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**Spending, Saving or Investing Social Capital:
the Case of Shuttle Traders in Post-Communist
Central Europe**

Claire Wallace, Vasil Bedzir, Oksana Chmouliar

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Abstract

The paper considers the 'embeddedness' of economic activities in the work of small-scale cross-border traders between the Central European 'buffer zone' countries of Poland, Czech Republic, Hungary and Slovakia and the countries further East. Shuttle trading has become a significant feature of post-Communist societies and the research, based upon interviews with traders and field work in markets in the region, explores the way in which it evolved and the different ways in which it is organised. The paper explores the tension between the need to establish safe and predictable patterns of economic activity in an extremely risky and changeable environment on the one hand, and the need to limit the extent of responsibility on the other - in other words, the tension between saving and spending social capital. Two main hypotheses are considered which emerge out of the literature on ethnic business in other parts of the world. The first is the hypotheses that where formal regulations of the market either do not work or do not exist, other forms of informal organisation arise to regulate trade and lessen the risks associated with it. The second main hypothesis is that there is a trader's dilemma operating - a dilemma between accumulating primary capital and disbursing it amongst the group to which the trader is obligated. Post-Communist Central Europe is a particularly interesting place in which to consider these factors because we are witnessing a very rapid transformation from one form of social organisation where private activity of this kind was discouraged or illegal to a new form of social organisation where market relations and private business are encouraged. In such circumstances small scale traders are developing new market cultures, new traditions of exchange. They could be seen as pioneers of capitalism. At the end of the paper we develop a schematic model of the way in which social, ethnic and familial networks operate under these conditions.

Keywords

Traders, informal economy, social networks, Post-Communist transition

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Comments

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Introduction

One of the most visible consequences of the transformation of the economies of Eastern Europe after the collapse of Communism was the explosion in street trading and open-air markets. People squatted besides small stalls, lined the walls of subways and railway stations or spread goods on a cloth on the ground along every walkway trying to sell things. Anything and everything was sold in this way - from shampoo to shoe polish, from cigarettes to kitchen sinks. This activity was first conspicuous during the perestroika period in many countries (although open air markets had already existed before that) and was at first associated with particular nationalities who were able to move around the Soviet block or between East and West Europe. In Central Europe, for a while, Poles filled a particular niche in this respect. Although such markets were a feature of the whole post-Communist region, we will concentrate upon the Central European region and upon the countries which border Western Europe - Poland, Czech and Slovak Republics and Hungary - the region which we have elsewhere termed the 'buffer zone' between Eastern and Western Europe (Wallace, Chmouliar and Sidorenko 1995, 1996). Within this buffer zone, we are considering small scale cross-border traders who come mainly from the East and South. They were identified in our previous research as responsible for some of the rapid escalation in mobility within the region (see Wallace, Chmouliar and Sidorenko 1995, 1996).

Such trading was a substitute for formally regulated import and export arrangements and sprang up in the cracks between socialist legislation which was no longer adequate to the situation and new market legislation which had not yet been implemented, or in some countries, not even drafted. Such trading represented individual, spontaneous responses to distortions in supply and demand, but taken as a collective phenomena, its implications are considerable. This new circulation of people and goods within the region created new sets of social relationships between ethnic groups, between bordering countries and between producer and consumer (Wallace forthcoming).

The evolution of trading is an interesting anthropological problem in itself. However, it also poses intriguing problems for economic sociology and in particular for the way in which economic relations are socially embedded. Private trade and exchange cannot take place effectively when there is too much state control - as was the case under the previous Communist regimes - where state controlled distribution and production was designed to replace the free play of market forces. However, effective trade and exchange cannot take place either when there is no regulation to protect parties in the exchange - under these circumstances nobody could avoid being continually cheated and robbed. In mature capitalist societies market exchanges are regulated by law, but in many post-Communist countries the unleashing of capitalist market forces has meant that they have run well ahead of any cumbersome attempts to regulate and control them. In this paper we shall try to show how people try to

minimise the risks associated with exchange and trade through various forms of social control and social organisation. We begin with a review of the relevant debates in economic sociology and then go on to analyse the situation in Central Europe based upon 129 interviews with traders in each of the countries under consideration¹.

Understanding the Moral Economy of Trade

Trading involves a moral economy as well as a financial one and one its currencies is social capital. The idea of a moral economy of trade originates in the work of Polanyi (1994, Polanyi and colleagues 1957) and the idea that the 'Great Transformation' from traditional to modern society involved the disembedding of social relationships and their transformation into market transactions based upon universal norms of exchange. These ideas were continued in the debates between 'formalist' economics and 'substantivist' economics. Formalists argued for the study of economic relationships using the classical economic frameworks of the individual maximising their profit in a competitive world using rational calculation. These frameworks were universal for all societies and could be understood in terms of abstract, formal rules. The 'substantivist' economists argued instead for an understanding of economic behaviour within a social and historical context - hence societies and social groups operated in different ways. Whilst there was some attempt to combine these perspectives, on the whole the formalists won the debate and dominated economic thinking. Substantivist approaches were limited to the study of pre-modern and traditional societies by anthropologists. However, there were attempts by substantivists over the years to fight back and to modify formal economics with an understanding of social context. In the US literature this mainly focused upon the organisation of firms and the extent to which they were able to limit competition or to ensure solidarity within their own organisations (see Evers and Schrader 1994, Williamson 1977).

The debate took a new turn with the publication in 1985 of an article by Granovetter in the *American Journal of Sociology* which argued for an understanding of economic action within and between firms in terms of their 'embeddedness' in a moral economy of social relationships. He rejected the idea that 'substantive' economic relations could be found only in pre-modern traditional societies whereas modern industrial societies could be analysed more in terms of 'formalist' economic relations. Rather, he argued that substantive economic relations survived and were even institutionalised in the different practices in firms' behaviour. From

¹The research was undertaken between 1993 and 1995 in the Czech Republic and during 1996 in Hungary, Poland and Slovakia. Interviews were collected where possible by native speakers (mostly students at the Central European University) who delivered verbatim transcripts in English. The research in Slovakia was mainly carried out by Vasil Bedzir and translated by Oxana Chmouliar. The interviews were carried out at stations, on trains and busses, in queues and many other places in as 'natural' a way as possible. Some were recorded but most were written up afterwards. The interviews were supplemented by reports from the main researchers involved in the project and from summaries of laws and official statistics in each country. Background information was drawn from a report to the Austrian Ministry of Science looking at Trends in the Central European Countries carried out by Claire Wallace.

this he proposed that rather than understanding economic behaviour in terms of either an 'undersocialised' model of each person maximising their own interest or of an 'oversocialised' model of individuals simply obeying social constraints, it was necessary to consider the way in which cultural factors can help to explain otherwise 'irrational' economic behaviour. This approach was seen by Portes and others as a 'manifesto' for economic sociologists:

Granovetter's treatment of the concept of 'embeddedness' represents a veritable manifesto for those whose sociological cast of mind have lead them to question individualistic analyses of such phenomena as socio-economic attainment and the culturalistic arguments that neo-classical economists sometimes invoke when their own perspective can go no further. ...in its more recent formulation, it has sparked a renewed interest in what sociology has to say about economic life. (Portes and Sensenbrenner 1993: 1321)

Additions to these debates have been contributions from Coleman (1988) and Bourdieu (1983) arguing for recognising the importance of *social capital* as a factor in economic behaviour. Indeed for Coleman, capital became differentiated according to social, human and material forms, whilst Bourdieu contributed a theory of cultural as well as material capital which could be important for achieving and maintaining social status. We could say that social capital is spent, saved or invested within the moral economy of trade. It is the moral economy by which obligations and duties are regulated and by which this currency is realised. Moral obligations are in turn situated in the context of social relationships.

Portes and Sensenbrenner (1993) developed these ideas specifically in relation to immigrant ethnic groups arguing that there were four different kinds of social capital which could have positive effects: 'value introjection' which 'prompts people to behave in ways other than naked greed' (p. 1323); 'reciprocity transactions'; 'bounded solidarity' whereby groups define their social responsibilities; 'enforceable trust' whereby moral pressures are brought to bear upon economic transactions. However, they also identify three negative consequences of social capital: firstly, the problem of 'free riding' or the successful businessperson facing numerous claims on their resources from the other members or his or her community; secondly, constraints on freedom which can enforce a kind of collective solidarity which is coercive and negative, not being 'transparent' in the way that the logic of formal market relations ought to be; thirdly, levelling pressures which prevent an individual from becoming upwardly mobile or escaping from the community. The extent to which these negative or positive pressures operate depends upon the nature of the immigrant community, their relationship with the host society and their length of residence in the country. Portes (1995) further develops these themes in terms of relationships between immigrant communities, social capital and social networks. However, our respondents differ from those referred to in his and other research in that they were only temporary migrants who crossed the border only in order to do business. They were using social networks for an international or cross-border traffic.

Other contributors to the debates have emphasised the role of *networks* in maintaining social capital (Uzzi 1996) and of *family* as a way of consolidating social capital for immigrant groups in both the USA and in Europe (Standard and Nee 1996, Phizaklea and Ram 1996).

Evers and Schrader (1994) have applied this approach to South East Asia by concentrating particularly upon traders in that context. They argue that the tension between social embeddedness and rational capitalist accumulation inherent in a situation where these traders are part of a regional or even global economy results in a 'traders' dilemma': either to accumulate wealth in accordance with the logic of capitalist enterprise or to disburse their profits amongst the community in which they are embedded and which may make a variety of claims upon them - of obligation, of the need to maintain prestige and good standing and so on:

Being subjugated to the norms of village society, which usually implies a strong emphasis on solidarity, traders will find it potentially difficult to demand repayment of debts or to refuse credit to needy relatives or neighbours. They would therefore have to choose between losing either cash or social esteem. In either case they stand to lose i.e. they are in a dilemma in the strict sense of the word. Under these conditions it is difficult to accumulate capital in the form of goods and cash unless ties of solidarity with the surrounding society are cut. (Schrader 1994:8)

Schrader and his colleagues suggest various solutions to this traders' dilemma which include limiting trading to a particular ethnic group. However, these are only partial solutions, since the trader is then presumably subject to the demands and obligations within his or her own ethnic group.

Some have tried to apply such concepts to the transforming economies of Eastern Europe. Here we have a new situation since these are neither traditional economies undergoing transformation from contact with the global capitalist economy, nor are they capitalist industrial countries with a tradition of free trading and capitalist accumulation and an established set of laws and regulations to ensure that exchanges are honoured. Rather they are developed industrial economies where individual capitalist accumulation was deliberately suppressed or driven underground in favour of state controlled and centralised systems of exchange and production. According to some, this means that their opening to capitalist markets will result in the take over of powerful and organised interests or of foreign capital which the weakened states will be unable to resist (Fligstein 1996, Stark 1996). Sik (1994) develops this most systematically, arguing that 'network capital' as he calls it, was more highly developed in Communist societies than in capitalist societies and more highly developed in post-Communist societies than in Communist ones. He hypothesises that these well established forms of reciprocity and exchange, the result of lack of transparency and distortions in distribution in the Communist system, proved very useful in times of uncertainty and rapid social change. They could be used for 'grabbing' or spontaneously privatising state resources when a change in ownership and control became possible. We might further hypothesise that in some post-Soviet states they may have superseded both Communist and capitalist forms of distribution and power.

Richard Rose (1997) and his colleagues have argued that Communist regimes encouraged distrust of public institutions and a corresponding trust in social networks and personal relations - in informal institutions. Social capital can take the form of face-to-face relations which

flourished under the former regimes. It can also take the form of family solidarity which was used to gain access to resources. Mozny (1994) has argued that such family resources were far more important than economic capital in the distribution of desired goods. Thus, having an uncle who was able to secure a place for your child in a good University course or a sister who is a shop assistant could be an important asset, especially when official wages were uniformly low. Access to prized resources depended upon social networks. Mozny also argues that this helped to ensure the preservation of the three generational family - older family members had more access to social capital after a life-time of investment and exchange of favours. Your grandparents were therefore a particular social and economic asset in terms of the influence they could exert. However, Mozny hypothesised that the introduction of a more transparent capitalist society would result in the breakdown of the importance of social capital and in people resorting to individual self-advancement with more opportunities to do so. Rose and colleagues argue the opposite; for them, social solidarity has grown even more important in the Post-Communist context:

Post-Communist societies are a particularly striking example of the significance of social capital. The old regimes were not conventional modernising societies, as in the case of developing countries on other continents; they were 'stressful' societies, which could operate effectively only by ignoring predictable bureaucratic procedures and market mechanisms for allocation. The procedures for allocating goods and services were opaque and sometimes unlawful, preventing rational cause - and - effect calculations and creating uncertainty; inefficiencies and uncertainties result in stress....Far more people in post-Communist societies rely on informal social capital than on formal institutions of state and market resources to deal with their problems. When the 1996 New Russia Barometer asked people on whose help they rely, only 7 per cent referred to formal organisations, whether state or national non-state such as trade unions, churches or charities. When problems arise, more than half rely upon informal social capital, a network of friends and relatives. Those without social capital rely principally upon themselves. (Rose, Mishler and Haerpfer 1997: 14-15)

Indeed, a study of peasant production in Russia also concluded that social capital made the difference between successful and unsuccessful producers in the present economic climate (O'Brien, Patsiorkovski, Dershem and Lylova 1996).

