Suitcase Trade between Turkey and the Post-Soviet States: The Resistance, the Dynamics, and the Change

by

Darja Irdam

A thesis submitted to the Graduate School of Social Sciences and Humanities in Partial Fulfillment of the Requirements for the Degree of

Master of Arts

in

International Relations

Koç University

July 2011

STATEMENT OF AUTHORSHIP

This thesis contains no material which has been accepted for any award or any other degree or diploma in any university or other institution. It is affirmed by the candidate that, to the best of her knowledge, the thesis contains no material previously published or written by other person, except where due reference is made in the text of the thesis.

Signed Darja Irdam

ABSTRACT

This qualitative study is designed to capture the dynamics of the development of the suitcase trade between Turkey and the post-Soviet states. The suitcase trade emerged as a response of the post-Soviet people to the economic hardships that they encountered after the collapse of the Soviet Union and it was largely supported by the liberalization of Turkey's economy. The study embarks on analysis to investigate how the suitcase trade, through migratory and economic activities, serves as a means of resistance of meso and micro level actors to socioeconomic marginalization which they face in the light of capitalist transitions and globalization. This thesis is among the first attempts to track the changes that the suitcase trade has undergone in the under-researched period of late 2000s. Based on extensive fieldwork in Istanbul, this thesis contributes to the literature by 1) re-assessing the periodization of the suitcase trade; 2) shedding light on the most modern period of the suitcase trade and its major developments; 3) investigating the process in which individuals and enterprises interact with the state by producing institutional responses; 4) analyzing the complex migratory processes associated with the suitcase trade; and 5) researching the networking mechanisms between various migrant groups in the suitcase trade.

Keywords:

Suitcase trade, marginalization, resistance, shuttle migration, economic migration, marriage migration, institutional change, formal and informal institutions, networking.

ÖZET

Bu kalitatif çalışma, Türkiye ve Eski Sovyetler Birliği ülkeleri arasında gerçekleşen bavul ticaretindeki gelişmelerin dinamizmini takip etmek amacıyla yapılmıştır. Bavul ticareti, Eski Sovyetler Birliği'ndeki insanların Sovyetler Birliği'nin dağılmasından sonra karşı karşıya kaldıkları ekonomik güçlüklere bir tepkisi şeklinde ortaya çıktı ve Türkiye ekonomisinin liberalleşmesi de bavul ticaretinin gelişmesine büyük ölçüde katkıda bulundu. Bu çalışmada, mezo ve mikro aktörlerin kapitalist dönüşümler ve küreselleşme sürecinde karşılaştıkları sosyoekonomik marjinalleşmeye karşı bavul ticaretinin, göçsel ve ekonomik aktiviteler sayesinde, nasıl bir direniş mekanizması olarak kullanıldığını araştıran bir analiz yapılmıştır. Bu tez, az araştırılmış bir dönem olan 2000'li yılların sonunda bavul ticaretinde görülen değişiklikleri izleyebilmek için yapılan ilk girişimlerden biridir. İstanbul'da yoğun bir şeklide yapılan saha çalışmasına dayanarak, bu tez literatüre 1) bavul ticaretinin periyotlara ayrılmasını yeniden değerlendirerek; 2) bavul ticaretinin son dönemine ve bu dönemdeki ana gelişmelere ışık tutarak; 3) bireylerin ve işletmelerin kurumsal tepkiler üreterek devletle etkileşimde bulundukları süreci inceleyerek; 4) bavul ticaretiyle ilişkili karmaşık göç süreçlerini analiz ederek; 5) bavul ticaretinin içerisindeki çeşitli göçmen gruplarının arasındaki ağ mekanizmalarını araştırarak katkıda bulunmaktadır.

Anahtar sözcükler:

Bavul ticareti, marjinalleşme, rezistans, mekik göç, ekonomik göç, evlilik göçü, kurumsal değişim, formel ve enformel kurumlar, ağ mekanizmaları.

To Z.Z.H.

ACKNOWLEDGEMENT

I would like to acknowledge some outstanding individuals without whose scrupulous work, help and support this thesis would not have been completed.

First and foremost, I would like to thank my advisors for their patient guidance, excellent teaching and for everything they did for me during these two years. I would like to express my utmost and heartiest gratitude to Professor Ahmet İçduygu, to his immense scholarly contribution, to his profound wisdom and unbelievable human virtues. With no exaggeration, I can say that Professor İçduygu has literally changed my life not only with his brilliant teaching, but also with the true human qualities that one can learn from him. My warmest and most sincere thanks are to Professor Caner Bakır for his wonderful help, encouragement, kindness and understanding, for his unique ability to appreciate intelligence and individual point of view. It has been a great honour for me to work with him and to learn not only from his vast knowledge, but also from his incredible work discipline and research approaches.

I am also thankful to Professor Mine Eder for her constructive criticism of this research and helpful advice and to all respondents, interviewed for this thesis, who trusted me and found time and strength to answer the stream of my questions.

I would like to thank the MiReKoç team, one of those rare groups where one can find a cosy shelter in the sea of academic and daily troubles. Namely, my thanks are to Ayşen Üstübici, Deniz Karcı, Deniz Sert and Biriz Karaçay for their

friendship, great support and for the joy they gave me throughout my studies at Koç. My special thanks to Deniz Sert for her helpful comments and suggestions on this thesis.

I am sure that I would not have been at the current point of my life without the universal love, and endless help by Jelena A. Nevskaja, my guru and friend. This thesis would also be unthinkable without the encouragement of my first professors: Inna Ossiptsuk and Maria F. Smolina, and great friendship and support of Ingrid and Emrah. I am also extremely thankful to our dearest family friend Captain Ulaş Sözen, who always teaches us to love this life and people as they are.

I owe special thanks to Emre and our family, for everything that they do for me, for being who they are, for lighting up my way and for being my love, my joy and my happiness. This thesis is dedicated to my grandmother, who has in turn dedicated her entire life to us and who has been doing everything and even more for our education, wellbeing and happiness.

