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**Informal Sector Trade in Uzbekistan**

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# Informal Sector Trade in Uzbekistan<sup>1</sup>

<b>1. THE RISE OF MARKETS IN UZBEKISTAN</b>	<b>2</b>
1.1 Markets in Tashkent	3
1.2 Transition: From ‘second economy’ to Informal	4
1.2.1 The <i>Hypodrom</i> -Market	11
1.2.2 The <i>Sozgorod</i> -Market	13
<b>2. EMIC AND DYNAMIC CONCEPTIONS OF THE PETTY-TRADERS</b>	<b>15</b>
<b>3. TYPES OF MARKET ACTORS</b>	<b>23</b>
3.1 Proprietors	23
3.2 Realisators	26
3.3 Typical carrier path of and market actors in their context	28
<b>4. INTEGRATION INTO THE SOCIETAL SYSTEM - EMBEDDEDNESS</b>	<b>34</b>
4.1 Societal Embeddedness of Social Action	34
4.2 Transformed modes of action: strategic networks	42
<b>CONCLUSIONS</b>	<b>46</b>
<b>BIBLIOGRAPHY</b>	<b>47</b>

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## 1. The Rise of Markets in Uzbekistan

In the Soviet types of social systems ‘everything’ was decided, according to current literature, through one’s own position in the hierarchy or through having friends in high positions; Money possessed no independent importance. (Shkaratan/ Radajev 1995). In Marxist economic theory, the circulation of currency was considered unproductive. Since the beginning of the politics of transformation in Uzbekistan, the economic capital has not only gained in importance, but is becoming the determining element. The governmental regulations regarding the commerce of imported merchandise in the USSR represented an important element in the economic culture in the Soviet society. Since services did not constitute any surplus value in the Marxist sense, this area was ignored and consequently offered, and still offers, an enormous potential for development—on this all the international agencies of privatisation agree. Prior to the start of Perestroika, the state executed almost exclusive control over domestic and foreign trade of the goods most essential to the needs of the population. Circumventing or breaking this monopoly led to prosecution and was labelled ‘speculation’<sup>2</sup> which was classified as a criminal act and classed with shadow economy. In private households illicit work, illicit trade and corruption are particularly interesting: Illicit work occurred mainly in the commercial service sector—especially in skilled handiwork—and was closely intertwined with black marketeering, since the input necessary for the execution of illegally performed services could almost only be acquired at the black markets. These were well organised and functioned according to the classical capitalistic law of supply and demand. Since the demand was constantly much greater than the supply, the black market prices exceeded those prices that were fixed by the government many times over.

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<sup>2</sup> Speculation was, according to Soviet criminal law, „one of the most dangerous economic crimes that attacks the normal function of Soviet trading and the interests of the buyers. It consists in buying and selling goods and other objects with the goal of making a profit. When speculation occurs, it is not important where and from whom the goods were obtained (at a store or at the market, [etc.]), nor does it matter to whom they were sold: to a government organisation, a kolkhoz, or an individual. Speculation is punishable with imprisonment (up to 2 years) or a fine (up to 300 rubles). There is a steeper penalty (up to 7 years imprisonment with the confiscation of one’s fortune) for speculation as an occupation or in large quantities“ (Book of criminal Law of the RSFSR, § 154).

There were no goods that were not available at the black markets (from basic food stuff and replacement parts to fishing bait, medals and Christmas trees), but in addition there was merchandise that was either not available through the official state redistributive system or accessible only for certain people (domestic and imported luxury items, foreign currency, domestic and foreign literature). The black market's supply came from three sources: Chiefly, they were goods of domestic production, from socialist organisations, and imported goods (illicit distribution). In addition there was merchandise which was illegally produced in small, capitalist family undertakings (illicit production). The fact that illicit production and trade in connection with price speculation were not effectively combated despite a special brigade of the militia<sup>3</sup> is due to the great deal of bribery and corruption in Uzbekistan. Emphasising the two different ways of *Vergesellschaftung* in Uzbekistan being oriental and socialist modernised at the same time Olcott states the importance of

„strong family-based patronage networks which dominate the Party, the government, and the official and the black-market economies“ (Eickelmann, Pasha 1991:636).

Hoffer accordingly follows that the stability in Central Asia lies in the existence of the relatively stable clan system providing social coherence (1992:87, footnote 81).

### **1.1 Markets in Tashkent**

Lying in the center of the city, the '*Alayski-Bazar*' is of historical and supraregional importance and is at the core a market for the agricultural products of the region. In Soviet times it was the collective farm (*kolkhoz*) market in which the output of the permitted private plots for growing produce and raising limited livestock was sold. Nowadays at the '*Alayski*' the newly (at least partly) privatised *kolkhoz*-farmers sell their privately produced food-stuff and petty-producers sell their goods themselves in accordance with the free price agreement. For the petty-traders, however, arised a new problem—the 'local mafia'. A petty-trader explained to me:

„For a long time now it has not been the case that the small farmer can sell his products (diary products, vegetables, meat, etc.) at the '*Alayski*' in peace. Usually, he is forced by the local mafia to pay 'stand-fees' or he gets the offer to sell his goods in bulk to a middlemen“ (Leila, 27, Uzbek).

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<sup>3</sup> The Department for Combating the Embezzlement of Socialist Property and Speculation (*OBKhSS*).

The city Tashkent is, due to its geographical situation in the center of the richly populated part of Central Asia and due to the international airport it has become a place of transshipment of supra-regional importance for imported goods. Opportunities to purchase imported goods in Tashkent can be broken down into groups: government-run stores, co-operative trade, private individual trade and the kiosk markets. In Tashkent, in addition, two open-air import markets have been established: The *Hypodrom*-Market and the *Sozgorod*-Market. Both markets are establishments of the 90s and are *the* access to free 'trade for the masses' (*Slovo* 1995).<sup>4</sup> In what follows after the brief description of the historical development these two markets will be introduced and described.

### **1.2 Transition: From 'second economy' to Informal**

It is said that one could, even in Soviet times, buy everything at the '*tolchoki*' (markets). These markets, where a lively hustle and bustle prevailed, were not organised rather they usually spontaneously arose and stayed alive till their closure by state organs. The existence of a black market means that a variety of markets existed in the Soviet Union at which market behaviour was practised.<sup>5</sup> The actor could participate here as a producer of goods, as someone who offers services and, of course, as a buyer. The state tolerated this and in some way even demanded it to be so.<sup>6</sup>

In Uzbekistan there was a market without a market place where one could buy imported goods for five to six times the purchase price. There were goods sold there that were imported (or smuggled) in small quantities by those who, by belonging to the political and cultural elite (athletes, seamen, employees of international tourist agencies), could travel in to non-COMECON territory. After the market was closed, the '*Morjatshiki*', the sailors' wives, went from one undertaking to the next, offering the goods their husbands brought

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<sup>4</sup> *Slovo* (1995) hinted at the possibilities of joint ventures through a very few have access to 'free trade'.

<sup>5</sup> Sufficiently discussed under the concept 'second economy'.

<sup>6</sup> Dr. Nuritdin I. Abdurakhmanov reported that the restrictions against the black market in the individual Soviet republics varied. The 'Soviet Republic of Corruption' (Uzbekistan) was very relaxed in its prosecution of black traders, and he estimated a turnover of about 15 to 20% of total turnover on merchandise. It was excused by the oriental traditions of basars and trading routes (Silk Road, Gold Road).

back from abroad for sale. This harboured a very high risk since one always had to reckon with encountering a *'warrior against speculation'*.<sup>7</sup>

There was also a state-run net of stores that dealt (*Beriozka*) in imported merchandise, though only for people who had access to foreign currency. Those to whom these businesses were inaccessible could purchase these goods 'under the table' from the *'Morjatshiki'* at completely inflated prices but payable in roubles. The well-known scarcity in the consumer goods sector can be best characterised by the following joke: A woman goes into a fish store and asks if there is any meat. The fish-seller replies: Here there is no fish, if you want no meat you'll have to go next door. Yet the emptier the stores were, the more adventurous and refined the methods and circumventing became in order to get the desired piece of meat or any other deficit product. It becomes more and more important with the increasing scarcity of all kinds of consumer items in the stores to have friends and acquaintances. Without 'vitamin C'—C for connections—one often got nowhere.

During the years of stagnation (*Brezhnev*) the consumer demand was increasingly satiated through the 'second economy'<sup>8</sup>—due to the shortages of goods in the official sector. Only one fifth of the respondents<sup>9</sup> affirmed that they had already begun business activities in the 'second economy.' This shows that from an actors oriented approach the 'second economy' not simply shifted to the informal sector of the newly applied market economy.<sup>10</sup> However, even among the traders with black market experience there was generally a change in their concrete business activities providing further evidence.

„I was engaged in commerce even here—before I started traveling, but it was not very interesting. My uncle lives in *Tshimkent*. I went to see him, to his warehouse and took the goods, brought them here and realised them through the commercial businesses on the *Darkham*. It wasn't hard to do and gave me some money for my personal expenses.“ (Nargisa, 25, Uzbek).

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<sup>7</sup> Official name of the department for economic crime within the militia.

<sup>8</sup> The concept 'second economy' was defined by Grossmann (1977) to include any activity that is conducted for private gain.

<sup>9</sup> They were asked about trading prior to 1991. In total there were 386 interviews with traders, of which 300 were standardised questionnaires administrated by TADQIQOT agency and 86 were semi-structured interviews. One has to consider the dramatic increase of trading activities (cf. Kaiser 1997b).

<sup>10</sup> From a more institutional oriented approach this shift is convincingly argued by Sik (1994) and Leitzel (1995).

More and more goods were 'put into private ownership' and 'sold under the table' or 'next to the factory' so that, again, there were campaigns against the undermining of the communist economic system. Petty-traders were, thus, also perceived as usurers and as greedy for profit. The press depicted them as parasites and vermin (Slovo 1995). But, for most of them it was a strategy for survival or for improving their standard of living. One trader stated:

„That was 1987. In order to be independent of my parents and their decisions as to whether to give me money or not, I decided to earn a little money for myself. I went to technical college with a guy who was already a 'pro' in this area, and he imparted his experience to me. I borrowed 2000 roubles from my parents, but promised to pay it all back.“ (Slava, 30, Russian).

Every petty-trader maintained in unison that starting capital and access to trade by means of some initial business tips are the first hurdles to be taken. Thus, it seemed likely that those who were already active in black market activity in Soviet times had an advantage.

„I drove to *Uratjube* in Tajikistan. At that time there was a government-run market place where people met who called themselves 'purchasers'. That is to say, they could get something out of the commercial warehouses of those days. One brought all these goods home and had to get to know someone in order to get information on the goods that others were interested in.

That business went together with the fact that there are goldmines near *Uratjube*. And, like they used to say back then, 'Moscow's supply' was there—and that was the absolute truth. There were top-quality groceries and consumer goods there. The first person I met explained to me who meets where. There was a row of shoemaker workshops where two to three petty-traders also sat. I went through the row and asked them what there was and how much it costed. When I wanted something, we drove in their car to their house. This is the way I travelled for two years—as long as I was in college.“ (Slava, 30, Russian).

Slava's business activities belong to the area of 'illicit (black) distribution', and he explained that when the opportunity was over, the tacit agreements and networks fell apart. The arising of opportunities and setting-up of black distribution channels was consequentially situation-dependent. Characteristic of that time, as Slava says, was a rather social environment or *milieu* „that was ready to try out any latent possibilities“.