These differences in the interpretation of social life in post-Communist societies however, may reflect less a difference in perspective, so much as emerging differences *between* Post-Communist societies, with the Central European region and Baltic States becoming increasingly integrated into the Western European economic orbit and exhibiting the most successfully transformed economies whilst those to the East are slipping more and more into a disordered economic situation where social capital remains an important principle of organisation. In the absence of a transparent market and a system of clear rules, laws and regulation appropriate to the emerging context, other forms of organisation take over.

Much of this literature takes the categories of 'ethnic group' or 'family as self evident. What is unclear from this literature is how social obligations were bounded. What is an ethnic group

and how far did it extend? Similarly we might ask how social networks were defined and bounded. Rather than taking the family as an obvious given, we can see it too as a social construct which is actively constructed and reconstructed in the course of social relations. How are these social networks, ethnic groups and family networks defined? This is not just a speculative sociological question. The extent of moral obligation or the kind of moral ties which are developed can affect the success or otherwise of the enterprise and is likely to affect the kind of capitalism which develops there.

We might also ask what differences lie in the mobilisation of these different sources of social capital. Do family obligations imply more trust and more obligation than either ethnic or social networks, as Standard and Nee (1996) or Phizaklea and Ram (1996) imply or can social and ethnic networks also be strong sources of loyalty and obligation? Following Janet Finch (1989) we might argue that the family is something which can be defined in different ways and that relatives can be left out or incorporated depending upon the circumstances. It is not necessarily the case the strong family obligations can be a source of assistance: as Evers and Schrader argue, strong ties can also be a burden on trade. We might therefore ask: what are the relative advantages and disadvantages of both 'strong' and 'weak' ties in this context?

Furthermore, just as the family is taken for granted, so are divisions within the family or social and ethnic network. The role of gender and generation is neglected by most of these authors (except for Phizaklea and Ram and Mozy) and we might ask in what way different generations of people and men and women are situated within such networks. Do these networks and obligations depend upon any sexual and generational division of labour in the nature of their obligations?

Finally, most of the arguments about social capital and 'embeddedness' have been developed in the context of immigrant groups in relatively stable societies such as the UK or the USA. What happens in situations of very rapid social change and economic or political collapse? In these circumstances formal rules and regulations managed by the state either break down or are inappropriate whilst informal regulation of social relationships based upon traditional social ties are not well established. Under these circumstances how are rules of trade, reciprocity and economic behaviour developed and regulated?

Our first hypothesis therefore, is that trading relationships will be governed by social rules within the moral economy of trade. Forms of social defined obligation and reciprocity are likely to emerge in order to limit the anarchy of a situation where formal laws are inappropriate or non-existent and where conventions of trade have not yet been established. Since trading cannot take place in a totally anarchic situation, certain rules and procedures have to be established and this 'enforceable trust' in Portes and Sensenbrenner's words, can be guaranteed by the organisation of trade through social groups and networks.

However, where these socially rather than legally defined rules and procedures develop, there is also the danger that they will ultimately suffocate free trading relations by imposing obligations which drain the energy and capital of the trader or which in the interests of 'bounded solidarity' prevent free trade from taking place at all - if at one extreme the danger is market anarchy, at the other extreme is the market controlled by the Mafia. This is expressed by Evers and Schrader (1994) as the 'trader's dilemma': on the one hand the trader needs the rules established by social reciprocity and the enforceable trust of bounded solidarities, but on the other hand she or he also needs to be able to control their own capital and to make independent decisions.

The research on traders carried out in the Central European region between 1993 and 1996 which forms the basis of this paper, presents a particularly good opportunity to look at some these themes and concepts in a different context. The data were collected mainly from traders themselves (supplemented with fieldwork and observation in markets) and we thus have their own subjective views of their situation. Detailed information was collected about how the trade was carried out and for what reasons, along with how this connected with other aspects of the traders' lives. As far as possible, respondents were encouraged to 'tell their own story' and were often not even aware that they were being interviewed. Interviews were carried out in naturalistic settings such as bus and train journeys, markets, whilst queuing for permits and so on.

From the above literature we can draw three main sources of social capital which may be important, although it is not clear from this literature what is the *relative* importance of each of these sources. These are:

- * ethnic groups
- * family
- * social networks

Ethnic groups have been identified by Portes and Sensenbrenner, Evers and Schrader as being important sources of social capital. As immigrants, they may form a bounded community within a host society which develops its own forms of ethnic self-help, for example by granting credit and loans where banks are not willing to lend to unknown strangers with little collateral. According to Portes, Sensenbrenner and others, the more discrimination an ethnic group suffers, the more likely they are to resort to their own community for assistance. People who immigrate, who may not previously have thought of themselves as ethnic groups may develop an ethnic consciousness in response to being in a new environment whilst those with strong ethnic consciousness may have it reinforced. The strength of ethnic consciousness and degree of cohesiveness within an ethnic group therefore depends upon the circumstances in which they find themselves. Our traders were not in fact immigrants but rather visitors or temporary sojourners, so this perhaps gives them a different sense of identity in the host society.

For Evers and Schrader (1994), ethnic groups are a way of limiting the liabilities associated with communal solidarity, but may also introduce other forms of solidarity. Thus, particular kinds of trade become monopolised by particular ethnic groups in South East Asia.

In Post-Communist Central Europe, ethnic displacement during World War 2 and the subsequent period attempted to create homogenous ethnic blocks corresponding with regions and nations. However, hidden ethnic identities re-emerged after the collapse of the strong Communist state and represented a new form of belonging or of civil society. In addition to the re-emergence of old ethnic groups which had been suppressed (such as Germans in Poland, Hungarians in Ukraine and Romania), there is the introduction of new ethnic groups, often through trading. Hence the arrival of Chinese and Vietnamese migrants specialising in wholesale and retail trading is a phenomena associated with the Post-Communist period. The new ethnic displacements of refugees fleeing from war zones or from economic collapse at home also brought new waves of migrants who became involved in trade. In this paper we will consider the extent to which ethnic groups operate as a form of social capital: how important are they in the organisation of economic activity?

Family networks. Mozný, Rose and others have emphasised the role of families in Post-Communist societies and these have been identified as important for small-scale ethnic business in particular. In this paper we will consider the importance of family in the organisation of cross-border trading. However, we shall also consider how family relations are bounded: just who counts as a relative. In this context we will also consider the role of gender and generational relations which have been neglected by most people in the discussions of the family in this literature.

Social networks. Uzzi (1996) has drawn our attention to the importance of social networks in organising ethnic business in the USA. Social networks are also important repositories of social capital in the context of post-Communist societies but here we need to consider what kinds of social networks operate, how are they created and maintained and what role do they play? Social networks can consist of 'weak ties' of reciprocity as described by Granovetter in an earlier article (1973) or 'strong ties' of obligation and loyalty. We shall consider the extent to which social networks were used by cross border traders in organising economic activity.

Trading in post-Communist Societies

The Post-Communist period is a particularly interesting period in which to consider such activities. The change from one regime to another, the differing fortunes of different regions and ethnic groups in this process has meant that whole societies have had to change their patterns of economic activity and the values associated with it. Many have had to find new forms of survival and some have been very successful in exploiting an ambiguous situation where the regulations and values from the old regime were no longer valid, but those of the new regime not yet in place.

There were a number of reasons for the explosion of trade. First, the distortions and inefficiencies in the supply and distribution system of the former Soviet block coupled by a frustrated lust for consumer products meant that the things which were wanted were not supplied in the shops and the things which were supplied in shops were often not wanted. Small trade filled the gap and this had long been a part of the Soviet system. Under the former regimes it had been illegal - seen as speculation or profiteering - and is even now regarded as morally suspicious. However, with the lifting of formal restrictions under perestroika, such trading was able to take off. In the absence of a developed consumer economy, large scale retail services were not able to respond, but individuals set off with their carrier bags to bring the goods to the people.

Nevertheless trading is still a morally ambiguous activity. Since traders were demonised as parasites and profiteers in the socialist world view, some of this reputation still lingers on leaving a bad smell attached to trading. For many of our respondents, trading was a shameful activity, one to which they were forced to resort in order to make ends meet. Ethnic groups and individuals associated with trading were stigmatised and markets were seen as dangerous and disreputable places where all sorts of crime went on.² In fact our fieldwork tended to illustrate that they were very orderly places patrolled either by the Economic Police or by privately hired security guards.³

Secondly, the differentiation in prices between different post-Communist countries as they followed different roads out of the command economy offered various possibilities for buying and selling across borders. During the early transformation period (1988-1992) there were stockpiles of goods in the former Soviet-Union, with higher prices in the 'buffer zone' countries. Goods were brought from Russia and Ukraine and sold in the buffer zone in what were

²Many people in post-Communist countries tried to discourage us from doing research on markets. They claimed that markets were dangerous places, full of Mafia and criminals. They claimed that nobody would talk to us there anyway. In fact this turned out not to be true.

³We conducted interviews with market managers in the main markets in Odessa during September 1995. The Director of the largest market, a private one, emphasised that market activity was not possible in a criminal environment and that he put a high priority on security. Since he was unhappy with the adequacy of coverage by state police, he also hired his own security guards to patrol the grounds.

termed 'Russian markets'. After 1992 the prices rose in Ukraine and other former Soviet countries making it more profitable to buy in the buffer zone and take the goods back home. Such inter-country imbalances encouraged different directions of traffic in trade.

Thirdly, the collapse of the formal economy in many post-Soviet countries meant that more and more were forced into trading as the only way to make a living. The loss of jobs, the lack of pay for those who had jobs and their meagre incomes relative to soaring prices and hyper-inflation made it necessary for many to leave their homes and try their luck on the markets. Trading became a mass phenomenon. During focus groups with students held at the Central European University, many admitted to having participated in trading themselves.⁴

Fourthly, the lifting of travel restrictions allowed people to cross borders into neighbouring countries and the lack of legislation governing market activity allowed loopholes through which they could pass. However, the reimposition of visa and other travel restrictions since 1991 has also led to restrictions in the circulation of traders and new forms of shuttle trade, with the buffer zone forming a particularly important part. Citizens of the buffer zone could travel to Western Europe relatively easily, but citizens from further East could travel only as far as the buffer zone. Thus the buffer zone became a site for the exchange of goods between East and West Europe. Some towns in border regions became important nodes of contact for traders and their open markets became well known regionally. Such towns might include: Odessa, Uzhgorod, Michalovce, Przemyśl, Kosice, Tscheshyn, Chernivci, Pecs ... and so on. More recently Sik (1997) has undertaken a more systematic study of regional markets in Hungary to try to establish their numbers, their constituency and so on.

The situation of trading in Post-Communist countries is an extremely risky one. Whereas trading had certainly always taken place, it was previously confined to a small group of specialised speculators. Now it has become a mass phenomenon, but formal arrangements for the import and export of goods did not work effectively. Traders were not protected by rational regulations, especially if they are foreigners. Nor were the police particularly interested in helping them. Rather they had to operate inside, outside and around the regulations which do exist, either completely illegally or semi-illegally. Furthermore, traders had to operate in an extremely uncertain climate, one subject to rapid changes. Changes in exchange rates, in government, the break out of hostilities, the changing of borders, inflation, or indeed hyper-inflation, could change the situation almost overnight. In such circumstances new informal methods of regulating trade must develop, because buying and selling implies a certain amount of social order and organisation. The problem for the trader is to minimise risk in an extremely risky environment. In the context of US ethnic business the use of family, social or ethnic networks were important for limiting transaction costs, but in the situation of Post-

⁴Two focus groups about trading were conducted during 1995. Participants included students from all over the former Soviet Union and Central Europe, who were encouraged to talk about markets in their home region.