TABLE OF CONTENTS

CHAPTER 1
INTRODUCTION AND THE THEORETICAL FRAMEWORK

Introduction

This thesis is about one of the most remarkable aspects of the relationship between globalizing Turkey and the post-Soviet states, the suitcase trade. The suitcase trade is performed by individual shuttle traders, who travel to the source country to purchase goods, which they will later sell in their home states. The suitcase trade analyzed in this thesis captures equally the trade of the goods which these individual actors carry across international borders as their personal things avoiding customs taxes, and the goods which are transported to their home states by cargo carriers or transfer companies[1].

Though a more detailed historical account of the emergence and the evolution of the suitcase trade through time will be provided in the second chapter of this thesis, the suitcase trade is truly a product of its time, it would have been impossible without the occurrences of the 1990s, hence it is very important to provide a brief understanding of the historical developments which stimulated the emergence of the

[1] Hence, this thesis embarks on the analysis with the assumption that the suitcase trade from primitive shuttle mobility of individuals who, by definition, carried goods in their luggage to all kinds of contemporary developments of this primitive mobility. This thesis, thus, has a different approach to the suitcase trade than Turkish authorities such as the Central Bank of Turkey and Turkey Statistical Institute, who accept the suitcase trade to refer exclusively to the trading of goods carried by people across borders as their own luggage, which is not subject to customs procedures.

suitcase trade. The suitcase trade emerged just before the dismantling of the Soviet Union. Though Turkey in fact attempted to join the global economy ever since 1960s, both Turkey and the USSR underwent similar globalization-related transformations in the 1980s. Nevertheless, while Turkey transformed itself as a result of these changes (Karaçay, 2011: 113), the Soviet Union collapsed after facing the conundrum of being incompatible with the global capitalist economy that was eager to implement (Karaçay, 2011: 116). The suitcase trade was facilitated by the changes in the legislation, which allowed for some albeit limited economic and migratory exchanges between Turkey and the communist states. Signing the natural gas treaty between the USSR and Turkey in 1984 for example, was among the first fundamental steps towards development of economic relationships between Turkey and the USSR (Karaçay, 2011).

Some recognition of the importance of the "suitcase trade" phenomenon can be seen both in the academia and in the policy spheres. The phenomenon relates to economically, culturally and socially pivotal process of shuttle migration between several countries. Being a producer of cotton, cheap textile and leather products, Turkey has been a Mecca of suitcase traders from many African, post-Soviet and Arab countries for many years. In the suitcase trade, post-Communist states have been in a special relation with Turkey because 1) post-Soviet states have faced severe goods deficit due to the specifics of the Communist economy, which among others was mostly felt in terms of textiles and shoes; 2) the price of Turkish products makes them an attractive instrument of trade in the post-Soviet states; 3) relatively close

geographical location of Turkey makes it an affordable and comfortable destination for the regular shuttle migration and for the transportation of goods. Shuttle migrants from Ukraine, Russia and other post-Communist countries have always been among the main suitcase traders in Turkey. Moreover, they can be referred to as the starters of the whole suitcase trade economy in Turkey.

Having provided a detailed understanding of the historical developments of the suitcase trade, this thesis is going to explore and analyze the functioning of the suitcase trade phenomenon between Turkey and the post-Soviet countries, its trends and dynamics, its economic role for the countries involved, its social effect as well as the impact of different regulations and policy responses on the suitcase trade. Most importantly, this thesis is going to analyze how the actors of the suitcase trade through transnational shuttle trade and circular migration cope with the marginalization they were exposed to by the processes of globalization and capitalist transitions and how they, by resisting this marginalization, shape the modern socioeconomic changes in their countries. Broadly speaking, this thesis is going to investigate the unexplored and underexplored realms of the suitcase trade in Turkey. As the suitcase trade and the issues related to it have not been researched in the late 2000s, and furthermore, the migratory element of the suitcase trade has been largely neglected in the research society, this project is going to present an important theoretical, conceptual and empirical contribution to academia. Some methodological concern can stem from the fact that this research is not focused on one particular area, but examines a wide range of issues. This research therefore, is

multidisciplinary, rather than being concentrated on a particular phenomenon at stage. Though such multidisciplinary approach may create certain drawbacks in other cases, I believe that due to its ability to provide the best map of the phenomena at stake, it is most appropriate for the exploratory research of the suitcase trade at the current stage. It is furthermore necessary to notice that some of the issues research in this thesis had more profound impact on the post-Soviet states, while the other issues seem to have more leverage on Turkey, therefore, the analytical focus in different chapters may be slightly gravitated to the region which was more affected.

1.1. Research questions

The main goal of this research is to explore the suitcase trade phenomenon into depth. To do so, a systematization of knowledge is necessary. Therefore, the research will be based on three levels: macro, meso and micro. To be precise, the research will investigate the complex reciprocal relationship between these levels of analysis. On the micro level, the research examines the individual actors of the suitcase trade. On the meso level, the research assesses the enterprises of the suitcase trade and the capitalist relations associated with it, while on the macro level this research focuses on the states, their official institutions, regulations and larger structural factors such as population dynamics, economic structures and unemployment. For the sake of clarity and better comprehension of the mechanisms through which the suitcase trade is used to challenge marginalization and shape globalization and capitalism, it is logical and necessary to distinguish between these three levels of analysis. Such

distinction will also facilitate the understanding of the general mechanisms and particular parts of the suitcase trade.

Consequently, when analyzing the complex relationship between these levels, this thesis will investigate two major ways in which marginalization is being challenged: through trade and migration. Hence, this thesis is going to address how the migration strategies and transnational networks facilitated by migration are used by micro and meso level actors to resist marginalization to which they are exposed by macro level structures. Similarly, the way that macro level structures relate to the meso and micro levels of analysis will be examined through the resistance of the enterprises and individual actors to state institutions and regulations.

In addition to the theoretical contribution on three levels of analysis, this research will also provide a deep insight into the history of the suitcase trade in Turkey and the post-Soviet states by mapping out the past developments. It will furthermore shed light on the most recent events of the shuttle trade's economic and migration dimensions. Finally, after analyzing the knowledge gained through investigation, the thesis will try to draw some lessons which can potentially help to produce some important policy implications that can not only help individual actors to resist socioeconomic marginalization and shape the development of their states, but also to maximize the benefits of the shuttle trade for the receiving and the sending sides and minimize the risks and negative aspects associated with suitcase trade. In short, this research is going to address the following questions:

1. What are the historical developments of the shuttle trade between Turkey and the post-Soviet states? How can this history be separated into periods which can best explain its dynamics and the ways in which individuals and enterprises resisted the marginalization to which they were exposed by globalization and capitalist transitions?