Valia (43, Russian) explained that there was an internal mental separation from the Soviet system which had a specific trust building character within face-to-face relations in every day life. They were all a community of fate. The increasing economic decline executed stronger ties within the communities, for example if someone out of your neighbourhood did

not receive any pay anymore despite working in a factory we helped each other out. Thus, she already in 1984 foresaw the coming economic crisis:

„I somehow foresaw all that because people began to go from one form of payment to another (in goods or natural produce, for example). I thought something is not right. I worked and met with directors and saw how they all stole back then. [...]

I worked on the gas line ‘*Urengoy-Pomari-Ushgorod*’ where the Soviet regime drowned in its own policies. The entire Soviet Union worked for this gas line, and the top administrators there stole everything from spoons to underwear. Of course, no one could prove it because we were on the spot of construction. And if a helicopter were to fly out there it could be stuck out there if the weather was bad; and there were gas explosions... Everyone was scared and no one wanted to fly out there. And we wrote off everything: rugs, blankets, TVs and our boss signed it. He himself sent a helicopter full of goods back home. He drove a car, turned it around and sank it in a river. And everything that was or wasn’t in this car was written off. And who is going to dive into the river to check it out? All that then went to Ukraine and Tatarstan, where all these rugs and furniture stand to this day“ (Valia, 43, Russian).

The teamwork by the directors, bookkeepers and workers described by Valia, even if it just meant keeping quiet, operated according to the principle „you can’t get something for nothing.“ This popular maxim captures the logic behind the (non) monetary fee that was omnipresent—especially in party and administrative systems and was determined relative to one’s requested service.

„Even back then in 1988 I thought: that’s not going to last very long—that’s not a bottomless barrel. And I decided to go into commerce. At that time I lived in *Bashkiria*. I went to the Aeroflot ticket office and asked what destinations tickets were available for. I was told: none to *Riga*, none to *Tallin*, but there were still some to *Tashkent*. Did I want to go there? So I went to *Tashkent* and started to bring various goods from here: knitted goods, towels etc.

Then, by coincidence, I got to know a woman in the train who said to me: Why do you torture yourself with these heavy bags. That’s so heavy (sometimes I had eight bags with me) bring furniture instead! At that time I already had a chance to buy furniture. I bought and delivered two containers. I co-operated with an other woman because I was scared to travel alone. We traveled in groups of three or four and bought the furniture for 11,000 roubles; a car costed 4,000 roubles back then. I distributed this furniture throughout the entire Soviet Union—*Sotshi*, *Nabereshnige Tshelni*, *Krasnojarsk*. I have friends everywhere; my girl friend said to me: send us furniture and we’ll sell it. Back then half of the Soviet Union’s furniture came from *Tashkent*. Imagine that, 150 containers were sent to *Nabereshnige Tshelni*—a city with 150,000 inhabitants.

What’s wrong? Railroad officials got aggravated and turned to a managing clerk. Then we broke off the business because the managing clerk took an interest in me.



In Soviet times that was called ‘speculation in large magnitudes’. But I didn’t send anything to my own address so they couldn’t do anything to me. I said: Yeah, I did that, but they can’t prove it, because they would have had to arrest me in the act of selling“ (Liuda, 57, Russian).

In the ‘second economy’ those who had the opportunity undertook business deals where by any means a bargain could be made. Some had constant opportunity, however they remained part-time traders with at-least an official job in the ‘First Economy’—the government control against fronts alone made this necessary. Discretion was of utmost importance and the goods were shoved through the network from the trader all the way to the consumer and were often exchanged. The exchange of goods dominated since the distributor was only very seldom interested in monetary payment—rather he wanted much more to receive some merchandise as compensation that he himself or a friend urgently needed. Social capital was of greater importance than economic capital. The situation today is different, and since then nothing more can be done without ‘vitamin M’—M for money. The stores are fuller, and at the markets there are goods imported from the West. If the dining table remains empty, then it is not due to lacking connections but because the money is lacking.

In classical economic literature market is portrayed as a form of encounter that can be, in principle, managed by an individual in the open setting of anonymity (cf. Gretschmann 1984:118). In market relationships the economic communication becomes indifferent to personal acquaintances, and those relationships inherent to the ‘second economy’ and to household needs are replaced, so far the economists.

The Perestroika phase is the time of the beginning economic transition in which dealing with goods was legalised. Every respondent emphasised the changes in their living conditions in this period. Representative of them all, a petty-trader said:

„Under the communist regime we did not live poorly. Like other people: work, education—everything was stable. The intelligentsia was not at all adapted to the life that began with the Perestroika years. We worked in a government-run organization and were exposed to such poverty that we did not even have enough money for bread. We went to my grandpa who is a pensioner and receives his pension unfailingly. And in our case there was always hesitation to pay wages or the pay was very little“ (Sveta, 40, Russian).

The time of Perestroika can be divided into two periods which correspond to the genesis and variation of new possibilities of economic activity. These periods are distinguished from

one another by political events and legal decisions which affected the development of the economic system of the USSR. Even the models of small-scale trading varied with these periods.

The beginning phase lasted from 1987 to 1991. For this period the development of behaviour according to the '*farzovka*-model' is characteristic. The '*farzovka*-model' is connected both with the buying and selling of goods that were brought into the USSR by tarrying foreigners and those in exile and with the related speculation. The so-called '*farzovshchiki*' were essentially young people up to 25 years old. For this time period and this age group, an increase in the importance of western popular culture can be observed. In demand were essentially music, clothes (like jeans) and products. Fierman writes:

„Young people throughout the USSR realize that consumer goods produced in the West are generally of superior quality and therefore they strive to obtain them“ (Fierman 1988:12).

Already in 1984, the '*Komsomolets Uzbekistana*' noted that the domestic production clearly traces the expectations and demands of the young people. The admiring of and demand for Western products, consequently, did not only come about with the opening of the markets, rather a generation got better access to consumption and a lifestyle they already were striving after which, however, was robbed of its oppositional character in the process. The causes of this conversion must be sought after much more in the internal developments. Those are not only characterised by a model of capitalist economic commerce, but also by the formation of a specific cultural environment.

The following period from 1991 to 1992 brought far-reaching opportunities since travel conditions and the regulations for the importing of goods were relaxed. The '*tchelnotshnyj* model' (shuttel trading) is characterised by regular trips over the border with the purpose of trading. For the second period the export of merchandise out of Uzbekistan and the import of foreign currency into Uzbekistan is characteristic. The foreign currency was exchanged into roubles, the goods were purchased and everything was repeated according to the same scenario. Many petty-traders ('*tchelnoki*') with professional experience reminisce on these times with feelings of nostalgia.

„The Gorbatshev years were the best years. Back then one could do business without owning anything. Now, one needs starting capital to pay the travel costs, to get to the goods and to secure oneself a place at the market. Back then complete

chaos prevailed. The big guys tried to clarify something while we just did business“ (Fatkhulla, 34, father Tajik, mother Uzbek, 2<sup>nd</sup> interview).

This period can be seen as the apex of the possibilities for petty-traders' economic activity due to the profitability of this commerce and the lack of any laws regarding it. The decontrol of the price of commodities (from 1 Jan 1992 onwards) and the change in the political and economic situation in Uzbekistan and in the chosen partner countries forced the '*tchelnoki*' to change their model of behaviour. Now they drive with foreign currency to Turkey, China, Poland, etc. and bring back merchandise to sell.

The most common model of commerce of this time was the participation in 'shopping-tours' through specialised agents. For this, groups of people who generally did not know each other were put together in buses. The wish to buy low and sell high was all that bound them together. In *Karakalpakstan*, for example, the form of mutual crediting (between private persons), for business tours is generally spread. Such credits have been given against up to 30% interest per month. The small-scale shuttle trading is feminised. In *Urgench* it was witnessed:

„On trains there are 80 women among 100 passengers involved in the shuttle business“ (Gulchekhra, 59, Uzbek).

To sum it up, the possibility of practising commerce according to the '*tchelnoki* model' was established for the first time in the 90s. Since then, even the highway of commerce has turned around. In the 80s goods from the USSR were sold—even abroad—but now goods are bought in the USSR and foreign currency is brought out. The initial sale of goods in countries with higher prices served to build capital which was then reinvested in imported goods and brought the spiral of commerce into gear.

Meanwhile Uzbekistan gained independence. The Uzbek government gave out trading licenses in order to provide consumer goods to overcome shortages due to the rapid decline of the national production. The *Sum*<sup>11</sup>-profits that the petty-traders earned in Uzbekistan could be exchanged for foreign currency up until 1 Jan. 1997 when the government got rid liquidity to combat inflation. Resourceful petty-traders, mainly from Afghanistan and Pakistan, legally imported goods to Uzbekistan and then smuggled them to Kazakhstan

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<sup>11</sup> National currency of the Republic of Uzbekistan.

where the duties are higher. They then converted the *Tenge*<sup>12</sup> they made in Kazakhstan freely (i.e., at the market) into dollars. At the black market for foreign currency back in Uzbekistan, they got Usbek *Sum* for the dollars. To finish their transaction, they presented these *Sum*-profits to the Uzbek national bank and received dollars at the official exchange rate because the trading licenses entitled them to do so. The discrepancy between the official and free-market exchange rates alone secured the traders a profit of over 50%. Since the Uzbek government held the trading licenses responsible for the deficit in the trade balance, the foreign currency exchange allowance was restricted again.

In this phase the ‘*Chorsu*-Market’ in Tashkent developed into a large site for the commerce and transshipment of goods.<sup>13</sup> In the beginning there was little control and large profit margins could be achieved.

„For example, we sold a radio with a forged receipt for far more than its worth. Originally the radio was purchased for 100 US\$ but was displayed with a receipt for over 300 US\$ so that the deal was realised for 315 US\$. You have to understand that there is a law that regulates the maximum surcharge in relation to the purchase price. Bribery helps here quite well, if there should ever be problems“ (Sasha, 40, Ukrainian).

The legally fixed trade margin is an indication of the administration’s sticking to its opinion that trade is dishonest usury. However, it appears to be necessary—due to the uninformedness and reservedness of the consumers that cannot just be explained by pointed to the lacking purchasing power—to protect the consumers. The special expansion of the market and the relative uncontrollability of the ‘*Chorsu*’ that fades into the surrounding maze of streets was cause for the city administration of Tashkent to forbid the marketing of non-agricultural goods and to expel the *Hypodrom* to the marketplace.

### **1.2.1 The *Hypodrom*-Market**

The *Hypodrom*-Market is a wholesale market that transships a huge amount of goods and at which there are transactions for high sums of money (as one of my respondents claimed, \$10,000 to \$100,000). Among the inhabitants of Tashkent there is a widely held opinion of the market as a breeding place for criminal activity and a camp for mafia rackets. But despite their misgivings most of the inhabitants with a modest or small income use this

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<sup>12</sup> National currency of the Republic of Kazakhstan.

<sup>13</sup> The ‘*Chorsu*’ is a square in the inner circle of Tashkent.

market from time to time to buy goods cheaply in comparison to the low quality local stores in the city. The same goods are available through middlemen for a surcharge at the various kiosks and likewise at the improvised markets in the city that are not intended for that.

