal trade because official procedures are too rigid, lengthy and bureaucratic that increase transaction costs. Traders thus avoid costly official channels for informal channels. Table 2 shows their characteristics.

Cross border trade is general similar across the border markets studied. However, there are some differences in business practices and the type of products traded. Over 90% of retailers surveyed were adults, about 23% women and 70% of men. Children (under 18) play a less important role in the informal cross border trade as representing only 7% in the number of traders. In border markets, we often see children carry small quantities of goods on behalf of their parents or guardians traders. Cross-border trade activities support a relatively large number of young men and women who would be unemployed.

Approximately 70% of retailers surveyed were residents of border towns of Cameroon, with only 5% living in towns nearby (10km from the border). The remaining 22% of retailers were residents of other cities in the CEMAC sub-region. The majority (93%) of these traders was literate. Researches (eg, Hayami and Ruttan, 1985) showed that lack of education is the

foundation of conservatism, limited capacity to absorb risk, fear of investing in production and a general lack of information. Literacy level also affects the functioning of a family, type of employment and occupation. Scholar traders may be better positioned to read market signals and are probably more likely to have access to credit facilities needed to expand their businesses.

Table 3.2: Characteristics of informal cross-border traders

Characteristics	**Number of Traders (%)**
Ages et sexes	
Children under 18 years	5.3
Girl under 18 years	1.5
Adult males 18 years and over	69.7
Adult females 18 years and over	23.5
Hometown	
National Border town	68.9
Foreign Border town	3.1
Other nearby town (10 km from the border)	51.3
Other places of residence	22.7
Education Level	
No education	23.5
Primary	27.3
Secondary	42.4
University	6.8
Type of Traders	
Retailer	31.8
Wholesaler	10.6
Retailer/Wholesaler	13.6
Intermediate	22.0
Exporter	8.3
Warehouseman	13.6

Source: Compiled from survey results

Operation of Cross Border trade

The operation of cross-border trade involves actors, marketing channels and export routes. The players are:

* Retailers (31.8%) whose function is to retail on border markets for local consumption. These are usually women who reside in border areas with a level of education that rarely exceed the primary level;

* The Wholesalers (10.6%) function is to purchase the big quantities of goods and make them available to exporters. Their activities are confined to border markets. With substantial financial resources often available to them by the exporters, they buy goods from producers, small collectors on the market but also in other non exporters wholesalers.

* The retailer wholesalers (13.6%) have the function to purchase goods in large quantities from some traders and retailers for exporters. They purchase goods on production large markets located within the country.

* The intermediaries - transporters (22%) have the function of transporting goods for local or overseas markets. They can also play the role of intermediaries such as broker. In frontier markets, means of transport are rickshaws, wheelbarrows. Only big carriers with transportation vehicles (trucks, pickups, etc.) generally carry products in trucks up to 20 tons in neighbouring countries of CEMAC. When playing an intermediary role, they help exporters to find better quality of products.

* Exporters (8.3%) are major traders with various nationalities and with substantial resources. They have direct contacts with wholesalers from whom they collect the goods for export to neighbouring countries.

* Warehousemen (13.6%) have the function of keeping the goods already purchased by wholesalers when they go to buy other goods elsewhere. Generally, retailer and intermediary traders play this role.

Marketing channels involve different actors described above. These channels range from production markets where we can meet almost all the different categories of actors above to the foreign markets by passing through border markets where exporters, with the help of transporters, cross Border with goods. For crossing the border, there are three ways: the sea way (17% of flows), the land way (81% of flows) and air way (2% of flows).

Beside private players above, it is worth mentioning the authorities from public institutions that are in charge of official statistics. The difficulties they face in fulfilling their duties may be reasons for not registering commercial flows. These reasons are explained in several ways (Egg 1998 and 2000): the multiplicity of possible crossing points at the border given the failures of basic infrastructure: bridges, roads ...; difficulties to control flows due to the lack of human resources involve in border monitoring, problems of information transmission, etc.

MARKETING FUNCTIONS

In the informal border trade between Cameroon and its neighbours, traders perform various marketing functions which can be divided into three main categories namely:

(1) Functions of exchange or purchase/sale that include the following transactions: The search of supply sources generally carried by wholesalers on behalf of exporters (and retailers). They move in different production markets for this purpose and be helped by

intermediaries or brokers in assembling goods. Payment of transaction is done in 90% in cash using the CFA franc that is the common currency of CEMAC member States.

(2) Physical functions that include transport, sorting, grading and storage. The preparation of exports often requires the storage of goods in order to collect a large quantity that can support the fixed costs and ensuring profitability for the exporter. About 74% of traders surveyed used the storage facilities. Of these, 14% were stored in their own store while 60% were rented. Others (26%) do not need storage facilities, either because of their price, either because of their availability. This last category includes mainly retailers and traders living in border areas. In the vegetable sector and tomato in particular, the sorting and grading operations are necessary before shipping. These are important activities in the process of sub-regional marketing of agricultural and horticultural, because they can pack various products depending on the quality or the "norm" requested by the destination market. The high "standard" product (first category) is generally designed for the hotel demands while others are sold on the food markets in destination countries.

