GLOBAL ASIA

Edited by Eva P.W. Hung and Tak-Wing Ngo

Shadow Exchanges along the New Silk Roads

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along the New Silk Roads

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Preface

Observers have rightly pointed out that the 'economy' remains largely unproblematized as compared to notions such as state, nation, culture, class, and gender. Paradoxically, while social scientists have successfully deconstructed the state and the political, the concept of the 'market' remains unabated, despite Polanyi's formidable arguments about the historicity of the market some decades ago. At best, economic exchanges and capitalist orders not conforming to the prescriptions of an autonomous, frictionless, self-regulated market are relegated to the margin or shadow. Believed to be haphazard, disruptive, and illicit, shadow exchanges are largely left to the attention of criminologists.

We join the efforts of critical scholars who problematize and historicize the market and the economy. But unlike most of our predecessors who developed alternative theoretical perspectives to explicate the nature of economics, we deconstruct the problem in empirical terms by documenting concrete details of the operational mechanisms, governance structures, terms of exchange, and meanings of transaction of activities associated with intra- and trans-national flows of resources within and across territorial borders. Since these flows are not based on the familiar firm-driven logic of contractual exchanges, it requires a kind of 'deep' inquiry: delving beneath the surface of rules, policies, and institutional setups into the obscured realm of shadow activities and exposing the alternative logics of economic governance.

We label these activities as 'shadow' exchanges, but only out of expedient considerations. They are seen as shadowy simply because they do not have a place in current economics textbooks and the Smithian conception of the market. In reality, many shadow activities have long found their place under the sun. They do not exist in complete separation from the conventional market economy. Rather, they operate side by side, clash and mesh, and at times compete with as well as supplement the dominant market order. More importantly, despite being theoretically marginalized, such activities constitute a substantial proportion of national and global economies.

Revealing the particularistic logics of shadow economies across different regional and territorial spaces challenges the hegemonic discourse that ignores contingent forms of economic interactions besides free market transactions from our conceptual language. After all, the market is an institution embedded in particular histories as much as the state itself, since neither the market, nor the state has qualities that transcend time and place.

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The current volume is one in a series of publications that sets to study shadow exchanges. We highlight the existence of shadow networks and informal connectivity on a global scale. Throughout the volume, we adopt a bottom-up perspective that analyses how the micro-practices of individual actors shape and are shaped by historico-institutional settings in the regional and international political economy.

Needless to say, such sustained endeavor requires generous institutional and intellectual support. In the process, we have accumulated many debts to institutions and individuals who extended their help in one way or another. Financial support came from the Research Grants Council, Hong Kong. We also thank the International Institute for Asian Studies, the Hang Seng University of Hong Kong, and the University of Macau for their institutional backup.

Since 2015, a number of workshops and conference panels have been organized to explore different issues relating to shadow economies. We began with the first international workshop 'Cross-border Exchanges and the Shadow Economy', held in Leiden on 14-15 December 2015. A second international workshop was held in Hong Kong in 2017, followed by the third workshop 'In the Shadow of the New Silk Road', held during the 11th International Convention of Asia Scholars (ICAS 11) in Leiden on 18-19 July 2019. In between these workshops, panel presentations were organized within a number of conferences, including '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; '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; and 'Border Security and Bordering Practices: De-bordering, Re-bordering, and Co-bordering', Conference on Global Asia in Interdisciplinary Perspectives: Sustainability, Security, and Governance, Singapore, 16-17 November 2018. Special thanks are due to Martina van den Haak for her earnest assistance in the organization of a number of these workshops and panels; Susann Handke who helped with the coordination; and Willem Vogelsang and Philippe Peycam for extending generous institutional and financial support.

The present volume originates from the second international workshop 'Shadow Silk Road: Non-State Flow of Commodity, Capital, and People across Asia and Eurasia', funded by the Research Grants Council of the Hong Kong SAR Government (Project reference: UGC/IIDS14/H01/16) and held at the Hang Seng University of Hong Kong on 25-26 May 2017. We thank Jean-Pierre

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Some initial findings have already been published in a special issue on 'Checkpoint Politics in Cross-border Exchanges', *Journal of Contemporary Asia*, vol. 49, no. 2 (2019). A popular version was reported in the *IIAS Newsletter* on 'Informal Connectivity in Transnational Shadow Exchanges', no. 83 (Summer 2019). We are grateful to numerous friends and colleagues for sharing their insights and criticisms. They include most notably Richard Boyd, Maryia Danilovich, Meine Pieter van Dijk, Sarah Elsing, Susanne Fehlings, Mohammadbagher Forough, Stéphane Grumbach, Leo van Grunsven, Heidi Østbø Haugen, Xiaoming Huang, Susanne Kamerling, Bartosz Kowalski, Sujeewa Nishanthi Kulatilake, Francisco Leandro, Hai Thanh Luong, Xiaohua Ma, Sango Mahanty, Anton Nikolotov, Roger Norum, Pál Nyiri, Gijsbert Oonk, Elisa Oreglia, Nipesh Palat, Ngai Pun, Frans-Paul van der Putten, Alessandro Rippa, Emilia Roza Sulek, Federico Varese, the late Eduard Vermeer, Pak Hang Wong, Akbar Zaidi, and Dmitry Zhelobov.

