

# Shuttle trade at China's borders

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Above: Shuttle traders lining up to cross the Khorgos checkpoint, China (Photo: Eva Hung)

Shuttle trade is ubiquitous along state borders all over the world. Since the Chinese government has relaxed its border control to allow its citizens to travel to other countries relatively freely, hundreds and sometimes thousands of petty traders can be seen shuttling goods across the borders between mainland China and its neighbouring regions. While shuttle trade is generally conducted on a small scale by individual traders, mostly based on friendship or family networks, and hence characterized by informality, the entire chain of operation is effectively organized. We differentiate between shuttle trade in Southern versus North-western China: the former exhibits 'organized informality', the latter 'institutionalized informality', owing to the configuration of checkpoints.

## Organized informality and shuttle trade in Southern China

On a bright sunny morning in March, a group of elderly gathered under the footbridge outside Fanling train station. Cartons of a variety of packaged foods piled up on the sidewalk: packs of ramen and kimchi, tins of cookies, bottled juices, and the like. A middle-aged woman was busy giving instructions on dispatching the goods. She helped one elderly man to stuff his backpack full, gave him a note and ordered him to go. Others chattered among themselves while waiting patiently for the woman's order to do the same. The woman's husband sat farther down the street, keeping an eye on the group's activities as well as the loads of cartons stored at the open space nearby. When he noticed that the cartons on the sidewalk were all emptied, he quickly unloaded more cartons from the open storage for the woman to distribute. The woman, meanwhile, made frequent phone calls to check on those who set off earlier. Upon receiving their messages, she ordered the others to stuff their trolleys and backpacks with various types of goods and one by one she sent them off. Almost two hours passed and the first elderly man came back. He rested for a while and packed his backpack for a second time. A day's work ended in the afternoon when all the goods had been dispatched. (March 2015, Hong Kong)

Everyday a colossal flow of people can be seen shuttling goods across the border from Hong Kong to Shenzhen, the special economic zone of China. At the height of 2014, the Shenzhen Customs estimated that

there were more than 20,000 shuttle traders crossing the Shenzhen-Hong Kong border daily. As a special administrative region, Hong Kong practises 'Two Systems', distinguishable from the 'One Country' of China in both political and economic arenas. What is often unheeded in this formula, however, is that the territory also maintains a different customs status from that of China. Hong Kong, as well as neighbouring Macao, is a free port. There is no customs tariff imposed on imported goods, and the Hong Kong government collects an excise duty on only a few items. Under the existing regulatory regime on the Hong Kong side, as long as the goods are not contraband, counterfeit items or taxable commodities such as petroleum, liquor, and cigarettes, traders are free to take any quantity across the border. On the China side, by contrast, incoming items are subject to duties and excise, unless they are meant for 'personal use and within a reasonable amount'. It is this provision that presents a grey area for the proliferation of shuttle trade. In principle, a whole container of goods can be split up and delivered by numerous carriers, each carrying an amount below the dutiable limit. A form of 'crowdsourced smuggling' thus results. While each individual transaction is isolated and based on loose connections, the entire chain of operations is indeed well co-ordinated in terms of sourcing, couriers, distribution, and so on. We characterize this complex form of shuttle trading as 'organized informality', which exhibits a combination of organizational competence and informal networks.

The field observation described above is but just one form of this organized informality, which does not involve 'trade' in the strict sense since there is no exchange of money in the selling and buying of goods. Instead,

it resembles an informal courier service engaging in logistics delivery. Goods are entrusted to the couriers to carry across the border. As such, personal networks based on trust must be deployed to manage the couriers to ensure that goods are delivered intact. However, when the courier operation is carried out on a large scale and involves syndicates, a closed personal network cannot provide the required number of couriers. An open network of recruitment becomes necessary. To deter couriers from going astray, their personal information is recorded. It is also widely believed that underground gangs are involved in this operation.