(3) The functions of market information, funding and standards. Business information allows traders to measure the benefits and drawbacks of this business and to decide whether to be an actor. On the question from whom the trader has obtained the first information on border trade of agricultural and horticultural products? 70% of retail traders, intermediaries and warehouse traders said they had information from a person, while exporters were informed by the media (55%), by a person (24 %) and other sources (21%).

Regarding the funding sources of informal cross border traders in general, although the credit was cited as a major constraint in the acquisition and storage of products sold, 98% of retailers surveyed were unable to obtain a finance support from formal institutions and had to rely on their own savings (27%), informal lenders (27%), friends and relatives (24%). A lower proportion of traders (in the category of exporters) said they were able to obtain funds from microfinance institutions (2%). Furthermore almost half of retailers do not have bank accounts because of the high cost of operation, ignorance and inaccessibility of banks; it is unlikely that formal financial institutions are a viable source of funding for informal traders. The lack of initial capital (particularly among retailers, intermediaries) and the shortage of operating funds therefore act as barriers to entry in this category of exporter traders. Specifically, sources of funding vary by class actors. Retail traders, retailers/wholesalers,

intermediaries/transporters get their funding from friends or use their own savings. Only 2% of exporter traders have reported obtaining credit from microfinance institutions.

OFFICIAL AND UNOFFICIAL COST AND BENEFITS OF INFORMAL TRADE

The following categories of costs were recorded during the survey: i) transfer costs including handling, packaging and transport, ii) the storage and rental costs, iii) labour costs of work paid by traders, iv) housing and feeding costs of the trader and v) expenses related to the risks involved in trading operations.

Expenditures in Table 3.3 are those prevailing at the time of the study and which could be easily quantified by traders. In addition to these expenses, there are costs attributable to the risk of cross-border activities including the risks of the goods seized by police officers at the border (not included in calculations due to its estimate difficulties by traders). Traders complain of continued harassment by police officers who accused traders do activities that do not meet all trading legal requirements and lead to the payment of bribes. In addition, because of the nature of informal trade, traders were forced to ship their goods, bypassing official positions to avoid detection by authorities and minimize losses in case of forfeiture.

Table 3.3: Average annual expenditures of informal cross-border traders

Expense	**Average Annual Cost In CFAF slices**	**Number of Traders (%)**
Rent	Less than 100 000	46.8
	Between 100 000 and 125 000	10.6
	More than 125 000	42.6
Processing and packaging	Less than de 100 000	56.2
	Between 100 000 and 125 000	9.8
	More than 125 000	34.0
Taxes/Tariffs/commissions/certificates/licences	Less than 100 000	59.3
	Between 100 000 and 125 000	9.3
	More than 125 000	31.4
Storage of Goods	Less than 100 000	34.2
	Between 100 000 and 125 000	17.1
	Plus de 125 000	48.7
Freight	Less than 100 000	17.0
	Between 100 000 and 125 000	28.3
	More than 125 000	54.7
Workforce	Less than 100 000	63.7
	Between 100 000 and 125 000	4.5
	More than 125 000	31.8

Source: compiled from survey results

Moreover, informal cross-border trade involves the implicit costs to the whole society by increasing corruption and the dumping of poor quality goods that can harm the country's industry. Another cost to society is linked to issues relating to hygiene because most traded agricultural products are usually processed in approximate sanitary conditions.

The above expenses are annual and very general; we have estimated the cross-border marketing costs of plantain.

CROSS BORDER MARKETING COSTS

Detailed information was collected on various costs included in the process of collecting, transporting, storing the last expedition to Gabon and Equatorial Guinea. We assimilate these costs to variable costs as they vary with the amount of products purchased and the number of cargo shipped. To make them comparable, we estimated the cost of transferring one kilogram of plantain from the border markets of southern Cameroon to Gabon and Equatorial Guinea (Table 3.4). Thus, transportation, handling, travel of trader to follow his business is more important. In general, all transaction costs represent on average 30% and 22% of the selling price of a kilogram of plantain on the market of Equatorial Guinea and Gabon respectively.