The *Hypodrom*-market is 15 km outside of Tashkent. This open-air market is open every day and petty-traders and shopkeepers can reach the *Hypodrom*-market with city-buses, private buses and taxis if they do not have access to private cars. The market place is an area surrounded by a barbed wire fence that one can enter for an admission fee—the fee was introduced by the market administration set into power by the administration of the city of Tashkent.

The market is divided into independent zones according to types of goods, says the market director. He lists: The market for autos, the market for replacement parts, commodities market, food stuff market, whole sale market. The actual market consists of parallel streets lined with metal kiosks and stands and on different streets different goods are offered showing the beginning of specialisation and market differentiation. There is a street for leather goods, one for carpets, one for fabric, one for clothes and one corner for mass products from China and Southeast Asia—just to name the major ones. Everything can be sold, so there are also cigarettes, alcohol, candy and durable food in industrial sizes. Here, resellers from all over Uzbekistan stock up on goods that they then sell at local markets for a surcharge. Even in remote regions the origins of merchandise was often reported to be the *Hypodrom*-market in Tashkent. It is the whole sale market (*opti*) for petty-traders with a huge amount of merchandise.

The commodities market is divided into the Korean market and the Chinese market, as the Tashkentians call them. At the Korean market goods of relatively high quality are sold that came from Europe, South Korea and Japan. The market is called thus because the Korean petty-traders are concentrated here. 22 % declared to be of Korean descent, i.e. to have at least one parent who was a Korean, compared to only 4 to 5 % of Tashkent's population. The Chinese market is a place sell goods from China, Iran and Turkey. The sale results here through persons

„of local nationalities and through Uigurs“ (Dr. Jumaev, National Academy for the Construction of Society).

However, no one admitted to me—or to local co-workers—to come from China. However, one could not help but notice the Chinese goods, and Chinese traders probably employ *realisators* since they can better avoid the organs of control. This is an advantage since relations between the Central Asian states and China are problematic—due to the Uigurian minorities that strive more and more for independence, for variety in politico-economic bases, and the at least semi-closed borders. It is also conceivable that the regions bordering on Kazakhstan, Kyrgystan, Tajikistan and the markets in these three adjoining states build a buffer zone (c. Wallace 1997) connecting Asian markets with Russia and Eastern Europe. The merchandise is then sold there to a middlemen and thus its ethnicity changes and is sold by these men or women somewhere else. The traders dilemma described by Evers and Schrader (1994) and a rise in the travel and boarding costs with the distance and lengths of the trips, along with Visa and residency-restrictions, would be circumvented.

### **1.2.2 The *Sozgorod*-Market**

The *Sozgorod*-market is in the Southwest outskirts of Tashkent. Tram and trolley stops are just a five to ten minute walk away. The *Sozgorod* market consists of the actual market place, a parking lot, some containers that surf at work shops and storage rooms, an administration building and the lively daods for pedestrians and cars that pass by the snack stands and empty into three entrances. The entrances hardly allow the newcomers and those who want to leave the market to pass through. But this makes it possible for the militia and market organisers to regulate the goings-on and guarantee safety. That is a pre-requisite for buyers and sellers to meet.

The actual market can be essentially divided into three parts. (1) The market for permanent traders who have either rented or purchased a kiosk or market stand. There, mainly cosmetics, clothing, shoes and imported food is offered. (2) The south and (3) east sections of the market are frequented much more by occasional traders and *realisators* who present their goods impromptu; where goods are hung from wash lines and displayed on sheets, tables, table clothes, bathmats and even cots. And even here in these flea market ensembles there are taxes and fees to pay.

The market was founded in May 1994. Before, there was a auto repair centre and parking at this site. A good part of the petty-traders are discharged officers from the contingent of

armed forces. The market was set up within one month. In the newspapers weekly advertisements were run, but not in a sufficient measure because on opening day only 100 petty-traders showed up. Presently, according to the market director, 2,000 petty-traders can be found at the market daily. Sometime soon, the site is expected to be expanded to twice its present size, since the demand for commercial space keeps growing.

„When this market was opened there were already several similar markets, but they weren't well organised so that there was a lot of stealing and drug dealing going on. Therefore, we decided to start this market with safety as a first priority. We wanted both the buyers and the sellers to be satisfied. None of this was done from experts but by newcomers. None of us had done anything like this before. The owner of the market is a doctor, and I [the director] am an engineer. This is completely new to us—but maybe it worked out because it's our friends who are working here“ (Aikhanum, 44, Uzbek).

Security is the central element for this trading site. The market place and the exchange of goods require this security as a constitutive element since the uneasiness of the consumers with respect to petty-traders and 'usurers' must first be conquered. Security, thus, plainly makes the consumers more accepting.

## 2. Emic and Dynamic Conceptions of the Petty-Traders

Each milieu calls for its own organising methods taking the experiences and the specific realities of the actors into account. The new economic actors in their social setting have developed their own conceptions. Opportunity structures or favourable market conditions are universal factors, that is for all businesses. The socialist societies themselves offered social variables and cultural ones to business which are gradually overcome by the new economic actors.

Becoming a trader they remain for longer periods of time in the social setting of the market. Those who feel that they belong to the market declared that they were there from early morning to late in the evening, so that it has become a full-time occupation for a large portion of the petty-traders and *realisators*.

According to my data the number of entrepreneurs have gradually increased during the last years. Attitudes towards them from the respondents, however, differ. Raiya (38, Uzbek) said that they had a family in their *makhallah* who was involved in commerce and who were very rich. But they were holding separately from the rest so they are not very respected by their neighbours. Extrapolating this case it seems necessary to accumulate money or wealth and to stay more distant to others and eventually to deny contributions to the community.<sup>14</sup> In general there is suspicion for those who are involved in trade. This are the old Soviet prejudices when they were considered as potential criminals possessed with money.

„Before it was characterised as speculation, but today it is business“ (Fatkhulla, 35, Uzbek).

The legalisation of private trade by legislation at the national level did not legalise the trading in the minds of the people, and to this day ‘trading’, for a part of the population, means to do something dishonest and shameful.

„Second-hand traders, bourgeois, exploiters—that is bad, that is an insult“ (Fatkhulla, 35, Uzbek).

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<sup>14</sup> It means keeping back from the system of mutual aid which is developed among relatives and neighbours. Help, besides participation in organisation of kin-family measures, is provided in building of houses, in the case of misfortune or pecuniary embarrassment, in cultivation of land and harvesting. More often, such aid is rendering free of charge or for symbolic payment.



„Trading“ means „not working“ (Kan, 36, Korean).

„That is a temporary appearance, until everything is finally available in the stores for acceptable prices. That dies off all by itself. People have to work and not be busy with such things“ (Svetlana, 60, Russian).

For the petty-traders at the market themselves, it means ‘survival’, and I received the following justifying answer:

„But I hate this bazaar. I only do it to survive, for the money. It is after all impossible to live if you don’t have any datcha or don’t run a business. Look, 60% of the people at the market belong to the intelligentsia. With the wages they earn, one just cannot live.“ (Fatkhulla, 35, Uzbek).

„I still cannot be happy about it. Why? Yeah, why aren’t the teachers and engineers pleased? Because they have to do it and for no other reason. ‘But to enjoy doing something that one is forced to do is very difficult. I would like to practice what I studied, but now I can’t. This market ruined us. I want to save some money as long as that isn’t objected to, so that I have something that I can live off of. And then we’ll see“ (Sasha, 40, Ukrainian).

In Soviet times the importance of money was ideologically degraded. The *‘tolchok’* as a place for the realisation of purely economic interests was the criticism that the parents of the respondents gave. The unfamiliar (and not too long ago, criminal) activity was seen as an undesirable occupation for the children.

„It was very painful to my parents that I fell into trading. That is the communist upbringing. A Scrooge is bad, an insult. They were terribly scared. They are, after all, ‘Soviets’. My father is a Stalinist until 1980 he wore the Lenin-Stalin medal. My mother is more progressive, but even she has told me again and again, all that I am risking. They tried to turn me away from it, asked about my workbook, said its all fine and good, but later... There was a lot of arguing about this topic. My sister and I are on one side and they are on the other. But when I brought home the first paycheck, they stopped insisting that I return to the factory“ (Fatkhulla, 35, Uzbek).

„My parents were absolutely against it, but since then they have completely changed their minds. Sometimes, they even help out, when we can’t do it all alone. My parents still belong to the old school. They believe: where a man works, he should always were. The worked 35 years in the same place and that’s good. But now such stability is impossible. Yeah, and they see our colleagues who stayed in the jobs and now have it very tough. My wife is a nurse. She didn’t work long, for three months they didn’t get paid“ (Stephan, 35, Armenian).

For the generations that were born in the 60’s and 70’s, the problems of adapting to the market cannot be attributed as much to the ideological borders but rather to the lack of experience and connections that were indispensable for a successful business venture. They

learned in the course of their business, and they partially decide against their cultural capital that they acquired in the past.

“Certainly, some parts of the population (mainly young people) live after the socialist period, because they were born already beyond all that, which was happening with us. They do not remember it as we do. That previous generation was rejected by this new one. Though, very many people still proceed to live with their former memory, former customs, moral principles... They proceed to live in socialism” (Svetlana Aleksievich, 60, Russian).

It seems that the above presented point of view is a very exact and capacious description of the intellectual and psychological state of being and thinking of the citizens of the former USSR.<sup>15</sup>

Money and material goods were said to be the most convincing arguments when they confronted their parents or peers with the new working and living arrangements. Another important reported aspect why the parents respectively the fathers agreed was, due to the markets location in bigger towns. Trading in the city did not bring shame upon their family since the neighbours in the village do not necessarily have to be informed. Only one woman reported that her father was very proud when she told him that she started trading.

„He was telling everybody in the *makhallah* that his daughter is working now and earning money. He did not care what the others said“ (Olga, 23, Russian).

The attitude towards money is constantly changing and a business discourse appears.

Many petty-traders rate their activity disparaging and defend their presence at the market by appealing to the fact that they have to survive under the hard economic conditions. But the thought that the petty-traders take it upon themselves to do what the state and notable enterprises cannot manage is a cause for optimism.

