

# Policy Briefing

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## Briefing 1: Networks, Institutions and Nodes in Eurasian Trade

### INTRODUCTION

Afghans are one of the most established and visible foreign trading communities in Yiwu, China. With nearly 200 offices registered in the city, and a stable population of around 3000 individuals Afghans have made a major contribution to the city's expansion and development. The majority are involved in the trade of goods between China and Afghanistan, as well as various settings across Eurasia, the Arabian Peninsular, Europe, America and Australia. In addition to facilitating the movement of goods and capital between China and Eurasia, traders also mediate other types of connections, providing advice and knowledge to Afghans, for example, about higher education opportunities in China. They also facilitate visits to Afghanistan for Chinese businesspeople wanting to explore the country's economy, as well as to other settings – from Ukraine to Saudi Arabia – in which Afghans do business.

### CONTEXT

Afghan merchants based in Yiwu have come to China from a range of locales across Eurasia not only as a result of fleeing a war-torn country but due to over 30 years of involvement in the city's global trade. In this sense, they are the architects of durable trading networks that have demonstrated their ability to successfully operate in many contexts. Their ability to, in particular, build formal and informal institutions that serve to pool commercial and reputational knowledge helps to explain their collective achievements as traders in small commodities in many contexts across the world.

The greatest threat to their networks continuing to function revolves around access to residency arrangements, both for traders and their families. Afghans in Yiwu widely regard the city as an 'inherently transitory' node in their commercial activities. As the size of their businesses have expanded, many are exploring the possibility of investing capital outside of China. Investments are informed with both their long-term familial and business interests in mind.

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## Key findings

- **Afghan traders participating in trading networks are an example of a ‘mobile society’ whose members travel between different societies and states and are important vectors of communication and interactions for those societies and states. The nuanced understandings they hold of the contexts in which they work are often far more multi-layered than those which conventionally circulate in formal diplomatic circles**
- **Mobile societies’ are repositories of skills which cut-across policy areas relating to the economy, community relations, and the conduct of informal or everyday diplomacy – the ‘intermediation between states through the interaction of non-state actors’**
- **Formal structures and institutions are also important to the functioning of mobile societies, especially in terms of mediating state-network relations, and establishing the grounds upon which shared identities and ethical orientations are maintained in the context of mobility and dispersal**
- **Trust is a complex human sentiment that develops in the context of day-to-day social interactions, practices and exchange. The ability of mobile communities and networks to play such roles is possible only in legal environments in which there are provisions and mechanisms for long-term residence, family life and participation in relevant cultural activities**

The contributions of Afghans to Yiwu’s development is an important aspect of the identities of those who live in and trade from the city. Traders aged in the forties and fifties who have lived in the city on and off for most of their lives, often remark that they have seen Yiwu transform from a small market town to a global trading hub. Such traders also often say that this transformation has been partly possible as a result of their – and other foreign communities’ – hard work and investment in the city. The individual and collective life trajectories of many Yiwu-based Afghan traders are intertwined with Yiwu – many having grown up alongside, and integrated with, Yiwu residents in the city over the past three decades.

The presence of a thriving Afghan community in Yiwu is also a feature of public discussion and comment in Afghanistan itself. Ashraf Ghani, the country’s President, identified the fact that 4000 merchants from Afghanistan lived in China and traded between the country and Russia. In recent years, Afghanistan’s President and other high-level officials have held meetings with Yiwu-based merchants during official visits to the People’s Republic. Prominent merchants based in Yiwu are also the focus of media coverage in Afghanistan. In these ways, Afghan traders and their networks act as an important interface between China and Afghanistan. This briefing details and analyses the important role Yiwu plays as a node in Afghan transnational trading networks and addresses:

1. **Afghan trading networks: a multi-nodal and poly-stranded trading network**
2. **The importance of trust – how Afghan traders relate to the city**
3. **Yiwu: a dominant node in a multi-modal network – how Yiwu relates to other nodes in which Afghan traders live and work**

Yiwu is one of many nodes important to Afghan trading activities. But while the city’s importance to Afghan commercial activities has grown in significance over the past two decades, there are also signs of instability in the role played by Yiwu as a commercial node for Afghans.