Table 3.4: Average cost of transferring a kg of plantain from Cameroon markets to Equatorial Guinea and Gabon markets

Elements of the marketing cost	**E. Guinea**	**Gabon**
Transportation	63.01	53.01
Handling	14.12	13.02
Travel expenses of trader	11.89	21.89
Commissions	10.14	9.14
Taxes	9.24	10.24
Storage	0.72	0.62
Packaging	0.76	0.86
Telephones	0.71	0.73
Others	0.73	0.84
Total	111.32	110.35
% according to average price/kg on the destination market	***30***	***22***

Source: compiled from the survey results

ESTIMATION OF VOLUMES AND VALUES OF INFORMAL BORDER TRADE

This chapter covers the results of monitoring survey of cross-border flows of agricultural and horticultural products between Cameroon and CEMAC neighbouring countries for the period

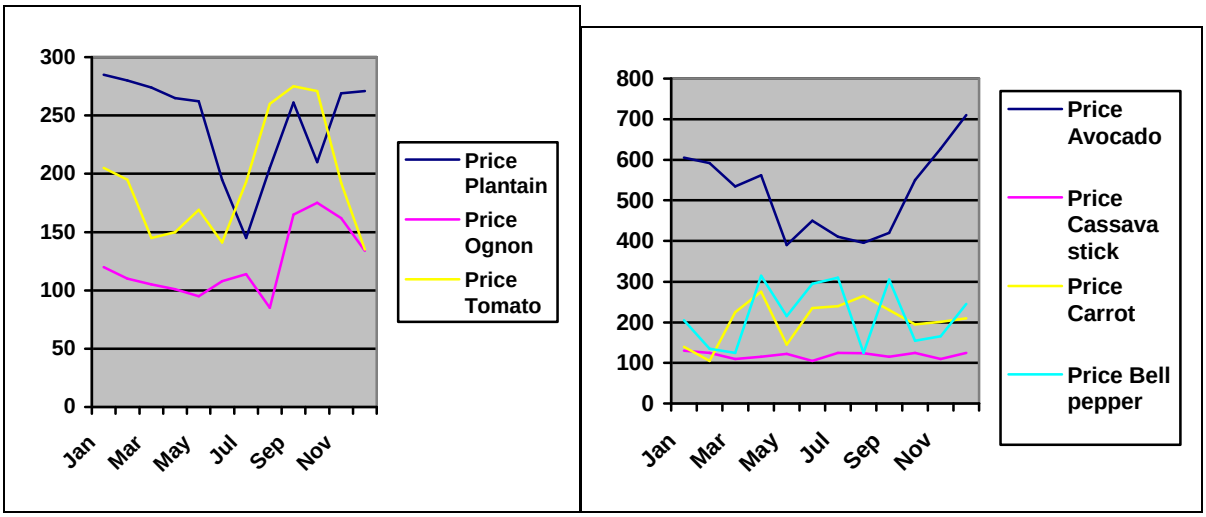
from January to December 2008. It provides estimates of unrecorded cross-border trade between Cameroon and its CEMAC neighbours, both in quantity and value. But prior to the presentation of the results, let us consider a number of estimation problems, namely the problem of measurement units and prices, and the problem of seasonality of cross border flows.

The issue of measurement units and prices

On the cross-border markets, there are a multitude of local measures units (LMU) which complicates the task of estimating the quantities sold and their value in terms of monetary value. MINADER-DESA (2008) has addressed these difficulties by publishing a study on the harmonization of local measurement units in the various border markets. On the basis of these measurement units, it has been valued each crop and horticultural subject of cross border trade. This valuation is based on prices in the border markets, namely, the price paid by the informal traders to import goods or money received by the informal traders to export goods. Prices of goods most frequently traded have been collected on a fortnightly basis. The total value of trade is the sum of the value of unrecorded trade. On the basis of LMU, we estimated the average price per kilogram of main products traded in different border markets.

Globally, the export prices vary according to supply and demand. Prices are falling in the month when the export supply is abundant and increasing in the month it is rare (Figure 3.1). But there are other sociological factors that influence such prices and concern personal relationships between traders whose confidence is an important element. These characteristics of real and spontaneous markets show that prices are rarely freely by haggling between buyers and sellers. But more often, prices are based on personal relationships. In their negotiations, the buyers most often rely on the previous price and the level of demand in destination countries and especially the number of buyers in the market exporting border. At the same time, they appreciate the level of the supply of the day by the abundance of traders selling in the market.

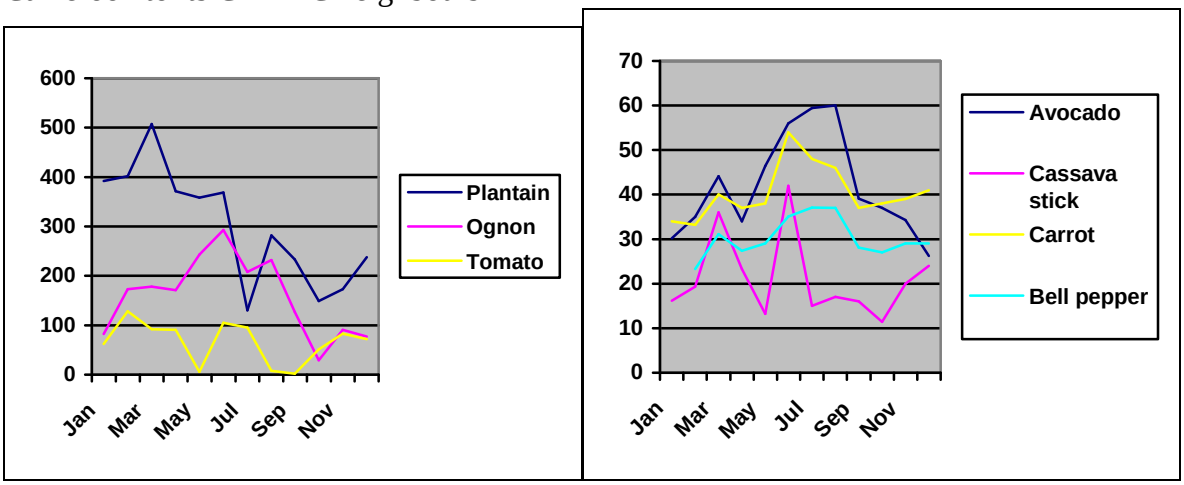
Figure 3.1: Evolution of export prices (CFAF / kg) during the year for some agricultural and horticultural products from Cameroon to its CEMAC neighbours