Communist societies, the potential risks and transaction costs were far higher than in a more stable society. The situation was particularly risky for the kinds of traders which we are considering who crossed into another country in order to carry out their business and were therefore even more vulnerable to exploitation, to harassment by the police or loss of their efforts.

The Central European Region: a buffer zone between East and West

The post-Communist period has seen the development of a region of Europe which we have elsewhere termed the 'buffer zone' (see Wallace, Chmouliar and Sidorenko 1995, 1996). The buffer zone includes the countries which border the European Union: Poland, Hungary, the Czech and Slovak Republics. They are now sandwiched between an affluent West (Germany and Austria) and an increasingly less affluent East (Ukraine, Russia, Belarus). These buffer zone countries have come increasingly into the orbit of the European Union since 1989. They fully expect to join the European Union in the near future and are westward looking in their orientation. These are seen as relatively politically and economically stable with even some growth in recent years. Despite unemployment (except in the Czech Republic) and high inflation, new forms of prosperity are palpable and the buffer zone countries are becoming the most prosperous of the post-communist world (Haerpfer and Zeilhofer 1995). They are examples of the 'successful' transition from Communism towards liberal, market democracies.

In the buffer zone countries new laws and regulations suitable for market economies have been introduced along with new taxation systems and although informal activity is still high, this is now regarded as the shadow side of a market economy rather than a particular economic sector (Sik 1993).

Since the reforms of 1989, the buffer zone countries first experienced steep economic decline and in the case of Hungary and Poland, rapid inflation, but the years since 1994 have shown a stabilisation of the economy and a series of elections which have confirmed the positions of elected governments. However, the situation of Ukraine, the main Eastern neighbour, is quite reversed. Since 1989 it has suffered a 57% decline in GDP and hyperinflation of 380% in 1995 (WIIW 1996). The government solution was not to pay wages for some month, although wages had sunk below the level at which people could live on them. For example, two thirds of people in the Odessa region lived below the official poverty line according to one report (reported in *Die Presse* 22nd April 1997). In neither Belarus or Ukraine have reforms associated with marketisation been anything like sufficient to establish a stable, working system. Economically and politically they are lagging well behind the buffer zone countries. Belarus seems to be headed more and more towards an authoritarian re-

gime oriented towards Moscow and whilst Ukraine is oriented more westwards, its problems are legion. Since very little is produced nearly everything must be imported, much of it through shuttle trading, and so the prices are very high.

The path of transition in Ukraine, Belarus and Russia is hampered by legal laxity, a product of frequent and confusing administrative changes, lack of enforcement and lobbying by powerful and sometimes illegal groups in their own interests (WIIW 1996). The result is that these countries have sunk into chaos and their citizens manage as well as they can. In addition the development of new businesses and the reform of existing industries through privatisation or through internal reorganisation is almost non-existent. The lack of clear government policies and tax rates of up to 100% means that people operate businesses wholly or partially illegally rather than as part of an institutionalised process.

In the Ukraine and Belarus only 16% are able to manage on their earned incomes according to a survey carried out annually since 1991, compared with 43% in Poland and 46% in Slovakia. (Rose and Haerpfer 1996). Ukrainians are also much more likely to have to resort to growing their own produce, working in unrecorded second jobs, often abroad, and earning money through connections than are the people in the buffer zone (Rose 1995). Although many of these survival strategies, as legacies from the former regime, are dying out in the buffer zone countries, in Ukraine and Belarus they became as important - if not more important - than before. The situation has actually got worse rather than better since independence for most people: 61% of Ukrainians and 55% of Belarusians still have to queue for more than one hour per day compared with only 4% of Poles and 11% of Hungarians. Here we have described mainly Belarus and Ukraine, since we have the most information about these countries, but many of these points apply to the Russian population as well.

Thus, we could argue that there is an increasing divergence in the living conditions of people in Ukraine and Belarus as compared with the buffer zone and this is described as a trend over time by Rose and Haerpfer (1996). To put it starkly: in the buffer zone things are getting better, in Ukraine, Russia and Belarus they are getting worse.

There are also contrasts between the buffer zone and countries to the south. The war in the former-Yugoslavia along with the trade and cultural embargo against Serbia resulted in dire economic problems there, although living conditions were previously quite good. Romania began some way behind the buffer zone countries in terms of prosperity and democratic reforms, but has been catching up. However, Bulgaria has sunk into economic crisis and is headed at the moment in the direction of Ukraine rather than the buffer zone countries.

The Evolution of Cross Border Trading in Central Europe

The opening of the borders in 1989 resulted in a flurry of small scale street trading. Sidewalks were cluttered with people trying to sell almost anything; trains and bus stations were crowded with people carrying enormous bags. (Later shuttle traders were identifiable by the characteristically red blue and white striped bags, imported from China). In the first explosion of capitalism, everywhere was turned literally into a market. Small scale trading was a major form of import and export as commodity-famished customers hungrily consumed these products. Just walking round the street market became a past-time. In the first explosion of 'wild capitalism' all manner of products appeared on the streets even whilst the shelves in the shops were still empty.

In fact there was an evolution in this process and as trading evolved, so the 'wild capitalism' was gradually tamed - at least in the buffer zone. The sale of consumer goods and food through street markets or informal connections was always a feature the Soviet-style Eastern European economies and was partly a product of inefficient distribution processes and corruption. However, from the early 1980s, this kind of trading started to develop very specific features and it is here that we can trace the origins of the present phenomena.

The first traders in the region, renowned throughout Central Europe, were Poles. These began their activities in the early 1980s when the arbitrary structure of domestic prices in Poland along with the economic crisis created a demand for food and consumer goods which could not be met domestically. At the same time, Poles were relatively free to travel abroad and many went as tourists, especially Berlin, in order to buy goods there and transport them back to Poland for sale. Polish traders also travelled to many places in Eastern Europe at this time to buy and sell goods, particularly to Russia, Ukraine and Belarus. There they sold goods which were in short supply in the former-Soviet Union and brought back cheap goods from the Soviet Union to Poland.

Poles adopted were advantaged in this kind of cross-border activity for two main reasons. Firstly, according to contributors to a volume by Wedel (1992) they took over the activity of 'handel' -that is, continuous, small-scale wheeling and dealing after the extermination of the Jews. Secondly, they were able to take advantage of a large Polish Diaspora stretching from Central Asia to Chicago and across Central Europe. This Diaspora provided information, accommodation and other possibilities.⁵ They had the advantage of established cross-national social networks as a result of recent and not-so recent migrations and displacements in the tragic ups and downs of Polish history.

⁵ I am grateful to Endre Sik for this comment.

Other people involved in trading were those employed in tourist agencies and sailors who had opportunities to go abroad and used these opportunities to bring back materials and to sell them informally.

However, from 1988 the movement of peoples across borders escalated and started to become a common phenomena for all sections of the population. As the old COMECON trading agreements started to disintegrate, the formal import-export arrangements broke down and informal ones grew to fill the gap, at least for consumer domestic products. Whereas previously there had been a circulation of goods around the Communist-block countries, such arrangements collapsed as the countries of Central Europe (Poland, former-Czechoslovakia, Hungary) started to orient their trade instead towards the west. Thus for example, Hungary imported 31% of its goods from the EU in 1990 and by 1995 this was 61.5%, with a shift in exports in the same direction from 32.2% to 62.7% (Wallace 1997). There was an influx of tourists from Ukraine, Russia and Belarus selling goods in Poland. So-called 'Russian markets' appeared like mushrooms after the rain in every street and even in quite remote villages and soon they started to appear also in other buffer zone countries. They sold products which could be obtained cheaply in those countries (often through theft from factories) such as tools, toys, glassware, underwear, pins, clocks, watches. At that time inefficient distribution and lower prices in the former-Soviet Union meant that there were stockpiles of such materials upon which to draw whilst inflation caused prices to shoot up in Poland. Products were cheap and often low quality. Traders stayed for just a few days, arriving on busses, trains or in organised groups before returning to their normal jobs. In the words of one respondent:

After 1989 people opened to the world. They started literally flowing into Europe like a spring river. Everybody cherished some hope that now a miracle would happen and they would become rich... just like that, overnight. People then were travelling without any immediate destination...(they thought that) just by going somewhere they would make piles of money (a Bulgarian Doctor recalling his experiences of travelling through Eastern Europe at that time)

The first opening of borders following the changes of 1989 encouraged a tide of people 'like a spring river' able to travel without much restriction. They required an international passport and an invitation from somebody inside the country. Trading of this kind was neither legal or illegal. It was seen as a sign of the growing opportunities of capitalism by both consumers and sellers. The artificially low price of items such as electrical goods, cameras, vodka and food in the former Soviet Union meant that these could be sold at a profit in central Europe and traders brought back goods which were unavailable at home (for example ladies tights, condoms, cosmetics) (Chmouliar 1996). During the early phases, the money incentive was not so important because goods could be exchanged or bartered on the flourishing black market back home and trading was hardly controlled at all. Customs officers could be easily persuaded to turn a blind eye in return for a share of the goods or some dollars. Huge queues of cars waited sometimes for four days at the Eastern borders of Poland because there were very few border crossing points. One respondent describes these first encounters

with trading and how he saw in his railway carriage more money change hands than was his salary for a whole year.

So I was sitting with my wife on the well known Panonia express travelling to the former GDR. The very first thing that seemed strange to me started even before we crossed the border to Romania, on the Danube bridge. There some odd people, men and women, young and old, children and pensioners of all kind of colours and race, with an extremely business-like look, got on the train with enormous sacks on their backs. Well these sacks were full ofwhat later turned out to be BT cigarettes (Bulgarian). Oh, I won't forget the strange events which started at Sofia Central railway station, because all the corridors of the train were stuffed with these huge sacks. Most of them belonged to Polish people, since a large crowd of Polish guys were returning from Turkey, dragging these sacks with them back to Poland. This kind of trading was unfamiliar to the ordinary Bulgarians and so the Poles looked really strange to me. Their sacks as well....they were the size of refrigerators.. one could not walk down the corridor because of them (Bulgarian Doctor *ibid.*)

The second wave of cross-border traders came from the ex-Soviet Union to Czechoslovakia, former Yugoslavia and Hungary between 1989 and 1990. This was still organised at an individual level as way of supplementing incomes from regular jobs, but now better quality goods arrived including gold, antiques, spare parts for cars and agricultural machinery. The goods which came back from these trips were sold at black markets which emerged in the former Soviet Union as the main way to satisfy consumer needs in times of economic crisis. Money became a more important incentive for trading as for some people trading started to become a full time occupation, displacing their previous jobs.

The third wave began in 1991 and still continues. Trade networks expanded and goods began to be imported from Turkey, China, India and the United Arab Emirates. Better organised and financed trading ventures emerged with networks of agents and the importation of wholesale goods. This trading was supported by a range of semi-official tourist organisations which began to flourish in the former USSR. There one could obtain information about opportunities for travel from travel agencies which helped to provide passports, visas and transportation. Newspapers and TV adverts, even specialist magazines, advertised different things one could buy in different countries (for example cars driven from Brussels and Germany). At first these black markets offered consumer goods at higher prices than in the shops (since goods were being resold there) but increasingly they started to offer a wider range of goods at lower prices than could be found in the formal retail sector.

From 1992 onwards the situation changed quite radically. From this time, the introduction of taxation systems in the Central European countries of Poland, Hungary, Slovakia and Czech Republic, along with their attempts to join the European Union (and associated partner status) resulted in a crackdown on small scale trading. As retail outlets were privatised and shopping was able to move indoors, so the local business people began to see street traders as a threat to their commerce and put pressure on the government or local authorities to suppress it. The streets were cleared of the clutter of small traders displaying their wares. The Eastern borders were increasingly controlled and smuggling limited (although bribery

could still find a way around this). There was an attempt to concentrate traders into specific parts of town - usually the sports stadium - which were patrolled by Economic Police. In these market places it was necessary to pay the market manager for a place by the day or by the week or month. Licences were introduced for trading and traders should pay taxes. In the words of one trader:

... the markets in Slovakia are inspected more frequently by police than ever. Before we could sell our things without any kind of permission or licence, but now we are fined by the Economic Police everyday. Sometimes you lose all your earnings if you get fined. Today, for example, I was lucky so far. The Economic Police have not turned up (Ukrainian trader in Slovakia)

Finally immigration was controlled following fears about an influx of Eastern Europeans trying to storm the walls of fortress Europe. This made it more and more difficult to get in or to stay and foreigners were stopped and asked to show their documents on the streets or in the markets. Those without the right documents could be fined and deported or have their passport stamped so that they could not return.

