



Above: A trader in Kashgar (Rippa 2013).

Informal connectivity in transnational shadow exchanges

Tak-Wing Ngo

Transnational networks play a key role in the global flow of resources. Complex webs of inter-state, inter-city, inter-firm, and inter-personal networks have been created, activated, and established to foster long-distant connectivity. Yet the regulated activities of trade, foreign direct investment (FDI), migration, and related activities constitute only a portion of all transnational exchanges. The rest is undertaken in the shadows. Every day, vast networks of people and organizations shuffle goods, money, and humans across the globe's borders. While operating in the shadows, these transactions are substantial and crucial for domestic, regional, and global economies. Unsurprisingly, owing to their obscure nature, the assortment of border exchanges, the diversities of brokering practices, and the variations in informality have not been fully studied. Our joint project, presented in this Focus section, seeks to address these issues by re-examining transnational informal exchanges across Asia and Eurasia from a bottom-up perspective.

Contending connectivities

In recent years, the most eye-catching politico-spatial project seeking to re-define the historical geography of global capitalism is the One Belt One Road (OBOR) initiative put forward by the Chinese government. OBOR is a state-initiated project aiming to construct cross-continental and cross-regional connectivity. This intriguingly compares with neoliberalism, which has hitherto been the main driving force of globalization. Unlike the neoliberal, market- and firm-driven logic, OBOR ascribes a transformative role to statal and inter-statal institutions in fostering

regionalism; up to now, most mega-scale cooperative projects have been initiated by states or state-owned enterprises.

Yet long before China promulgated the OBOR project, vast networks of cross-border exchanges had already been established across Asia, Eurasia, and Africa. Such exchanges in the form of trade and resource flow were largely carried out beyond state control, and are hence seen as belonging to the realm of the shadow/informal economy. The scale and scope of these shadow operations are no less breath-taking than OBOR. The reach of the networks is equally mind-boggling. They

stretch from Guangzhou to Bangkok, Dubai, Istanbul, Nairobi, and Accra; from Yiwu to Khorgos, Almaty, Dordoi, and Cairo; from Kashgar to Sost, Gilgit, Rawalpindi, Karachi, Peshawar, and Kabul. They are formed by a vast number of entrepreneurs, money brokers, and migrant labourers sojourning between different productive and distributive centres. Our comparative studies find that shadow exchanges differ in their type of networks, degree of coordination, and nature of transaction. There is a rich diversity of operations that extends beyond our available conceptual categories.

These transnational shadow exchanges constitute a kind of globalization from below. Ironically, when challenging the market-driven logic of neoliberalism, OBOR's state-led approach to high-end globalization is in itself confronted by informal connectivity created by rhizomatic networks of individuals and groups. How the three logics of globalization – firm-driven, state-led, and network-based connectivities – interact, therefore opens a new agenda for scholarly enquiry.

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Characterizing shadow exchanges and informality

Unlike the regulated, legally enforceable, contractual exchange in the formal economy, shadow exchanges are often based on interpersonal networks and trust. Because of that, there is a tendency to characterize cross-border shadow exchanges as a kind of informal activity. While we agree with the informal nature of shadow exchanges, our findings suggest that this requires some qualifications because informal connectivity exhibits several distinctive characteristics.

First, the nature of actors. In contrast to neoliberalism and OBOR regionalization, the active agent in this globalization from below is neither business firms nor the state. Rather it is the shadow traders and their networks, acting either individually or in syndicates. Second, the problem of marginality. Shadow traders are not necessarily people who live in the social margins. Rather than having no choice but to take up unprotected work, they often engage in informal operations with deliberate intention. They do so because state regulations oblige them to conduct their trading activities informally in order to take advantage of the grey areas in border control.

Third, organizational sophistication. The activities carried out by traders are often described as 'petty' or 'shadow'. Such description conveys a connotation of something casual, haphazard, and small scale. In actual practice, many of those so-called petty/shadow activities are highly organized, routinized, commercialized, and market-oriented. A large variety of operational mechanisms can be found in adapting to local circumstances. In the most extreme cases, networks organized in the form of syndicates exhibit an exceptionally high degree of sophistication in co-ordination. They oversee the trade flow, respond to market signals, co-ordinate sourcing and distribution, arrange transportation, and co-opt/manipulate border control. In essence, they behave like well-established business firms, but remain informal in the sense that they still rely on networks and trust rather than legally binding contracts in their transactions.