## BRIEFING 1: NETWORKS, INSTITUTIONS AND NODES IN EURASIAN TRADE

*In this briefing the sources of such instability are presented from an Afghan perspective and the conclusion addresses why and how policy makers might seek to address such instability, especially given the context of China's ambitious Belt and Road Initiative.*

### 1. AFGHAN TRADING NETWORKS: A MULTI-NODAL AND POLY-STRANDED TRADING NETWORK

In the last four decades Afghans have been active in the sale of Chinese-made commodities across many different contexts within the former Soviet Union. During the last twenty years, traders have extended their activities from the former Soviet Union to markets in Western Europe.<sup>1</sup>

Historians working on long-distance trade have identified two especially significant types of trading network: **mono-centric** and **poly-centric**. In mono-centric networks a single dominant 'nodal center' defines and regulates the identity and economic vitality of the network as a whole. By contrast, 'multi-nodal polycentric' trading networks are identified through their having no single 'nodal center'. Multi-nodal poly-centric networks operate, instead, from numerous centres, each of which is important for the activities of the trading network as whole.<sup>2</sup>



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Afghanistan's long-distance merchants in Eurasia organise their commercial activities in relation to multiple trading nodes. A handful of such nodes are of especial significance to the collective activities of Afghans across Eurasia (e.g. Yiwu, Moscow and Odessa). Notably, none of these nodes assumes a position of greater standing over other nodes in the network. Afghans emphasise the importance of keeping multiple contexts in play in their trading activities rather than favouring one over another. This allows them to expand into new markets and move from context to context as trading environments, and the forms of legislation connected with them, undergo transformation.

Kin- and ethnicity-based relationships help to shape the commercial relationships of Afghan traders. Yet traders collectively value the capacity to develop ties to persons external to their networks. They do so through marriage, business partnerships, labour relations, and by establishing friendships in the different societies in which they work. In contrast to the globally recognised stereotypes that depict Afghanistan as a site of conflict and a haven for terrorists, many traders chose to emphasise these external connections which present them more favourably as being *cosmopolitans*.

<sup>1</sup> Marsden, Magnus. 2016. *Trading Worlds: Afghan Merchants across Modern Frontiers*, Hurst and Co: London.

<sup>2</sup> David Sebouh Aslanian, 2014. *From the Indian Ocean to the Mediterranean: The Global Trade Networks of Armenian Merchants from New Julfa*, Berkeley, University of California Press, p. 15.



### 2. THE IMPORTANCE OF TRUST: HOW AFGHAN TRADERS RELATE TO THE CITY

Trust plays a significant role in the functioning of effective networks. Most importantly, traders establish institutions that facilitate the pooling of knowledge regarding the reputations of individual traders. Such institutions range from the formal to the informal.

**Formal institutions** include market places, community associations, mosques and welfare organisations, the latter being established by groups of traders with the aim of providing credit to Afghans whose businesses have fallen on hard times. **Informal institutions** are equally important– notably restaurants and cafes. In such contexts, traders share intimate details with one another about commercial opportunities, costs, and the behaviour of members of their networks. Sharing such information requires confidence in these environments being safe and confidential. The owners are often authority figures of renown with a reputation in the trading network as a whole.

Despite the enabling nature of such institutions and the circulation of knowledge they facilitate, many traders say that their networks are not characterised by a high degree of internal trust. They often complain of being cheated by their fellow Afghans. The owner of an Afghan transport company, for example, might provide details about a trader's activities to one of his competitors. Similarly, a business associate-cum-friend may sell goods at a cheaper than agreed upon rate in the market place in which they work. In the context of such experiences, many traders say they prefer to employ the services of outsiders in Yiwu rather than their fellow Afghans.