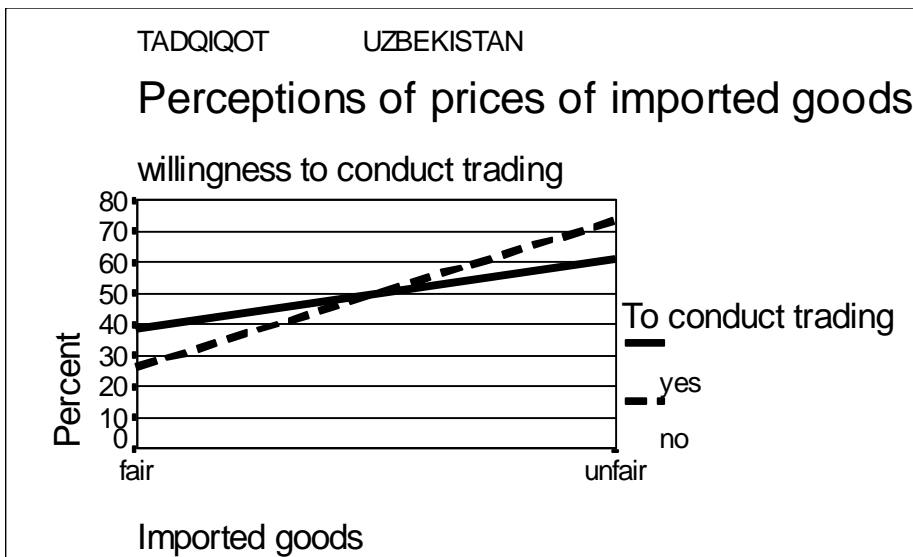
„Of course the people come here and don't go to the stores—There is the same stuff here only much cheaper. It's a good deal to shop at the market. In the stores there is the same merchandise, but it is two to three times as expensive. This state of affairs

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<sup>15</sup> Obviously, the decades of mutual living in one country, even one as big as the USSR, could not but influence formation of the same type of mentality, world perception, mode of life. It marks out to researchers some clear characteristics, stereotypes inherent to an equal extent for inhabitants of the Far East, as well as for Ukrainians, Uzbeks, Armenians etc. At the same time, it is obvious that each region has its specific peculiarities, which make it different from others.

expresses a way of life. People simply help one another where the state pays no attention“ (Stephan, 35, Armenian).

On the other hand there is widely spread the opinion that retail sellers are very close to Mafia circles and have to take the dirty deals as they do not have any choice which in turn corrupt their good image. Additionally, the prices on markets are perceived as being unfair by 69,2% of the respondents in the all Uzbekistan survey.



Interestingly enough is that those who think that the prices are fair are more willing to conduct trading as income raising activity. On the other hand, as the table shows, those who perceive the prices as being unfair are not likely to become a trader. Assuming that the perception of the prices being unfair reflects somehow Soviet mentality it shows the high degree of interlinkage between the perception of markets and ongoing changing economic behaviour in the process of transformation. More astonishing was that the perception of prices of imported merchandise and local products differ hardly.<sup>16</sup>

However, despite this overlap attitudes to the entrepreneurial producers especially to craftsmen are in comparison quit opposite. Shakhnazar (41, Uzbek) giving an example said that in their settlement where a craftsmen lived who made ceramic pottery there were queues

<sup>16</sup> As 69,2% perceive imported merchandise unfairly priced, an even slightly higher amount of citizens of Uzbekistan, namely 71,4%, view locally produced goods as unfairly priced. Local co-workers explained this by noting that the information on prices abroad and the fair profit is more limited, but they feel the price increases on locally produced and grown groceries as unfair. The data on a later stage has to compare price perceptions of real consumers and of those who can't afford it and their admirations (Kaiser 1997a).

of customers who wished to buy his products. In addition, school children were coming to take lessons from him and to master a technique of his art. He continued telling that he personally asked him „to teach my son pottery craft“.

In contra-distinction to the *Hypodrom*-market where a large number of visitors from other cities in Uzbekistan and from other republics of the *CIS* do business (from Russia, e.g.), at the *Sozgorod*-market only the inhabitants of Tashkent are to be found. The exclusive right of the Tashkentians to do business at the site is not formally fixed nor is it claimed to be. Every person who comes to the market and fills out the proper papers, has the right to run a business there according to the vice-director. The small-scale and location of the market are not practical for petty-traders from other regions. What Fatkhulla one day claimed:

„No one unfamiliar to us can come here“ (Fatkhulla, 35, Uzbek).

turned out to be false; every petty-trader has access to the opportunities offered by the market according to his financial abilities and willingness. The *bazarkom* (market director appointed by the state authorities) of the market rents out or sells the retail space to the proprietors of stalls and merchandise who then either sell their themselves or hire *realisators*.

These markets, where a lively hustle and bustle prevailed, were not organised rather they usually spontaneously arose. The times have changed since then, and my observations show that the everyday use of the word ‘*tolchok*’, too, has changed. The word ‘*tolchok*’ cannot be directly translated; nor is there an unambiguous understand of the etymology of this word. Its meaning comes from the verb ‘*tolkat*’ (to push). In addition to the literal meaning there was in Soviet times a second meaning in slang: to sell outside of the net of trade, from hand to hand (in the sense of ‘to shove’). It were not only commodities markets that were called ‘*tolchok*’; the food stuff markets were, too. Though at the farmer markets trading in the traditional sense was meant, i.e. that does not take place over the net but rather from hand to hand. As a synonym the conjunction *promtovarnyj rynek* (commodities market) was used, which is in fact its official expression. Nowadays the concept ‘*tolchok*’ was used exclusively to denote the imported commodities markets.

This distinguishes the ‘*tolchok*’ from every formal bureaucratic organisation that relies on standardization and strict control through registration. A row of moral conditions are unique

to informal relationships: trust, friendship, reliability. The intrusion of these concepts impedes the organisation as one hand, on the other a unique value system seems to be.

With the help of a well organised security system, the market administration represents the state. It not only has control over the market property but also over the bordering territory. In this manner the market administration makes itself a partner whom one can trust and who can offer protection against various mafia and criminal groups. The petty-traders rated the measure of security thus:

„In the beginning there were problems: the mafia, extortioners and the tax office. Sometimes one had to pay, but some things were just fixed from the beginning. Around here they say ‘have 100 roubles and have 100 friends’.<sup>17</sup> Now it’s become more peaceful, safer. At the market all that stuff is gone“ (Stephan, 35, Armenian).

„Extortioners? No, there aren’t any here. There was a time when those guys showed up, but they were told right away how things are here“ (Fatkhulla, 35, Uzbek).

„As long as the market is here I am protected. If something happens I get help, but when they set out to really tackle the matter, then not even connections can help anymore“ (Asylbek, 26, Uzbek).

Symbols of security and order are in the high, re-inforced concrete wall around the ‘*tolchok*’ and the ten meter high watchtower. In addition there are people with cellular phones and the militia both in uniform and in civilian clothes.

I noticed that the petty-traders and *realisators* belonged to various age groups. Among the full-time traders, most fell into the 25-40 years old age group—and it should be noted that age was a criterion, albeit a weak one, of inclusion and exclusion. Casual traders are very often retired and are at the markets to supplement their pensions. They mostly work as *realisators* where they can help younger family members and acquaintances run their businesses. The reason seems to me to be that being a trader includes and cultivates a lifestyle that was more attractive to younger people: it requires travel and being „tough“. In addition, this age group grew up during the years of stagnation (*Breznev*) and much more heavily refused to accept the socialist values and conceptions.

Nevertheless, entrepreneurial values and attitudes have been developed. Like consumer life-style it seems that also business life-style is an at times desperate try for the maintenance of

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<sup>17</sup> „*Ne imei sto rublei, a imei sto druzei*“. ‘Better to have a hundred friends than a hundred roubles’ used to be original proverb.

the self in a world of up-breaking social ties and economic relations. Even rural towns are nowadays full of young *'businessmeny'*<sup>18</sup> who own nothing more than the suit they wear and a self designed business card. Life-styling is not necessarily a sign of economic well-being but „an aspect of a more general strategy for the establishment or maintenance of the self“ (Evers/ Gerke 1997:13).<sup>19</sup>

Striking is how the change in the petty-trader's reading habits towards a certain form of publication—advertisements took place. Those petty-traders who were asked admitted to reading the ads where everything one could want to buy is for sale. In this way, our co-operative of food traders got information about the *broker's/* middlemen's (*'melki optovi'*) prices, but also for the prices of used cars. Others searched for people who would buy their clothing on a commission basis or in a direct sale.

Similar to observing their reading habits, what petty-traders watch and listen can also make clear that there has been a change. Very popular are the books 'Be a winner in Business', 'How to make 1 Million US\$ a Year', or 'English for businessmen'. Thus, informative stations are preferred that regularly report about the dollar's current exchange rate in Uzbekistan's various private banks—this is especially important for clothing traders.

In Uzbekistan, like in the other new independent states in Eastern Europe and the Soviet Union, the co-operation with a bank is not considered 'normal' or 'usual'. The only bank that the Soviet citizens set foot in as a rule was the *Sberbank* in order to (e.g.) pay their telephone bill, collect pension, etc. Dealing with other banks through which the state handled investments in industry, development, etc., remained reserved for those who (e.g.) worked in the planning department of the collective combine. To deal with these banks in Soviet times, permission was necessary—just to get past the guards, so that the concept 'bank' was always associated with control. These reservations are essentially responsible for the petty-traders' preference for borrowing money from other petty-traders, acquaintances, friends and relatives.

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<sup>18</sup> As other terms businessmen was successfully added to Russian language.

<sup>19</sup> Initiated by Bourdieu's 'Distinction' (1982/1979) research on life-styles and consumption as expressions of social distinction has developed, even if economic resources restrict it to symbolic consumption (Gerke 1997).

A closing interview with the market director suggested a pertinent change in the trend—that the marketing management wants to expand the market place and modernise by roofing it in, all financed through a European development agency.

### 3. Types of Market Actors

On the one hand, a new type of employer has been arising, on the other, a mass of people who either are active in the governmental structure or belong to informal groups like the mafia or racketeers to control market activities arised. In what follows I will introduce the two categorial types of new economic actors who assembled different networks and developed various systems of solidarity and whose market strategies have differed with respect to the possessory interests of the goods to be sold. In this the proprietors stand in contrast to the *realisators*.

#### 3.1 Proprietors

The concept proprietor is used both by proprietors themselves and by the *realisators* and the customers when they talk to the sellers. The proprietor possesses goods and/ or a stand at the market, and depending on his financial situation he has the freedom to decide whether he himself will trade the goods at the market or hire a *realisator*. For all proprietors, it was characteristic to strive to administrate and control a business, to control the stream of goods, to invest the money and have no immediate connection to the sale.

The variety of merchandise dictates the strategy of purchasing and reselling it. Two main types can be distinguished: Petty-traders who deal in clothing and cosmetics compete with wholesale suppliers of the quasi-governmental ex- and import organisations and nevertheless try to proceed in accordance with the '*tshelnotshnyj*' model (Stephan, 35, Armenian) , i.e., they import by themselves. For the owners of grocery kiosks it is presently very useful—due to the amount of goods imported by the wholesalers—to take advantage of the wholesale suppliers in the city and to buy from them since they can no longer achieve the order of magnitude necessary to compete (Fatkhulla, 35, Uzbek). One of the largest importers is the Usbek-Turkish firm '*Nur Efsan*' whose director Mustafa Güler, an immigrant from Turkey to Uzbekistan, claimed to receive 30-40 truck-loads every week from Turkey.

The clothes and hygiene products that are sold at the *Sozgorod*-market are either bought at the *Hypodrom*-market or directly imported from other countries. The *Hypodrom*-market is taken advantage of when one's means are too small for traveling to a foreign land or when



one's web of contacts has not been sufficiently developed. But, buying in large quantities at the *Hypodrom*-market is risky.

„It is absolutely necessary to check out the entire merchandise very carefully since there are a lot of rejects there“ (Marat, 28, Kazakh).

Most of the petty-traders imported their merchandise by buying as much as they were allowed to import duty-free (US\$ 1400) at the so-called 'shopping-tours' which might be trips by bus or train, air traffic, and/ or even partly ship-cruises. How much one buys generally depends on how much one can carry and in addition on connections and the shopping sites.