2. What are the most current dynamics in the area of shuttle trade in Turkey? What has changed in the suitcase trade on the macro, meso and micro levels in the last decade? There is anecdotal evidence that suitcase trade has shrunk significantly and it has completely lost its importance, profitability and economic relevance for both Turkey and the post-Soviet states. Thus, on the macro level, this research is going to investigate this question and either approve of or disapprove of this anecdotal evidence. On the meso level, this thesis will analyze the changes in the profits of the suitcase trade enterprises in Turkey and the post-Soviet states, the changes in the international and domestic competition patterns and the new strategies which the enterprises develop in order to address the pressure of globalization and capitalist transitions. On the micro level, this thesis will examine the interpersonal relationship among marginalized actors. It will investigate the relations based on trust and the issue of cheating among the manufacturers, retailers and the suitcase traders, it will also assess the role of the Internet in the interpersonal relationships and the way business is conducted these days. Finally, this thesis will also provide a detailed account to the way that marginalized individuals use love, affection and sexual relationship in order to

renegotiate their status vis-à-vis dominant economic forces, and also to restructure power relationships among other marginalized individuals.

3. How do individuals and enterprises negotiate the state-imposed institutional arrangements of the suitcase trade and adapt to the larger structural factors of the post-Soviet states' and Turkey's economies through the shuttle trade? How do these micro and meso level actors by their survival strategies shape the institutions? Are the institutional changes that the micro and meso level actors create totally novel and unprecedented or are they simply the developments and readjustments of the previous existing institutions?

4. How do individuals and enterprises challenge the conditions of marginalization which they are exposed to by the globalization and capitalist transitions through their migratory practices? What types of migration are associated with the suitcase trade and how have the migratory practices changed in the last years? This thesis will also investigate whether migration helps the establishment of networking among individual actors.

5. Having answered these questions, this thesis will also provide some ideas which with future research and considerations may help to find a possible answer to what policy implications and regulations can best help the micro and meso level actors to cope with marginalization, minimize the negative aspects of the suitcase trade and maximize its developmental impacts.

1.2. Scientific importance

This research seeks to understand many important issues related to the suitcase trade between Turkey and the post-Soviet states. The suitcase trade was a pivotal source of income for the Turkish economy especially during the crises of late 1990s - early 2000s. Moreover, suitcase trade is also often the single source of income for many households in the post-Soviet world. The importance of the suitcase trade can be clearly seen through its scale and character (Eder *et al.*, 2003: 5). Nevertheless, this trade is very poorly addressed in contemporary academia.

Besides, the scholars working in the different locations of the suitcase trade geography are very disaggregated: Turkish scholars do not analyze the previous investigations of post-Soviet researchers and vice versa. Furthermore, the literature has always been very selective in terms of the level of approach. The majority of the studies have concentrated on the micro level and studied the implications of suitcase trade through individual traders' prism. It can also be considered a very important shortcoming in the literature that post-Soviet scholars mostly concentrate on the receiving side of the suitcase trade in their analyses by mainly focusing on the suitcase traders themselves, leaving the entire Turkish industry totally unaddressed. Thus, I assume that conducting a research that would combine the perspectives of the both sides of the suitcase trade is an important and novel step in understanding the whole picture and the complicated mechanisms of the suitcase trade.

On the whole, the suitcase trade research is in an embryo phase nowadays. It lacks depth, breadth as well as a theoretical base and empirical testing. Though the previous academic research is priceless and successful, many aspects of this research need to be updated. Suitcase trade is a wide, lively and dynamic phenomenon, thus a deeper understanding and new approaches to the study are necessary.

Therefore, this research seeks to address the gaps in the literature and conduct an in-depth analysis of different dimensions of the suitcase trade, addressing among others the most modern period. This thesis draws on the extensive investigation in many existing works on the phenomenon of the suitcase trade in the post-Soviet space in the Russian language. Finally, an additional advantage of this research is that the surveys and interviews with the shuttle traders were conducted directly without the help of translators and interpreters. Previous bilateral research had to conduct surveys with the help of translators which always lowers the quality of communication and the information obtained (Fetterman, 1989; Johnston *et al.*, 1995; Temple, 1997).

1.3. Review of the literature

The theoretical and empirical scope of this thesis goes beyond narrow analysis and combines several types of literature together. Hence, the literature on resistance to socioeconomic marginalization, globalization, institutional theory and institutional analysis, new economics of labour migration and temporary labour migration theories will constitute theoretical grounds for this research.

1.3.1. Resisting marginalization

It is often assumed that the processes of globalization eradicate the power of the state and remarkably renegotiate the state's function in many aspects of the contemporary life. One of the most important areas where the state is deprived of its previous influence is economy: globalization and already globalized developed states create the conditions where market powers rather than governments guide the economy. The power of the markets is often argued to be much more effective than the power of the state in terms of economic efficiency and growth.

However, gains in terms of economic efficiency cannot compensate for the negative effects that globalization and withdrawal of the state from the steering wheel reveal. A powerful conflict is created by the incompatibility of the old institutional frameworks and the new economic trends imposed by the globalizing world (Slavnic, 2010). The state, by yielding its leading position, contributed to severe marginalization of the weak links, of people who are already marginalized in socioeconomic terms (Aksikas, 2007; Bee, 2000; Kanji, 2002; Mittelman, 1991). The state thus has lost its power as a "decommodifying" agent of labour, which is supposed to protect fair employment and decent work of its people, and became a "commodifying" agent (Cerny, 1999). As a result, many people did not have an access to chances of earning income by doing a decent job (e.g. legal, regularly paid for, suitable for the educational background, with appropriate working hours) and they had to find other strategies to provide for themselves and their families. The process, referred to as 'informalization from below' started. Different agents "who

share a common condition manifested in the lack of legal status and protection, extreme vulnerability and a dependence on informal engagements that generate their own idiosyncratic 'political economy'" are involved in this process (Slavnic, 2010: 4).