During this period, hyper inflation in Russia and Ukraine meant that prices were often now much higher than in the Central European countries. Instead of coming to sell, the Ukrainians, Russians and Belarusians were increasingly coming to buy. The stock piles of goods had run out and the factories had ceased to produce. Many workers were laid off or their factories closed down leaving them without work. Real wages fell. During 1996 at the time the research was carried out, many were simply not paid for months on end. Everybody was forced to resort to other forms of income generation such as trading. This increased the competition and made it even less profitable. However, lack of production in countries such as Ukraine meant that everything had to now be imported and much of this importation was carried out once again by small-scale traders. Many traders were people who risked fines and deportation to make a few dollars from smuggling cigarettes or vodka, because otherwise they had no income or insufficient on which to live. Now it was not so much profit as survival which was the important incentive.

Trading began to decay recently...First it is becoming more complicated to find goods which you can buy cheaply and sell for more. These goods which we sell here are produced in Turkey and are not of good quality. They are not competitive to good quality goods, and people like to buy goods of good quality. Ukrainian goods can also be of high demand... but they are not of good quality either. People prefer to buy such goods in shops. Ukrainian goods which were worth something have become scarce. It may be that the price is high due to reselling, or that we do not produce them at all. You know as well as I do that most of our factories closed down. We do not produce anything. Before traders from Lviv supplied coffee makers and electrical equipment for the kitchen, from Uzhgorod they brought car accumulators, from Ternopol lamps and from Chernivci textiles. Now we do not produce anything (Ukrainian trader in Poland)

Whilst in Hungary, the Czech Republic and Slovakia the clamp down on foreigners and upon illegal trading had helped to clear the streets, or at any rate, drive the traders into more and more remote corners, in Poland the markets continued to flourish on a grand scale creating

an estimated 5 bn US dollars turnover. This makes it one of the biggest industries (in terms of turnover) in Poland. According to official statistics in Poland, foreigners bought 4.8% of all retail goods in Poland⁶ and this is estimated to amount to about 10% of all exports. The spending of visitors from Belarus and Ukraine climbed by 250% and 273% respectively between 1994 and 1995⁷, although that of Germans remains the highest. Thus, this border trade can be seen to be big business for Poland. The goods imported into Ukraine and Russia and Belarus or Bulgaria were frequently made either in Turkey or Poland. Poland was producing once more for export to Eastern Europe, not in the previous large scale COMECON arrangements, but as small, private ventures. The goods (especially clothes, cosmetics, toiletries) produced in Poland were thought to be better quality than the Chinese or Turkish and they were in great demand to the East.

However, whilst in the buffer zone, the open markets were replaced increasingly by more 'normal' retail trading, such was not the case in the former Soviet Union, where they became, if anything, more important. In Ukraine, the COMECON trading arrangements were not replaced by workable import and export arrangements and at this moment Ukraine is locked in a political crisis, unable to pass taxation or other legislation (Radio Free Europe News Report 21st April 1997). Under these circumstances people are unprotected by laws and there is little faith in official legislation or governments to solve the problems. Instead, they take matters into their own hands. 'Official' retail shops resorted to their own methods of import and export and small stalls began to colonise the arcades, stairways and other corners of established retail shops. It was estimated in one report that 15% of imports to Russia arrive via small scale traders.⁸ 'Shopping tourism' started to become a phenomenon. Small scale vendors working from the pavement are a common sight in all cities. Meanwhile, open markets, where the majority of people shopped for consumer goods such as clothes, shoes etc. flourished - one market in Odessa claimed to have between 30,000 and 50,000 visitors per day.⁹ Attempts to control this street trading tended to displace it to somewhere else. Goods were usually imported from Turkey or from Poland, but electrical goods might come from the United Arab Emirates.

Trading often began as an organised trip with tourist buses being chartered and a group of people paying a portion of the costs. At the border they would each contribute a fee for bribing the customs officers. For Serbs going to the Chinese market in Hungary and in some cases for people going to Poland, charter buses are still used. However, in Slovakia and in other countries, this kind of trading declined when the profits declined and the border controls became more stringent: customers were not very happy when the whole bus was turned

⁶ From Report 'Foreigners in Poland' produced for the migration project derived from statistics collected by the Ministry of the Interior and the Ministry of Labour.

⁷ *ibid.*

⁸ From presentation by Julia Zhdanova at Conference 'Culture without frontiers: shopping tourists and travelling objects in post-war Central Europe, International Forschungszentrum Kulturwissenschaften, Vienna, April 1997

⁹ From field work carried out in markets in Odessa in 1995 and in Uzhgorod in 1996

back and had to wait for the next shift of customs officers or when the 'fee' was very high and cancelled out any advantages from the trip. One of our respondents from Ukraine who used to organise such bus tours to Slovakia described how she gave it up for these reasons.

Consumer Culture

The import of consumer goods, especially fashion goods, helps to develop a consumer culture. Fashions spread from producers in Istanbul and Poland via markets in Ukraine and the ephemerality of these fashions is well expressed by one of our respondents:

The success of trading is the in right choice of 'tema' (theme)

And what is a tema?

A trader should have an intuition for a tema. Tema is the consumer's demand. If you manage to choose the right tema then you are sure to have a profit. For example, in the summer women's skirts made of 'wet silk' were in fashion, but in the autumn they could no longer be sold. Now Polish dresses are popular. The Polish are very practical and resourceful people. They take South-Korean cloth and make nice dresses out of it. And they are cheap. We tried to produce such dresses at a factory in Moscow out of the same cloth, but they turned out to be more expensive. I have no idea why.

(Russian trader in Poland)

The 'western' label started to become an icon in itself, even if the item was only a copy of the original. What was often for sale in Ukrainian markets was fake copies of well known Western commercial brands. Hence hair shampoos entitled 'Yves Sassoon' with Polish labels could be bought in street markets in Ukraine or raincoats with carefully arranged 'Salamander' labels (Salamander being a German shop for retailing shoes, not raincoats). Labels were snipped out of second hand clothes or used garments and carefully sewn on to these fakes.

Wandering around markets became a past-time in itself. Hence, when we held focus groups to discuss the role of markets amongst students at the Central European University in Prague, everyone could explain in detail where the markets in their towns were situated and what sorts of goods were for sale. Browsing through markets became a source of entertainment and it was evident that in some of the more up-market markets in Odessa, that both customers and stall holders would wear their best clothes in order to visit the market and took considerable efforts with their appearance; the display of bodies went along with the display of goods. The markets themselves became differentiated with some markets specialising in machinery parts, some in live animals, some in food and vegetables, some in second hand motor cars, some becoming places for the sale of second hand goods and 'junk' whereas others offered good quality, new Western-style clothes, cosmetics and shoes.

Since in many post-communist countries the shops are not sensitive to consumer demand in the same way as the small scale stall holders, it is through open air markets that consumer preferences are expressed. These stall holders and the producers at the other end of the chain, can respond extremely quickly to changing styles and fashions. The small scale of these enterprises means that they cannot carry large stocks of materials and must respond very quickly to consumer demand as the previous quote makes clear.

At the time that this research was carried out, all of these forms of trading were coexisting. It was not so much the case that one superseded the other but rather that they continued to develop in different ways. An increasing differentiation in trade and forms of trading continued.

Differences between countries

Although cross-border trading is a general phenomenon of the region, it does take some specific features in different countries.

Poland

In Poland traders come mainly from bordering countries of Ukraine, Belarus and Russia. Some may also come from Lithuania. A small number come from further afield - we had interviews with traders from Armenia, Georgia and Kazakhstan, from Novosibirsk and from Kamatchka on the Eastern border of Russia - but generally they come from neighbouring countries for short periods of time. In Poland, many traders are living in border regions and may have Polish relatives (this area was formerly part of Poland before the Second World War) who helped them with their trading or offered overnight accommodation. In Poland they mostly headed for the large street bazaars where they may buy clothes, cosmetics and food. The food which was resold in the former Soviet Union was often that which had passed its sell-by date in Poland and was therefore cheaper. Recently, the Belarussian government tried to stamp out this activity in a typically heavy-handed way by banning the re-sale of imported foreign food. Some people bought food mixers and cooking pots which may have originated in Germany but were unavailable in Ukraine.

Many preferred to visit regional markets such as Lublin or Przemysl and complained that the enormous Warsaw stadium market is too patrolled by Mafia. Many expressed a preference for Poland because they can easily speak the language, since it is in many respects close to Ukrainian and closer to Russian than the languages of the other countries we are considering here.

It is easiest way for me. At the time I began trading in Poland it was easy for migration. In addition, I knew Polish language. The Polish and Ukrainian languages are very similar. It was important for the business too. Yes, I chose the easiest way.

One woman bought only expensive fashion clothes for rich clients in Nizhny Novgorod.

Other traders prefer to go to wholesalers directly to buy goods.

Poland is the main 'trading nation' in the region. It was Poles who pioneered this cross-border trade, but it is not so much they that are travelling any longer, as others travelling to Poland to buy goods. One of the main markets, in the Warsaw Stadium, is estimated to produce a turnover of some 1 billion US dollars per year.¹⁰

Polish entrepreneurs have responded by developing production, for example of garments, specifically for this export trade to the East. Ironically, these are sometimes in the form of 'sweat shops' employing illegal labour from the Eastern countries.¹¹

Czech Republic¹²

In the Czech Republic it was Prague which was the most attractive place for traders, and as in most countries, it was the sports stadium that was originally taken over as a market. The large numbers of tourists in Prague encouraged a range of street vendors selling souvenirs, and Russian army regalia although this was heavily controlled by the state authorities. The increasing regulation of trading, especially after 1992, drove the market out of the Sports Stadium and into more peripheral parts of Prague. Field work in these markets indicated that there were sometimes as many Economic police as there were customers and the licences of each trader was heavily controlled, especially if the trader was foreign. About one third of these traders were Vietnamese or Chinese, although increasing controls drove even them out and they could later mostly only be found plying their trade on roadside stands outsized of Prague itself. The rapid privatisation of the official retail sector during this period may also be associated with attempts to stop street trading and open air markets. This also made it difficult for 'Mafia' to operate.

The kinds of things for sale in the open air markets during 1995 included chocolates and sporting goods from Germany, cigarettes from America and Czech Republic, CDs and tapes from Holland and Poland, textiles and electrical goods from the Far East.

Many of the street stands and kiosks (which are heavily regulated) were staffed by people from the former Yugoslavia, who arrived in Prague in the early 1990s as refugees or as trying to escape from Army Service or from a worsening economy. Many of these began as street traders and much of the street trade in the capital was controlled by Bosnians, Serbs or Croats. For these people Prague was an attractive place since it was peaceful and stable, the language was analogous to their own and there were many business opportunities in the

¹⁰An estimate in one Polish newspaper.

¹¹From interviews with labour migrants carried out as part of the same project

¹² This information about the Czech Republic was taken from the report of Oxana Chmouliar (Chmouliar 1996)

booming local economy. It was evident that many of the people from the former Yugoslavia had a different investment in the local economy than the other cross-border traders as they did not expect to return home in the nearest future. They had a career which usually began with street trading, working for other people from the former-Yugoslavia before going on to other kinds of business ventures. They were also generally well-educated, from middle class families and had enjoyed a good standard of living in their own countries before the war broke out.

The most common nationalities of traders were from the former Yugoslavia and from the former Soviet Union (mainly Russia and Ukraine, but also some from Georgia and Armenia). The former Yugoslavians along with the Asians seemed to operate highly developed networks for recruiting nationals from their own countries to work in businesses in the Czech Republic and for them, obtaining a business licence for trading (which was relatively cheap) was also a way of getting a residence permit and of conducting a variety of kinds of business.

The majority of traders in Prague were from middle class families, often with higher education and often bringing capital with them to begin their business.