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Abbreviations

BCIM	Bangladesh-China-India-Myanmar
BRI	Belt and Road Initiative
CEEC	Central and Eastern European Countries
CPEC	China-Pakistan Economic Corridor
DOF	Department of Forestry
EAEU	Eurasian Economic Union
EaP	Eastern Partnership
ENP	European Neighbourhood Policy
EU	European Union
ICBC	International Centre for Boundary Cooperation
MAPs	Medicinal and Aromatic Plants
NBB	Northern Bay of Bengal
OBOR	One Belt One Road
SEZ	Special economic zone
SREB	Silk Road Economic Belt
TEN-T	Trans-European Networks Programme
TEPC	Trade and Export Promotion Centre
WTO	World Trade Organization
XUAR	Xinjiang-Uyghur Autonomous Region

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1 Introduction

Informal exchanges and contending connectivity along the shadow silk roads

Tak-Wing Ngo and Eva P.W. Hung

Abstract

This volume offers a bottom-up view of transborder informal exchanges across Asia and Eurasia and analyses their contention with the state-orchestrated One Belt One Road initiative. We argue that informal connectivity has a distinct logic and set of rules in terms of its organization, operation, and transactions. It constitutes a third way of globalization, alongside market-driven neoliberalism and state-led regionalism. The three modes of globalization differ in terms of the nature of actors, types of activities, rules of exchange, roles of the state, and major risks involved. Their clash and mesh prompt us to rethink the agency of global expansion, the nature of world city networks, and the linkage to the global value chain.

Keywords: neoliberal globalization, state-led regionalization, low-end globalization, One Belt One Road, shadow silk roads, informal connectivity

Economic globalization has changed the historical geography of capitalism. Transnational networks now play a key role in global capitalist production, distribution, and accumulation. Such networks, created by various actors, represent new modes of coordination and governance. Complex webs of inter-statal, inter-urban, inter-firm, and inter-personal networks have been created, activated, and established to enable long-distance connectivity. They have become complementary but also competing socio-spatial projects that crisscross in multiple ways. The aim of this volume is to examine how such contending connectivity is articulated.

Currently, the highest profile politico-spatial project is the 'One Belt One Road' (OBOR) initiative put forward by the Chinese government, which seeks

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to re-define the historical geography of contemporary global capitalism. In just a few years, the OBOR initiative has developed into a grand strategy of transnational exchange, investment, and cooperation that stretches across more than 100 national borders from China to Asia, Eurasia, and Africa. It seeks to divert the flow of commodities, capital, and human labour away from the geo-economic centre of the United States in the Asia-Pacific towards a new historical geography that spreads across Eurasia, centring on China and its allies.

However, long before China launched the OBOR project, vast networks of cross-border exchanges had been established across Asia and Eurasia. These exchanges, in the form of trade and resource flows, are largely conducted beyond the control of states, and can thus be regarded as belonging to the realm of the shadow/informal economy. The state-driven OBOR initiative therefore represents an alternative, or even a competitor, to the unofficial networks, seeking to extend the reach of the state to the shadow economies and to replace shadow exchanges with a state-sanctioned flow of resources across countries. This inevitably leads to both clashes and connections between the official strategy and the shadow networks. The implications are significant, for both OBOR and its shadow counterparts.

This volume offers a bottom-up view of transborder informal exchanges across Asia and Eurasia and analyses their contention with the state-orchestrated OBOR initiative. We use the term 'shadow silk roads' to denote the evolving paths of non-state-sanctioned exchanges between traders of Asia and Eurasia, thus differentiating such geographical trajectories from the officially defined OBOR. Reviving the centuries-old networks of exchange, shadow silk roads are fluid and rhizomatic connections that link economic actors across geographical boundaries. Put differently, if OBOR denotes a road map charted by an officially designed grand project, shadow silk roads consist of myriad paths made by individual travellers and traders. Some of the paths may overlap with the OBOR routes and may take advantage of the benign official rhetoric and the hospitable bilateralism created by OBOR, but to a large extent they have developed independently of the OBOR initiative.

State-led regionalization and its challenge to neoliberalism

To understand the contending connectivity between the different socio-spatial projects, let us first briefly examine the OBOR initiative. In 2013, the Chinese government unveiled a plan to launch the so-called Silk Road Economic Belt and the 21st Century Maritime Silk Road. Often abbreviated to 'One Belt One Road', this initiative encapsulates massive land- and sea-based projects linking

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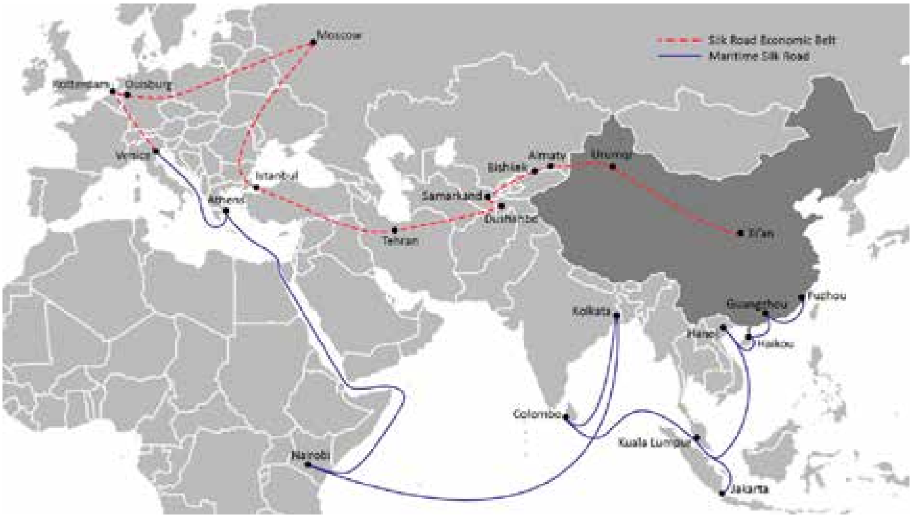
Figure 1.1 Map of OBOR



more than a hundred countries from China through Central Asia to Europe and Africa, thus covering around 55 per cent of the world's gross national product, 70 per cent of its population, and 75 per cent of known energy reserves. It comprises roads, railways, energy pipelines, and telecommunications ties that link China to Western Europe via Central Asian states, Iran, Turkey, Russia, the Caucasus, and the Balkans. The maritime routes connect China with South Asia, Southeast Asia, the Middle East, Africa, and Europe through a strip of seaports via the South China Sea, the Indian Ocean, the Red Sea, and the Mediterranean Sea. The initiative is intended to be driven by the development of the six economic corridors of China-Mongolia-Russia, China-Pakistan, Bangladesh-China-India-Myanmar, China-Indochina Peninsula, China-Central and West Asia, and the New Eurasian Land Bridge.