„You bring (e.g.) along a stock with merchandise and try to get situated at several *Tolchoki*. If you hesitate even a little, the inflation gobbles up half of the profits. Once it so happened that I utterly failed. That's why I now really look into the demand and only take the merchandise that is easiest to sell. Moreover I advise others to pay attention to the sale points“ (Tatshenka, 36, Russian).

Generally, the petty-traders drive or fly one to four times a month, mainly to Turkey, China or Poland, and in addition to Russia, the Arab Emirates, Syria and the Netherlands. According to the labels on the goods, Germany, France and Italy are also included. But these claims cannot easily be checked out because the—faked—labels of various firms can be purchased in Tashkent by the meter.

For other petty-traders the *Hypodrom*-market, the wholesale market 15 km from Tashkent, is the main place to trade and shop. In its vicinity there has very recently developed a residential district for the resident traders who thus cut-down on their driving time. This is next to the market-place itself another impact on the urban landscape. The profit margin is correspondingly smaller when one then re-sells and was claimed to be between 10 and 50% after deducting all expenses.

The motivation to go on a shopping tour at the wholesale market or in a foreign land is not easy to understand. In addition to the risks and the need for capital for the trips, contacts and experience are also very crucial. Still others get the merchandise through a family member or acquaintance who lives abroad. Petty-traders who own a kiosk and sell groceries buy the goods either from the 'small wholesale traders' or directly from the local producers (water, beer, Uzbek Vodka). Those who deal in food stuff and yet have only one business rarely import their goods, since they cannot compete with medium and large wholesale traders.

*Fatkhulla:* He is about 35 years old, graduated from the poly-technical college in Tashkent and then worked in a government- run firm. In 1988 he entered into the co-operative where he worked until 1991 as a machine tool setter. While working at the co-operative, he also worked in the film industry, and travelling through the republics of the USSR bought film in large quantities and rented them out. „Back then that yielded profit.“ After 1991 the movies were not profitable anymore and he went into tourism. The tourism firm whose director he became in 1992 was set up and organised by a firm that chiefly undertook the repairs of loading machines and that his friend Nurgali ran. In 1993 the tourism business, too, stopped turning a profit. To do something for only one year is not unusual, it shows the risk involved and the durability of such engagement.

*Nurgali:* He, too, is about 35 and has a higher education. His business started with a trip to Yugoslavia. There, furniture and cigarettes among other things were being traded. In 1986 he started a business for repairing loading machines. Today, he also is co-owner of a small half-illegal sweets company. To have different sources of income is his personal strategy to face more risky transitional times.

*Their work at the market:* They began in 1993 when the auto centre was on the ‘*tolchok*’ site. They got a container that they turned into a kiosk and began to deal cigarettes. Their customers were car fanatics, who were visiting the auto center. From Yugoslavia ending fighting all kind of cars and details were imported in addition to the very lucrative cigarette business.

When the market was founded the director of the market, who belonged to their circle of friends, suggested that they work at the ‘*tolchok*’. They have worked at the ‘*tolchok*’ since October 1994. Their offerings were expanded into a cafe and salesbooths. When they began the business in the city, there were few firms that sold groceries so that they had to search for partners. Now, they themselves dictate the terms to the distributors because the majority of the firms make their services available corresponding to their experience with the delivery of the products. It is advantageous to work with regular distributors who, thanks to a long acquaintanceship, grant credit or allow more time to pay for the goods. Now they own a cafe, two stands next to the entrance of the market and seven tables on the market territory. With their assortment of goods, they have a kind of monopoly status for drinks and snacks at the market.

They both thank the frictionless co-operation for their success. Their internal financial relations are very close and there is a ‘common pot’:

„When one of us needs money he can take some at any time from the pot“ (Nurgali with Fatkhulla nodding beside him).

The immediate sales of the merchandise takes place through *realisators*. People who are hired receive a certain percentage of the net profits (5%); the losses are easily managed. Acquaintances and relatives are recruited to be *realisators*. Their wives didn’t have any ties to the business. One’s wife is only pulled in when there are financial problems but then with reservation.

„I like my wife to be busy at home and not to work. I would like to run this business without being concerned myself with all these details, but I cannot trust anyone else to do this“ (Stephan, 35, Armenian).

My observations showed that when married couples are active together in a business, rolls establish for each that correspond to the typically predominated roles for each in the Uzbek society: The women are usually the *realisators*, the men the organisers and providers.

### **3.2 Realisators**

The *realisator* is a salesperson who is concerned with the sales of goods for a single business. He has no part in the ownership and as wages receives a commission on the products sold. The concept ‘*realisator*’ does not exist in the customers’ vocabulary, but it is often used by the salespersons themselves to establish their identity in their own, albeit subordinate place in the system.

Svetlana is 60 years old and a doctor by profession. In 1994 she retired and started to work at the market. Her sister was ‘*tshelnok*’ and needed a *realisator* for the merchandise she brought from China. This sister rented a market stand and asked Svetlana to sell her goods. She accepted but felt uncomfortable at first.

„In the beginning it was terribly strange: I never sold anything. It was terrible and embarrassing. It down right humiliated me. I still feel it now. It is sickening that I went to college and worked and now I am forced to do this. But since then I have got used to it. Later I saw who ran the store next to me—namely two lawyers with college education—and teachers and doctors. All were forced to earn money one way or the other because without it one just cannot get along. And when my sister doesn’t bring any merchandise, I sell that of other proprietors—namely of her acquaintances“ (Svetlana, 60, Russian).

Presently, Svetlana has no big plans for the *‘tolchok’*. She does not intend to expand the business since she is sure that it is only a temporary occupation.

Larissa is a woman, 35 years old, married and has three children. She was an employee in a government-run operation and only received a small wage—and not even regularly at that. A friend of her husband suggested that she would work as a *realisator*. She agreed. She was pleased with the job but the merchandise (mainly women’s clothes) did not sell as the proprietor did not pay any attention to the demand or the taste of the customers. With the assent of the proprietor she started trading her own merchandise that she bought at the *Hypodrom*-market. She realised that that was much more profitable than working for the proprietor and being dependent on him. She wanted to buy her own spot and open her own business.

„What do I want? I want to save some money and buy myself my own spot. I have tried to work a little for my self. I bought T-shirts at the *Hypodrom*-market for US\$ 2 and sold them for US\$ 3 dollars. That was profitable. I realised that I could earn more this way. When you deal in merchandise that sells well and does not just lie there, it works. But it depends on the owner which merchandise is bought“ (Larissa, 35, Ukrainian).

But the fee for retail space at the market keeps increasing, and my observations show that in the meantime it has become extremely difficult without friends in the market administration to get a spot at all. In addition there is the fact that whereas the relation between the market and goods proprietors is fixed through documents concerning the sale or renting of the space, the relations between the *realisators* and the goods proprietors are not formally regulated. Two weeks prior to my departure the proprietor let her go and in her place his wife sold the merchandise since, as he sees it, she does not cost anything. Larissa independently searched for a new job as a *realisator*, tried to work for another proprietor who sold at the next stand over but was not taken.

Katharina and Timur are a pair in retirement. They began with shopping-tours together with Fatkhulla; they bought and sold. They have been at the market since the opening. They came to it through an earlier acquaintanceship. They deal in toilet seats, ironing boards, bathroom mats, etc. They have their own special niche. This strategy of specialisation they describe as their recipe to success.

They buy the merchandise either at the wholesale market *Hypodrom* in Tashkent or from familiar proprietors. They had worked together even before this. In the beginning they were

afraid of every business due to its negative image that this activity and its practice had where they lived.

„My husband didn't get very far. He made an impression as if he had nothing to do with it. I didn't like it that much, either, where we had never done anything like it before. I inspected merchandise in a store and he was a head engineer in a factory. In the beginning I was very scared that something would get stolen and tied down all the merchandise but now I've got used to it. Supposedly something was stolen from a lady and she pressed charges but never thought she would ever get something back, but she got it all back“ (Katharina, 67, Russian).

The examples show that this low income activity is done predominantly by women. Analysing the empirical evidence it is needed to refer to articles tackling more or less intensive the economic restructuring and the feminisation of labour (Standing 1989; Hezyer 1989; Humphrey 1987). In these studies the rationality of the employers (here: the proprietors) and the ways in which women's so defined weaknesses like for example their age or educational background is taken advantage of by employers to hold costs down or increase productivity is predominant. It is argued for example that the causes for women's powerlessness or lack of opportunities does not lie in the pattern of transition but in the weakness of the women outside the workplaces. Women are squeezed out of production and other public settings in Uzbekistan (Haizova/ Abdurakhmanov 1996). In the feminist literature it is argued when women work they are confined to low prestige sectors or to occupational segments mainly dominated by women. These sectors can be characterised by low wages, no security and long working hours.

### **3.3 Typical carrier path of and market actors in their context**

Those who work as *realisators* face the alternatives of either entering into a more risky venture or else remaining without work and subsistence. Becoming a *realisator* also gives one the chance, with time, to become a proprietor oneself with the money one has earned. Or buying at the so-called 'shopping-tours' or at the wholesale markets for first-time-traders often results in a career as a petty-trader, too. On these organised bus tours and flights people purchase and usually sell at the markets in Tashkent. The starting capital, at this point non-existent, is pulled together from relatives and acquaintances—loaned interest free. Now there are, according to the market director of the *Sozgorod*-market, private banks and loaning institutions from which money can be borrowed on interest. Profits are re-invested,

the net profit and the quantity of merchandise purchased increasing with success.

The next step is the attempt to become independent of the 'shopping-tour-organisers' by acquiring a vehicle or by managing one's own transport, e.g. one's own flights. Profits don't have to be shared with someone else. Then, one's own (exclusive) business contacts and routes can be established and business can expand. Eventually, even *realisators* will be hired. However, ethnic categories do not play a large role in the recruiting of personnel.

In the next phase the personal transport of the merchandise is less and less necessary. The business partners have developed stable business relationships. Transport is organised and communication is achieved by telephone and fax. The fourth step, as Fatkhulla describes it, is to become a wholesaler who does not sell at the markets anymore but rather functions as a purchaser and reseller maintaining the business and storage premises. These wholesalers function as middlemen and are registered as importers. The deals are handled with modern means of processing by employees. The structure of distribution shifts to the centre since larger quantities must find buyers in a relatively short time. As already the studies of Menkhoff (1993, 1994) on ethnic Chinese in Singapore showed most businesses are going through a rationalisation process which makes Menkhoff to conclude that the traditional kinship ties and trust relations in business are receding. Implicit in the operational directive of every small-scale business is the objective to expand. The expansion motive is based not only on profit gains or financial accumulation but also on the desire to avoid insolvency or bankruptcy and on more psychological and emotional factors of success and security (Evers/Mehmet 1994).

Nevertheless, the Uzbek case together with other so-called 'transitional economies' are unique in regard to the size of the state apparatus and its dominance in societal transformation, which will be tackled in more detail in the following chapter. On a case level, thus, some could use the structure of distribution of government operations, which still exists, right from the beginning. Fatkhulla explains:

„Functionaries and operations managers had and still have a head start in information—due to their proximity to the bureaucracy. There are many ex-functionaries among the new proprietors and now drive Mercedes since they used their business contacts and know-how“ (Fatkhulla, 35, Uzbek).

In this my results coincide with those of Nee (1989, 1992, 1996) in the example of China's elaborate 'power persistence hypothesis' that says that especially those belonging to the cadre can preserve their position and power in the transition phase.