There was an ethnic division according to the different aspects of trading. Whilst Georgians, Armenians and Chinese were mainly wholesalers, arranging for the supply of goods from a whole range of countries, the vendors were usually Ukrainian, Russian or Vietnamese or the former Yugoslavia.

The introduction of trade licences in 1991/2 resulted in a shift from individualised trading to group efforts using wholesalers and importing from further afield. Whereas those from the former Yugoslavia were likely to use their compatriots in the Czech Republic as contacts, those from the former Soviet Union were more likely to set up partnerships with local Czechs.

Slovakia

In Slovakia, by far the majority of traders were Ukrainians from just across the border in Western Ukraine or from Transcarpathia. Some 15 buses crossed the border every day from Uzhgorod and they mainly took small scale traders to the nearest place across the border. Uzhgorod is only one of several crossing points and new ones are being opened up all the time. Others travelled on foot, by taxi, by car, on organised bus tours or by train. It was cheaper to take local transport than the international trains and so bus stations such as Michalovce on the Slovak border had become an important meeting places as had the markets which were near to these bus stations.

Ukrainians mainly brought vodka and cigarettes with them. They could make a very small profit by hiding them under their clothes and hoping that they did not have to bribe the customs officers too much.

These traders shopped in Slovakia where prices for food were lower than in Ukraine and then went home. Some women sold baskets or textiles from Ukraine. The majority did not go very far into Slovakia, but some travelled as far as Bratislava where they might get higher prices for their goods. Higher prices could also be obtained by going round small villages which were not near to major markets, but most people did not want to do this, either because they did not feel psychologically suited to this kind of peddling or because they wanted to get back home again as quickly as possible. As the profit from these goods fell and the Economic Police more stringent, so Ukrainians increasingly store unsold goods in Slovakia with friends and contacts or sold them on to middlemen who sold them again later as the cigarettes made their way Westwards and often ended up in Germany and Austria. Some expected to make as little as \$5-6 per trip. Those who were able to get to Chernivci wholesale market in Ukraine could make higher profits by reselling goods from there which were made in Turkey, China or Poland. Many were able to pick up some Slovak and after a few years could become quite fluent because Slovak is a similar language to that spoken in Western Ukraine. For Transcarpathians it was a question of reviving old links severed by Communism, because this region had previously been part of Czechoslovakia. Ruthenians could be found on both sides of the border.

In Slovakia, there were two different trading routes. The first route was for traders with cigarettes and vodka who commuted for short period between the closest border cities and villages. Usually they went from Uzhgorod to Michalovce, Cerna nad Tisou or Sobrance, towns situated on the main motor and train highways close to the border. The second route was for traders carrying small goods such as textiles, wooden baskets and cheap jewellery. These tended to go further to into Slovakia, to Kosice, and to Bratislava. On any day, there were some 50 Ukrainian petty traders on the market at Kosice. The first kind of traders usually arrived early in the morning and returned over the border by nightfall, whereas the second type usually needed to stay for a few days to sell their goods. They found accommodation with local families for about \$1.50 per night.

The income of traders depended upon several factors. It depended upon how often they can travel. Cigarette and vodka traders in Slovakia may go every few days but may make only \$3-10 profit. Larger scale traders staying for longer, usually reckoned on earning about \$200 per trip but they can only travel one or two times per month. Those coming from greater distances (such as Novosibirsk or Kazakhstan) might stay longer and some may even stay for a month or two.

Traders had to deduct the cost of their travel which would include the fare but also the cost of a voucher. This could also be variable, but costs between \$1 and \$10. In addition they had to rent a place at the market if they wanted to sell there. Most of them rented only an open table because it was cheaper. It seemed that the trading in Slovakia was the least profitable of all the places we researched, the profits were the lowest and the traders the poorest and least likely to be professionalised.

Our research indicated that the majority of traders in Slovakia came from the Transcarpathian region because it is a region without much industry and they could continue to live at home and remain with their families by making short trips. Many of them were building family houses or had animals and land to care for and they did not therefore want to be away for long periods. Trading enabled them to combine these different activities.

Hungary

Hungarian trading has some special features. In Hungary there is a large Chinese population (estimated to be about 6-7000 although nobody knows for sure) which first arrived in the 1980s (Nyiri 1995). These Chinese operated a wholesale trade selling incredibly cheap clothes, shoes and toys in bulk from the Far East, which are then bought by other traders for resale in Hungary or elsewhere. Although Budapest was the main centre of their operation, the Chinese have also opened wholesale warehouses in Slovakia and the Czech Republic.

Another distinctive feature of Hungary is that it borders Serbia which was until last year under an international trade embargo and where prices for ordinary commodities continued to be very high. Hence, there were always queues of Serbian 'Excursion' buses waiting at the Chinese market for their passengers to finish their shopping. This made border areas into smuggling zones, especially for fuel.

In Budapest there were two important markets: the so-called Chinese market and the Kobanya market. The Chinese market was the main one where commodities of interest to our traders could be found and was open all week. The Kobanya market was more shabby and tended to be the last resort for traders expelled from the Chinese market by the Economic Police or by the market management. Whilst there were some Ukrainians and Russians here, the dominant nationalities were Bulgarian, Serbian, Romanian and even Moldovan customers. Below is an extract from a description of the China market, undertaken as part of the fieldwork.

The China market is situated near the main railway terminal in Budapest. The traders are mainly Asians, Hungarians, Poles and Romanians. The customers are mainly people from the former Soviet Union, Serbs, Poles, Hungarians. Arabs arrange illegal currency exchanges and can be found at one end of the market offering 'dollars' or 'marky' to passing shoppers. The languages spoken are Hungarian, Russian and a sort of slavic 'esperanto' - a mixture of all slavic languages. The sheds are arranged in rows and back onto the cargo train station. The traders are mainly Asian, including Chinese and Vietnamese (the latter being former workers in Central Europe). Most of the goods are from China but there are also goods from Hong Kong, Thailand, Lebanon and Turkey. Every kind of product is available there from electrical appliances, domestic articles, children's toys, clothes, erotic calendars, and Polish cosmetics. Many of the cosmetics have a NOT FOR SALE sign printed on them as they were formerly testers. Prices are lower than in other Budapest markets and sometimes two times lower than in the shops. The Asian traders appear to live with their families in the sheds where they keep the goods in the market itself. They display the goods on little tables or cardboard boxes in front of each shed. In response to requests, they will delve into their sheds to bring out more articles. Generally they are quite rude to their customers and look away in boredom if the customer lin-

gers too long with the goods. They are also very distrustful of customers and do not allow them to handle goods themselves. When the lunch hour arrives they squat by their sheds and slowly eat a meal of rice or soup cooked in the shed. At these times they ignore the customers altogether.

Bulgarians generally sold pirated CDs (Bulgaria supplies 10% of the World's illegal CDs according to a news bulletin in the BBC World Service) and went back to Bulgaria with medical products, vitamins, computer parts or things which they had purchased on the Chinese market. One man stocked his shop in Bulgaria with baby products from Hungary, returning regularly over the border with armfuls of Pampers! Another bought specialist herbal products and resold them in Bulgaria.

Some traders specialised. One Ukrainian sold specialist dictionaries which he bought in Hungary but were not available in Eastern Ukraine where he lived. Another Bulgarian drove second hand German and Austrian cars across the border, for a Bulgarian boss and on his way picked up spare parts for his own car repair business.

Romanians sold Romanian products - needles, watches, knives and other small things. One man brought nuts grown in his own and in his friends' gardens, sewn into the lining of his coat. However, they had to work very hard to sell such things. They brought home items which they had purchased from the Chinese.

Some traders stocked their own or their relatives businesses back home with coffee, juice, car parts, baby products, clothes and soon. Second hand clothes, sent to Hungary from humanitarian organisations in western Europe were also important for Romanians, whose standard of living was much lower than that of Hungarians but not as low as the Ukrainians.

Risks in Trading

Traders had to deal with a number of risks: raising capital, risks of profit and loss, risks of changes in state policies and risks of external controls such as from customs, police, Mafia and ordinary robbers. Since they are mainly operating illegally, they are not protected by laws or regulatory bodies - in fact they are likely to be the victims of regulatory bodies such as the police.

a. Capital

The majority of traders had very little capital. The banking system does not operate to serve small scale customers in the former-Soviet Union and although the banking system may operate more effectively in the 'buffer zone' countries, such services were not usually available to foreigners. Traders therefore had to raise money from friends and relatives or from their

own savings. In some cases they had to pay interest, in some cases they did not. Often the trading was carried out on a rather hand-to-mouth basis with traders borrowing only enough to finance their trip and then repaying lenders from the profits. The money which they earned had to be changed into dollars or deutschmarks through illegal money changers (there was always a section of the market where these could be found) and then brought back to the home country. In most countries, only nationals were allowed to change money without showing receipts, so traders were forced to resort to illegal money changers, with the consequent risks that that involved.

In Odessa we found an example of rotating credit of the kind indicated by Granovetter, Portes and others. This was in a group of businessmen who each contributed a sum of money to a communal pot and then could borrow capital from this pot on a rotating basis.

b. Profit and loss

Since traders are operating on a shoe string, profits were often very slender and provided only income to eke out substance. Profit could easily be turned into a loss. Often traders described a situation whereby they went to trade only when they needed the money to subsidise their incomes.

About one third of our traders were part-time - they had other jobs and activities and used trading only to supplement these jobs which perhaps did not pay them enough on which to live. Often they were pensioners. However, many of those who were in jobs were on unpaid 'holidays' and others who worked full time seemed to be able to find colleagues who would substitute for them. Teachers would trade during their holidays. Although there were some full-time professional traders, for most respondents it was seen as only an occasional activity.

The introduction of regulations for economic activity in the buffer zone and at the borders introduced more risk rather than less for the traders and drove some activities, such as cigarette trading, underground:

Once vodka and cigarettes were profitable goods. You could take a few bottles of vodka and a few blocks of cigarettes and go to Slovakia or elsewhere and sell them for a good price. You could easily earn \$20-25 per day. Now for the same profit you have to work much harder - there is more risk and less certainty of an income (Ukrainian trader in Slovakia)

c. Changing state regulations

One source of risk for our respondents was the changing state regulations in terms of customs controls, import and export tariffs, the policing of trading, taxation and licensing of traders. Any or all of these things could change the whole situation overnight and turn a potential profit into a loss. In addition, state policies on exchange rates and monetary policy could either create or destroy trading possibilities as could wars, embargos and changes in foreign policies, including the opening or closing of borders. For the small-scale trader such policies

were as unpredictable and arbitrary as the weather and the state was not necessarily seen as protecting the interests of traders - rather it imposed new hazards. Many of the trends described in this paper were shaped by state policies, but often it was the indirect consequences of state policies on informal economic activity which was the most important. Therefore, we have to consider not so much the direct impact of state regulation as its mediation by social networks and embedded economic activities. It was this which created our next source of risk - that of official robbers.

d. Official robbers - customs and police

Only a small minority of the sample were fully legal traders. The rest were either operating wholly or partially illegal. A typical situation would be to hold a legal trading licence in Ukraine, to declare part of one's income as taxes but to buy goods as 'tourists' in Slovakia and smuggle the goods across the border without paying import duty or having an import licence. Furthermore, the trade in cigarettes and alcohol was banned as stamp duties were imposed in the buffer zone, so traders resorted to accosting shoppers in the market in whispers to offer these goods or to trading them secretly at the bus stations where they arrived.

Since traders were bringing with them more goods than was officially allowed, they had to circumvent customs controls and such customs controls have become more stringent on the Western side of the border as the buffer zone countries try to harmonise their regulations with those of the European Union and on the Eastern side of the border as the former-Soviet states tried to capitalise on cross-border trading by charging hefty import taxes. This is one of the main challenges of trading and could make all the difference between a profit or loss from the trip. Customs officers would generally accept a 'tip' which could be between \$3 and \$10 per person. However, this depended upon how much the person was carrying and also on the moods of the customs officers. When control was increased from Bratislava, Slovak customs officers on the Ukrainian border started to ask for a higher tip to compensate for their risk. In some cases they were happy to be paid in kind, which suited the trader much better. Romanian customs officers were usually paid in kind.