The problem of seasonality of exported products

Among the 70 products exported from Cameroon to its CEMAC neighbours only a few are marketed regularly over the 12 months of the year. These include products such as plantain, onion, tomato, avocado, cassava sticks, carrots and bell peppers. Figure 3.2 shows how varied the exports of these products to neighbouring countries on 12 months of the year. Note that the plantain is the most important agricultural product in terms of regular tonnage reaching its peak during the first months of the year and then decline, reaching its lowest level in July, August and September before resuming to increase from the month of October. The tonnages of the onion move in the opposite direction from those of the plantain in that they reach their peak in July, August and September when plantain exports are lowest. The tomato is the product that moves constantly with a tonnage of 100 tonnes exported each month which it should be emphasized that a few months of scarcity are May, August and September. The change in other products such as avocado, cassava sticks, carrot and bell pepper is almost identical with periods of abundance in the months from May to September against periods of scarcity at the beginning and the end of the year.

Figure 3.2: Seasonality of some agricultural and horticultural products exported from Cameroon to its CEMAC neighbours



The estimated figures

Before presenting the estimating results, it is important to note that agricultural trade between Cameroon and its neighbours are “one way trade” from Cameroon to neighbouring countries. Agricultural imports from neighbouring countries are very small and insignificant.

The results presented in Table 3.4 indicate that in 2008 a volume of just over 155 000 tons of agricultural and horticultural products has been shipped from Cameroon to its CEMAC neighbours for an estimated value of almost 38 billion francs CFA. CEMAC Importers of Cameroon products are in descending order: Equatorial Guinea (41%), Chad (29.5%), Gabon (12.4%), Congo (11.5%) and CAR (5.6%).

Table 3.4: Quantity and estimated values of agricultural and horticultural products exported from Cameroon to its CEMAC neighbours, 2008

Countries of destination	Border markets	Quantities (in tons)	Values (in CFAF)	%
Gabon	Abang Minko'o	5 320.25	1 256 566 284	
	Kye-ossi	8 626.35	2 037 419 400	
	Aboulou	5 399.75	1 275 343 037	
		19 346.35	**4 569 328 727**	**12.4**
Eq. Guinea	Campo	36 915	10 419 213 824	
	Idenau	23 990.2	6 771 204 754	
	Kye-ossi	2 821.05	796 237 929	
		63 726.25	**17 986 656 508**	**41.2**
Congo	Moloundou	17 818	2 959 966 286	
	Kentzou	18	2 990 200	
		17 836	**2 962 956 487**	**11.5**
CAR	Garoua Boulaï	7 430	1 453 863 261	
	Kentzou	1 247	244 006 391	
		8 677	**1 697 869 653**	**5.6**
Chad	Kousseri	**45 869**	**10 639 870 720**	**29.5**
Total		**155 454.60**	**37 856 682 095**	**100**

Source: Authors' calculations

Products exported to Equatorial Guinea pass mainly through border markets like Campo with 58% of flows, Idenau with 38% and Kye-ossi with only 4% of the flows. For Chad, the products pass through the main border that is Kousseri. For Gabon, the products pass through border posts like Kye-ossi (63% of flows), Abang-Minko and Aboulou each with about 18% of flows. Products pass essentially by Moloundou to Congo and Garoua Boulaï and Kenzou to RCA.

