

Policy Briefing

POLICY@SUSSEX | SPRING 2020



Understanding the significance of trust to the trading networks that connect China to the World

INTRODUCTION

Our focus in this set of four papers is on the concept of trust and its relevance to understanding trading networks, as well as nodes, such as Yiwu, China in which these systems are anchored. The city of Yiwu hosts the largest small commodity wholesale market in the world, the study of which has enabled us to observe at first hand the many trading networks that connect the city to the world's markets.

Briefings

BRIEFING 1

Networks, Institutions and Nodes in Eurasian Trade
by Prof Magnus Marsden

BRIEFING 2

Social Infrastructures of the “New Silk Road”
by Dr Paul Anderson

BRIEFING 3

Post-Soviet perspectives:
Yiwu’s Futian market as
a model wholesale marketplace
by Dr Vera Skvirskaja

BRIEFING 4

Leveraging trade to development:
policy implications of the Yiwu
experience
by Prof Huaichuan Rui

AUTHOR

Professor Magnus Marsden
University of Sussex, Asia Centre

UNDERSTANDING THE SIGNIFICANCE OF TRUST TO THE TRADING NETWORKS THAT CONNECT CHINA TO THE WORLD

In many respects, the role played by trust in long-distance trade is the bread and butter of sociological theory. Scholars have long emphasised that the functioning of trading networks requires traders being able to trust one another. This is especially the case in long distance trade which involves the movement of goods over different political territories, cultures and societies, as well as over contexts across which communication is slow and difficult. As a result, the study of long-distance trade has come to be regarded as an important window not only to understanding economic activity and historic forms of globalisation but also the nature of trust more generally.

Much of the work on the relationship of trust to trade has sought to identify the fundamental grounds upon which relationships of trust are established.

Some studies have emphasised the importance of **culture for trust**. The particular notions that specific cultures and communities have of **friendship** for example have been shown to play a critical role in explaining why some communities thrive in the field of trade and others do not. Likewise, **shared commitment to a single culture** – often in terms of membership of an ethnic group – is also widely held in the literature to promote strong degrees of trust within a network or community.

Other work has emphasised **the importance of religion to trust**. Religious traditions may instil ethical practices that predispose the adherents of particular religions to foster trust with one another. Similarly, sharing a particular religious identity is also said to promote cohesiveness and trust within a network. Many scholars have identified specific religious networks that have been fundamental to the emergence of long-distance trade and commerce and to global interconnectivity.

Perhaps the core issue, however, in the study of trust and trading networks is the **role of kinship**. It is almost a truism that kinship forms the bedrock of relationships of trust, especially in communities engaged in long-distance trade, as the notion of ‘the family business’ so clearly suggests.



But such forms of trust also rely on institutions and institution-builders. **Institutions** may encourage the flourishing of relationships of trust, functioning as spaces in which individuals and communities are able to pool knowledge and information. Alternatively, institutions may act to punish transgressions of trust thereby reducing the future likelihood of such violations. Institutions are also important in the creation of shared values and sensibilities that promote a network’s coherence and thus long-term durability.

Such approaches have been very helpful in our attempts to understand the range of trading networks active in Yiwu. We have consistently found it helpful to make comparisons between networks in Yiwu and those studied by historians of trade in Eurasia.

UNDERSTANDING THE SIGNIFICANCE OF TRUST TO THE TRADING NETWORKS THAT CONNECT CHINA TO THE WORLD

Key findings

The briefings collected together in this series are based on a project funded by the European Research Council. The project brought together a team of scholars to explore the development of Yiwu and the nature of the international traders active in the city. In addition to fieldwork in Yiwu members of the research team have also conducted research in the prominent markets to which Yiwu's goods are exported, in settings as diverse as Dubai and Saudi Arabia, Turkey and Ukraine, and Afghanistan and India. The project findings challenge dominant trends in the wider sociological and historical literature on trust in three important respects:

1. THE EVERYDAY NATURE OF 'TRUST'

First, we treat trust not as an abstract concept but, instead, something that traders actually do in their everyday lives. As such, rather than seek to excavate the ideas of trust held by the traders, we have addressed the specific practices they deploy to fashion relationships of trust, such as shared travelling and eating, as well as the entrustment of cash for 'safe keeping'.

2. RELATIONSHIPS OF TRUST ARE OFTEN CROSS-CULTURAL RATHER THAN BEING BOUND BY CULTURE, KINSHIP, ETHNICITY OR RELIGION

Focusing on such specific practices has brought our attention to the ways in which relationships of trust develop. A discussion of the Futian market in Yiwu that does not recognise the importance of goods loaned on a credit basis by Chinese merchants to foreign traders would be incomplete, for example. Our findings also challenge the notion that levels of trust are higher within specific trading networks than across them: in some communities 'outsiders' may often be regarded as being more trustworthy than 'insiders'. This highlights an important point about trust: it is always specific to particular risks. A merchant may prefer to deal with an 'outsider' not because they trust them in general,

but because they regard them as less likely to exploit commercially sensitive information. Social actors do not 'trust' each other in the abstract, but only in relation to specific issues. Because the risks merchants encounter are varied and complex, the types of trust relationships that they build, and the ways that they do so, are necessarily varied. Far from always being the outcome of long-term relationships, building relationships of trust also require individuals to take advantage of unexpected opportunities and forge ties with people little known to them.

3. THE UBIQUITY OF THE EXPERIENCE OF MISTRUST ON THE LIVES AND PRACTICES OF TRADERS

We found that traders regard the lived experience of mistrust as central to their experiences. Being a successful trader entails not merely establishing relationships of trust, but also navigating and surviving climates characterised by mistrust. It would be easy to think of mistrust as the negative corollary of trust. Yet we have come to see how the experience of mistrust plays a positive role in the narratives that many trading communities tell about their success in the field of trade. A healthy degree of mistrust is widely regarded as being an important attribute of a trader. This aptitude allows traders to make prudent decisions about with whom to – and not to – trade.

UNDERSTANDING THE SIGNIFICANCE OF TRUST TO THE TRADING NETWORKS THAT CONNECT CHINA TO THE WORLD

Policy Recommendations

There are several ways in which our findings relating to trust are of relevance to policy makers:

RECOGNISING THE IMPORTANCE OF FORMAL AND INFORMAL ENVIRONMENTS

Most clearly, trade of the type practiced by many communities in Yiwu flourishes in environments pregnant with multiple spaces and institutions. These must include those that are formal and those that are informal. Such spaces are critical because they provide the background against which traders build shared sensibilities. These areas are also material contexts in which traders confidently share information with one another.

UNDERSTANDING THE SIGNIFICANCE THE ROLE OF 'MISTRUST' PLAYS IN TRADERS' RELATIONSHIPS

We also think that it is important not to see breakdowns of trust simply as being a negative aspect of life that requires a solution or is a reflection of a deeper problem. It is in the context of such breakdowns of trust that traders learn the value of healthy forms of mistrust, fashion resilient commercial and social relationships, as well as build institutions that are important for the future stability of their networks.

CONTACT

Professor Magnus Marsden
School of Global Studies
University of Sussex
m.marsden@sussex.ac.uk

FURTHER INFORMATION AND RESOURCES

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

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

FUNDING

This work was supported by H2020 European Research Council [grant number 669 132 – TRODITIES, Yiwu Trust, Global Trade].