Trust and mistrust simultaneously pervade the social relationships that make-up Afghan trading networks. The experience of breakdowns in trust is inevitably a painful aspect of these traders' daily lives. Yet mistrust is not simply regarded as a negative aspect of community life or something that necessarily prevents commercial success. Rather, a healthy mistrust of others is regarded as being central to the ability of traders to survive in the complex geopolitical environments across which they move. In particular, being circumspect (*kam gap*), keeping thoughts close to oneself (*gapwardaar*), and making careful decisions about to whom to talk and not to talk are all regarded as being highly valued skills for merchants of consequence.



### 3. YIWU: A DOMINANT NODE IN A MULTI-MODAL NETWORK – HOW YIWU RELATES TO OTHER NODES IN WHICH AFGHAN TRADERS LIVE AND WORK

If one node in Eurasia's Afghan networks does have relatively greater significance than others it is Yiwu. A significant proportion of the approximately 100,000 Afghan traders working across the former Soviet Union either directly purchase the products in which they deal in Yiwu or procure these from merchants (both Afghan and of other nationalities) who do. The same story is the case for another 100,000 Afghans based in the Arabian Peninsular. Afghans in Western Europe are also prominent in wholesale markets in cities such as London, Hamburg and Amsterdam, often selling goods to retailers who are also of Afghan background.

Yiwu's municipal authorities developed policies from the 1990s onwards that attracted international traders. For Afghans in the city, the most important policies included the provision of a two-year business visa/work permit and a simplified taxation system. At the same time, the ability of currency-exchange agents to transfer cash between various settings – including Afghanistan and Yiwu – with ease is also said to have played a major role in allowing Afghan trading offices based in Yiwu to provide goods on credit to Afghan customers from around the world. Traders remark that such favourable policies make it difficult for other cities in China and beyond to compete with Yiwu as a global trade hub.

## BRIEFING 1: NETWORKS, INSTITUTIONS AND NODES IN EURASIAN TRADE

Traders in Yiwu often discuss how the city has developed into a dominant infrastructural node for their collective commercial activities. Given the emphasis on geographical multiplicity in their trading activities, Afghans have told me with increasing frequency since January 2013 that they sought to off-set the potential risks entailed by their network's gradual transition to a monocentric network. Steps taken include purchasing products in countries other than China (especially in Vietnam, India, Malaysia and Indonesia). Despite these measures however, most remark that no cities are able to compete with Yiwu in terms of its well-developed and efficient trading infrastructure.

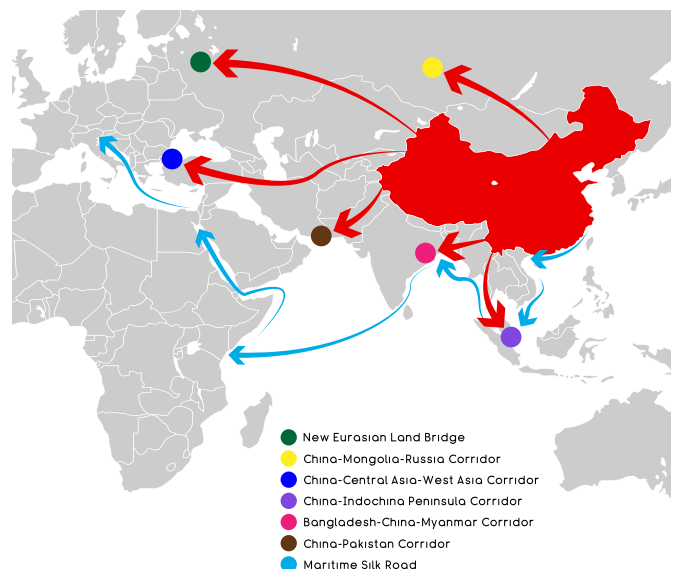
Traders recognise though that if Yiwu is an important hub of trade infrastructure, then its influence is limited in terms of its capacity to make possible the cultural and sociological reproduction of Afghan networks. To be self-sustaining, dispersed trading networks require not only commercial nodes. Trading networks also rely on nodes being established in which traders raise families and impart on one another the cultural and ethical sensibilities that lend coherence to their collective identities and standpoints.