There are, however, also genuine shuttle traders – those who 'buy' the goods and 'sell' them across the border. The so-called 'milk ban' imposed by the Hong Kong government in 2013 to limit the quantity of infant formula carried by anyone leaving Hong Kong provides the opportunity for any border-crossers to act as occasional traders. Because of the continuing high demand in China, it is easy for the commuters to buy two cans of infant formula and immediately sell them once they cross the border, facilitated by the availability of 'buyers' ready to pay and collect the cans. The price difference neatly covers their transportation costs and other minor expenditures. On the other hand, the self-employed professional traders are people making a living out of the trade. They 'buy' from the shops located at the border towns and 'resell' at designated collection points across the border at specific prices. On the surface both the occasional and professional traders engage in trading, since there is an exchange of money in the process. In practice they are also 'couriers' playing an indispensable part in aiding the behind-the-scenes networks to circumvent checkpoint controls. While the traders are not organized by the networks, the operations are nonetheless highly organized. Similar emphasis on 'shuttling' rather than 'trading' can also be found in the organization of petty cross-border trade in North-western China.

## Institutionalized informality and shuttle trade in North-western China

Close to the Chinese border of the Khorgos free trade zone, hundreds of Chinese shuttle traders – most of them lower class ethnic Kazakh minorities – gathered just across the street from the Chinese immigration and customs

checkpoint. Separated by a red ribbon line, they queued up along the border fence, carrying with them cartons of foods of foreign brands – noodles, pasta, biscuits, chocolate, and even frozen chips. Some had also with them small appliances. An elderly security guard was keeping the line in order. Every 15 minutes or so, he ordered a few at the front of the line to proceed. Once given the green light, they rushed across the street and quickly vanished into the checkpoint building. (August 2018, Khorgos)

The Khorgos free trade zone, located at the border between Xinjiang and Kazakhstan, officially opened in 2012, has been hailed as a key link on the new Silk Road between China and Central Asia. It is designed as a visa-free zone – visitors from Kazakhstan have to pass through Kazakh border controls, while those from China pass through Chinese checkpoints at the edge of the Chinese area. The shops inside the zone are mostly operated by Chinese businessmen selling cheap Chinese products catering Kazakhstani shoppers. There are also duty-free shops of foreign products, catering mostly to the Chinese shoppers. According to regulations, visitors to the zone can purchase duty-free products up to 8,000 yuan (USD1,272) per day.

An informal shuttle trade in the form of 'crowdsourced smuggling', which aims to circumvent checkpoint controls and evade duties and excise imposed by the Chinese government, is similarly organized here. A young officer patrolling right outside the immigration building described the traders as 'human camels', which illustrates how the nature of the operation is more about shuttling than trading goods. Cartons of goods are distributed to the traders to carry across the checkpoint. However, in contrast to the case in Hong Kong where goods are usually dispatched and stuffed in backpacks or suitcases, traders in Khorgos carry a whole carton of goods by hand. Use of trolleys are explicitly prohibited. According to the officer, all the goods belong to one business, and the traders are mostly retirees or the unemployed residing in the adjacent city. For every trip they could earn about 60-70 yuan (USD10). "Hard-earned money", he said. Compared to the shuttle trade in Hong Kong, which exhibits a form of organized informality, the operation in Khorgos is not only organized but also institutionalized, as can be seen in the checkpoint arrangements.

## Checkpoint politics

Because of the sheer number of people crossing the Hong Kong-Shenzhen border daily, border checking is largely impersonal. At the Hong Kong side, border checks are minimal, if not nominal; border guards mostly turn a blind eye to the traders unless they go too far. At the Chinese side, occasionally there are crackdowns on the trade and Customs officials are obliged to detain a certain number of couriers/traders to meet enforcement quotas. Even with insider information, the operating networks still need to deploy various strategies to tackle and get round this.

In contrast, the Chinese checkpoint in the Khorgos trade zone heavily regulates the shuttle trade, not by detaining the traders and confiscating the goods, but by making sure the trade is conducted in order and does not cause any disturbances to other visitors. First, the immigration checkpoint at the Chinese side separates the traders from the ordinary shoppers. The elderly security guard watching over the queue also works to control the flow across the checkpoint. Second, trolleys are prohibited to minimize any chaotic occurrences. And third, there is also the unofficial rule that traders are only allowed between 10:00 a.m. and 13:30 p.m. In fact starting from noon onwards there are much fewer traders and the queue becomes much shorter. Seen in this light, the border checkpoint indeed interplays with the traders to shape how the informal trade takes place.

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