The real life provides plethora of examples for the situations in which people who are deprived of access to economic power, decent income and jobs try to resist their marginalization through engaging in informal and illegal activities (Aksikas, 2007; Ghosh and Paul, 2008; Leach, 1996; Sookram and Watson, 2008). On the one hand, academia and policy spheres share an overwhelming populist idea of the so called 'marginality thesis', which generally assumes that participation in the informal economy is limited to the marginalized people from the lowest socioeconomic strata such as women, extremely poor and migrants, and it only provides income opportunities for these people (Sikder and Sarkar, 2005; Slavnic, 2010: 5).

That said, it is often assumed that informal economy is not a negative occurrence accompanying globalization and imbalanced economic liberalization; on the contrary, as it is claimed, informal economy represents a safety-net for the marginalized people because this way they can earn income, and it also frees the state from obligations to provide income and support for these marginalized people (Overton, 2000; Sikder and Sarkar, 2005).

On the one hand, there is a counter opinion which is also extremely popular among contemporary policymakers. This opinion advocates for a formal and

informal economy dichotomy, which argues that in order to achieve development, informal economy needs to be formalized and fit into the legal institutional framework (Overton, 2000; Williams and Round, 2007). This position is widely criticized in the academic literature as misleading and ignorant of the problems of marginalized people, for whom involvement in the informal economy means even more marginalization (Aksikas, 2007; Leach, 1996; Slavnic, 2010).

On the other hand, a recently evolving intellectual stream argues that participation in the informal economy and resistance to marginalization is not only done by the poor and disadvantaged people in order to secure some kind of income, but it is also their way to practice 'active citizenship' and fair and just 'community building' (Williams, 2005). Therefore, it is argued that through participating in informal economic activities, marginalized people try to cope with the restrictions and disadvantages that globalization exposes them into. In fact, it has also been argued that participation in the informal economy creates a modality for the participation of ordinary people in the processes of globalization and related socioeconomic transformations. Hence, Nagar *et al.* (2002: 260) pronounce:

> We see these informal spheres as key sites for understanding globalization processes in their own right because of their crucial roles in society and because it is precisely these spheres and activities that underwrite and actively constitute the public spheres of globalization.

Furthermore, it is claimed that globalization and marginalization are socially constructed rather than inherent and given from above (Nagar *et al.*, 2002). Some

researchers have emphasized lately that the general literature discourse on globalization is exclusively masculinised[2]. Attention is usually concentrated on top-down oriented globalization with powerful structures imposing their influence on the weaker ones. This masculinisation of academic discourse on globalization is sometimes accused of "capitalist myopia", a situation in which globalization is ascribed to certain actors and structures, while many other sites where globalization is also being shaped are neglected (Nagar *et al.*, 2002: 262-263).

Consequently, it has to be understood that globalization is being resisted and renegotiated by simple people in their ordinary practices. Concepts such as 'people-level globalization' (Mittelman, 2000), 'grassroots globalization' (Appadurai, 2000) reflect the fact that in their everyday activities, simple people and in fact normally disadvantaged people should not be victimized and perceived as passive receivers of global processes, since they always tirelessly seek for mundane solutions to their problems and they often unconsciously greatly contribute to the way global changes take place (Cockcroft, 1983; Nagar *et al.*, 2002). Contrary to many other authors, Bayat (1996) argues that the resistance to marginalization usually emerges as a necessity, as a defensive strategy for survival. Through quiet encroachment, casual and non-political social relationships, people create tremendous changes in the institutional structure. These marginalized people win new places from where they can continue resistance (Bayat, 1996; Bayat, 2003). New economies are being

[2] For a more detailed discussion see for example Gibson-Graham (1996), Nagar, Lawson, McDowell, *et al*. (2002), Roberts (2003).

formed by these marginalized people by their simple resistance practices (Sassen, 2001). Yet, within Bayat's framework, these resistance practices usually take form of re-negotiating and improving the individual conditions that people find themselves in rather than a declaration of active political mobilization. Resistance here does not involve planned and organized actions of people who collectively and consciously try to create large scale social change, but it is mostly the not-predicted end result of disaggregated actions of people who try to improve their lives.

1.3.2. Migration and mobility as a way to cope marginalization

Shuttle mobility and transnational trade are accepted to be pivotal ways for marginalized people to cope with economic marginalization, harsh life conditions and neglect of the state. The literature offers a wide spectre of evidence on survival strategies of people who rely on circular mobility and petty trade. Thus, for example, Sikder and Sarkar (2005) demonstrate that many people survive thanks to their shuttle mobility and trade across Indian-Bangladeshi border. Kanji (2002), in the study of female petty-trade and mobility in Tajikistan argues that even though such activities aggravate the socioeconomic situation of the marginal people, they nevertheless are perceived as a crucial way to survive in poor rural areas. Hapke (2001) demonstrates the survival strategies of female petty-traders in Southern India, Babb (1989) studies women entrepreneurship and petty-trade in Peru, Little (1999) shows the importance of trading for survival of rural African people and Ntseane

(2004) demonstrates that trading and informal economy are the only means of survival for South African and Botswanan marginalised groups. Teltscher (1994) demonstrates that informal trade in Ecuador varies greatly in its level of output, being merely a survival strategy in some cases and a pivotal area of commodities exchange in others.

It is claimed that many people had to engage in different kinds of migration in order to find income opportunities in the harsh conditions to which they were exposed after the collapse of the Soviet Union (Demir, 2010: 314). On the whole though, it is argued that informal cross-border trade and shuttle migration are often excluded from the contemporary studies of people's resistance to marginalization of globalization (Peberdy and Rogerson, 2000).

1.3.3. Marginalization in transition economies

After the dismantling of the Soviet Union, millions of people were exposed to severe economic challenges. Declined real wages, unemployment, the lack of public services are among many of the problems that the people had to face in the time of transition (Round, 2006). In the post-Soviet Union, as it is argued, not only people who have no other possibility for survival, but also people with additional income opportunities engage in the informal economy in order to improve their living standards (Williams and Round, 2007). Therefore, it is obvious that active resistance

to marginalization and active participation of people in globalization describes the suitcase trade between Turkey and the post-Soviet states in the best way.

Yükseker argues that in the common top-down approach to globalization, people are always depicted as merely receivers of the products and knowledge produced by corporate structures (2007). She suggests that, contrary to the common opinion, globalization is also largely made by ordinary people in their everyday practices, rather than solely by corporate entities (Yükseker, 2003; Yükseker, 2007). Consequently, in Guarnizo and Smith's (1998) terms, she refers to the suitcase trade as an example of 'transnationalism from below' (Yükseker, 2007: 63).

