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Trade Union Informal Cross Border Trade (ICBT) Advocacy in Africa



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LIST OF ABBREVIATIONS

AfCFTA African Continental Free Trade Area

APRM African Peer Review Mechanism

COMESA Common Market for Eastern and Southern Africa

ECA Economic Commission for Africa

ICBT Informal cross-border trade

IOM International Organization for Migration

PAPSS Pan-African Payment and Settlement System

RECs Regional Economic Communities

SADC Southern African Development Community

INTRODUCTION

Informal cross-border trade (ICBT) occupies contradictory positions in Africa. It plays a significant role in intra-African trade and socioeconomic development, yet is plagued by substantial challenges. Valued at about US\$17.6 billion annually (Machacha and Middleton, 2024), the size of ICBT is between 30 percent and 72 percent of formal trade among neighbouring countries on the continent (Economic Commission for Africa (ECA), 2023). Nonetheless, informal cross-border traders face many significant difficulties such as lack of trade facilitation, inadequate border infrastructure, limited access to finance and secure payment systems, corruption, harassment, and insecurity (Afreximbank, 2020). These challenges, according to the African Export-Import Bank, restrict the realisation of the full developmental potential of ICBT in Africa (ibid.).

In light of the abovementioned ICBT paradox, this paper presents policy options for trade union advocacy on informal trade and the African Continental Free Trade Area (AfCFTA). It highlights some stylised features of ICBT, showing its nature and scope, gender dimensions, significance, and challenges. The paper focuses on policy options for trade unions, calling on them to 1) incorporate ICBT into their trade and AfCFTA advocacy, 2) promote trade facilitation among members involved in ICBT, 3) initiate dialogues between informal cross-border traders and customs authorities, and 4) enable access to finance and secure payment systems among informal cross-border traders. It argues that combining these policy options will allow trade unions to contribute towards ameliorating the deplorable conditions that bedevil informal cross-border traders and give impetus to trade union efforts to organise in the informal economy.

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NATURE AND SCOPE OF ICBT



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ICBT manifests in various forms and scales across Africa. It encompasses the movement of goods and services between countries outside formal trade procedures and channels, often with limited documentation and with informal customs procedures (Machacha and Middleton, 2024).

Informal cross-border traders move processed or non-processed merchandise which may be legal imports or exports on one side of the border and illicit on the other side (Afrika and Ajumbo, 2012). ICBT goods and services are transported through official border posts and along porous and insecure borders of the continent (Karkare, et. al., 2021).

Across Africa, economic units of diverse sizes and legal statuses engage in ICBT. Informal cross-border traders can be classified into three main categories based on their registration status and degree of compliance with customs rules and procedures. These are 1) informal (unregistered) traders or firms that entirely operate outside the formal economy, 2) formal (registered) firms that completely avoid trade regulations and duties (dodging official border crossing posts), and 3) formal (registered) established firms that partially circumvent trade rules and duties by resorting to illegal practices such as under-invoicing (Lesser and Moisé-Leeman, 2009). In terms of scale, both small-scale traders who undertake survivalist activities and large organised traders are involved in ICBT (Karkare, et. al., 2021). Informal cross-border traders transport merchandises in small quantities by foot or bicycle, as well as in larger volumes in containers by land, sea or air (Gaarder, et. al., 2021).

Africa's ICBT is associated with legal and illicit merchandise. On the one hand, such trade has been linked to smuggling (Afreximbank, 2020) of goods subject to trade restrictions, such as the export of subsidised fuel (ECA, 2023). ICBT has also been connected with illicit or illegal goods like drugs and arms (Karkare, et. al., 2021). On the other hand, ICBT is noted for the movement of legitimate and quasi-formal goods (Gaarder, et. al., 2021), including fruits and vegetables (Karkare, et. al., 2021). Arguably, policies towards ICBT and the way informal cross-border traders are treated are shaped by these perspectives on the legality of ICBT merchandise.