The ostensible goals of OBOR include enhancing connectivity through infrastructural networks, improving regional economic policy coordination, removing barriers to trade and investment, increasing financial cooperation, and encouraging cultural ties to build support for the project. OBOR is thus intended as a long-term, cross-continental, grand strategy for cultivating a new geopolitical order that embraces development and connectivity. Furthermore, developmental and infrastructural projects are to be financed mainly by the newly founded Asian Infrastructure Investment Bank, the OBOR Special Fund, the New Development Bank established by the BRICs states, and China's development banks. China alone has pledged at least US$1.41 trillion to the development of the whole OBOR initiative.

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The OBOR initiative can be viewed as emerging from a number of proposals undertaken over the years by China and its allies, such as China and Pakistan's economic cooperation, the various economic agendas of the Shanghai Co-operation Organization, Bangladesh-China-India-Myanmar economic cooperation, and China-Mongolia-Russia economic cooperation. The combination of these initiatives under a comprehensive framework became the basis for OBOR. This framework has rapidly attracted global attention for its unprecedented scale and scope, the multiplicity of actors and participants, and the significant implications of the grand scheme.

Unsurprisingly, this ambitious plan has aroused much controversy. Some see it as China's new approach to opening up to the world, which represents the country's readiness to share its development experience and dedication to encouraging global economic growth (Leandro, 2018). Others believe that it represents a counter strategy and China's challenge to the US-led international trade and financial system (Ye, 2015). Its supporters expect OBOR to encourage new growth, potentially for vast areas of Eurasia, and that it will be a win-win game under multilateral cooperation. The sceptics, however, question whether investing hugely in low-return projects and high-risk countries surrounding China will be worthwhile. Opponents warn that exporting the Chinese development model to other developing regions may result in a new form of imperialist expansion.

Our intention is not to enter the debate about the desirability of the OBOR initiative. Rather, our main concern is its implications for transnational connectivity. OBOR is primarily a state-initiated project aimed at developing cross-continental and cross-regional connectivity. In a certain sense, it can be compared with neoliberalism, hitherto the main driving force of globalization. As a signifier of the free market doctrine, neoliberalism typifies specific forms and pathways of market-led restructuring across territories and scales that sustain/reproduce the dominant global economic order. The cumulative effects of successive waves of neoliberalization on institutional landscapes in recent years are, according to Brenner, Peck, and Theodore (2010: 216), the reason for its endurance:

> [T]he post-1980s recasting of the (global) rules of the game of regulatory transformation in neoliberal terms, enabled and energized by new circuits of 'fast policy' development, has meant that the sociopolitical and institutional environment has increasingly induced and incentivized neoliberal strategies – securing their contradictory reproduction, even if it has not been able to secure their 'success'.

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Unlike the market-driven logic of neoliberalism, OBOR exhibits a couple of distinctive characteristics. First, the kind of investment. From the outset, regional exchanges under OBOR often focus on infrastructural projects. Unlike conventional foreign direct investments that channel to the production of specific industrial/commercial products or components under the global value chain, transborder capital flows under OBOR are mostly project driven. They often involve not only the construction, but also the subsequent operation of infrastructural projects that are meant to improve physical connectivity. Examples include the Gwadar Port and Lahore Metro in Pakistan, the East Coast Rail Link in Malaysia, the Magampura Mahinda Rajapaksa Port in Sri Lanka, the Mombasa-Nairobi Standard Gauge Railway in Kenya, the Piraeus Port in Greece, and the Great Stone Industrial Park in Belarus.

Second, the nature of actors. In contrast to neoliberal globalization that is spearheaded by multinationals and private enterprises, regionalization under OBOR accords a major role to the state. So far, most of the mega-scale cooperative projects have been initiated by states or state-owned enterprises. The states along OBOR routes not only establish bilateral economic agreements, but also become directly involved in the formulation and implementation of concrete investment projects. This mirrors the East Asian development model, in which the state leads the market in making adventurous investment decisions (Wade, 1990). Here statal and inter-statal institutions have played a transformative role in promoting regionalism.

In short, OBOR represents a collaborative political exercise that enables active state intervention in the globalization process. Through it, the state-led development model is extended to inter-regional/cross-continental cooperation and connectivity. As such, an alternative path to regionalization is presented, which challenges the familiar conception of a firm-based, market-led process as the sole logic driving high-end globalization.

Third, the nature of risks. Unlike development within a single nation, state-led development across national boundaries faces a far more unpredictable situation. Some of the projects launched in the last few years have already experienced setbacks, and many observers have highlighted the legal issues and sovereign risks in such arrangements (Brink, 2016). Since investments and exchanges are governed by contracts as well as bilateral agreements, any changes in governments, laws, and state policies may lead to disputes or non-compliance with the cooperative arrangements. Furthermore, critics have observed that the success or failure of OBOR projects is affected as much by societal contestations within a recipient state as by the mutual geopolitical interests between China and a particular state.