Estimations of cross-border trade according to exported products have been calculated and the results are shown in Appendices 1 and 2. There are more than 70 agricultural and horticultural products covered by the informal cross-border trade between Cameroon and its CEMAC neighbours which the mains (over 50 tons per year) are: avocado, plantain, carrots, flour cassava, mango, onion, tomato, potato, pepper, parsley, cola, etc.. The main products of the number of fewer than 20 represent about 67% of Cameroon's exports to its CEMAC neighbours. The others are wood forest products, livestock products, the seafood, agricultural and horticultural products which their annual tonnages are rarely exceed 50 tons. They are: bitter bark, beets, mandarin, lily, African pear, the djansang, grapefruit, pepper, coconut, dry maize, millet, shrimp, fresh carp, honey, eggs, chicks, fresh fish, etc…

COMPARISON OF ESTIMATED FIGURES OF INFORMAL TRADE WITH THOSE OF OFFICIAL OR FORMAL TRADE

The base year for the official data used in comparisons with the informal trade was 2008. Table 3.5 shows the results of the comparison between official exports and unofficial exports (informal) between Cameroon and each of its five CEMAC neighbours. Customs statistics (INS, 2009) show that total exports from Cameroon to the CEMAC is 39.5 billions. Our estimations give 38 billions as total informal exports (unrecorded), representing 0.4% of GDP in Cameroon in 2009, that are not taken into national accounts. Checking the list of products exported officially, one can confirm the fact that the agricultural and horticultural commodities are not included in official statistics. The products subject to registration, are mainly manufactured goods such as sugar, beer, metal sheets, fabrics, household soap, cement, batteries and electric batteries, cosmetics, textiles refined sugar, new tires, bars, horseshoes, wheat flour, matches, chocolate, salt packed, etc..

Table 3.5: Comparison of formal and informal trade of agricultural and horticultural between Cameroon and other countries of the CEMAC

Destination country	Official exports	Unofficial Exports (informal)	Total exports including the informal trade	% of informal trade compared to official trade	% of informal trade compared to total exports
Gabon	8 090 576 754	4 569 328 727	12 659 905 481	56.5	36.1
Eq. Guinea	12 253 918 538	17 986 656 508	30 240 575 046	146.8	59.5
Congo	6 222 845 443	2 962 956 487	9 185 801 930	47.6	32.3
CAR	3 824 277 976	1 697 869 653	5 522 147 629	44.4	30.7
Chad	9 182 834 046	10 639 870 720	19 822 704 766	115.9	53.7
Total	**39 574 452 754**	**37 856 682 095**	**77 431 134 849**	**95.7**	**48.7**

Sources: Authors' calculations

The comparison in relative terms shows that informal or unrecorded trade represents 96% of the official one and includes mainly agricultural and horticultural products. This percentage is 49% of total trade by adding the estimated figures to official trade. An analysis by country of destination shows that the majority of informal trade is oriented to Equatorial Guinea, whose informal exports are higher than official ones. It's the same for Chad. For Gabon, the informal or unofficial exports represent more than half of official exports. The Congo and the CAR are the countries which receive small informal flows (below 50% of official exports). The large volume of informal trade recorded that moves to Equatorial Guinea and Gabon would be

explained by visa problems between these countries and Cameroon while all belong to the same sub-regional grouping which is the CEMAC. For Chad, informal trade would be explained by the distance from Cameroon production areas to the border where traders would circumvent the customs officers to pay fewer taxes in order to minimize marketing costs.

The comparison with the official data of agricultural trade in the CEMAC indicates derisive official figures compared to estimated figures. In general, the estimated quantities are higher by more than 556% of official quantities (Table 6.7). The analysis by country of destination shows the same trends as the previous value analysis above where we see that Chad is the first destination where unrecorded flows are the largest (with 638%), followed by Gabon and Equatorial Guinea (495%), CAR (298%) and Congo (123%).

Table 6.7: Comparison of estimated and officials quantities (in tones) of agricultural and horticultural products between Cameroon and its CEMAC neighbours

Destination States	**Estimated quantities (Q_E)**	**Official quantities (Q_O)**	**Differences ($Q_E - Q_O$)**	**%**
Gabon and E. Guinea	83 072.60	13 963.2	69 109.4	495
CAR	8 677	2 175.5	6 501.5	298
Chad	45 863	6 211.4	39 651.6	638
Congo	17 836	1 343.1	16 492.9	123
Total	**155 454.60**	**23 693.2**	**131 761.4**	**556**

Source: Authors' calculations based on statistics from the INS (2009).

REASONS FOR DEVELOPMENT OF INFORMAL TRADE IN THE CEMAC

Understanding why the informality in border trade needs an institutional description framework of the CEMAC showing the device in favour of intra-community business. The failure of this device by the practice of informal trade policy is the factors explaining the informal trade within CEMAC.

The institutional framework for commercial activity intra-CEMAC

Since its creation by the Ndjamena Treaty of March 16, 1994, the Economic and Monetary Community of Central Africa (EMCCA) acquires its own institutions to facilitate the emergence of a genuine economic development in trade between States. These institutions are four in number namely: the Economic Union of Central Africa (EUCA), the Monetary Union of Central Africa (MUCA), the Court of Justice and the Community Parliament. At the same time, the EMCCA appropriates various other institutional arrangements which its Member

States are parties to the regional level, particularly in Francophone Africa. These include those made by the Organization for the Harmonisation of Business Law in Africa (OHADA), the Inter-African Conference of Insurance Markets (CIMA), the Inter-African Conference of Social Welfare (IACSW).