In one of the most outstanding work on the suitcase trade which has been published up to date, Yükseker (2003) bases her analysis on Braudel's framework. Namely, she presents the idea that in the suitcase trade, globalization is produced and shaped not by the multinational corporations or major capitalists as it often happens, but by people. People, as Yükseker argues, are usually perceived in the literature as receivers of globalization, as subjects of globalization and they are often not attributed independent roles (Yükseker, 2003: 38). On the contrary, as Yükseker defines in her study, the actors of this market are for instance small-scale traders, manufacturers, unemployed migrants, women and street vendors (Yükseker, 2003: 38). Consequently, she examines the transnational and informal competitive properties of the suitcase trade. In a nutshell, Yükseker studies how the networks of the suitcase trade operate as a transnational entity independent from the monopoly of top-level capitalism (2003: 39). Since Yükseker's fundamental study, no one has yet

published any work which would develop her ideas further and continue the research on the suitcase trade and globalization.

Therefore, in this thesis, the idea that global transformations are not merely received by individual actors, but actively shaped and negotiated by them will be dominant. To be precise, this thesis will rest on Bayat's (Bayat, 1997) theoretical framework. In his study, Bayat investigates the quiet resistance practices of marginalized 'informal people' who by their mundane actions, though unintentionally, create immense social changes. Hence, in this thesis, it will be assumed that, as Bayat demonstrates, people often unintentionally become a pivotal counter force (Bayat, 1997: 53). Moreover, in this theoretical line the actors are not like Gramsci's 'passive revolutionaries', who embark on the road of resistance with particular aims set in their minds. Gramscian passive revolutions happen through gradual and slow social change, which is initially intended to cause revolutionary changes (Forgacs, 1988). Bayat's perspective is different in that sense that quiet encroachers start their actions with no revolution and no remarkable large scale social change in mind, yet very often they unintentionally achieve it. Such resistance practices are *ad hoc* means of improving the conditions that people live in, rather than revolutions and collective uprisings against the existing system. In this thesis thus, the resistance is perceived to stem from rational calculations of individual actors who do not necessarily follow certain political discourses and pursue revolutionary ideas.

On the contrary, it will be demonstrated in this thesis that the suitcase trade and the magnificent changes that it entailed, started as a way for the marginalized people to survive with no intentions to challenge the authorities of political structures. Nevertheless, as Bayat argues, though the resistance is made "quietly, individually and gradually", the outcomes of these actions are "always collective and audible" (1997: 58). Moreover, this theoretical framework will help explaining the existence of the suitcase trade in the terrain of informal economy: in generally restrictive environments, people who lack institutional power or ability to function within complicated and discouraging legal structures, are forced to engage in informal and illegal activities (Bayat, 1997: 60).

This thesis will thus explain how individual suitcase traders who were deprived of chances to maintain decent lives in the conditions of socioeconomic transitions initiated the suitcase trade. They were forced to act illegally, since formal institutions were restrictive at first and unreasonably costly afterwards. In spite of the fact that the suitcase trade was initiated as a non-political struggle, individual actors through their practices have contributed to immense changes and shaped the processes of globalization and capitalization of the economy. This thesis will develop Yükseker's propositions of 'grassroots globalization' and independence of the transnational market forces from the monopoly of the top-level capital. The main contribution of this thesis will be to demonstrate the contestation between macro and meso, macro and micro structures in the suitcase trade. Furthermore, this thesis will demonstrate how exactly people resisted marginalization in two main areas: in their

economic and migratory practices. It will, thus, present a novel contribution to the literature since the migratory aspect of the suitcase trade is almost entirely neglected.

1.3.4. Resisting marginalization through mobility: the case of the suitcase trade

Previous literature on shuttle trade approaches migration mostly very flatly. It accepts embedded circular migration on which the suitcase trade rests, as the only type of migration in this area. However, I assume that it is not enough to see the migration of the suitcase traders only as shuttling back and forth between the post-Soviet countries and Turkey. Suitcase trade stimulates complex and various migratory movements all of which were largely neglected in the literature and need further elaboration.

Yükseker (1999: 63-64) distinguishes between two main migrant groups in the Turkish side of the suitcase trade. The first is the internal migrants of Kurdish origin who come to Istanbul from Eastern Turkey and the second is migrants from the Balkans who came to Turkey in the late 1980s. Both Yükseker (1999) and Eder *et al.* (2003) also distinguish one particular migrant group: Russian speaking employees of the Laleli[3] shops, who are hired to provide assistance and guidance for

[3] Laleli is a district in the European part of Istanbul which became a centre for the suitcase trade in Turkey. Laleli district has been developed to satisfy all the needs the suitcase traders may have. It is the centre of shops, cargo companies, hotels, restaurants. In short, a suitcase trader coming to Istanbul may arrange everything she or he needs in Laleli. This district is also known as a centre of prostitution in Istanbul. The detailed account on the history and contemporary state of Laleli district is going to be provided in the following chapters of this thesis.

the clients from the post-Soviet countries.

In this thesis, it is assumed that these are important groups to crystallize out of the general migration patterns in the suitcase trade. Nevertheless, research available now totally disregards the issue of the shifting migratory statuses of the circular migrants who are the main actors of suitcase trade. How does the circular migration associated with the shuttle trade develop? Does it turn into permanent migration? Does this circular migration turn into labour migration? Does it tend to turn into legal or illegal migration? What factors stimulate those transitions and how does further integration process evolve? What are the trends and possible future developments in this area? What are the characteristics of these circular migrants? None of these questions can be sufficiently answered based on the previous research of shuttle trade in Turkey and thus an attempt to answer them is made in this thesis.

1.3.5. Informal transnationalization

Some attempts to connect shuttle trade and informal networks have been done by researchers. For instance, Hozic (2006) in the study of informal transnationalization in the Balkans, attributes the emergence of new socioeconomic classes of merchants and traders to the activities of informal networks in the region. Some scholars see informal networking as a deliberate choice of individuals and groups for securing income in times of economic hardship. Kapralova and Karasyeva (2005) claim that in the context of failed regulation in the post-Soviet states, informal networking is a

survival strategy for the suitcase traders and is most commonly used as an alternative to the formal economic activities. Similarly, according to Rauch and Trindade (2002), informal networks commonly serve as a strategy for people to overcome informal barriers such as a weak international legal system and the lack of information about trading opportunities.