ICBT should not be conflated with activities that are conducted below the radar, in the underground economy, and undertaken in deliberate violation of laws (International Organization for Migration (IOM), 2021). The argument goes that ICBT has become a legitimate feature of cross-border movement of goods and services in Africa (ibid.).

In Africa, participation in ICBT is primarily driven by two main motivations. First, it is argued that ICBT serves as a coping mechanism or a means to avoid tax and regulatory burdens (Karkare, et. al., 2021). According to proponents of this view, non-compliance with or avoidance of customs formalities is driven by legitimate reasons (Afreximbank, 2020), such as high costs (Karkare et al., 2021). It has been noted that corrupt border officials exploit the lack of knowledge about customs procedures to extract bribes from informal cross-border traders (Afrika and Ajumbo, 2012: 2). In this context, one can see circumventing border procedures as a legitimate response. Second, and contrary to the foregoing argument, illegitimate and illegal intentions are also associated with participation in ICBT. Smuggling is one such manifestation of ICBT. This way of moving merchandise across borders in Africa is sometimes motivated by the desire to pay no or fewer taxes, or to profit from trade in prohibited goods (Afreximbank, 2020).



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GENDER AND ICBT

Women dominate ICBT in most sub-regions of Africa. In West and Central Africa, about 60 percent of informal cross-border traders are women (Bouet, et., al., 2018). It is estimated that seven in ten ICBT actors in the Southern African Development Community (SADC) region are women (IOM, 2021). In East Africa, women account for over 60 percent of informal cross border traders (Nyaliech, et. al., 2023). The female dominance of ICBT in West, Southern and East Africa correlates with the high concentration of women in the informal economy in these regions, especially the informal retail sector.

By contrast, ICBT in North Africa is male-intensive (Gaarder, et. al., 2021). At the northern border of Libya and Egypt, informal cross-border traders are mostly low-skilled young men (Timmis, 2017). Similarly, the majority of ICBT operators between Morocco and Algeria are uneducated young men (Afreximbank, 2020). Transporters of ICBT merchandise between Tunisia and Libya are also young men with primary education (Timmis, 2017). Control of ICBT in North Africa by men has sociocultural underpinnings. Ethnographic studies have shown that ICBT in this region relates to nomadic lifestyles of indigenous people and is embedded in sociocultural practices (Afreximbank, 2020).

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IMPLICATIONS AND SIGNIFICANCE OF ICBT

There is duality of opinion on the implications of ICBT for Africa. There are those that view it negatively and those that highlight the positive aspects of ICBT. It is argued that ICBT undermines states by 1) subverting the rule of law, 2) diminishing tax revenues, and 3) weakening the capacity of countries to provide security by establishing porous borders and enabling organised crime groups (Gallien, 2017). In contrast, the positive perspective on ICBT highlights its contributions to socioeconomic development and argues that ICBT practices interact with state regulations in two beneficial ways. First, interaction between ICBT and national regulations enables the incorporation of some state laws into ICBT practices (Raeymaekers, 2012). Second it allows ICBT actors to bypass state-imposed borders in ways that enable market forces to influence border regimes in subtle ways (ibid.). Arguably, one's position on this continuum of perspectives influences policy options for ICBT, either enabling or constraining it.

ICBT plays a crucial role in socioeconomic development in Africa, supporting livelihoods and alleviating poverty. Estimates suggest that ICBT provides livelihoods to about 43 percent of the population in Sub-Saharan Africa (Karkare et al., 2021), helping to reduce poverty and promoting food security in the region (Afrika and Ajumbo, 2012). The African Peer Review Mechanism (APRM) has noted that ICBT is more responsive to local food shocks and crisis (APRM, 2022).

Additionally, labour market impacts of ICBT are substantial. It is estimated that ICBT provides employment for between 20 and 75 percent of the active population in many African countries (Afreximbank, 2020). These figures demonstrate that ICBT creates jobs, helping to fill the labour demand gaps caused by the shortage of formal sector employment opportunities across the continent.