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In their study of OBOR projects in Malaysia, Liu and Lim (2019) argue that the projects are affected by three key conditions: the fulfilment of Malaysia's ethnic policy, congruence in the interests and visions of local states and the federal authorities, and the advancement of geopolitical interests for both China and Malaysia. In other words, local domestic politics play a major role in shaping regionalization.

It remains to be said that if OBOR represents an initiative rivalling the economic globalization previously driven by neoliberalism, several competing projects exacerbate this contentious process. For example, India has launched its own regional infrastructure projects under its 'Act East' strategy as an alternative to OBOR's approach to connectivity. These projects include the Kaladan Multimodal Transit Project, the Trilateral Highway, the Sittwe Special Economic Zone, and the Trincomalee Port Project. In a similar vein, Japan has set aside around US$110 billion for collaborative projects under the Partnership for Quality Infrastructure Programme. Both countries have distanced themselves from the OBOR initiative and gone to great lengths to showcase their own initiatives as having more vision and potential than OBOR.

These rival projects notwithstanding, the proliferation of transnational shadow exchanges along the shadow silk roads presents a different type of challenge. These exchanges constitute a kind of globalization from below – or what Gordon Mathews in this volume calls 'low-end globalization'. Ironically, in 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 these three logics of globalization interact is therefore a new field for scholarly enquiry.

The shadow silk roads and low-end globalization

OBOR has been promoted as a reinvention of the romantic image of an ancient trade route crossing the Eurasian continent. Some sceptics have argued that this is a smart repackaging of connectedness that has long existed, with horses, camels, and junk boats replaced by modern railroads, highways, pipelines, air and seaports, and banking institutions. In fact, this contemporary incarnation has a historical basis. Long before the OBOR initiative was put forward, a vibrant exchange culture had been active across Asia and Eurasia. This culture continues to rely on vast social networks of connectivity outside state control, and constitutes a web of

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shadow silk roads that both overlaps with and deviates from the political geography of OBOR.

The scale and scope of these shadow silk roads are as impressive as those of OBOR in terms of quantity, reach, and resilience. Take suitcase trading – the most common form of cross-border shadow exchange – as an example, during which traders hand-carry their goods to evade border control. By disguising taxable commodities as personal items, these suitcase traders effectively escape customs and taxation. An estimated 20 to 30 million people engaged in suitcase trading in Central Asia during the mid-1990s (Humphrey, 2002); they provided 75 percent of all the consumer goods in the Russian market (Mukhina, 2009: 341). Currently, thousands of traders shift huge quantities of goods across the Chinese-Kazakh border at Khorgos, redistributing them via Almaty throughout Central Asia and beyond. Likewise, the Dordoi Bazaar has emerged as a centre of exchanges between China and Kyrgyzstan, with total transactions valued at several billion US dollars, which provides over 40,000 people with incomes (Alff, 2016: 441).

Since the shadow economy has contributed significantly to the regional economy, it has received tacit support from state and political elites (Karrar, 2019). In Cambodia, revenues extracted from cross-border shadow exchanges have been used to support the ruling regime (Mahanty, 2019). During the peak period in southern China, more than 20,000 suitcase traders cross the sub-national border between Hong Kong and Shenzhen every day, creating an informal supply chain through which Western products can enter the Chinese market (Hung and Ngo, 2019).

The quantity of informal exchange activities and values involved is not the only eye-catching characteristic about the shadow silk roads. Equally staggering is the reach of the networks. These are formed by a vast number of entrepreneurs, money brokers, and migrant labourers who move between different production and distribution centres. For example, Rippa (2019) mapped out the trading networks stretching from Tashkurgan and Sost in Pakistan, which reach markets in Gilgit, Rawalpindi, Karachi, Peshawar, and Kabul at one end, and Kashgar, Guangzhou, and Yiwu in southern China at the other. Pliez (2012) tracked the trade route linking Yiwu to Cairo, and Mathews, Lin, and Yang (2017) portrayed the nodes along the shadow silk roads from Guangzhou to Bangkok, Dubai, Istanbul, Nairobi, and Accra. Advancements in digital technology and social media have in most cases made these long-distance networks possible.

The breadth and coverage of such informal networks are as impressive as the distances covered. In the Cambodia-Vietnam border region, the shadow

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networks of the timber and cassava trades connect a vast number of actors, including not only timber loggers and cassava farmers, transporters, traders, border customs, and border police, but also landlords, village heads, local political elites, border military, tax authorities, and even national-level authorities (Mahanty, 2019).

In addition to the scale and scope of these networks, we have previously argued that various forms of exchange and mobility often intersect to give rise to specific patterns of connectivity (Ngo and Hung, 2019). The best example is that of China and Africa, in which cross-continental exchanges are made possible by traders who circulate capital and goods simultaneously when travelling between the two countries (French, 2014). Unlike OBOR projects, which rely on state-sanctioned banking and credit systems, shadow traders can only make use of informal credit, the most common form of which is the *hawala* system (Thompson, 2008). In the China-Africa case, African traders source their goods in China and place their orders, to be transported as air cargo and container shipments. On their return trip, they carry higher-value goods in their suitcases and sell them immediately on arrival in Africa. The money from the suitcase sales is remitted through their *hawala* networks to pay for the merchandise and shipment from China. After the shipment arrives, the merchandise is cashed in to provide the capital for a new round of sourcing trips to China (Haugen, 2019). In this regard, shadow exchanges in commodities and capital go hand in hand.