When it comes to the suitcase trade between Turkey and the post-Soviet countries, scholars often imply the importance of informal networks in the business. However, these implications are merely superficial and do not reveal much information. For instance, Ivanov *et al.* (1998) elaborate on the issue of national networking among suitcase traders. They provide evidence to the fact that suitcase traders almost never use any bank credits or loans, substituting them with money borrowed from their informal networks within their own country (Ivanov *et al.*, 1998: 42). The importance of networking in the development of shuttle trade in the post-Soviet countries is very briefly emphasized in the works of Sadovskaya (2002) as a facilitating factor for trade, in the research by Bobohonova and Rasulova (2009) in terms of the mechanism of exchange of information on trade and commerce and as an important basis for family business and employment. However, informal transnationalization has largely been underestimated by scholars despite the growing scholarly interest in shuttle trade (Eder *et al.*, 2003).

Shcherbakova (2006), after several in-depth interviews with the shuttle traders, concludes that some transnational networks have been established in particular between Turkish shopkeepers and Russian traders. She then claims that

these networks facilitate the trading by establishing the supply chains in which suitcase traders basically lose their role and stop circular migration (Shcherbakova, 2006: 14). Since this aspect has not been studied yet and the information technology, most importantly the Internet, has developed tremendously in the last 4-5 years that are not covered by research, it is very likely that transnationalization was affected by such aspects of globalization as the spread of Internet. A lot could have changed, thus, it is very important to study transnationalization and how it has been developing until now. I argue, however, that though transnationalization through the Internet and other means of communication facilitates and stimulates the suitcase trade a great deal, it does not create a functional shift in the different structures of the suitcase trade.

The most comprehensive study of transnationalization is provided in the article of Eder *et al.* (2003), where they study micro-dynamics and mechanisms of informal networks in the shuttle trade. According to this research, the networking in Laleli develops around the issue of trust. The networks are common both among Turkish shopkeepers and also between Turkish shopkeepers and Russian traders. They claim, however, that networking is a process with a high level of national selectivity in Laleli and trust often rests on ethnic and cultural criteria. Thus, shopkeepers tend to trust Russian and other European traders while they completely distrust people from Muslim countries (Eder *et al.*, 2003: 21). Besides, Eder *et al.* assume that Turkish entrepreneurs are deeply impressed by the level of culture and education of Russian people (2003: 21), which necessitates further elaboration.

After a detailed analysis of the literature, it is possible to say that little has been said or researched about informal transnationalization, which is a very important phenomenon in the contemporary world and is a pivotal aspect of suitcase trade between Turkey and the post-Soviet countries. In this thesis, the process of informal transnationalization is going to be elaborated on in detail. This thesis will try to provide answers to the questions of how these transnational networks have been functioning recently; what are the most important grounds for the establishment of these networks through migration; how do they impact the suitcase trade between Turkey and the former Soviet Union and what kind of factors influence these networks.

1.3.6. The state and resistance to marginalization

Institutions are pivotal factors influencing, shaping and constraining human behaviour. Institutional structure of a state largely predefines the development of its entrepreneurship (Aidis *et al.*, 2007). Studying institutions in transition economies is particularly important because often when old institutions migrate from the old to new regime, the socioeconomic transition may be significantly affected: outdated institutions may continue restraining the behaviour which may be harmful for the development of new rules and norms.

Institutional scholars often draw a strict line between formal and informal institutions because it has been argued that institutional formation happens through

state actors or ‘rule-makers’ imposing behavioural constraints and the response of the ‘rule-takers’, who are forced to adjust their behaviour to these constraints (Streeck and Thelen, 2009). Hence, formal institutions represent written and widely accepted rules aimed at defining the economic and legal structure of a particular state (Tonoyan *et al.*, 2010), while informal institutions on the other hand, are characterized as invisible rules of the game, comprised of norms, values and social perceptions (North, 1999: 4). In the transition economies, institutional structure is often inappropriate and outdated. It discourages the ‘rule-takers’ to behave according to formal institutions due to extremely high costs that these formal institutions imply and pushes the individual and business actors to look for alternatives. Similarly, formal institutions of transition economies often cause economic marginalization, poverty, unemployment and failure of the state to provide social goods. These factors push people to participate in informal economy (Aksikas, 2007; Hozic, 2006; Rehn and Taalas, 2004; Slavnic, 2010). Informality comes up front in many economies in the developing world because it is particularly attractive for enterprises with scarce resources in the unstable socioeconomic and institutional conditions.

The interrelation of formal and informal institutions and the ‘rule-makers’ and ‘rule-takers’ in the suitcase trade has been so far done mostly through analysis of the role of the regulations on the informal economy and the suitcase trade. The states which perceive informal economy as a temporary problem stemming from economic or political transitions which is expected to disappear by itself with the minimum state support are severely criticized (Aksikas, 2007: 258). Besides, the classical

position in which the informal economy is seen as evil as opposed to formal economy is also largely criticized because it is necessary for the state to understand that informal economy also plays a crucial economic role (Aksikas, 2007: 258). There exists, however, a totally opposite perspective - a perspective of populism. According to this perspective informal economy in times of crises must be supported by the state because it would provide a safety net for the poor and unemployed and at the same time relieve the state from the obligation to provide social support. This populist perspective is also challenged and decisively judged by scholars (Overton, 2000).

Therefore, it is often assumed that the states are supposed to understand the potential of informal economy and the way in which it can contribute to the economic development (Sookram and Watson, 2008). However, the opinions on how to make informal economy work for the benefit of the state also vary significantly. Some scholars suggest that strict regulations are inappropriate for formalizing the economy or for harmonizing both formal and informal economies together (Sookram and Watson, 2008: 1547; Sookram *et al.*, 2009). The other group of scholars tries to prove that strict regulations eradicate the incentives for people to participate in informal economy, thus they advocate strict policy approaches. It is also assumed that increasing trust in governmental institutions, and tax moral can help facilitate the formalization of economy without loosing its positive aspects (Sookram *et al.*, 2009).