The argument goes that ICBT provides opportunities for economic diversification, value addition, and the creation of cross-border value chains in Africa (Afreximbank, 2020). Various goods and services are moved via ICBT across the continent. By making these goods and services available in different regions, ICBT contributes to economic diversification while supporting value chains in Africa.

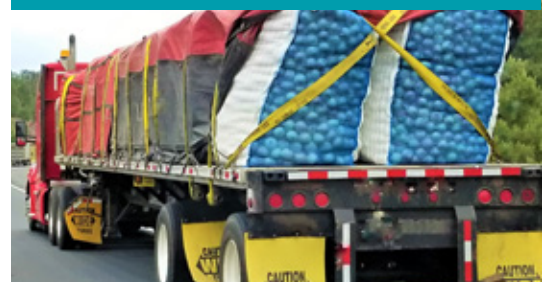
It is important to note that ICBT provides more than just economic benefits. It is also linked to peace, stability, and regional integration. ICBT creates and sustains social and economic ties among border communities, helping to deepen regional integration (Afreximbank, 2020). It also strengthens solidarity among these communities (APRM, 2022). Given the prevailing insecurity on the continent, the significance of these non-economic outcomes of ICBT cannot be dismissed.

THE SIZE OF ICBT

By its nature, i.e. movement of goods outside formal trade procedures and channels (Machacha and Middleton, 2024) and across porous and insecure borders (Karkare et al., 2021), the exact magnitude of ICBT in Africa is difficult to establish. In fact, it has been noted that the prevalence of ICBT on the continent means that the real extent of intra-African trade is much higher than what official trade data suggest (Mold, 2022). This is because despite being a prominent feature of intra-African trade, ICBT is not reflected in the balance of payments or national account statistics (Afreximbank, 2020).

Annual ICBT in Africa has been estimated at US\$17.6 billion (Machacha and Middleton, 2024). The size of ICBT is said to be between 7 and 16 percent of total formal intra-African trade and around 30 and 72 percent of total formal trade between neighbouring countries (ECA, 2023). In West Africa, it accounts for about 42 percent of total trade between some countries (Afreximbank, 2020). ICBT in staple foods represents around 30 percent of intra-regional trade in West Africa (Bouët et al. 2020). In the Common Market for Eastern and Southern Africa (COMESA) and SADC, ICBT contributes around 30 to 40 percent of total trade (Mold, 2022).

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ICBT CHALLENGES

In spite of its significance, Africa's ICBT is bedevilled by many challenges. First, there is a lack of trade facilitation for ICBT (Afreximbank, 2020), leading to lengthy and costly cross-border trade, including high processing fees, tariffs, and taxes which sometimes exceed the value of goods (Afrika and Ajumbo, 2012: 2). Additionally, there are not harmonised customs rules and the overlapping membership of Regional Economic Communities (RECs) creates further barriers (Afreximbank, 2020). Specifically, these expose informal cross-border traders to multiple bureaucratic procedures for the same products on either side of the borders of countries that belong to the same REC (ibid.).

Another challenge faced by ICBT actors is inadequate border infrastructure (Afreximbank, 2020). This manifests in the lack of warehousing facilities, community markets, transport networks, and inefficient or dangerous trade routes (Afrika and Ajumbo, 2012: 2). Notably, inadequate transportation causes delays that sometimes make ICBT actors miss community market days or result in the loss of agricultural produce and other perishable goods (ibid.).

Informal cross-border traders in Africa also face limited access to finance and secure payment systems (Afreximbank, 2020). As a result, most ICBT transactions are cash-based (Afrika and Ajumbo, 2012: 2). This lack of secure payment systems exposes informal cross-border traders to losses and increases the risk of fraud.