Section 2 (c) of EUCA provides progressive implementation of a common market after a five-point process namely:

- Elimination of internal customs duty, quantitative restrictions on entry and exit of goods, equivalent charges and any other measure having equivalent effect may affect the transitions between the Member States;
- The establishment of a common commercial policy towards third countries;
- The establishment of common rules of competition applicable to undertakings and state aid;
- The implementation of the principle of the free movement of workers, the freedom to provide services, freedom of investment and capital movements;
- Harmonization and mutual recognition of technical standards and procedures for approval and certification.

In addition, mechanisms and devices adjuvants to achieve the common market are planned and organized. It is thus:

- The investment charter established by the Regulation of 17 December 1999 constitutes a common framework including rules to improve the institutional environment of fiscal and financial companies;
- The establishment of a regional banking system under the framework of the MUCA to ensure currency stability, promoting the smooth operation of payment systems and conduct foreign exchange transactions through the Bank of the Central Africa States (BCAS), the security of the entire banking system - including micro-finance sector - being provided by the Banking Commission of Central Africa (CABC);
- The projection of a judicial system with a regional council of competition and an arbitral tribunal to punish anticompetitive practices of all kinds;
- The signing of various texts on transport services (1993 Protocol on procedures for passage of goods in transit, 1996 EMCCA Convention on the multimodal transport agreement of 1999 on road freight and transit from Cameroon to Central African Republic and Chad, EMCCA agreement of 1999 on the regional air ...) to organize the event and facilitate the movement of persons and property;

- Adoption of OHADA and CIMA acts to secure the property rights of staff performing various economic activities including those of trade.

Came into force in 1994, the tax and customs reforms have resulted in the establishment of a common external tariff with four rates (% 0 for basic necessities, 10% for raw materials, 20% for product mixed and 30% for the final consumer products). In addition, they have put in place a tax on turnover gradually converted into value-added tax as is already the case in three countries of the EMCCA. But despite these small advances, there is still little integration of production systems. Thus, the figures in the direction of trade statistics from the IMF indicate that in 2001 the share of exports to CEMAC countries members of this community was only barely 1.15% of total exports (IMF, 2001). It is clear that this figure refers only to formal trade. However, although the institutional framework within the Community was presented primarily designed to govern the formal business, it is clear that their failure could set up an undeniable explanation for the development of informal cross-border business between Cameroon and other countries of the CEMAC as reflect the informal trade policies encountered between some member countries.

The informal trade policies as explanatory factors

As the CEMAC countries are part of the same sub-regional grouping, there is no formal tariff barriers between them. However, the system of taxation of certain products is random and informal (AGROCOM, 2005). Thus, the tax imposed on agricultural products has no determine value and varies from one border post to another on the same product. Between Cameroon and Gabon, the informal taxes levied by the police and the gendarmerie on the roads would be exorbitant. For manufactured goods, the customs levy a VAT (value added tax) of 18.7%. According to the same sources of Investigation (AGROCOM, 2005), to cross the border between Cameroon and Equatorial Guinea and Gabon, Cameroon pay an amount of CFAF 1 000 without a receipt and must submit their identification at the police station. It must also have a visa which cost CFAF 31 500. Outside the official crossings, there are parallel tracks to cross borders.

It is legitimate to ask whether the development of informal trade is explained by the only costs and charges mentioned above? In general and according to a study of CEA-BSRAC (2007), the informal trade of agricultural products in Central Africa is explained by several factors including: the cultural and family ties across boundaries, religion such as by example,

Islam that has allowed traders in northern Cameroon and Chad to build relationships and a sales network on the basis of their faith, the economic crisis with its adverse consequences on employment and inflation. In addition to these factors, some constraints to the development of cross-border trade of agricultural products between the CEMAC countries are behind the development of informal trade. It can nevertheless be grouped under four distinct categories namely: infrastructural and institutional constraints (the poor condition of roads and telecommunication characterized by areas that are not sufficiently covered by the communication network, the unit cost of telephone call from one country to another exorbitant), technological constraints (poor quality of packaging, storage problems) and human constraints (organized crime known as the roadblocks, police harassment ....).

4. Conclusion and recommendations

This article has presented an alternative way to study regional integration within the CEMAC based on the dynamics of cross-border trade players who implementing it opposed to the institutional approach of regionalism rather widespread in literature. The results show the vitality of intra CEMAC and lead to stress that it impact is underestimated by policy makers in Cameroon.

Cross-border flows between Cameroon and his CEMAC neighbours are organized from border markets where actors (wholesalers, retailers, intermediaries, exporters, etc.) trust each other. This trust is established according to the frequency of transactions and the trader's ability to pay cash over time. Disputes between traders are resolved difficultly at state courts, but by market institutions (trade associations) based on threat of reprisals (suspension of trade relations with the defaulting). The uncertainty combined with the specificity of agricultural and horticultural products that are highly perishable lead at the coordination of actors within the associations in order to minimize transaction costs in the various marketing process.