The informal networks of connectivity and cross-border shadow exchanges along the shadow silk roads constitute what Mathews called 'low-end globalization' in his chapter in this volume. In Mathews's (2011: 19-20) words, it is globalization as experienced by most of the people in the world: the transnational flow of capital and commodity carried out by ordinary people. Both 'professional' and casual traders with limited capital and resources conduct long-distance, intercontinental exchanges through a combination of licit and illicit, and formal and informal, means. It is in essence a kind of globalization from below. As mentioned, low-end global exchanges are possible because shadow mobilities in commodity, human, and capital are intricately linked. The value/profit created in one type of exchange is immediately transposed to another venture, thus sustaining the long process of transnational connectivity. This type of exchange thus hinges on the effective coordination of the commodity-capital-labour circuit, albeit informally organized.

This low-end globalization constitutes a third logic of global capitalist expansion, in addition to market-driven neoliberalism and state-led

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regionalism under OBOR. It is based on a special type of network connectivity that transcends political boundaries and economic restrictions. To better understand the process of globalization from below, we need to look more closely at the nature of informal connectivity.

The nature of informal connectivity

Elsewhere we have highlighted the unique characteristics of informal networks in cross-border connectivity (Hung and Ngo, 2019). It is useful to recapitulate the arguments briefly here.

Shadow trade is often assumed to be an activity conducted on a small scale and over short distances by local inhabitants of borderlands. It can be characterized as a type of informal economic activity that is unregulated, interpersonal, relational, and reciprocal (Light, 2004). This contrasts with regulated and legally enforceable contractual exchanges, or formally coordinated divisions of labour across different producers and distributors in global commodity chains. Because of that, existing scholarship tends to categorize cross-border petty exchanges as informal sector activities. From this perspective, informality is associated with activities of those on the social margins. The informal economy is viewed as a product of urban unemployment, bureaucratic red tape, and state regulations (Priest, 1994; de Soto, 2000; Centano and Portes, 2006; Perry et al., 2007). As Anderson and Gerber (2008: 128) suggest, the informal sector serves multiple functions: it is a survival strategy for the poor; a provider of jobs; a training ground for underprivileged entrepreneurs; a source of new businesses; and a cost-reducing strategy for indigenous business.

We have argued that equating informality in transnational networks with that of the urban informal sector can be misleading, as informal connectivity exhibits several distinct characteristics. First is the nature of the actors involved. In contrast with neoliberalism and OBOR regionalization, the active agents in low-end globalization are neither business firms nor the state, but shadow traders, who act either individually or in syndicates, and their networks. These traders often carry the goods themselves when crossing border checkpoints to evade official detection. They make use of their long-established social networks, including their acquaintance with border guards, when conducting transnational exchanges. Firms have almost no role to play, because a network can easily escape state attention while firm-based transactions will inevitably fall under official scrutiny.

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Second is the problem of marginality. Shadow traders do not necessarily live in the social margins or have been driven out of formal employment. Rather than having no choice but to take up unprotected work, they often engage in informal operations with deliberate intention. State regulations oblige them to conduct their trading activities informally, so they can take advantage of the grey areas in border control. Thus, informality is an organizational strategy to manipulate state regulations at border checkpoints and maximize profit in transnational exchanges.

Third is the level of organizational sophistication. The activities carried out by shadow traders are often described as 'petty'. This description connotes something casual, haphazard, and small-scale. In practice, however, many of these activities are organizationally sophisticated and resourceful. Viewing the networks involved in these activities as based mainly on familial and personal ties is a gross simplification. In reality, informal connectivity often involves multiple stakeholders, traverses both the formal and informal sectors, and extends far across borders, in addition to bridging the state and non-state divide. Furthermore, varieties of operational mechanisms are used to adapt to local circumstances, many of which are highly organized, commercially focused, and market oriented. At the extreme end, networks organized into syndicates can exhibit exceptionally sophisticated levels of coordination in overseeing the trade flow, responding to market signals, coordinating sourcing and distribution, arranging transportation, and co-opting/manipulating border controls. They behave like well-established business firms while remaining informal, relying on networks and trust rather than legally binding contracts in their transactions. In our previous work, we refer to this as 'organized informality' (Hung and Ngo, 2019).

The fourth characteristic is that of resilience. This form of informal connectivity is certainly not haphazard and ephemeral, but highly routinized and stable. Individual traders may have limited mobility, financial resources, and market awareness (and only engage in small-scale activities), but they can be organized into highly coordinated operational networks. These individual traders may come and go, and join or exit the network in a casual and informal manner, but the network itself remains stable, coordinated, and resilient, with an elaborate division of labour.

Fifth is political connection. An informal transnational exchange network typically links state and non-state actors. In the conventional urban informal sector, the state is kept at arm's length, and networks are mainly between families and friends. In contrast, those along the shadow silk roads are consciously created and maintained by traders, local officials, border guards, and so on to ensure smooth transnational

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crossings (Walker, 1999; Phadungkiati and Connell, 2014). For example, the operational networks of suitcase trading require the involvement of local state officials at border checkpoints, since official discretion in the selective enforcement of border control plays a key part in the trade. Reciprocity between border guards and traders becomes a routine exercise under checkpoint politics. Every single cross-border transaction thus entails power exchange/negotiation – both overtly and covertly – between state actors and traders. Bribes are paid to border guards or customs authorities in exchange for smooth crossings. In extreme cases, rents extracted from local checkpoint networks are siphoned off to higher authorities, and even to the governing party (Milne, 2015). In this sense, while the urban informal sector is organized around socio-economic networks, informal connectivity in transnational exchanges depends as much on political as economic networks.