Some scholars who have researched the household surviving strategies in the post-Soviet states have reached the conclusion that informal economy is not a

necessity of marginalized part of the population; rather it is a deliberate choice of people from wider slices of society. Therefore, it is not logical for the state to pursue formalization paradigms and try to prevent informal economy in any possible way. On the contrary, it would be a better solution for the state to facilitate the evolution of informal or alternative economies to stimulate development (Williams and Round, 2007).

Some scholars list the absence of access to investment in production among the factors triggering suitcase trade as a means of survival (Ivanov *et al.*, 1998: 41; Kapralova and Karasyeva, 2005; Kostylyeva, 2009: 131). A peculiar position can be seen in the work of Yakovlev (2006: 13), who argues that the emergence of informal economy in Russia was nothing else than a reaction to the inadequate government and its total inability to stimulate business development in the formal environment as well as to its failure to levy taxes. On the other hand, regulatory loopholes that allow easy registration of suitcase trade retail points as well as mild customs regulations are accepted to be the stimulants of the phenomenon of suitcase trade in the post-Soviet countries (Kapralova and Karasyeva, 2005: 400; Statistics Department of the International Monetary Fund, 1998: 11).

Some researchers of the suitcase trade between Turkey and post-Soviet countries claim that in the conditions of the post-Communist countries, softer regulations stimulate formalization of the suitcase trade (Bobohonova and Rasulova, 2009: 9; Kapralova and Karasyeva, 2005: 401; Kostylyeva, 2009: 131). By the same token, these scholars further assume that strict regulations and increased customs

fees lead to the withdrawal of people from suitcase trade (e.g. Ivanov *et al.*, 1998). Similarly, Alekseyev (11 August 2006) suggests that strict regulations prevent people from executing their activities in a formal transparent way, pushing them to the underground level. Shahotko (2003) in her study of labour migration from Belarus presents evidence that as life standards of suitcase traders as well as other informal migrants improve significantly after circular labour migration, it is a necessary strategy for the state to adopt a labour export strategy on a regular and controlled basis, by providing people such benefits as legal assistance, protection and information (Shahotko, 2003).

Fauzer (2007), in his investigation of city marketplaces, which are centres of the suitcase trade in Russia, advocates the importance of a more targeted state regulation. Namely, according to him, much social and economic harm is caused by the suitcase traders abusing their employees, who are hired to sell the goods on the marketplaces. Fauzer claims that the employees working for the suitcase traders are not protected by the state in any way, on the contrary, the state supports abusing actions against them (2007: 160). Hrennikov (23 January 2001) in the investigation of the history and dynamics of suitcase trade in early 2000s assumes that strict customs regulations which are supposed to formalize informal suitcase trade cause more shadowed activity. Shuttle traders try to avoid the state in the following ways: 1) by choosing the most strategic way of 'suitcase' transportation, either by air or land travel companies; 2) by declaring significantly lower total cost of the goods that they are carrying; 3) by preferring transferring their goods with cargo companies

who in turn practice a wide range of informal and criminal networks to avoid the state (Hrennikov, 23 January 2001); and 4) by preferring large scale informal employment tactics (Ivanov *et al.*, 1998: 41).

One of the most comprehensive studies of the phenomenon of suitcase trade, the work by Eder *et al.* (2003), confirms that suitcase trade is associated with illegal and potentially socioeconomically harmful activity, which needs to be formalized. However, it is also associated with great economic contribution both to sending and receiving states. Thus Eder *et al.* argue that it is very pivotal for the states to apply such regulations that can formalize the economy without decreasing the dynamism of suitcase trade. Eder *et al.* do not support strict, too complicated and unreasonable state regulations of suitcase trade, however, they go further by denying the effectiveness of 'blind eye policy' which is often preferred by the traders themselves.

Similarly to this assumption, Şahin *et al.* elaborate on the idea that soft regulation is beneficial for formalizing economy, illustrating it with the LASİAD (Laleli Business Association) example in which offering a free trade zone for suitcase traders significantly increases the volume and dynamics of trade and at the same time contributes to the process of formalizing shuttle trade (Şahin *et al.*, 2008: 3). Surprisingly enough, however, they pronounce that "governments should discourage illegal trade by required controls" (Şahin *et al.*, 2008: 10), which makes it hard to understand their position.

More radically than the common positions in the Turkish suitcase trade literature, Maksakova (2003) assumes that strict regulations, high customs duties and

high income taxes not only push suitcase trade into shadow but also dramatically harm circular migration and suitcase trade, largely preventing its development. Similarly, the investigation of Shcherbakova (2006: 14) provides evidence that many suitcase traders withdrew from their activities entirely or shifted to other forms of entrepreneurship as a result of harsh state policies in Russia: namely, she associates the withdrawal of people with increased taxes, marketplace closures and increased rents.

Another interesting finding is presented by Ivanov *et al.* (1998: 44), who after conducting a research conclude that suitcase trade largely develops despite strict and mismanaged regulations. Ivanov *et al.* (1998) also assume that strict regulations of any sort do not seem to influence suitcase traders personally. They explain it with the fact that shuttle traders' business and income have a very situational character and depend on very specific circumstances rather than on the broader economic and fiscal context.

Therefore, in sum it is possible to say that previous evidence found in the literature can be divided into two groups. First group treats the informal economy as a socio-economic problem and supports strict governmental regulations in order to formalize the economy, whereas the second group assumes that informal economy is a by-product and an inherent satellite of the formal economy, therefore, informal economy can under correct regulations play a crucial role in the overall economic and social development of a state. Hence, the second group tends to support regulations which facilitate informal economy. Despite this divergence of the

theoretical positions on the issue of informality, suitcase trade researchers mostly suggest that suitcase trade plays a major role in the state development or at least a leading role in poverty alleviation and survival of people after the transition to capitalist economy. Thus, suitcase trade researchers mostly oppose strict regulations, suggesting that harsh government policies push suitcase trade further underground. Moreover, it has also been emphasized by several researchers that suitcase trade is closely associated with and is a feeding ground for the criminal spheres. Thus, this aspect too needs further elaboration and is going to be referred to in this thesis.