The political-administrative system regulates the market and that the elite decide. Again and again petty-traders and consumers emphasised determinacy in their definition of '*tolchok*'. In ordinary language nowadays, the concept 'New Russians' (the concept 'New Uzbeks' is hardly ever used), the 'New Rich', is applied to those who have quickly come into money and/ or are in possession of their status through western objects of prestige (for example, western cars, a large apartment or house, buying in real/ genuine stores, etc.). This new class is predominantly assigned by the Tashkentians to the mafia milieu<sup>20</sup>—for better or for worse. My landlady said:

„Everything was already like this once, in the 20s, at the time of the New Economic Politics (Lenin, MK) -- then there were new-rich, speculators, dollars and market economy, too.“

Again and again I was told that he who owns a new cafe or sells goods in a kiosk has contacts to the mafia and pays them protection money.

The above described typical steps in a petty-trader's career applies, according to my findings, to individual petty-traders and for petty-trader groups who have joined together to form a single business. Some of these networks came about through their travelling together on shopping-tours. Most petty-traders agreed that they co-ordinated their trips with other petty-trader friends in order to be able to help one another in a foreign land, transporting, etc. Though this groups have no permanent membership or common budget. The strengthening of weak ties in foreign lands, that is to say in this case their activation in Turkey, seems to follow the explanatory pattern that with larger ethnic distance, internal connections are stabilised which seems to be less necessary at the other end of the business, i.e. in one's own country. (cf. Wallace 1997:14; Evers/ Schrader 1994). Through information sharing, financing, and, generally, providing social support, the petty-traders have facilitated the establishment of the routes of trade.

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<sup>20</sup> According to Grathoff (1982) aspects of the accessibility of the setting for outsiders and the possibility of a penetration into the setting, the participation or inclusion, trust and co-dependency should be analysed in socio-graphic writing of any milieu. Difficulties of researching the mafia milieu are very obvious.

Thus, the idea occurred to four petty-traders who already knew each other a few years not to calculate and sell individually any more but to run the business together and share the risk:

„We get up a common pool to which we all, in the beginning, contributed our varying starting capitals. Every one of us just put in what he had. Until we earned back this starting *Sum*, each received a *Sum* relative to his contribution to the pool. But after that everything was divided by four.“

They describe their friendship in a group interview unanimously as ‘communism.’ They never argued; before they were just friends and now the business side has just added to that friendship.

„Of course our conversations have changed because of this. We don’t talk about politics anymore, we talk about business. But that has a lot to do with the times“ (Sasha, 40, Ukrainian).

They characterise modern times unanimously as marked by the acquisition of living and by the fight for survival. Old ideas, the old training, old intuitions have all become obsolete.

In the beginning this common pool was used to finance their travel, the booth fees and the purchase of grocery-kiosks. Since then, a basis has accumulated for emergencies that makes it possible to help each other out in times of illness, family celebrations and other financial problems like getting a place to live.

„Usually you urgently need money right when you can’t earn any“ (Eldar, 29, Uzbek).

The mutual trust was unanimously described in separate interviews as being very high. That is how they achieved a minimisation of risk that they are very happy about—that gives the friendship extra meaning.

„Personal risk and economic risk, today, are very closely related. Before we had our work, our financial security and money played a smaller role“ (Fatkhulla, 35, Uzbek).

A further strategy they used to minimise risk consists in shifting the main business to selling beverages, provisions and cigarettes that they either bought from wholesale traders (*melki optovi*) or directly from a Uzbek manufacturer. The sale of locally-available goods allowed for a faster turnover of merchandise and a more secure, albeit smaller, profit margin. The clothing kiosks were only run on the side since they obviously had put less stake on



products in less demand. Over the course of time they achieved a division of labour that made the business run more effectively.

A still further strategy is to expand the network through outside contacts. A net of private and public contacts was built. Eldar has the taxes imposed and the accounts balanced through contacts he already established earlier. *Realisators* and salespersons are looked for in one's circle of friends and acquaintances, found and then contractually bound. Some of these are only verbal agreements. Payment mostly comes on a provisional basis. They make hiring decisions together and the continuous presence of at least one of them allows for continual personal control. But since a high net profit is also in the interests of the *realisators*, this control is only necessary in the beginning phase of a new employee's career. Further, one member of the group, Marat, functions for the market proprietor as acting manager which holds the competition at the market in check. Market director Marat sustains the security reciprocally, so that he could, at any time, go back to his role as a petty-trader together with the others in the business, if he, for example, were to be let go as the director. This arrangement would take place, although he has no experience, since he has never sold anything. In such a case he would not have to bring in any capital. He emphasised that moral principles are intact in local communities in Uzbekistan—only the state and its organs are unpredictable and arbitrary. With a part of the profits, those running the markets also fulfill charitable goals. He explained that:

„Morality is a part of the politics of the market operators. Our president (of the market) is a very good man. He can't stop helping poor people. Last year they gave money for shoes for blind children, supported the victims of war and veterans, helped finance the construction of a church and gave to the red cross, although they still had to pay tax on this money. The state really should have been taking care of this things, but it doesn't“ (Marat, 42, Tatar).

Precisely the interplay of the negative picture of trade as speculation in Soviet times and the present necessity to earn money by trading allows a discourse of justification to come about and leads to a special emphasis on moral values and achievements. Thus, even by the market administration a special value was placed on giving money out for all kind of charities (Karpenko/ Kaiser 1996). In addition, the security of the market place was named in order to disarm the scepticism of the Tashkentians with respect to the '*tolchok*'. For this reason the site was fenced in, watched over by watch towers, and a security troop also patrols the area.

It can further be confirmed that after experiencing the market and the mutual trust involved in it, the purely negative notion of market and trade turns into a positive one. The criticism of government actors remains in keeping with tradition. They are responsible for the deterioration of the socio-economic situation and represent the main threat to the petty-traders.

„Maybe tomorrow they will forbid us to breath. We live in such a country“ (Marat, 42, Tatar).

The intellectuals' discourse around the kitchen table criticising the government shifted to the market place and into a socio-economic discourse. A new social setting has emerged.

To conclude, the petty-traders are a new social group that came to be as a result of the transformation, and of these, the ones who engage in distant trade were often already mobile earlier through work, their training or the military or could make use of any social positioning or capital. Having information at one's disposal which allows one to help oneself to a net of 'good turns'—i.e. corruption—and to avoid conflicts with the responsible authorities is *qua* factor of success especially important for any 'new economic actor'. The actors who act within such a net of relationships and out of whom the net itself is actually comprised have a special relationship to one another. Individuals take part in reciprocal actions or relationships of exchange through these networks that can consequently increase the variation of the transition and acquisition of new information, and this information is indispensable if everything is to function successfully under unstable conditions. Both analytical approaches and case studies show that trust and security form the „*raison d'être*“ of reciprocity (Eckert 1996). Moreover, attention must be paid to the fact that norms, rules of acquisition, accumulation and use of network capital are embedded in cultural conditions.

## **4. Integration into the Societal System - Embeddedness**

Long (1992) describes ‘social interface’ as critical points where various social systems connect or intersect, and levels or settings of the social order in which discontinuities come about as a result of varying normative values or social interests. According to Long, in these intersections it can be seen how the actors’—who are influenced by institutional considerations and power relations that lie outside of the concrete situation—perceptions, interests and goals change through interaction, and how they also, on the other hand, are determined through the behaviour of the actors. The intersections show the structure and explain the dynamics (*vide* Lachenmann 1995:24-28).

Economic institutions are shaping the lives of individuals differently at an interactional level firms, offices, markets and households are not only sites of economic activities but simultaneously of the display and production of any societal marker (among them gender, ethnicity, tribe etc.) as a routine accomplished of everyday life therefore it is not something that ‘is’ but is ‘done’. At an institutional level, economic actors, relationships, and processes shape and are shaped by categories of inclusion and exclusion.

### **4.1 Societal Embeddedness of Social Action**

The use of illegal practices forced and forces the petty-traders and the manufacturers to turn to ‘their own people’ for help and support. Ethnic economy researchers stress ‘ethnic resources’ as the source of ethnic groups’ entrepreneurial capacity. Ethnic resources are defined as the social and cultural features within an ethnic group which an ethnically based trading network utilises in doing business. In order to particularise the ethnic resources, the focus of theorising empirical data resulted in a delineation and categorisation of groups (on the basis of national, regional and ethnic origin) into high, marginal and low disposition to ethnic entrepreneurship.<sup>21</sup>

Strict division into family clans was not preserved anywhere but with the old system of equal distribution of common welfare and the transition of the society towards a free market

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<sup>21</sup> Thus, for instance, high ethnic entrepreneurship groups have included Arabs, Armenians, Chinese, Gypsies, Greeks, Italians, Japanese, Jews, Indians and Pakistanis, Lebanese, Koreans and Persians. Others have displayed medium or low disposition towards entrepreneurship and trading especially.

system the differences have started to outline again. Some of the family groups are now setting up joined farm holds, the social and economic differences between the family groups are now more obvious. In this regard it was mentioned only by Aytmanbetov in *Nukus* that their is clan disposition:

„Araby clan is the most successful in commerce. They are buying grown up and yield and buy their own transport delivered to the market in Russia. They are bringing back industrial goods“ (Aytmanbetov, Karakalpak).

He explained his village society being based on family relations.

„There are 10-15 family groups in our *makhallah* which are established on the relation to the family principals (casts). For example: *Lashinchilar* (that is translated as carrot growers), *Araby*, *Malajy* (servants), *Korallar* (blacks), *Shaitonlar* (devils), *Ashaklar* (asses), *Bookchilar* (excrement cleaners), *Koojokchilar* (burned). The biggest clan is *Araby* (Arabs).“<sup>22</sup>

In urban areas are very few such clans and as a rule they are not involved in business activity. In Karakalpakstan, if we would judge on the respondent's statements there are also not many relative groups united on base of common business interests. Karmisheeva (1979) has already pointed out implicitly in her paper on commerce at the start of the 20<sup>th</sup> Century that the specialisation in the economy does not necessarily follow ethnic but at best local and regional (geographical) borders, but in doing so developed parallel to the borders of clans and tribes. Since back then one as a producer (e.g.) of grapes or rice within a certain region was always identified with a particular settlement, the economic specialisation of production also reproduced the differences between various clans or ethnic groups. An increase in mobilisation, like it sounds in Deutsch (1955, 1961, 1963) does not therefore, taken by itself, imply heavier integration since a reinforcement of ethnic difference goes along with economic specialisation and the corresponding expanding commerce. However, a formal structure is being set up in the commercial activities which are increasing again by resorting to embedded resources. (cf. Amponsem 1996).

Based on the empirical data collected in Uzbekistan the traders as new economic actors, their experiences and interactions will be scrutinised to illustrate the dimensions underlying the ongoing economic transformations and to understand this dynamics from a societal

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<sup>22</sup> Dr. Fatkhullah R. Ergashev, Dean of the Faculty of History at the Academy of State and Social Construction Under the President of the Republic of Uzbekistan, refers to those groups as occupational casts (own interview).

perspective. The differences of the interaction approach only succeed to delineate ethnic based networks from non-ethnic ones by emphasising the extent of embeddedness and the relative use of cultural and social capital.