In addition, a lack of information is also prevalent within ICBT (Afrika and Ajumbo, 2012). This manifests in limited awareness of border rules and market information (Afreximbank, 2020). It is reported that corrupt law-enforcement agencies sometime take advantage of the lack of knowledge of customs procedures to extract bribes from informal cross-border traders (Afrika and Ajumbo, 2012: 2). The lack of information also exposes these traders to arbitrary application of non-tariff measures, harassment, and inconsistencies in the implementation of REC trade policies (Afreximbank, 2020). Moreover, this information gap detracts from the ability of informal cross-border traders to access regional and local market opportunities (Afrika and Ajumbo, 2012: 2).

TRADE UNION POLICY OPTIONS

In the light of this context, this paper proposes certain policy options for consideration by trade unions in Africa.

- **Policy option 1: The inclusion of ICBT in trade and AfCFTA advocacy.**

So far, trade union campaigns on trade and the AfCFTA have centred on promoting labour rights and employment standards. Such campaigns tend to overemphasise formal employment, leaving out the deplorable conditions and challenges that confront millions of working people who eke out a living through informal cross-border trade. It is therefore, important for trade unions to incorporate ICBT into their advocacy on trade and the AfCFTA. Doing this would mean extending the repertoire of union campaign



issues on trade to cover the free movement persons and human and economic rights in ways that promote and protect the rights and interests of informal cross-border traders, especially women. The inclusion of ICBT into trade campaigns by unions would sustain the interest of existing informal economy members of unions and attract new informal economy groups into trade unions.

- **Policy option 2: The Promotion of trade facilitation among union members involved in ICBT.**

The lack of trade facilitation is one of the main challenges of informal cross-border traders in Africa. Trade unions need to promote the rights and interest of their members in the informal economy, including those involved in ICBT. Yet, traditional trade union services and benefits i.e. collective bargaining and other industrial relations services are not fit for purpose in this context. Thus, unions need to innovate by partnering with border authorities to educate union members involved in ICBT on trade regulations.

- **Policy option 3: Establishing social dialogue between informal cross-border traders and trade authorities.**

Experiences of informal cross-border traders are unique and can only be fully understood through their voices. Therefore, any solutions must be informed by the perspectives of ICBT actors themselves. Trade unions can help in this direction by facilitating dialogues between informal cross-border traders and customs authorities about what a simplified trade regime for ICBT should look like. Such dialogues also provide opportunities to develop to strategies to effectively implement and optimise this regime as well as preventing opportunists from gaming the system.

- **Policy option 4: Enabling of access to finance and secure payment systems.**

Most informal economy operators, including those involved in ICBT have limited access to financial resources, like credit and safe payment systems. Consequently, informal cross-border trades are compelled to engage in cash transactions, exposing them to loses and fraud. Trade union can leverage their own power to enable their members in the informal economy to access group credit facilities. Unions can also promote the utilisation of the Pan-African Payment and Settlement System (PAPSS) among members that are involved in ICBT.

CONCLUSION

This paper has shown the paradox of ICBT in Africa by highlighting its contributions to socioeconomic development and the many challenges that beset informal cross-border traders, including those that are organised by trade unions. We have seen that even though ICBT plays a vital role in African economies, informal cross-border traders, including those organised by trade unions, often contend with harsh working conditions and systemic disadvantages. In the light of this contradiction, this paper recommends to trade unions to combine the four proposed policy options in their trade and AfCFTA campaign.

This means linking the inclusion of ICBT in trade advocacy, the promotion of trade facilitation among members involved in informal cross-border trade, establishing dialogue between informal cross-border traders and customs authorities, and the promotion of access to finance and secure payment systems in trade and AfCFTA programme of union. Such an integrated approach would address the immediate and urgent needs of informal cross-border traders while enabling long-term sustainability of trade union efforts to organise in the informal economy. The significance of these outcomes for trade union vitality and renewal is obvious, particularly in terms of enabling unions to appear more representative and building power to address the contemporary challenges facing working people in Africa.

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