It totally depends on the situation at that moment. Sometimes the customs officers are in good mood, they just laugh at us and let us pass without any problems. Sometimes you have to unpack your things, to show all of them, to explain a lot and for a long time. If they decide that you carry something forbidden they can take it, as I experienced twice. You also have to be prepared for bribery - if you have many things which are obviously expensive the customs officers may ask you for 10-20 DM. You must give it otherwise you will have problems. So you are never safe (Serbian trader going to Hungary)

Are the Hungarians as corrupt as the Romanians?

Even here the Hungarians are more civilised than us. Its a deal with the Boss: the price is 5000 florints per bus.

It's cheap!

Isn't it? And clean, you know.. suppose we are 30-40 on the bus. 200-300 florints is nothing and we solved our problem, they solved theirs. The Boss (of the bus) collects the money in Budapest already and you can't get on unless you pay this border service charge. Nice guys the Hungarians

What about the Romanians?

They are still in the stone age. They did not yet find out that currency has been invented, so they must be paid with objects. Usually they choose a radio, a dress etc. and we pay to the person on the bus who loses that particular object the same price she or he would get in a Romanian bazaar. Its unfair that one should pay for all just because one officer liked their stuff.

(Romanian trading in Hungary)

The customs officers on both sides of the border were often involved in the business as well and their own families would smuggle goods across whilst they were on duty. Negotiating with customs officers was quite normal. Customs officers were therefore among the wealthiest people in the border regions.

Traders in Slovakia and Hungary could expect to be controlled by the Economic Police at least once per day. They would then have to pay a fine for illegal trading if they had no license (most of them did not have one) and were not paying taxes. They would negotiate the fine with the Police so that if they had fewer goods, it was lower. If they had a very miserable selection, the police may ignore them. One way around this was to hide the goods somewhere else and to show only a small selection.

Interviewer: Can you stand at the market the whole day without any obstacles?

I wish I could. Every day we are checked by the Economic Police. They come every day, but fortunately not always with a fine. If you were fined yesterday, then today they may just warn you.. Sometimes it is enough to give them something, nothing very significant, a little present, then they do not approach you for while. Or say, if you were fined a few days ago, then you won't be required to pay the fine again. I assume that police have a conventional agreement into to fine the same people all the time. From the trader's side, *one also has to know how to behave with the police.* (emphasis added)

Interviewer: how often do you get fined?

Once per week, surely. I pay from \$3 to \$10, not more. ...(I stay) at a cheap hostel for one Slovak enterprise. We pay \$2 per night . There are a lot of young Ukrainians there. The police inspects them very frequently. Sometimes, even the manger of the hostel gets fined for letting us stay. During these inspections the police behave very rudely. Once they beat some young Ukrainian boys for nothing, just because they happened to be in the hostel. The police crash the bags full of goods, even if there is something fragile inside. Our people suffer a lot because of these inspections. I would not want anybody to go through that.

The point about these encounters with the official law enforcers was that they were arbitrary. The customs officer or Economic Police might deport you with a stamp in your passport, might fine you, might confiscate your goods or might do nothing at all. It would depend upon their mood. Negotiation with such agents of the state was quite normal, as was bribery. However, such encounters would nevertheless generate considerable stress for the trader. Therefore, we could say that whilst regulations to control trading were in force, they were somewhat arbitrarily imposed, making for an uncertain climate for the trader - not one where he or she was protected by the law, but where he or she may be its victim and where the law (and its agents) were seen as something negotiable.

We have emphasised the phrase 'one has to know how to behave with the police' this is important in the next section where we discuss how this arbitrary and risky environment could be controlled by traders.

e. Unofficial robbers: Mafia and thieves

Most people could give examples of Mafia activities. Places such as Warsaw and Moscow were thought to be particularly dangerous for small traders for this reason, as were activities such as taking second hand Western cars across the border, and in the case of the Serbian border, fuel and arms smuggling. Some of our respondents had the experience of being robbed in Warsaw and one had to sleep at the railway station until she could find the money for her fare home. For this reason, our traders mostly avoided these activities and these places. Some had dabbled in them and then realised that they were out of their depth and gone on to more 'safely' illegal forms of trading. Few people had any personal experience of being threatened by Mafia. They all claimed that their activities and profits were too small to excite the interest of organised criminals. It is perhaps also the case that in the markets in Poland, Slovakia and Hungary with which we are mainly concerned, there was a calm and law abiding atmosphere which did not permit Mafia activity. There was clearly frequent police control.

However, many traders were the victims of ordinary thieves and casual extortionists. These thieves and extortionists were often foreigners themselves who could identify traders and knew that they must carry their cash and belongings with them. Casual extortionists might wait at railways stations and demand money from those getting off the train - the terrified travellers usually paid this money. Extortionists were usually from the same nationality as their prey - they could easily identify their own people and knew that they must carry all their money with them in cash.

One Ukrainian extortionist who worked as part of a Ukrainian gang in Poland explained it like this:

In the beginning, in 1991, my friends and me, we gained money at the market. At the time there were a lot of our tourist-merchants who traded there. We took money from them (i.e. by extor-

tion). It was very easy and we did not have any problems with money. Later, when our merchants retreated from the markets (i.e. when it became less profitable to sell in Poland) we didn't have anywhere to take the money from. So that was when we started to use klapeline (a pharmaceutical drug which when mixed with alcohol put the victims to sleep, when they were robbed by the gang). (Ukrainian leaving Poland for Bosnia)

Many traders could give examples of how they were robbed or cheated by their business contacts. As the divisions of labour and networks of contacts in trading became more complex, so there was more scope for cheating by partners.

Traders from the former Soviet countries or from Romania did not expect to get any help from the police in the buffer zone if they ran into trouble - in fact they were afraid to go the police for fear of getting deported. Nor could they get any sympathy from their own Embassy as this elderly woman experienced:

Oh Sonny! I got into such trouble! Yes I did have some money - that was nothing special. But during the time I was trading here I made a bit more money. I also bought a lot of pots - you know, pots for cooking. They have glass covers. In Ukraine those pots cost more than here. So I was happy with it. So I had money and goods worth almost a thousand dollars! I was so happy with it. I thought I would go home and it would be enough money for us to live through the winter. I was already thinking about buying a train ticket back to Ukraine. And do you know what happened, Sonny? That day I was going back from the market to the apartment where I was living and some bandits, Mafia, attacked me. They hit me and broke my head. I fell down and lost consciousness. When I recovered again I saw that all my money was gone...(pause for drying her tears). I don't know what to do now, Sonny. The lady with whom I was living kicked me out. Now I have no place to go.....Go damn this money! Now I just need to get back home. But I don't have money for a train ticket.....That money was from my elder son, he gave it to me. He was saving for months

Interviewer: Didn't you go to the Ukrainian Embassy? Go there, they have to help you

Oh Sonny! I was there. I talked to four persons there, one of them was the advisor of the Consul. He told me that he needed some proof that I was telling the truth. He said 'Go to the police and bring some paper from them that you were attacked. And even in this case, I am not sure that I can help you. It is the responsibility of each individual person to take care of himself here. There are many people like you coming here and getting into trouble. What can we do?' he said. (Ukrainian trader in Poland)

f. Anxiety

These tremendous risks of trading, coupled with the fact that many people were unwilling traders in the first place, lead to very high levels of anxiety and stress. Many described selling as a stressful activity in itself. Many people reported their terror every time they crossed the border that they would be discovered, or their fear of being fined by the police. Their fear of losing their or their friends and relatives money was also a factor. Cross-border trading was a very stressful activity for those involved. Living in countries such as Ukraine or Bulgaria where economic and political futures are uncertain and where prices can double overnight, is in itself stressful and trading was one more stress added to their lives.

This is not mentioned in other accounts of trading but was a recurring theme in the narratives of our respondents.

For some this stress was compounded by family strife caused by trading.

One woman had a black eye from her husband when he beat her for losing their money in a trading venture. Some men were very unhappy about their wives going off on their own abroad

(This trader from Ukraine is standing in Bratislava market in the rain, looking miserable. She is offering an assortment of goods from Turkey or Ukraine.) ...Yesterday I traded in the food market and in the afternoon I went to look for a place to sleep...I spent a lot of time searching for a cheap place. At one hostel they asked 100 Kr. but I could not afford such a price so I asked that lady at the hostel to let me in for 50 Kr. She did not agree at first but in the end she let me in but woke me up at 5am so that her colleague on the next shift did not see me. I came to the market early today. It was so cold I drank some warm tea. ... You see the weather today is cold and rainy. I think nobody comes to the market today. Only we, the traders, are standing here.... I have a lot of trouble with health now (she is 62). But I have to work because we have run out of money. I could survive but look at my daughter and her husband, so young and without any money. I cannot stand on one side and watch them so that is why I came here to trade today...The most difficult thing is to sell the goods, not simply to sell, but with profit. It is such hard work because everyone wants to earn money on this business. There are fines from the Economic Police and presents for the Slovak customs at the border. If you do not bribe them with some thing they may not let you across the border... Today I sold an alarm clock and a coffee machine.My pension is approximately \$20 per month (her daughter and son in law live in the same flat but have not been paid for some months). The money is hardly enough to buy bread for the whole family for one month. I worked as a librarian 32 years and deserve from the state only this nil income.... I am not sure that I can bear it for a long time. Even now I get nervous and exhausted at any single occasion of failure in trade or something like that. We lived a completely different life some time ago. Now what is this can you tell me? Where is our honour and our self respect? (Ukrainian trader in Slovakia)

Controlling risk: using social capital

Small scale trading is clearly a *risky* business and there are many hazards. The profits of the trader depend upon their ability to reduce or control these hazards. One way of doing this is through building up networks of relationships which can form the basis of the business. The success or otherwise in doing this accounts for much of the difference between successful and unsuccessful traders.

In such a situation there is the problem of *trust*. Traders need to be able to trust their partners not to cheat or rob them and to trust their contacts to treat them well. In the case of illegal black market smuggling, formal institutions cannot be trusted - the trader is often working around formal institutions rather than inside of them. Furthermore, they are working in a situation where formal institutions of market regulation have not even been developed - in this case banks and joint stock companies - at least for this level of trading. Or alternatively,

there are formal institutions (customs, police) but they are only operating in a semi-formal way, keeping much of the money for themselves. The problem then is whom to trust? One of our hypotheses on beginning this work is that ethnic and family networks would prove most important under these circumstances.

The increasingly complexity involved in trading and widely flung networks meant that whilst much trading was still done on an individual and ad hoc basis, a division of labour was also emerging. Increasingly there emerged a 'professional trader'. Professional traders formed a very small category. It is possible that the professional traders could develop into a more established middle class. It is worth noting that many of them had a Higher Educational background or had held responsible jobs previously. However, perhaps on account of the association of trading with petty criminality, some professional traders resembled the new breed of 'businessmen' who display their wealth conspicuously and boast about it. In some of these interviews, I had the impression that the respondent was boasting and that they were not in fact as successful as they claimed. However, in other interviews, the respondent tried to play down their success in order not to attract jealousy. As one respondent put it:

One has to have a mastership to trade profitably. For example, selling at the market you should not stand wordlessly and watch your customers. You have to be very active, to offer the goods, ask them to try them on, say that it suits the customer very well, even if it is not true. Customers like it when somebody encourages them to buy things.... so you have to be the one who stimulates them. ...Even if I stop going to Slovakia, I will do trading in some other place. I like trading, it is my vocation, so to say... I have a trading mastership. (Ukrainian trading in Slovakia)

Another emerging division of labour was between purchasing and selling. For selling they hired 'realisators', mostly women, who worked on the market selling their goods for a commission. When times were hard they sold the goods themselves.

If you don't have enough money to conduct the whole business by yourself, then you'd better have a 'master'. The master has money, she doesn't go on the trips, but she gives you the money. For example, a master gives me \$8000 and I put up \$1,500 of my own. The master has salespeople whom she places at the market. Everyone has some share of the profit. The master I know is very business like. (Ukrainian trading in Poland)

As the price of cigarettes and vodka started to equalise between Ukraine and Slovakia, so traders were pushed increasingly to use 'intermediaries' who may be Ukrainians with resident permits or Slovaks. Intermediaries were used to store or to sell on the goods. In all countries mediators were often people married to a native in the host country or someone who had a secure residency status of some kind. However, these middle men or women also frequently robbed or cheated their customers, adding to the stress of trading.