The researched networks referred to 'their own people' often as friends and relatives. Acquaintanceship, Friendship and kinship all make the question of whether the business relationship is a formal bond superfluous and impede the development of (e.g.) conflicts.

„Trust can be placed in kin-relations“ (Stephan, 35, Armenian).

Networking comes from co-operative working relations.

„How individuals are linked to one another and how the bond of affiliation serve both as lubricant for getting things done and as glue which provide order and meaning to social life“ (Powell/ Smith-Doerr 1994:365).

At the level of interaction between people, social networks are defined as

„a specific set of relations among a defined set of persons with the additional property that the characteristics of these linkages as a whole may be used to interpret the social behaviour of the individuals involved“ (Mitchell 1969:2).

Network analytical approaches show that the structure or pattern of social relations demand or (de)limit the actions of the persons involved in a number of ways. Thus, network analysis offers a starting point for understanding how social structures influence individual behaviour. The empirically derived concept 'network capital' encompasses the potential and the use of all types of nets with any objective and on the basis of any principles whatsoever.<sup>23</sup> Thus, this concept includes both long-term blood-/ primordial relations and friendships but also short-term, instrumental acquaintanceships, goal-oriented patron-client relationships, etc. (cf. Czako/ Sik 1993). In this I am assuming that there coexist more embedded and more disembedded areas in every society—in traditional as well as in modern ones.<sup>24</sup> Social capital as investment has been activated by the new economic actors during the process of transformation.

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<sup>23</sup> Bourdieu (1982) brings up social capital in contradistinction to cultural capital and gives the example of networks for social capital. The concept network capital is found in its literal translation of Russian sociology. Also used in Czako and Sik (1993).

<sup>24</sup> What I have in mind here are the concepts of varying velocities of globalisation and localisation in varying social settings. For the concept of embeddedness readers are referred to Polanyi (1978) and Granovetter

„The basic assumptions with regard to the behaviour of the actors (are) ... bounded rationality, opportunism and network-based strategies“ (Sik 1994:48).

Granting the embeddedness of actions and interactions, the current theories of transformation (cf. Nee 1989, 1992, 1996) must be verified, whereby one must inquire both into the restrictions and into the advantages of collective action for the group or, as the case may be, for certain persons. In this context Evers (1997b:17) points to the possible connections between the theory of transformation and the theory of strategic groups.

In the horizontal dimension petty-traders established their nets of connections within various localities, in the vertical dimension relationships and connections to authorities like the market administration, tax administration, the militia, customs, the mafia, etc. were maintained.

More systematically one can depict different ways of risk reduction. The more frequently used mechanisms like social networks and patron-client relationships can - according to Wallace (1997) - be divided in symmetric and asymmetric ones. The former referring e.g. to reciprocal ties, weak ties in the terms of Granovetter, which were made more reliable through friendship and kinship relations. Under asymmetric ties she subsumed patron-client relationships, buttressed by ties of loyalty and gifts, which offered more predictable relationships than random bribing. While patron-client relationships were said to be vertically structured, we can discern a more horizontal, but nevertheless asymmetric relationship, when people try to utilise former relationships (Meyer-Tran/ Kaiser 1997).

	symmetric	asymmetric
vertical		patron-client relationships
horizontal	reciprocal ties, ethnic groups	utilise former relationships

The relationships that were revealed in the process basically cover two areas: On the one hand dependencies should be noted (material, legal, those due to power) and on the other hand the investigation of the network even offers the possibility of a cartography of the development of the discourse on the concept of the market or simply the spread of

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(1985), although I think the historical sequence of embeddedness, disembeddedness, re-embeddedness of a society is an over-interpretation.

information. The distribution of information and interpretations of the situation follow the course determined by the networks.

Thus, a militia soldier can work together with a colleague in a neighbouring area but also with the mafia of the bazaar and the private organisers he had been observing. Since the access to merchandise is monopolised in certain areas, networking exceeds all provisional structures. There is still the legal form of access to basic goods, but it does not appear to ensure the maintenance of one's standard of living, let alone its improvement.

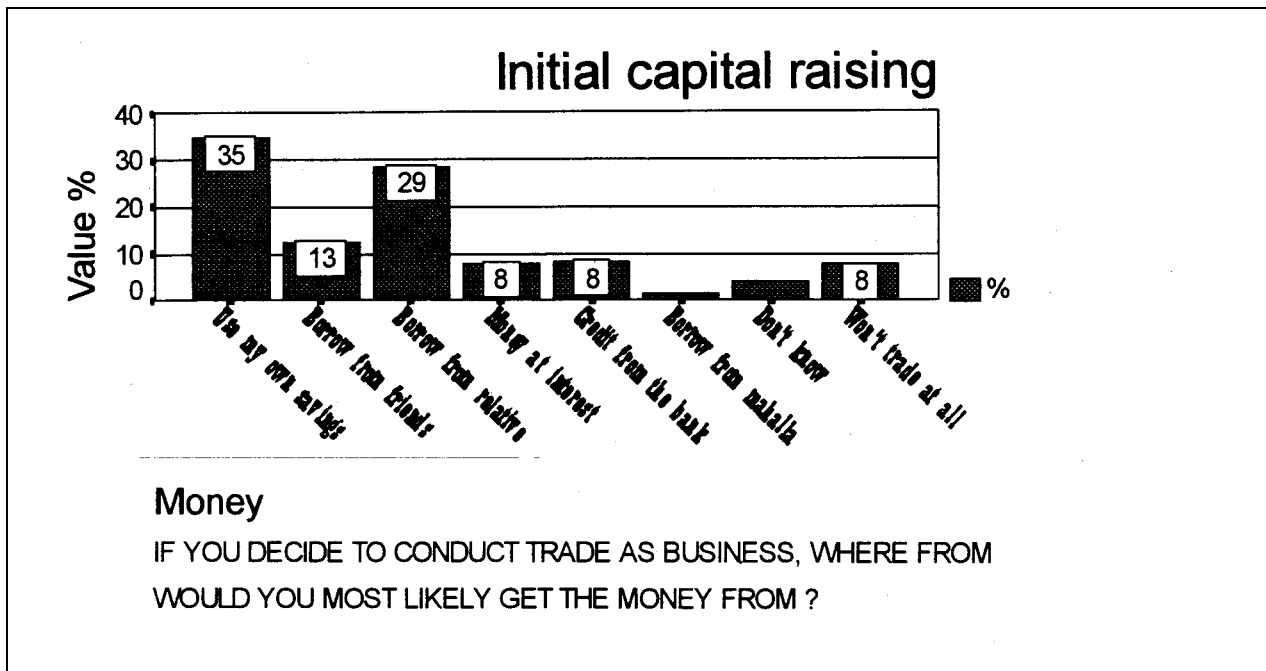
The co-operation between the mafia and the governmental administration became apparent in Tashkent through the recent construction of a bazaar on the south-east edge of the city which was finished in the record time of three weeks, when the previously unavailable materials were supplied by 'private businessmen'. This supposedly was the result of the administration's promise to ignore the allocation of the licenses or „rights to put up a shop“ (Erdal, 35, Uzbek) at this bazaar and as a result of the threat of arresting mafia-bosses.

In such networks the regimentation of relationships is a natural one and characterises these networks even outside of the market. It is a familiar regimentation. It would be possible to establish a web of clients exclusively within a group at the everyday level. Precisely the representation of ethnic groups in most jobs and businesses—at least in the area of Tashkent—would make this option possible. In the ethnically mixed urban context webs of clients include people of various ethnic affiliations and appear to be increasingly determined by business contracts. Networks, especially those of petty-traders, appear to function supra-ethnically.

One of the main dispositions to business is accessibility to financial capital. It also becomes apparent in the recruiting of initial capital for that a web of personal relations is important. However, the obtained data didn't show significant differences between ethnic groups. Though in an urban setting to rely on ones own saving was higher. In Tashkent with 44% the highest value was achieved which can partly be explained by a higher amount of savings in cities. Matching this in an rural context the percentage of borrowing went up to 36% at the highest. In contrary went down in Tashkent to a low of 21%.<sup>25</sup>

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<sup>25</sup> All other variations are not very significant. Though taking credit at interest varied from 2,5% to 8,5% and credit from banks varied from 9% to 11,5%. This data was obtained through an all Uzbekistan survey with 5.000 respondents with representative quotas for 'nationality', 'age', 'region' and 'sex' administered by



The need for credit (for purchasing goods, a place at the market, etc.) is satisfied without bringing in banks due to the inefficiency of the regulations on depositing security. Help and credits are given to friends, independently of their place of residence. On this there were a few indications that a system of self-sufficiency, similar to a co-operative, had developed at the 'tolchok'. The money is borrowed from acquaintances but these are, in this case, no longer friends or relatives but neighbouring petty-traders at the market. One informant reported a case where neighbouring traders went to see a notary and one handed out the amount of 1400 US\$ to the other, but it was signed and attested to give back 1550 US\$. The interest gets included this way, although taking it is illegal.<sup>26</sup>

In the Soviet community, friendship is an important form of collaboration which is based on a large amount of trust and surpasses the barriers of rational considerations.

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TADQIQOT, Tashkent. However, data processing is not yet finished and the results have to be worked out and compared with additional surveys in Tashkent and Buchara asking only petty-traders administered by TADQIQOT, too (see Kaiser 1997a, on research agencies refer to Kaiser 1997b, c).

<sup>26</sup> (Indirect) interest rates on foreign currencies varied between 30-40% per annum. Others said that 1% per day is not to bad. A bakers wife said: „It's too high for us to use. It's profitable only for those who just buying and selling. In case we would get it wouldn't pay back. All the profit would go to pay back the credit“ (Leila, 26 Kazakh).



„A friend is someone who always understands you, forgives you, when you find yourself in a difficult situation. It is someone of whom I can be sure he won't cheat me“ (Stephan, 35, Armenian).

This kind of person is the preferred type of business partner, because friends are not only bound by a common past but also by a moral obligations that mirrors the limits of what is allowed under the conditions of an absent legal environment.

„You don't let friends down“ (Fatkhulla, 35, Uzbek).

Friendships in business are, however, rather seldom. They are supplement through relationships with relatives or acquaintances that are 'tried and true', i.e. where trust exists from experience. Often it is the cases that trade secrets form the borders of friendship.

„I did not go with these friends since something very interesting happened back then, namely that no one was prepared to reveal his channel of information, his income, or even what merchandise he wanted to take. It is very important to know what sells and what doesn't, where there is demand and where there's none.

„I: Those were their close friends and they nevertheless didn't give them any information whatsoever?

R: Some were very close friends, but still didn't reveal this information. Moreover, a close friend, as I later learned—probably a year later, sold me an invitation—or more precisely, he sold it to me through a middleman. I later told him that to his face, but it was much later when it finally came to that“ (Nosirov, 36, Tatar).

Having close personal contacts to neighbours and members of the market administration make formal guarantees in the form of signatures on paper or long-term obligations superfluous. The individual petty-trader is, first, wrapped up in a close-meshed net of social control and, second, well-informed about the businesses of his neighbours.

In the production of business connections, recommendations tried and true partners receive an important meaning as an important factor of trust. When a partner cheats it is not just he who falls out of the net, all those he recommended fall out, too.