Fourth, resilience. While individual traders have only limited mobility, financial resources, and market awareness, they can be organized into an operation network and act in a coordinated way. Within this network, individual traders come and go, join and exit the network, in a casual and informal manner. But the network itself is stable and resilient, with an elaborate division of labour. Finally, political connection. The informal network in transnational exchanges typically links state and non-state actors. Since official discretion in the selective enforcement of border control plays a key part in the shadow trade, reciprocity between border guards and traders becomes a routine exercise. In extreme cases, rents extracted from local checkpoint networks are siphoned to higher authorities, and even go to the ruling parties in some regimes.

Brokering practices and checkpoint politics

Given the large variety of informal networks and brokering practices, the question arises: What mechanisms are governing transnational shadow exchanges? Our inquiry suggests that different brokering practices are shaped by forms of mobility, types of borders, local political economies, and checkpoint politics. In particular, we compare the commonalities and peculiarities in the institutional setup and regulatory mechanism of checkpoints in different regions, analyse the strategic interactions between the state and non-state actors during their negotiation on selective passage, and explore the key role played by checkpoints in shaping the brokering practices and the coordination of transnational informal exchanges.

The border checkpoint is a political institution common to most nation-states. It is the prime establishment responsible for regulating trans-boundary movements. However, unlike other state institutions, border

checkpoints have received little scholarly attention. This is surprising given the expansion of research on borders in recent years. While many observers have recognised the complexity and dynamism of borders, few have looked at the instrumental role played by checkpoints in shaping border dynamics.

By checkpoint politics we refer to the material and power exchanges among state and non-state actors in negotiating the selective permeability of borders through state-controlled gateways. Put differently, a checkpoint is where state power meets the informal economy. Brokers rely on colluding state gatekeepers for preferential passage and information on border control. In return, gatekeeping officials count on brokers for the coordination of movements through the checkpoints in an orderly manner. It is a delicate symbiotic relationship, characterized by periodic tensions and conflicts.

The negotiation of passage is thus a key activity of checkpoint politics. It is predicated upon skilful manipulation of precarity in terms of space, time, and agency. Skilled traders and brokers alter their paths of movement in response to frequent changes in the control routines, customs fees, import/export bans, or crackdowns at various points of border entry. In addition, they synthesize and synchronize different junctional dates, timetables and schedules, including timetables of trains and shipments, rosters and work shifts of border guards, the rhythmic flow of people and goods, predicted moments of official crackdowns on smuggling and suitcase trade, and so on. Synthesizing the disjunctive information and assessing the potentiality of risk will enable experienced brokers to navigate their border passage successfully.

Besides timing and location, the organisation of brokerage also forms part and parcel of the strategic negotiation. Brokers adapt their activities and movements to circumvent possible blockage at checkpoints. One typical example is the dispersion of traders in the form of suitcase couriers. Goods are split into small quantities before the checkpoint, and then re-assembled after individual couriers carry them through customs. In contrast, smugglers of illegal goods such as hard drugs will avoid checkpoints altogether.

Contributions to this Focus

The first four essays in this Focus concentrate on connectivity in Central Asia and Eurasia. Olga Adams presents a historical overview of the emergence of Central Asia – a place where the idea of national borders came late as an artificial management of spatiality. The contradictory interests in the construction of supra-national and state-specific development goals have made the newly established Eurasian Economic Union difficult to respond to OBOR strategy as well as cross-border shadow trades. This is followed by an analysis by Ivan Zuenko, who describes how traders manipulate different border checkpoints between China and the Eurasian Economic Union to their own advantage through informal practices. This

has resulted in a peculiar co-existence of cooperationism and protectionism within the Union, which allows traders and local officials to monetize their access in the form of 'administrative rent'. In the next essay, Hasan Karrar discusses the nature of bazaars in Central Asia. The proliferation of the bazaar economy is predicated upon the mobility of merchants, merchandise, and capital across international borders. Karrar reminds us that during this globalization from below, bazaars form a pivotal point in constructing trading networks, maintaining elite ownership in rent-generating marketplaces, and revealing the trajectories of global capital flows. In a similar vein, Alessandro Rippa reflects on the idea of the 'market' in his study of the trans-Karakoram trade. In contrast to the reified concept of the market under neoliberalism, the actual market is constructed through repeated encounters among traders, border guards, and government officials. Echoing the concern about contending connectivities, Rippa's research seeks to explore how processes of state expansion, incorporation, and consolidation can occur in a transnational context in which illegal, illicit, or informal practices are at the same time sanctioned and protected locally.