It has become more problematic than before. Some years ago I could sell cigarettes openly at any Slovak market, now I have to find a middleman who can buy the cigarettes from me. We agreed that I will bring an amount of \$96 of cigarettes (around 43 blocks) (NB she has to travel backwards and forwards many times to manage this). He never paid me all the price of my

portion of the goods, only part of the price. The deal was that I get all my money when the other trader, who sells the cigarettes in Germany, will pay this middleman. In order to commute to Slovakia so many times I had to borrow this money from my friends. At the same time I was very scared that this middleman might not pay me at all. There were some cases where the middleman simply deceives the petty traders. I was worried about this money because of my debt to the other people. To me it is more important to pay back this debt than to make a profit.' (Ukrainian woman trading in Slovakia)

This division of labour required the creation of relationships of trust and exchange. As we have seen much of this activity operated outside or alongside the law, so relationships of what Portes and Sensenbrenner has called 'enforceable trust' have to be cemented by 'bounded solidarities'. These networks need to share a common set of values in order to operate and must have an agreed set of reciprocities. Following our first hypothesis, we now look at the different ways in which social ties and relationships could be guaranteed by looking at the significance of ethnic ties, family ties and social networks.

a. Ethnic ties

Ethnic ties did turn out to be important as those with Slovakian, Polish or Hungarian relatives tried to use these links for their trading. The historical ethnic ties which straddled the border meant that contacts could be renewed once the borders opened. Ukrainians and Belarusians in Poland or in Slovakia could use these ethnic roots to communicate and do business with new arrivals especially if the arrivals did not know the language or required a local business partner in order to be able to operate. Often a useful contact was a compatriot who was married to someone from the host-country and these often became middle men or women. However, this could also lead to the renewal of historical ethnic resentments and antagonisms as Chris Hann's description of Ukrainians trading in the Polish border town of Przemysl makes clear (Hann n.d.) and also the treatment of German tourists in the Czech Republic (see Wallace, Chmouliar and Sidorenko 1996). Since trading is considered a rather sordid activity, it also helped to stigmatise the in-coming Russians, Belarussians and Ukrainians who were together labelled contemptuously as 'Soviets'. The racist attacks on Vietnamese traders in the Czech Republic often takes the form of condemnations of their peddling of 'rubbish' at the road side, and much trade was traditionally associated with gypsies, a long-stigmatised group in the region.

Within each country, Ukrainians, Armenians and Georgians often used the services of their own ethnic groups. There were some examples of extremely tightly knit ethnic groups which did not allow us to interview them very easily - Vietnamese and Chinese fall into this category. It seems from this research that some ethnic groups are more close-knit than others. The Vietnamese and Chinese would fit Portes and Sensenbrenner's description of an ethnic group which was stigmatised and very easily identifiable in terms of culture and physiognomy. They operated in a very segregated way. However, others, such as Hungarian Romanians in Hungary, could melt more easily into the local population and this was also the

case with Ukrainians in Poland or Slovakia. Their culture, history and language was not very different from that of the host population and they did not generally operate as a tightly knit ethnic group, although they may use ethnic connections. Indeed the analysis of the interview indicated that although people often did gravitate towards their co-nationals in another country this was less a form of business organisation than the fact that it coincided with family and friendship ties. There were no examples of migrant traders being forced to share their profits with other members of their ethnic group on ethnic grounds alone (although this may be the case with the Chinese and Vietnamese).

However, it was impossible to carry out a business in another country without having contacts with the local population either as buyers or sellers. We could say therefore that cross-border trade also encourages contacts between different ethnic groups of a new kind. Whereas previously many of these borders were closed for the majority of the population, they are now able to cross to market towns on the other side of the border to go shopping.

In the Czech Republic, people from the former-Yugoslavia operated a very effective ethnic grapevine which differentiated the different ethnic groups at war with one another (although some respondents refused to be identified by their ethnic group in defiance of the war). Their situation of forced mobility and exile, perhaps encouraged them to coalesce together despite the similarities in their language and culture with the host population.

We could hypothesise therefore, that for non-refugee migrant groups, the importance of the ethnic community depended upon how far they had to travel and how conspicuously 'different' they were from the host population. In the case of the refugee groups, they were forced to co-operate more closely because their escape from the country was cut off.

b. Family networks

Family ties were also important since relatives - even god parents - would be used to secure more favourable conditions, to store goods, to provide accommodation and so on. Family connections amongst bus and train drivers, amongst customs officers were particularly useful.

However, here we have to be specific about what was meant by a family tie. There was a primary obligation up the generations towards grandparents and down the generations towards children and grand children (Wallace 1995). Traders often mentioned that the reason they were trading was in order to support these relatives. The traditional lines of obligation in these societies mean that grandparents were important sources of both social and financial capital for supporting subsequent generations (Mozny 1994). Many pensioners were therefore supplementing their pensions in order to provide for grown up children or grandchildren. A very common reason for trading was to put a son or daughter through University or help

them to buy an apartment or build a house. These were projects to which parents and grandparents contributed.

The housing arrangements in the countries under consideration were such that there were often three generations co-resident in the same house or flat. When they were able to buy a piece of land they very often built a large house as a family project, also with the intention of being co-resident.

Married couples or parents and children often worked as teams with one buying goods and the other selling - wives were often 'realisators' whilst husbands travelled backwards and forwards with goods.

Occasionally uncles, cousins or god parents were mentioned, but this was always in the context of a customs officer or someone with a car who could help them out. There was no question of any open ended obligation with these people. They were people who could simply be called upon to help in order to minimise the risks of trading and might expect some present or favour occasionally in return. They could also be sources of loans, but in this case repayment was expected, sometimes with interest.

What is evident however, is that trading formed part of a household survival strategy. Many of the traders were pensioners who wanted to support their children or grandchildren. However, many also lamented that the old lines of responsibility no longer applied:

There was a time, when we were helping them (her grown up sons and their families). Now times have changed. It is easier for the young to earn money. My son's help us... with money, with keeping house, working in the garden. But we understand that we have become a burden on them. And it is why I started to trade...Don't think I like it. It's life that forces people to go out and trade

(Ukrainian trader in Poland - female)

Women were often doing the smaller kinds of trading to eke out the household budget - the kinds of trading that many men were too proud to do. Hence the phenomenon of the 'babushka' traders around the periphery of markets, subways and streets, selling just one or two items. In some cases men were working abroad and women were trading as part of a husband-wife strategy (Sidorenko 1995). Trading can therefore be seen in terms of gender and generation. The older generation, feeling obliged to continue their traditional flow of support for the younger generation would take to trading as their incomes were eroded, whilst younger families were more concerned to support themselves and raise their consumption. Women were more likely to carry out very small scale trading because they were in charge of the family budget, but they risked arousing jealousy and resentment from male partners for being away from home. Despite the alleged 'equality' of sexes imposed by Communism, the domestic division of labour remained very 'traditional' in gender terms.

It seemed to us therefore, that the trader's dilemma described by Evers and Schrader (1994) for South East Asia was not so relevant in Central Europe because the boundaries of the family and therefore obligation to share, were defined in a very limited way. Interestingly enough, one successful Armenian trader in Slovakia mentioned that he did not go home often because all his relatives expected money from him. This kind of strong moral obligation in the Armenian family was in contrast to that displayed in most Central European families.

c. Social networks

However, what emerged as the most important set of ties was that of 'friends' or 'contacts'. These contacts took different forms. The first was a straightforward trade or business relationship, for example, buying goods stolen from a factory or storing goods for someone. The economic terms of exchange were cemented by ties of friendship which were believed to be some insurance against cheating or getting ripped off or reported to the police. Here are some examples:

Money manages everything. If I go, I do not go alone, I go as part of a team. The driver.. is a husband of one of the women who goes with us. We all pay the customs officer for letting us go through the border, it is usually five dollars from each of us. As for our side of the border, we manage it with just one gift: a bottle of brandy. Because we only in the shift of my child's god-father.... we go when the darkness comes...My husband's cousin lives in Humene (a town in Slovakia) so she keeps the goods if we do not manage to sell them straight away. Besides we often stay with her. We settle up with her, although it is not too much - for instance, with a bottle of vodka and a carton of non-expensive cigarettes

(Ukrainian trader in Slovakia)

However, often it was not even the case that this was for some kind of profit. Traders simply preferred to have some predictability and human warmth in their activity. The second method was to try to cash in on pre-established relationships. One Russian who was the wife of an Army officer and previously in a position to offer patronage or favours reports it thus:

When we lived here we became friends with some families. I, for example, often offered them presents (in the former times): canned stew or other food which we could buy cheaply in the Army. I notice though, that one of my Slovak friends remembers well our friendship from that time, and the sincere services I made for her, but the other behaves as though nothing happened between us. It depends, apparently, on the nature of their nature and their education. I was never stingy with these women. Generally I value people with open hearts

(Russian trader in Slovakia)

However, a third strategy was to build up an asymmetrical relationship of patron-clientage. In some cases this was a necessity because it was with people who had more power than them. Traders tried to build up 'client' relationships with customs officers, with police, with customers and with business partners. However, whereas Geertz (1963) describes such client relations as ones of equality, those with customs officers, Mafia or police could not be described as equal ones. These were more classically patron-client relations. These were ways in which risks could be lowered and an uncertain climate rendered more predictable. Traders would endeavour to establish friendly relationships with authorities such as customs

officers and police in order to pay lower fines, but also simply in order to have a predictable border crossing and therefore lessen anxiety. In the words of one respondent 'Everything may happen, but we try to avoid all unexpected things'.

Yes (the customs control) is always quite strict. But it was much easier for me because I knew the people at customs, I knew when to cross the border, what are the characters of the officers, what to bring them for a favour and so on. After a while, the customs are not willing any longer to keep you as their 'client' (they do not protect you from inspection). Eventually, they let you know that they definitely won't cover for you because they are being observed by other officers in the way in which they perform their job (Ukrainian trader in Slovakia)

They offered these patrons a source of power as well as regular presents. Some women also had to offer sexual favours in return for such patronage.

They would also endeavour to establish relationships of trust with sellers of products, often returning to the same one repeatedly. At the other end of the buying chain, their relationships of trust with customers were likewise important.

I am doing this so many years, I know a lot of people.... Its a problem of personal relations...I have my specific places in various markets, people know me and they know that if I'm not there this Sunday, I am there the next and so on. Others make one big trip in months. I prefer more frequent trips carrying less merchandise and distributing it quickly. This way, the money circulates faster and you don't remain so often with unsold things. You can always be up to date with people's preferences (Romania trader in Hungary)

In the case of money changers it was important to know whom to go to get better rates and in order not to be exploited. Obtaining licenses to trade, permission to stay and so on was also achieved to a great extent by 'connections'. Therefore, establishing relationships of trust and friendship could make the difference between successful and unsuccessful trading. There were also many examples of where these relationships had broken down, but here the respondent tended to feel a bitter sense of betrayal.

Last time I got definitely fed up with the cigarette business was when the following happened. I borrowed \$150 to invest in cigarettes and a friend of mine told me she had reliable clients in Slovakia. The deal was to bring the cigarettes over the border by train and to throw them out of the window during the night when the train stopped at Cerna nad Tisou. Somebody was supposed to give us a sign with a light. As soon as we began throwing the cigarettes out of the window, something in me began protesting: I knew we shouldn't have done it. When we met the clients to get paid for the deal, they told us that they had sent the light signals and then later, when looking for the cigarettes, they did not find them. It was too much to believe, but it was stupid of us, so nothing could be done about it (Ukrainian trader in Slovakia)

These links were particularly important for raising money. Traders needed to buy goods in order to sell them and to do this they often borrowed money from a range of friends and relatives. Sometimes this was without interest and sometimes it was with interest and sometimes it was for a share of the profits. Often their chagrin at the lack of a successful trip was enhanced by the fact that they had lost the money that was lent to them.

In addition traders often worked in teams with their friends. This way they could carry more goods and someone could always watch the baggage. There was less risk of robbery and also less stress.

Traders often relied upon spontaneous sympathy and solidarity from other passengers. A common occurrence was to ask some other traveller to take some of the goods that a trader was carrying, just until they were across the border and sometimes bus drivers would collude in this activity as well. This was how many of the interviews were started.

Particularly useful contacts for traders were bus and lorry drivers, who could be persuaded to hide goods or to deliver them somewhere on the other side of the border as a kind of informal collection service, in return for some share. This involved a considerable degree of trust if the trader did not travel along with them, because the driver could simply take everything. The fragility of many of these arrangements is evidenced in the fact that they frequently broke down.