Yiwu's capacity to act as a node of sociological and cultural reproduction is limited in comparison to other cities in Eurasia in which Afghans work. In several cities of the former Soviet Union, for example, especially in Russia and Ukraine, there are small but lively communities of Afghans, mostly involved in trade and the sale of Chinese commodities. These communities are now deeply rooted in the contexts in which they live, yet still immersed in collective Afghan activities. Both Moscow and Odessa act simultaneously as affective and commercial centres for Afghans. They also both arose out of a longer diplomatic history of interrelationships between the Soviet Union and Afghanistan. Many people who trade today were government officials who studied in these cities in the 1980s. Many also married local women and were also able to secure access to citizenship and passports, 'anchoring' them to specific countries and cities. Afghans established a range of cultural or 'diaspora' associations in these cities in which they arrange cultural events – such as gatherings of music and poetry. Such events allow them to collectively shape and maintain their identity, to demonstrate their administrative talents, to forge and mobilise connections with officials in the countries in which they are based and in Afghanistan, and to manifest their

commercial success in the form of donations to the community.

Afghan and other foreign traders based in Yiwu recognise that while the city is increasingly dominant to them in trade and infrastructure terms, it is also a transitory node due to **current challenges** they face such as:

- Traders are generally unable to secure access to either citizenship or long-term residency documents in China
- Older traders report difficulties in securing Chinese business visas and residency permits
- Afghan cultural events – such as musical performances and poetry gatherings – are rarely held in Yiwu
- While Afghans have established Chambers of Commerce and Traders' unions in Yiwu, they have not built community associations that seek to impart cultural knowledge to the Afghan community
- Foreign traders in Yiwu are well known to face difficulties in gaining access to appropriate schools to educate their children in the city. As a result, many prefer to either maintain their family homes in Afghanistan or to arrange for their families to live in cities in third countries such as Russia, Ukraine and increasingly Turkey





As a result, Afghans are never complacent about the city's future status as a node in their networks. Many are concerned that the rise of e-commerce and the preference for modern over traditional forms of trade will eventually mean that Afghans will find it harder to base their activities in the city. This also disincentivises the traders from investing in Yiwu. Indeed, they have considerable experience of being on the receiving end of sharp policy changes in other countries in which they have worked. One trader, in his late 20s, who runs a trading company shipping goods from Yiwu to Dubai, Saudi Arabia, Afghanistan and Belarus told me that, *'Afghan traders have much experience of investing in a country only to see legislation change or for them to be indiscriminately deported – that's why they're not going to make the mistake again and start investing in major business here'*.

## Conclusion

Afghan traders are well-positioned to adapt to Yiwu's changing capacity to serve as a significant node for their commercial networks:

- They have fashioned wide-ranging trading activities over the past two decades
- They have built multifarious channels of communication with Yiwu's authorities
- Their commercial activities span over a myriad range of geographically dispersed networks made up of family members and business associates





THE WIDER SIGNIFICANCE OF TRANSNATIONAL  
TRADING NETWORKS:

## Policy Recommendations

- Policy makers working at both a local level and on a national level in China – and in other commercial nodes of significance for globalised forms of economic life – can contribute positively to the future of such trading communities.
- Mobile societies are important vectors of communication that can be supported by policies that enable their integration
- It is essential to foster legal environments in which there are provisions and mechanisms for long-term residence, family life and participation in relevant cultural activities by mobile societies and the networks they form
- Policy makers can benefit from, rather than regard as a threat, the informal diplomacy which is practiced by traders throughout the societies they inhabit (*Informal or everyday diplomacy refers to the 'intermediation between states through the interaction of non-state actor'*)
- Policies that enhance the emergence and maintenance of formal and informal institutions that enable interaction and knowledge-exchange should be encouraged
- Traders' social lives are best served through institutions of which the traders themselves are the key authors, even if these institutions might look inconsequential when viewed from the perspective of the outsider or the policy maker future stability of their networks.

### CONTACT

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### FURTHER INFORMATION AND RESOURCES

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For more information about the TRODITIES project and the Sussex Asia Centre:

**<http://www.sussex.ac.uk/global/research/researchprojects/yiwu>**

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