Thus, the sense and necessity of 'petty-trader-collectives' lies in the minimisation and avoidance of social risks. The half-legal character of the practices investigated, the instability of the situation, the demand for economic networks, for financial backing, etc. became the basis of specific forms of solidarity that are able to decrease risk. Friendship, kinship, and long-term intimacy are basic categories for the description of social networks and the basis of trust.

During one of my interviews someone came to my interlocutor Nasarov and said that he absolutely had to speak to him. My interlocutor asked him to wait. After about 15 minutes the man came back and said that it was urgent. Nasarov did not care to discuss the matter in my presence, so they stepped aside and then disappeared to the market. Later I asked Nasarov what happened. He explained to me that Hai'rhulla asked him for help in getting a trading-spot at the market and that he is acquainted with the market director. He can make decisions in this matter without worrying about the formalities and restrictions that those people have to endure who are not integrated into this network of friendships. People like my respondent are 'necessary'; knowing them makes possible a more effective materialisation of activity at the market. Nasarov obviously has resources at his disposal that are to be used. That shows the continued existence of conventional models of behaviour from times when every question was settled 'on the sly'.

„In the USSR you could regulate everything through friendships. I do something for someone, and when I need something, I get help. But now that just isn't possible anymore. Before, the people were even insulted if you began to talk about money. Now, it's the complete opposite. If you don't pay, it may happen that the next time you won't make it, you won't get what you want...

Since then more and more people take money. When one is in a difficult situation, one has to get connections—but one still has to pay—it's just a question of time. I have some rather far reaching connections at my disposal. Sometimes friends turn to me and I can make some suggestions, tell them who they have to turn to and how. We talk about the price later. In Tashkent there are fixed prices, e.g. for a passport within three weeks US\$ 150, otherwise it takes two months. But if you come with a good recommendation, there is no talk of money, a gift will do. But in general it is the case that the longer the acquaintanceship, the smaller the fee“ (Stephan, 35, Armenian).

When pre-existing relationships are absent, it may take time to cultivate new linkages and this will often involve exchanging material/ informational gifts, taking potential partners out for dinner and/ or vodka, inviting them to ceremonial banquets/ meetings, and making donations to the community (*makhallah*) (c. Yang 89 and 1994). These practices are often symbolised as gestures/ signs of friendship , loyalty, mutual trust and 'giving face' (a code that communicates a sense of social importance in the network). It is through the active exchange of these gifts/ favours that boundaries and significance are given to networks.

Risk reduction and capital building have to be analysed as modes of appropriation. On the horizontal level a personal mode of appropriation was described within the web of market

actors, relations of friendship and personal interaction. The functional relations in the vertical level enlarge the organisational structure applying a corporate mode of appropriation including alliances, patronage and networks.<sup>27</sup>

#### **4.2 Transformed modes of action: strategic networks**

The very gradual path towards a market based economy is meant to avoid social risks and political instability in Uzbekistan. The authoritarian monopolisation of resources oppresses the raise of a counter elite and of political entrepreneurs with particularist interests. Private initiatives are overwhelmed by contradictory laws and decrees, exorbitant taxes, and government interference. The size of the free market economy has actually declined after the new legislation. The bazaars have grown more quiet and pale.

The state and especially its executing organs have changed very little in the perception of the petty-traders who operate without him. In Soviet times being a trader or running a market was illegal and was not done publicly. Today, the '*tolchok*' culture is formally legalised, and there are documents that regulate this activity, commissions that determine one's compliance with trade regulations. Many are forced to turn to illegal or half-legal methods. In various ways petty-traders make the necessity of having to use illegal practices clear:

„R: Most problematic are the taxes. Up to 90% of the profit must be used for taxes.

With such a distribution there is no use in doing business.

I: But you don't just let that happen, do you?

R: No, I don't report my earnings.

I: And what happens if the tax office finds out?

R: How? I keep practically no books. I buy the merchandise and the cloak of some company. I bring it here, sell it and that's all.

I: What about the documents for the shipping?

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<sup>27</sup> Downscaling strategies of groups Evers (1980, 1988) proposed three modes of appropriation to derive a revenue or interests through: (1) personal mode of appropriation, meaning formation of professional or job-specific organisations such as: chambers of commerce, professional associations etc. deriving a revenue through 'personal appropriation', (2). corporate mode of appropriation maintaining or extending ownership and control over the means of production by enlarging the organisational structure through 'corporative appropriation' such as networks, alliances, and patronage (3). collective mode of appropriation meaning the receipt of revenue through a public appropriation, i.e. the government bureaucracy or the military to establish their organisations to become the major representative of the state power.

R: You can buy those. After the deal I burn them. The tax office won't bother with little fish like me—that costs more than it's worth.

I: Does that mean that all business people are not in good standing with the law?

R: 99% of them, for certain. You can't observe the laws, if you do they will take the shirt off your back. If I were to report all my income, I would have to sell the merchandise for twice as much, and people wouldn't pay that much. But with my system, both the buy and the seller make a profit“ (Tatshenka, 42, Tatar).

„I always have a bad feeling when I drive by the prison; somehow I feel strange. You surely understand that all this is only half-legal. If they really want to they can lock you up for it. The money is lost in the process, but that's not the worst. But one can also end up there. Yeah, if you really think about it, we could all be sent there. In the next due campaign we could all find each other there“ (Fatkhulla, 35, Uzbek).

The '*tolchok*' is a place where the petty-traders see themselves as being exposed to a great danger. I could observe how notification within the market worked when a committee was approaching. Proprietors hectically informed their *realisators*, others informed their acquaintances. There was a nervous bustle, and trading for US dollars was suspended since it is illegal and brings with it a penalty and the confiscation of one's merchandise as consequences.

Clashing with the organs of the state is a big risk. In order to protect themselves from these undesired consequences issued by the state, the petty-traders build friendships with other business people, with the militia and individuals within the machinery of power „which increases the businessman's strength (Stephan, 35, Armenian)“. It seems likely that the connections that the interlocutors often described as methods of friendship work well with authorities in the most various areas. Especially at times when the legislation changes so fast that no one can be sure what is legal and what is not, and this leads to a further decline in the credibility and predictability of the state. The high level of state control in Uzbekistan was made explicit by the interviewed traders and makes it necessary to look at the interface between state and 'new economic actors' more systematically. There are observable differences in the trading regimes, the social and cultural consequences according to be entrepreneurial active in states with a different level of control. Therefore, the following model on the interplay between the level of societal control and the level of social embeddedness and the resulting trade regimes is proposed:

		Social Embeddedness	
		high	low
Level of Control	high	strategic networking/ corporative appropriation (ex. Mafia)	state controlled, contractually organised trade
	low	Trader's Dilemma	cheating, chaos

The strategic networks are established through functional and personal relationships and their interface with the strong state was described several times by traders the following way:

„The mafia is the state“ or „The state is the mafia“.

The strategic networks traders are embedded in have means to appropriate and maintain as long as it is necessary their own interest by gaining privileges, access to social resources, and to a certain extend other abstract objectives such as power and prestige. Their main function is to keep their business going and to reduce their risk through modes of reassurance of the status quo or any improvement on it. The way of surplus extraction are ‘modes of appropriation’.<sup>28</sup>

The functional relationships that are distinct from friendships include the quick issuing of a passport, connections to the market director, contacts to the border patrol, the passing on of information about a coming control commission, etc. In the petty-traders language, the functional relationships are distinguished from friendships through the use of linguistic

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<sup>28</sup> Evers (1980, 1988) refers to strategic groups analysing Southeast Asian societies. In his strategic group theory whichever group emerges first and gains political power has the greatest chance to structure the political system and to establish a pattern of legitimacy. The strategic group theory was developed by drawing from both Marxist and Weberian sociological theories in order to understand more adequately the different transition of Southeast Asian societies. However, due to the very low degree of a collective mode of appropriation, political participation and the orientation of the new economic actors towards the duration of their business activity in maintaining their relations it is referred to strategic networks. The strategic group theory deals in addition to business networks with the government bureaucracy or the military which receive public revenue and establish their organisations to become the major representative of state power.

equivalents for acquaintances and friends in the Russian language. Functional relationships need no personal contact and can be mediated in groups of three. The distance of the petitioner influences here, in addition to the possibility of reciprocation, the price or the kind of favour. For intermediaries in the economic sector, there is now the English concept 'broker' which has been adopted into the Russian language. The behaviour of petty-traders changes the social reality, and the social progress changes their behaviour.

On the local level these processes promote changes and execute strategies. Functional relationships occur between the private and public. Such private-public networks include government officials and the traders they control (who must register, pay taxes and duties). On the level of privatised state companies Nee termed them 'cadre entrepreneurs' (1992:1-27). In 1994 in *Buchara* a former party-official had turned completely private. He was not only active in animal husbandry, but also owned a shop where imported foreign goods were sold. Interlocutors said somewhat maliciously that he turned into a real *bay*, the title of the rich people before the Soviet Revolution. Such 'cadre entrepreneurs' or 'strategic networks' in the case of self-established trading business promote the intertwining of private-public interests as well as central-local domains and, for the most part, have good connections to higher state hierarchies. (*vide* Kaiser 1997a).

These settings and changes have led to the strong presence of a strategic network based on a set of new public actors at central, regional, and local levels. Research of 'Centre Expert' on crediting and production found similar 'clientelistic' patterns of negotiations between quasi-public actors and enterprises.

„This network of private-public forces, especially those in cross-border activities, are structurally privileged by the present system and gain from the decentralisation processes and strategies in various ways“ (Alisher Il'Khamov, Director Centre EXPERT, own interview).

Capitalising on these new capacities/ opportunities traders have been drawing on their linguistic affinities and kinship ties. They have begun to build socio-economic connections connecting major trading spots.

## Conclusions

The investigation of the Uzbek petty-traders in the process of transformation shows that trade in Uzbekistan is embedded in informal networks and socio-cultural relationships which for their part underlie a fundamental change. This change takes place in the context of socio-economic processes of change. It has become clear from the presentation of the dynamic conceptions and approaches of the petty-traders investigated that they are not only 'victims' of change but also instigators of economic transformation.

The Uzbek *'tolchok'* represents a model of the appropriation of market economic mechanisms at the level of every day practice, of the way in which people familiarise themselves with it, and of how the transformation takes place, concretely and in the minds of the actors. *'Tolchok'* can only be understood as a social setting, built up by the petty-traders' dynamic conceptions with respect to their economy, as a setting for the exchange of cultural values for the creation of new patterns of behaviour, the realisation of new social practices and for bringing about a specific lifestyle and identification.

The sense and necessity, from 'petty-traders' networks' to 'strategic networks' lie in the avoidance and minimisation of social risks. The half-legal character of the practices investigated becomes the basis for specific forms of solidarity that are able to reduce the risk and maintain corporative appropriation. Friendship, kinship, and long-term acquaintanceship are the three basic categories for the description of social networks and are the basis of trust. Here, the pattern of relations in the networks, (e.g.) friendship, kinship, intimacy, etc., is used as a resource through which the type of group activity is determined. Rather than operating along a specific ethnic inclination, personal networks, ties and social relations are created to facilitate resource mobilisation, modes of organisation and appropriation. Strategic action forms trading.

The petty-trader's employment of categories and conception from Soviet times to describe their new practices mirrors the new ununiform shaping of a positive identification among the actors, the aspiration to justify their present practices and the definition of one's own relation to the market over the past.

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