Understanding Social Networks and Social Capital

Thus we could conclude that traders use 'social capital' wherever possible, in some cases consolidated by ethnic and family links, in order to lessen the risks of trading. This was social capital being a substitute for formal institutions. This fulfils our hypothesis one. However, social capital could also be a menace. Social capital could drain resources and trading controlled by social groups could more resemble a Mafia in which the individual trader was equally disadvantaged.

This leads us to the second hypothesis: that of the trader's dilemma. In this research we found that the extent of responsibility to others was very limited and did not therefore operate in such a way as to drain trading capital and resources. The societies we are considering are urbanised, industrialised societies where affective solidarities are limited. They have nuclear families which include parents, grandparents and children, but ties of obligation do not extend beyond that. However, as we have seen from some of the interviews, there were very strong obligations for financial support within this family group and the traditional ways in which grandparents and parents helped out children is supplemented now by trading. This bounded family group could be said to consist of the 'strong ties' of obligation and reciprocity. It was clear that members of this group could not refuse demands from each other.

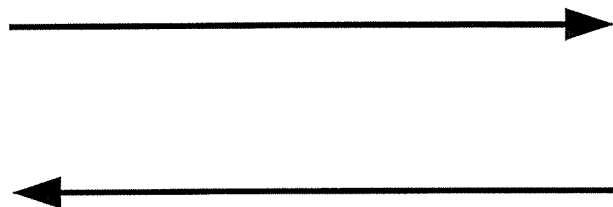
However, outside of the family group, there was a network of weak ties built up with lorry drivers, with bus drivers, with customs officers, with customers and with sellers or realisers which were cultivated on a 'clientalist' basis. These ties were based more upon reciprocity, mutual favours and in some cases it seems, patronage. The important factor in these social network ties, however, is that they were loose rather than strong ties. They were based upon mutual self-interest and reciprocity and although they were not as impersonal as monetary

transactions, they were based upon something which was more approaching a rational, calculable form of exchange than the primary loyalties of family. This is why we might term this in the tradition of Granovetter (1995) the 'strength of weak ties'. Their importance was in rendering an unpredictable environment more predictable and therefore reducing the stress and anxiety associated with trading.

Kinship could be invoked to develop these clientalist ties, as could ethnic solidarity and friendship. In this way it imposed obligations of loyalty and trust and protection. However, kinship and ethnic ties were for most traders simply one resource upon which they could draw in develop such contacts.

Such ties did not come up against the 'trader's dilemma' either because they were confined and limited rather than consisting of open ended obligation.

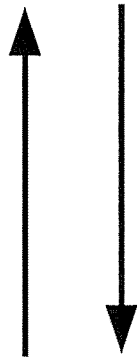
We can schematically define various kinds of social relationships which were operating. First, we have *horizontal, symmetrical ties* as set out in the diagramme below:



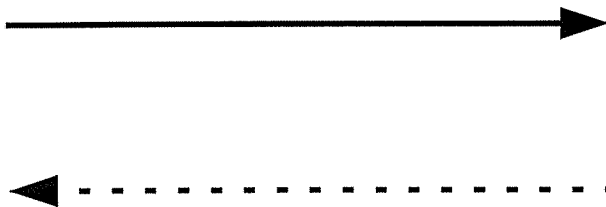
These relationships were one of straightforward reciprocity of various kinds. For example, you store my smuggled cigarettes in your house and I in return will give you some packets or a share of the profit. However, such relationships were very fragile in a cross-border context. What is to stop you from taking all the cigarettes? Therefore, traders sought to guarantee such ties or to secure them by using other kinds of relationships bringing in moral obligation. For example, friends were more likely to be used than strangers, relatives more than friends and co-ethnics more than non-ethnics. Where none of these prior relationships existed, the trader would try to turn the relationship into one of friendship and obligation.

Secondly we have *vertical, non-symmetrical ties*. These were more along the lines of patron-client relationships, whereby the trader would place him or herself under the 'protection' of a more powerful person, such as a customs officer or members of the economic police. In return they would provide presents, money or other favours to this person. They would make

sure that they always encountered this person in their dealings. This patron-clientage was already strongly established under the former regimes, perhaps inherited from a more feudal past. They could be set out diagrammatically thus:



Thirdly, we have *horizontal, non-symmetrical ties*. This was where a trader would call upon former loyalties and favours as a source of obligation. However, as we have seen from examples cited in the research, such ties were not necessarily recognised if they were not reinforced by the new conditions. Also in this category, we might find the sort of 'spontaneous solidarity' of the railway carriage, where traders simply asked other passengers to take goods through for them.



Traders tried to stabilise and secure a risky and uncertain environment by drawing upon or developing these kinds of connections. Since this activity was a relatively new phenomenon, ties were often not very extensive or established. However, they were all the more important because of the semi-clandestine nature of much of this trade and the way in which it involved crossing borders and working in an alien environment.

Conclusions

In this paper we have considered trading in Post-Communist Central Europe in terms of the strategies for making a risky and stressful environment more predictable and manageable. This was achieved through various kinds of social obligation and reciprocity developed through trading relationships in a situation where there was no shelter from traditional conventions (trading was a relatively new phenomenon) nor through legal protection and regulation. Traders developed their own forms of protection and control. However, where such forms of protection and control are developed too far, they can create a closed society outside the law, a Mafia controlled society on the one hand. The other risk is that of the 'trader's dilemma' that the obligations outweigh the profits of trading.

In our study, traders limited such obligations by defining their primary loyalty to only a very small group of people - the three generational family members and by developing 'weak ties' or clientatlist relationships outside of those.

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Some Case Studies

Yuri. Ukrainian trading in Poland

Yuri has had an unusual career in his 42 years. He began as a ballet dancer but then went into coal mining because it was better paid. His income expectations were quite high and he quit that when the money started to decline. He has been trading for 4-5 years now.

'I go to Poland for food to trade. I stay there between one and five days. I have to find cheap food in order to be able to sell it later in the Ukraine, so it takes some time to actually find the food for the lowest price.... You know, that life is terrible in Ukraine. The wages are low. There is not enough money to provide for my family. I have two growing sons. I must think about them. My wife's wages are also quite low. Therefore, I must do this business. During Soviet times the miners wages were high. But after the end of the Soviet Union, the situation changed and the income of my family started to decline. Life was getting worse and worse. And then, I decided to start trading. Since then, I do not have a permanent job. I have about \$150-450 per month.... It depends on a lot of things. It depends upon how many times I go to Poland per month. Also it depends upon the demand for what I bring from Poland. It also depends upon the seasons. In different seasons people buy different things which have different prices....but I am sure that I can get that minimum anyhow and with that I can provide for my family for a month. Even the lowest income I get from trading is anyhow more than the wages in the Ukraine.

How did you get the idea to start trading?

Almost five years ago I felt that I could not continue to live that way anymore. I did not have money for buying very simple and basic things... such as shoes, meat, clothes - let alone electronic things or more delicate food. My family was getting poorer and poorer. Any thought about it was terrible. Moreover, my parents are in a difficult situation too, they are pensioners. So I had to do something. I felt very distressed because I did not know what I should do. I had no escape from the situation. Then one day I found a solution.

I met an old acquaintance on the street. He told me that he was doing OK. He had left his job - as an engineer - and become a trader. He was travelling to Poland and Turkey for commodities and selling them in Ukraine. He said that he had improved his material status very significantly. After that meeting, I started to think about my friend's business. I reflected that it was maybe a profitable business, but also a hard one - may be not one I was suited to. I forgot all about it. And then one evening my neighbour, who was also a coal miner with a low wage came to me. He suggested that we try trading together. By this time, the material situation of my family had become even worse, and so after thinking about it a while, I decided to give it a try.... At first we went to Poland together, but then we decided to divide our labours. Now I go and buy the goods and he sells them on the market in Donetsk....I was also in China once, but it was not a profitable trip for me.

Before we went to Poland the first time, we went and asked a neighbour who had been travelling to Poland a lot to ask about all the regulations and problems - he gave us the ABC of trading! He told us where to go, what to buy and how much money to take.

We started by going to Lublin, but now I sometimes go to Warsaw or Przemyśl, depending upon what I want to buy.... The amount of money I bring fluctuates between \$150 and \$300 depending on what I want to buy. The actual amount of money depends upon the success of my previous trading. If it is not successful, then I have to borrow money from other people.... but that happens rather rarely.... We got the first capital by selling my wife's jewellery and borrowing from friends.

I usually travel to Warsaw by train and to Lublin and Przemyśl by bus. It depends upon the amount of luggage I take and the direction I want to go. It costs about \$25-30. I need simply a foreign passport and a voucher. The latter costs about \$2. I prefer to buy Polish commodities - food too- because they are cheaper and the quality is quite high. I will reveal a secret: our traders in Poland buy outdated products. They are the cheapest ones. So it is very profitable to resell them in Ukraine as normal goods - customers do not usually pay attention to the dates of production.....You know they don't like us former Soviets there (in Poland) but I know a couple of words of Polish and most Poles speak or understand Russian.

And what are your future plans?

I don't really know what will happen after a year, not even after a month. So for the time being I am going to continue my trading. Actually that's the only way I can see that I can provide for my family. It is OK with me.

Jana. Ukrainin trader in Slovakia

The respondent is from western Ukraine and carries cigarettes and vodka across the border. She is a 53 year old pensioner. The interviewer met the respondent whilst crossing the border between Ukraine and Slovakia. The customs officer had noticed the cigarettes which she was trying to hide under her dress, fixed to her waist with stockings. The respondent became so nervous when the customs officer arrived that the customs officer commented that she must be an amateur in the cigarette trade and therefore nothing to worry about....

'I start to commute this winter, till that time I did not have any serious reason to do it. My neighbours in the village have been doing this for years, and began with \$70 net profit from the trip, but I as usual am late and I have to spend so many nerves and so much money. I think I am lucky if I can make \$10.....Before I did not need to do this. My husband was earning quite good money. He was a teacher of professional education at one of the vocational technical colleges. In addition, he was a good master in repairing roofs of houses and other buildings. Unfortunately, my husband died one year ago. He was such a healthy man, but he just fell down dead with a heart attack. After than incident I was in hospital with a nervous breakdown. This influenced the problem with my heart and now I am told that I am losing my sight as well. That is why I get an earlier pension than usual. I get a invalidity pension, but it is equal to \$19 per month. So if I rely on my pension I cannot survive anyhow. I have three children. The older two are married already and the younger one is living with me. Last year he wanted to enter the Medical Faculty at Uzhgorod University. However, he was not lucky. Then he gave up the whole idea of education because one has to have a lot of money first to get in and then to study. Some weeks ago he went with his friend to the Czech Republic to repair some school there. So my son left for the Czech Republic...I would be very happy if he stays there... I have a little piece of land 0.25 hectares with some animals - a pig and some chickens. I do not think about (the cigarette business) a lot. It is simply the case that I do not have money, so I have to do something. I do not judge my business, whether it is moral or not. Let our state think about that, why I as an elderly woman, have to carry on like this. I do not like this business at all. I am forced to do it, otherwise... I sell only cheap cigarettes which cost \$2 or \$2.50 for a block. I do not risk dealing in expensive cigarettes because I am always afraid that I will lose out on the deal. It has become more problematic than before. Some years ago I could sell cigarettes openly at any Slovak market, now I have to find a middleman who can buy the cigarettes from me. We agreed that I will bring an among of \$96 of cigarettes (around 43 blocks) (NB she has to travel backwards and forwards many times to manage this). He never paid me all the price of my portion of the goods, only part of the

price. The deal was that I get all my money when the other trader, who sells the cigarettes in Germany, will pay this middleman. In order to commute to Slovakia so many times I had to borrow this money from my friends. At the same time I was very scared that this middleman might not pay me at all. There were some cases where the middleman simply deceives the petty traders. I was worried about this money because of my debt to the other people. To me it is more important to pay back this debt than to make a profit.'

The way this respondent travels requires a lot of economising. She does not go home on the direct train Michalovce-Uzhgorod which costs \$2.50. Instead she bought a ticket on the Slovak local electric train to village nearest the border which costs 70 cents. At the border she catches the local bus across the border to Uzhgorod which costs another 60 cents. Her village is 22 kilometres from Uzhgorod and there is no train, so she and some other women share the fare of a taxi which is \$2. After taking into account all the expenses of the trip, her net profit is \$8.

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