The next three essays explore the nature of informal networks and their relations to checkpoint politics. Eva Hung compares the shuttle trades in southern and north-western China. She discovers major variations in the way checkpoint control is exercised. Such variations in turn lead to the different organizations of shuttle trade in Shenzhen and Khorgos, which Hung distinguishes as 'organized informality' and 'institutionalized informality' respectively. In her case study of the Cambodia-Vietnam borderland, Sango Mahanty underlines the similarities as well as differences in the organization of illicit transactions for two commodities: cassava and timber. She shows that shadow exchanges are actively facilitated by state actors, including local authorities, the military, and state-connected elites. While performing a regulatory role, checkpoint staff receive routine payments from traders, which are then distributed to various stakeholders through established mechanisms and practices. Extending the focus to trans-continental connections, Heidi Haugen talks about her group project in studying the role of entrepreneurial brokers who navigate between formal and informal institutions across China and Africa. In particular, she finds that informal export to Africa is intimately linked to formalized trade from China to other parts of the world.

Finally, the essay by Samuel Berthet takes us back in history to look at the roots of transnational connectivity. In his case study of the Northern Bay of Bengal, he finds the place to be a multi-centered space where multiple negotiations and intermediations took place. In the centuries-long history of trade and exchanges, the networks, waterways, and paths had to be renegotiated every year. In his words, the various cycles shaping the

Below: Market in Kashgar, Xinjiang, West China. Image reproduced under a Creative Commons license, courtesy of ChiralJon on Flickr.

topography, local transport technologies, and changes in the political economy underline the co-substantiality of early modern, modern, and contemporary history in a non-linear and non-sequential manner.

Research activities

A series of activities, including workshops, conference panels, and joint publications have been organized to explore different issues relating to the research theme. They have taken (or will take) place in different parts of the world, including:

- First international workshop 'Cross-border Exchanges and the Shadow Economy', Leiden, 14-15 December 2015
- Conference panel on 'Politics of Gateway: Borderland Politics Beyond the Checkpoints', Asian Borderlands Research Network Conference on Dynamic Borderlands: Livelihoods, Communities and Flows, Kathmandu, 12-14 December 2016
- Second international workshop 'Shadow Silk Road: Non-state Flow of Commodity, Capital, and People across Asia and Eurasia', Hong Kong, 25-26 May 2017
- Conference panel on 'Moral Economies of Charity and New Entrepreneurialism in the Borderlands', Asian Borderlands Research Network Conference on Borderlands Spaces: Ruins, Revivals and Resources, Bishkek, 13-15 August 2018
- Conference panel on 'Border Security and Bordering Practices: De-bordering, Re-bordering, and Co-bordering', Conference on Global Asia in Interdisciplinary Perspectives: Sustainability, Security, and Governance, Singapore, 16th- 17th November 2018
- Third and forthcoming international workshop 'In the Shadow of the New Silk Road', to be held during the 11th International Convention of Asia Scholars (ICAS 11), Leiden, 16-19 July 2019

During the forthcoming workshop at ICAS 11, four consecutive panels will take place on 18 July while an expert meeting involving business leaders, diplomats, and other practitioners will take place in the morning of 19 July 2019. The workshop will be organized under the title 'In the Shadow of the New Silk Road'. It will address the issues of securing trade routes, regulating transnational exchanges, and institutionalizing grey governance for shadow activities.

Some initial findings can be found in Tak-Wing Ngo and Eva P.W. Hung (eds) 2019. Special issue on 'Checkpoint Politics in Cross-border Exchanges', *Journal of Contemporary Asia* 49(2). Further findings will be published in Eva P.W. Hung and Tak-Wing Ngo (eds) *Shadow Economies across the New Silk Road*, Amsterdam University Press, forthcoming; and Eva P.W. Hung and Tak-Wing Ngo. *The Shadow Economy in Greater China*, Amsterdam University Press, forthcoming.

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