Marketing channels generally borrow the land and sea. The air is rather marginal. The preparation of exports to neighbouring countries often requires the storage of goods in order to collect a large quantity that can support the fixed costs and ensuring profitability for the exporter because access to credit is rare for actors in this trade. Indeed, access to financing depends on the category of traders, most financing their activities through their own savings. The formal banking system is absent while microfinance institutions providing funding for some exporter traders.

The volume of informal or unrecorded trade of agricultural and horticultural products between Cameroon and its neighbours is huge, and plays an extremely vital, but without any official recognition in the economies of the CEMAC countries in general and Cameroon in particular. The importance of informal trade figures estimated in this research suggests that there is great potential in the regional economy to increase the volume of intra trade within CEMAC. To achieve this, all trade barriers should be lifted mainly between Cameroon and Equatorial Guinea on one hand and between Cameroon and Gabon on the other where visa barriers greatly restrict conditions for a harmonious trade and less risky. In this way, traders will sell more formally to customers of these two countries at reduced prices. In addition, since the volume / value of informal trade was even higher in some cases to formal exchanges, it is evident that contributions from the informal sector to GDP, the food security of the sub-region and employment are important and should be revised in the light of these findings. This study did not assess the impact on employment and income, but the potential contribution of informal trade employment for border communities is obvious.

With trade liberalization that characterizes the CEMAC, governments should ensure that small farmers and traders, including those in Cameroon, where almost all agricultural and horticultural products are grown, have access to all markets by removing barriers visas, promoting access to adequate capital and new methods of risk management to respond to requests for agricultural products from the CEMAC sub-region. The ability of farmers to respond will of course depend on rainfall and soil conditions, the level of agricultural technology, and the level of institutional support services available (agricultural research, extension, rural infrastructure and credit facilities), but much of the political will of member countries to really liberalize the movement of people and goods between their countries, condition of a good business environment.

Finally, let’s make some recommendations for future research:

1. The objective of the study on estimation of trade between Cameroon and its CEMAC neighbours has left many questions unanswered. The level of income from the informal or unregistered trade must be estimated at the household level, thus allowing the evaluation of its impact.
2. The costs of trade through official and unofficial channels to be compared. This could help to understand the factors that reduce the volume of informal trade channels for formal trade.

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Appendix 1: Estimated annual quantities and values of major agricultural and horticultural products traded between Cameroon and neighbouring countries of CEMAC, 2008

Border with	Main commodities	Quantities (in tons)	Values (in CFAF)
Gabon			
Export	Avocado	531,63	317 914 740
	Banana	156,78	23 046 660
	Plantain	4145.77	609 428 190
	Cassava stick	238.51	29 813 750
	Carrot	484.14	107 479 080
	Cabbage	244.57	74 104 710
	Bark better	48.97	3 672 750
	Cassava flour	509.75	317 064 500
	Macabo	1027.24	116 078 120
	Mango	326.7	392 366 700
	Onion	2424.47	375 792 850
	Potato	1025.74	258 486 480
	Tomatoes	650.65	165 265 100
		11814.92	**2 790 513 630**
Import	---------[1]	--------	--------
Equatorial Guinea			
Export	Eggplant	3309.7	771 160 100
	Cabbage	3408.4	1 039 562 000
	Beans	865.3	103 836 000
	Onion	6177.05	1 006 859 150
	Mango	890	890 000 000
	Bell pepper	3915	1 194 075 000
	Potato	1459	525 240 000
	Parley	2967	964 275 000
	Tomato	235	60 630 000
		23226.45	**6 555 637 250**
Import	----------	---------	-------
Congo			
Export	Groundnut	668	104 876 000
	Beans	2093	303 485 000
	Cassava cossets	6997	1 259 460 000
	Onions	5420	878 040 000
	Plantain	1517	227 550 000
		16695	**2 773 411 000**
Import	----------	----------	--------
Chad			
Export	Banana	9690	2 664 750 000
	Cola	580	638 000 000
	Avocado	825	445 500 000
	Onion	19249	3 368 575 000
	Rice	14425	3 245 625 000
	Tomato	855	220 590 000
		45624	**10 583 040 000**
Import	----------	----------	--------
CAR			
Export	Banana	1330	365 750 000
	Onions	3993	658 845 000
	Plantain	687	100 989 000
	Tomato	809	208 722 000
		6819	1 334 306 000
Total		**104 179.37**	**24 036 907 880**

Source: Authors' calculations

[1] Dotted lines indicate that figures are not significant.

Appendix 2: Estimated annual quantities and values of other horticultural and agricultural products traded between Cameroon and its neighbours of CEMAC, 2008.