Last is the negotiation of passage. The effectiveness and resilience of informal connectivity depends on the successful negotiation of passage through border checkpoints to ensure a smooth flow of goods, people, and capital. This requires a skilful manipulation of precarity in terms of space, time, and agency (Ngo and Hung, 2019). In general, 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. Experience allows brokers to navigate these precarious situations and circumvent restrictions creatively at checkpoints. Equally important is the manipulation of time. Traders and brokers use their skills and experience to synchronize different junctional dates, timetables, and schedules, such as those of trains and shipments, the rosters and work shifts of border guards and customs officials, the patterns and intensity of the flow of people and goods at specific times at particular border gates, and potential crackdowns on smuggling and suitcase trading (Nikolotov, 2017). Synthesizing this disjunctive information and assessing the potential risks will enable experienced brokers to successfully navigate the borders and, if necessary, to exploit backup plans or alternative routings effectively.

In sum, informal connectivity has a distinct logic and set of rules in terms of its organization, operation, and transactions. It justifies our claim to consider informal connectivity along the shadow silk roads as a third way of globalization, alongside market-driven neoliberalism and state-led regionalism under OBOR. In this sense, the significance of the state-led OBOR and the network-driven shadow connectivity cannot be underestimated in the new phase of international political economy.

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Domination and dependence under contending modes of connectivity

The emergence of state-led regionalization and low-end globalization raises the question about their challenges to conventional market-driven neoliberalism. From the outset, the three processes predicate upon very different logics of operation. Table 1.1 below compares the three modes of globalization and highlights their distinct characteristics. We can see that they differ in terms of the nature of actors, types of activities, rules of exchange, roles of the state, and major risks involved in the activities.

Table 1.1 Contending modes of connectivity

	Neoliberal globalization	State-led regionalization under OBOR	Low-end globalization
Major actors	Private firms	States and state-owned enterprises	Individuals and organized syndicates
Major types of activities	Commodity production under global value chain	Investment in and operation of large-scale infrastructural projects	Distribution of finished goods
Rules of exchange	Business contracts	Inter-statal bilateral agreements	Inter-personal trust
Roles of the state	Market regulator and contract enforcer	Active player and investor	Gatekeeper against illicit exchanges
Major risks for the actors	Breach of contracts, market fluctuations	Sovereign risk, debt crisis	Official crackdown

The three globalization processes remind us of the 'markets, hierarchies, and networks' debate surrounding the different modes of coordination in social life (Thompson et al., 1991). In this debate, the increasing importance of social networks has led observers to underline the rise of network society (Van Dijk, 2006). Some studies even argue that network has now become the social morphology of our age and is a more effective mode of coordination in knowledge-intensive capitalism (Castells, 2000; Adler, 2001). Intriguingly, notwithstanding the heated discussions, attention to date has largely been focused on the coordination of domestic economies, and few are aware that the market-hierarchy-network triology has replicated itself in global capitalist expansion.

To a large extent, the three modes of globalization are not necessarily in direct competition with one another. There is even a certain division of

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labour, as shown in their respective types of activities. As mentioned earlier, market-driven globalization has been spear-headed by private enterprises and multinationals who mostly concentrate on the production of specific goods or product components. In contrast, state-led regionalization under OBOR focuses mainly on projects that seek to improve physical connectivity. The scale of these projects is often too big and their profit cycle too long for individual private investors. In the case of low-end globalization, many of the transborder exchanges involve the distribution of parallel goods or finished products, and often fill in a gap in the global value chain.

In addition to the questions of contradiction, contention, and complementarity, a central issue in the rise of state-led and network-based globalizations is whether they subvert or reproduce transnational domination and dependence. In this regard, the extensive debate about modernization and dependency has alerted us to the existence of multiple layers of dependency, as well as opportunities for autonomous development even in strongly dependent situations. Active agency has made the structures of domination porous and ambiguous, at the very least.

Transnational connectivity exhibits ambiguity in terms of both creating and escaping domination. Researchers have highlighted a spatial and economic division of labour among cities and nations that sustains transnational domination under global capitalism. Through economic globalization, the processes of accumulation, production, and distribution have been coordinated worldwide through city networks and global value chains. In the advanced producer service sector, interlocking networks connect major cities across the world through intra-firm flows. In the words of Taylor (2001: 181), the world city network consists of three structural levels: cities as the nodes; the world economy as the supra-nodal network level; and a sub-nodal level consisting of advanced producer service firms. The spatiality of global value chains has recently been explored within the context of world city networks (Derudder and Witlox, 2010), and the place-bound links between localities that constitute a global commodity chain has received increasing attention. A world city can thus serve as a nodal centre for specific commodity chains by providing services for sourcing, producing, and distributing various goods.

Under market-driven globalization, advanced producer service firms such as Dresden Bank, Sidley Austin, and TMP Worldwide are the main actors in this process. They have strategically established offices in major cities including New York, London, Frankfurt, and Tokyo. Global resource flow takes the form of inter- and intra-firm exchanges across cityscapes in the forms of capital, information, knowledge, strategy, plans, and personnel.

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As such, multinationals and other leading firms control global value chains through their organizational and locational power. This world city network represents high-end globalization, and forms part of the structure of global domination under neoliberalism.

The first of the two main criticisms against the world city theory rightly points out that it almost exclusively focuses on a few large Western metropolitan centres. Some advocates of the theory may believe that in its drive towards marketization and commodification, global neoliberalism has created an uneven distribution of spatial power, thus reinforcing a new international division of labour between the global 'command centres' of advanced capitalist countries and those on the peripheries (Brenner, Peck, and Theodore, 2010). Others may have constructed a narrow conceptual map and chosen to ignore most cities in the developing world (see the critique in Robinson, 2002).