Border with	Other products	Quantities (in tons)	Values (in CFAF)
Gabon			
Export	Garlic, Folon, pineapple, eggplant, beets, sugar cane, Celery, Cherry, Lemon, Cucumber, Squash, Bitter Bark, Ginger, Okra, Guava, Green beans, palm oil, lettuce, vegetables, Mandarin, cowpea, Grapefruit, Papaya, Parsley, pepper, leek, pepper, Safou, Djansang.	**7 531.43**	**1 778 815 097**
Import	Bifaga, wheat flour, palm oil, Lemons fruit	----------	----------
Equatorial Guinea			
Export	Ndjidja, Salad, Tapioca, Watermelon, Garlic, Folon, pineapple, eggplant, beets, sugar cane, Celery, Cherry, Lemon, Cucumber, Squash, Bitter Bark, Ginger, Okra, Guava, Green beans, palm oil, Lettuce , leaf vegetables, Mandarin, Cowpea, Grapefruit, Papaya, Parsley, pepper, leek, pepper, pepper, Safou, Djansang,	**40 499.8**	**11 431 019 269**
Import	Coconuts, Lemons fruit, Cabbage, Onions	---------	----------
Congo			
Export	Plantain, Dry Maize, Coconut, Potato	**1 141**	**189 545 490**
Import	Palm oil, cassava sticks, Cocoa, Mango, Coconut, palm nuts	----------	----------
Chad			
Export	Pineapple, Avocado, Sugar Cane, Lemon, Guava, Mandarin, Mango, Parsley, Pepper, Sugar	**245**	**56 830 720**
Import	Millet, cowpea, groundnut cake, cotton cake, Red Mil Tea,	----------	----------
CAR			
Export	Garlic, Pineapple, Mushrooms, Palm Oil, Kola, Lettuce, Ndjindja, palm nuts, watermelon, Pepper, Soybean, Sugarcane, Cowpea, Capes fresh, smoked carp, Shrimp, Crustaceans, mackerel, honey, eggs, fish smoked, chicks, fresh fish,	**1 858**	**363 563 652**
Import	Peanut, bamboo brooms, sesame, Kemba, Onions, Voandzou	---------	---------
Total		**51 276.03**	**13 819 774 228**

Source: Authors' calculations

Appendix 3: Survey methodology used by MINADER

1. PURPOSE OF THE SURVEY

The main purpose of the survey is to collect the quantities and value of products traded between Cameroon and neighbouring countries. The survey also learns about the geography of commercial flows from Cameroon supplying CEMAC countries.

2. DETAILS OF THE SURVEY

2.1 Geographic Scope

The scope of coverage is the national territory. It is more specifically all exit points of food products traded between Cameroon and countries sharing its borders. Thus, investigators are positioned in all these exit points where they recorded data on incoming and outgoing flows of products traded. For the purpose of complement and precision of these flows, a parallel investigation is conducted in the export markets. This survey is made following the methodology of Market information system (MIS). The identification of exit points and contracts performed by the MIS and related studies such as TRANSFLUX I & II (CIRAD-SCAC), is discussed to provide exit points with customs officers to collect and strengthen the customs posts where there is no Phytosanitary post because the Customs are not interested in quantitative trading of foodstuff.

2.2 Type of Survey, observation Units and investigation

Exit points are the main units of observation; they are divided into four geographical areas namely "The south," "The Great West," "The Great North and East. In order to have good coverage, exit points will be covered by non-formal estimates of quantities traded through market surveys in these areas where they exist and an investigation snowballed from illegal operators in areas not provided with markets.

The investigative unit used for this operation is the means of transport-day-hour-product. Thus, each shipment entering or exiting through an exit point will be identified by its registration / code, the date of passage, the passing time and the product concerned.

3. PRESENTATION OF DATA COLLECTION TOOLS

The survey materials are 4 categories:

- Inflows Collection Sheet which lists all the agro-silvo-pastoral products from other countries in the sub region;
- Outflows Collection Sheet which lists all the agro-silvo-pastoral towards other countries of the sub region.
- The weighing sheet of products subject to trade at the sub-region
- The MIS manual for information collection and benchmarking in markets.

4. SURVEY STAFF

4.1 Enumerators

They were selected from police officers at phytosanitory posts, from populations of the surveyed areas, from the collection agents at MINADER (AVZ). They are responsible for identifying all products in cross border trade following the methodology mentioned above and the MIS .

4.2 Controller Agents

These are the heads of agricultural statistics of the province state representing the area surveyed. They are responsible for ensuring the proper conduct of field operations, to conduct initial audit questionnaires, collect questionnaires in their area of inquiry, to send monthly to the central management (DESA).

4.3 Supervisor Agents

These are Senior Officers from the MINADER DESA. They are responsible for:

• train the enumerators and supervisors;

• ensure the good operation of the survey (regularly visits of the field to support enumerators)
• monitor and provide ongoing assistance and correct any errors found.

4.4 Processing and Data Analysis

At the end of collection, the data are processed following the usual protocol at MINADER DESA. Data are entered and cleared in an interim Excel application designed for the occasion; because the Access database is being tested. Finally, the analysis is done using Excel spreadsheets and Access.