The OBOR initiative can be viewed as challenging both premises. The state-orchestrated strategy promises to establish alternatives by developing new city networks in the south that will compete with those established in the north. Under OBOR, new centres of resource flow have emerged, forming alternative networks linking places such as Chongqing and Urumqi (China), Cairo (Egypt), Moscow (Russia), and Duisburg (Germany). The end markets for global value chains are thus shifting and are no longer exclusively located in Europe and North America (Gereffi, 2014). This will inevitably influence the dominant structure of global capitalism.

The second criticism is that studies often focus on a narrow range of economic processes and neglect many other connections. Networks based on informal connectivity are among those omitted, despite their extensive global presence. However, as other observers have pointed out, networks overlap and intermingle, resulting in multiple webs of transnational networks among cities and regions that defy simple description and delimitation (Leitner, Pavlik, and Sheppard, 2002; Hess, 2009). Coe et al. (2010) note that a world city may occupy a powerful position in some networks but not in others, and its socioeconomic fabric may consist of powerful and powerless actors alike. Thus, given the diversity of actors and capacities, they argue that we should expect equally diverse world cities to develop. We can extend this argument to reveal how informal connectivity has linked up many cities along the shadow silk roads that have hitherto been excluded from the analytical map of world city networks. Once peripheral areas such as Yiwu (China), Sost (Pakistan), Khorgos (Kazakhstan), Dordoi (Kyrgyzstan), and Ussuriysk (Russia) have emerged as nodal centres of long-distance resource flows.

Furthermore, Haugen (2018: 307) describes the informal networks in the growing Chinese-African shadow exchange link as forming a 'petty commodity

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chain': a particular type of global value chain in which unregistered businesses produce and distribute goods. Personal relationships and informal infrastructure facilitate the transactions. Formal and informal institutions regularly link up in the governance of this petty value chain. As Haugen (2018) notes, although numerous actors are involved in every stage of the value chain, the relationships are relatively stable and maintained through cultural ties, repeated transactions, mutual trust, or symbiotic credit-and-debt contracts.

Layers of differential power and dependency exist within these stable petty value chains. Van Schendel, in his chapter in this volume, shows us that the most precarious actors in clandestine trade are casual labourers, couriers, and cart-pushers. Higher up the value chain are suitcase traders, drivers, and border shoppers. Above them are the independent entrepreneurs who run shops and retail outlets. The top positions in the value chains are occupied by entrepreneurs or syndicates that coordinate large-scale flows across transnational borders. Notwithstanding this hierarchy of domination, petty value chains are mostly rhizomatic in nature, unlike the formal value chains controlled by leading firms in economic hubs. Because of that, the actors and places that occupy the positions of power are ephemeral and situational. It depends on the 'positionality' of particular actors and places, to borrow Sheppard's (2002) concept, in their creation of asymmetric interdependencies. As such, the shadow city networks follow a different logic of dependency, which deviates from the dominant structure of global capitalism driven by neoliberalism.

The relationships between firm-driven, state-centric, and network-based connectivities are therefore multi-faceted. Contention exists alongside complementarity. As Van Schendel points out in his chapter, the OBOR projects are bound to destroy some shadow practices but reinforce others. Some shadow activities will take advantage of the OBOR initiative to establish new footholds in the shadow silk roads, while others will be marginalized by state policies or obliged to break up old networks in search of new ones. Cities and local communities will thus be reconfigured as competing and multi-layered points of connection.

These relationships, however, need not always be antagonistic, as the petty value chains may compete with, overlap, or link to the formal value chains in various ways. We previously argued that the two chains can be intimately linked in some circumstances (Hung and Ngo, 2019). Whilst existing studies tend to focus on the production side, the distribution side is often the bottleneck of the global chain in developing countries. Unreliable distribution channels, weak marketing platforms, the prevalence of counterfeit products, and dubious sales practices have rendered many

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distribution chains ineffective in the developing world. Here, informality and shadow exchanges are instrumental. Many international producers have taken advantage of the spontaneous informal distribution channels made available by shadow traders. Informal connectivity fills a void in the formal global value chain by offering an alternative channel that is more effective and trustworthy, despite its shadowy nature. In this peculiar circumstance, the relationship between the two chains appears to be complementary.

Here, we caution against making generalizations too broad and too early. The processes are shaped as much by transnational activities as by the domestic circumstances of individual host countries. We echo Coe et al. (2010: 145), who argue that identifying the range of network actors, their interrelationships and power configurations, and the structural outcomes of their relationships is central to understanding how global economic networks operate. Our case studies in this volume therefore aim at documenting some of the emerging patterns or deviations across OBOR and the shadow silk roads.

Structure of the book

A bottom-up perspective is taken in the chapters in this volume, in which the historical prevalence of shadow exchanges along Asian and Eurasian borders is analysed. A wide range of cases are studied and compared, covering countries in South Asia, Southeast Asia, Central Asia, Eastern and south-eastern Europe, and Africa. They present detailed empirical case studies that reveal the contending connectivities along the shadow silk roads.

In tracking the shadow exchanges in South and Southeast Asia, Willem van Schendel (Chapter 2) challenges the 'win-win' situation envisioned as the result of the OBOR initiatives. He examines the 'economic corridor' that links the overland and maritime Silk Roads – the stretch of land connecting Kunming and Kolkata across Myanmar and Bangladesh – and argues that this corridor presents many obstacles to the shadow silk roads.

In contrast, Hasan Karrar (Chapter 3) argues that the shadow economy of Sino-Pakistan cross-border trade has been in decline since 2010. An increase in the centralized control of frontier regions can also be identified in the OBOR initiative, in addition to the more explicit establishment of the China-Pakistan Economic Corridor, and both can serve as neoliberal mechanisms of capital flow and investment.

In his study of the Northern Bay of Bengal, which is on the Maritime Silk Road, Samuel Berthet (Chapter 4) shows that illegal trade developed not only in the shadows, as a consequence of the border regime of the state,

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but also out of unregulated circulation in the margins of the new transport regime. Berthet argues that the flourishing shadow economy continues as a necessary complement to the formal one, rather than promoting diverse, multi-layered exchanges and circulations.

The 'shadowy', ambivalent nature is clearly identifiable in the China-Ladakh-Pakistan trade routes. Vaijayanti Khare (Chapter 5) examines these centuries-old routes through Ladakh that connect Tibet and Pakistan, and charts how a shadow route became a main route before once again slipping into the shadows. Khare reveals the essence of these routes and charts their formalization in terms of the dynamics of economic development.

Arjun Chapagain (Chapter 6) assesses the formal and informal practices involved in the trade of medicinal and aromatic plants in Nepal. These are harvested by disparate individuals and channelled through intermediate actors within a confusing policy environment. Plants are mainly exported to India and China, and although permits are in fact required to engage in this trade, a hidden economy exists.

Such formal-informal ambivalence also prevails in Eastern and south-eastern Europe. In her study of the Western Balkans, Jelena Gledić (Chapter 7) describes the shadow economy associated with the local Chinatown, where there is an unofficial tolerance of activities with questionable legality. The states may have the ability to regulate and introduce order into the flow of economic resources, but this tolerance is a method of facilitating smoother official cooperation between states.

Central Asia has a strategic position in China's links with the West. Olga Y. Adams (Chapter 8) examines the state's attempts to intervene in and/or co-opt the long-established tradition of transborder cooperation and flows between the Republic of Kazakhstan and the Xinjiang-Uyghur Autonomous Region of China. Transborder interactions are likely to increase in intensity under the OBOR initiative, and more government monitoring and participation will follow.

Ivan Zuenko (Chapter 9) examines the flow of goods from China to Russian markets after the creation of the Eurasian Economic Union. The tension and ambivalence between formal and shadow activities are fully revealed. It has become more profitable to develop a 'shadow sector' in Kazakhstan and Kyrgyzstan due to access to the Russian market, but the local authorities want to keep control of cross-border trade, and thus attempt to return to national-level regulations despite declaring their willingness to engage in international cooperation.

Susann Handke (Chapter 10) provides an overview of the emergence of the post-Cold War governance structures in Eastern and south-eastern Europe,

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through which the OBOR initiative must navigate to reach the economic core of the European Union. She argues that the economic opportunities provided by the borderlands to the east of the European Union are contextualized by the complexities of the region's governance structures, which affect the implementation of OBOR-related projects.

Finally, Gordon Mathews (Chapter 11) discusses how African traders and middlemen in Guangzhou buy products from Chinese factories, a major source of the goods involved in low-end globalization. They carefully pack containers and bribe customs agents in both China and their home countries to let copy goods through to the African markets. It is these Chinese copies and knock-offs, Mathews argues, that bring globalization to the developing world.

Conclusion

Applauding the market order, which is seen as spontaneous but rule-binding, Hayek (1991: 297) forcefully argues that: 'It is because it was not dependent on organization but grew up as a spontaneous order that the structure of modern society has attained that degree of complexity which it possesses and which far exceeds any that could have been achieved by deliberate organization'. In defending the spontaneous order of the market against the organizational order of the state, Hayek fetishizes the market as singular, normal, and lawful. He equates the market to modern capitalism, and overlooks the many forms of alternative transactions in which goods and services are exchanged and where commensurability is socially negotiated and agreed upon (Gibson-Graham, 2006: 62). We can add that the structure of modern society has attained such a degree of complexity not only because of the market, but also due to the simultaneous surge of various alternative exchanges and shadow networks, which remain a constitutive part of the 'spontaneous order'.

These alternative exchanges and shadow activities have existed since ancient times. The historical silk road, which is now much celebrated in official discourse and rhetoric, was essentially created and sustained by human interactions outside the reach of the states. Such interactions became outlawed or pushed into the shadows at various points in history when economic activities were put under state regulation. Contrary to what Hayek believes, all modern market activities have come under complete state supervision, from product quality, working conditions, and sales contracts to taxation, credit extension, accounting, and so on. The truly spontaneous economic activities that defy state control have been variously labelled as smuggling, trafficking, money laundering, and shadow exchanges.

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Recent advances in transport and communications have facilitated and strengthened the prevalence of this spontaneous alternative order in coordinating the transnational flow of resources. The rhizomatic web of shadow silk roads is not simply a revival of the old one, but also a creation of new connectivities across continents. It is based on the traditional social fabric of personal trust and networks and aided by the up-to-date technologies of digital communication, a knowledge of market information, and innovative forms of organization and coordination. Instead of confronting existing state power and market order, many shadow networks engage with the state and the market to their advantage. The result is an ambivalent relationship that both supplements and sabotages the state-led and market-driven logics of globalization.

Notwithstanding the prevalence and significance of shadow exchanges, the study of informal connectivity is limited, precisely due to its shadowy nature. Current theories and paradigms do not offer sufficient conceptual tools and terminologies to describe the phenomenon. However, from a bottom-up perspective, these activities remain central to many local communities and social groups, and to the global political economy. The resilience of informal networks and their extensive reach have prompted us to rethink the agency of global expansion, the nature of world city networks, and the linkage to the global value chain. We believe that such contending connectivities will invite new scholarly inquiries into the coordination of socio-economic activity across the globe.

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