No detailed study about the role that regulations play in the dynamics of suitcase trade between Turkey and post-Soviet states is yet available. Consequently, this thesis aims to address this issue. The main suggestion is that strict government regulations can push suitcase trade to the underground level and make it a less attractive choice for people, therefore, strict regulations limit suitcase trade. The regulations can affect suitcase trade in the following way: it can be said that policy regulations can 1) restrict and slow down suitcase trade; 2) enhance and support it; and 3) take it to the underground level by making its legal side unavailable or undesirable for people.

Therefore, it is also important to understand that regulations can affect individual, societal and state levels of suitcase trade. Thus, on the state level, regulations can restrict suitcase trade by imposing toll restrictions or stimulate the trade by achieving bilateral governmental agreements. On the meso level, policy regulations can enhance trade by facilitating networking among producers and

traders, stimulate entrepreneurship, provide microcredit or even apply blind-eye policy. On the individual level, regulations can bring trading to the open professional level by which taxes can be ensured or on the other hand, trading can be pushed underground by strict or incorrect regulations. This way, regulations can also impact social transformations of the suitcase traders and affect their migratory decisions by turning circular migration into permanent legal or illegal one.

As a result, this thesis assumes that strict regulations of suitcase trade do not formalize it, thus they do not help the government receive the profits that are obfuscated by informality. The interplay of the state actors with the individuals and the business represents a clear example of the interaction between formal and informal institutions. On the other hand, this also provides an important theoretical understanding of the interaction of macro with meso and micro level actors. The analysis of this complex interaction will be presented in this thesis. So far no scholarly study has engaged in analyzing the suitcase trade using institutional theory, therefore, this thesis will provide a novel approach and a unique contribution both to the institutional analysis and the suitcase trade literature.

1.3.7. The changes in the volume of the shuttle trade

There is anecdotal evidence that suitcase trade has shrunk significantly and it has completely lost its importance, profitability and economic relevance for both Turkey and post-Soviet states. Some academic and policy research approve this evidence,

while the other group of scholars opposes it. Thus, Sadovskaya (2002) for example states that market saturation as well as purchasing power loss in the late 1990s led to a significant reduction of profitability and to a dramatic decline in shuttle trade.

Similarly, Scherbakova in 2006 assumed that market saturation along with strict regulations and other factors which influenced people's cost-benefit analyses resulted in a gradual decline of suitcase trade. Yükseker (1999) dwells on the tremendously increased competition in the suitcase trade market and an extreme increase in the number of participants of this sphere of the economy which overall resulted in the loss of profitability especially for small size entrepreneurs. By the same token, Bobohonova and Rasulova (Bobohonova and Rasulova, 2009: 14) provided data which shows that in Tajikistan, 80% of suitcase traders believed that the demand for certain products had changed, while 20% believed that it had increased. Şahin *et al.* (2008) also assume that new forms of trade between Turkey and post-Soviet countries have replaced suitcase trade after the crisis of 1998. Maksakova (2003) explains her assumption that suitcase trade has shrunk significantly due to the changes in the objectives of the shuttle traders: they have reached their goals and they want to continue with other spheres of business. On the contrary, Kostyleva (2009: 133) argues that crisis and structural changes of the markets and economy revealed only a temporary effect on suitcase traders, while suitcase trade survived the problematic period and passed on to a qualitatively higher level of existence.

Nevertheless, even at a glance, it is obvious that Laleli, Osmanbey and Aksaray, the three main areas of the suitcase trade in Turkey, flourish with lively economic activities. In addition to that, a simple visit to Atatürk International Airport makes one believe that suitcase trade is alive and well. Thus, this research is going to investigate this question and either approve of or disapprove of the anecdotal evidence as well as address academic debates on the issue of the doomed future of suitcase trade.

1.4. Methodology

Suitcase trade is an issue that tries to escape the state whenever possible. It is therefore not recorded very well and no reliable dataset is available, which renders quantitative analysis impossible at the current stage of research. Therefore, ethnographical fieldwork would be a perfect way to penetrate the surface of the subject and to acquire new knowledge not achievable otherwise (Rybakovski *et al.*, 2005).

The theoretical part of this thesis will apply different methodologies at the different stages of the research in order to achieve the best results. The general framework of the research, which will be followed up almost at all stages of the investigation is going to be analytical, as it will critically analyze the previous literature and the collected data.

The central part of this research will be based on an extensive fieldwork in Istanbul as well as on additional telephone/internet surveys with the Post-Soviet countries. Interviews and observations will be carried out in 1) Laleli, an area of suitcase trade for ready-to-wear textiles, shoes, leather clothing and gold; 2) Osmanbey, an area where suitcase traders purchase fabrics and accessories; 3) Istanbul international airports; 4) Customs at Istanbul international airports; 5) Esenler, Istanbul international bus terminal. In addition to that, as a result of purposive sampling, interviews with suitcase traders, vendors and shopkeepers in Istanbul, cargo and shipment companies, travel companies, state officials and customs officers will be conducted. As a general methodology for the empirical part of this study, snowballing will be used. It is the most appropriate methodology considering the semi-informal character of the suitcase trade, which makes it impossible to define the research population well ahead.

During the ethnographic fieldwork, first a network of trust was acquired. In order to do so, regular contacts with some of the shopkeepers and people working in the shuttle trade infrastructure in Istanbul were established. After that, randomized conversations with suitcase traders in the area were made. Besides, the respondents were asked to provide contacts or references to other suitcase traders, who were questioned later on. Additionally, random selection of suitcase traders was done at the airports and bus terminals. This strategy of snowballing constitutes the most important sample selection method of this research.

In total, 52 in-depth interviews were conducted for this research. Among the interviewed people were 10 shop owners, 18 shop assistants and retailers in Turkey, 7 migrant workers, 10 suitcase traders from the post-Soviet states, 2 cargo company representatives, 3 government officials, 1 hotel in Istanbul specializing on the suitcase traders and 1 travel company in Russia, organizing the suitcase trade tours to Turkey. The gender and occupational distribution of the respondents is reflected in Table 1.1 below. The migrant workers interviewed were selected in order to represent the migratory flows which will be discussed in Chapter 4. The distribution of the seven migrant workers interviewed for this thesis is illustrated in Table 1.2.

Table 1.1 Occupational and gender characteristics of the respondents

Occupation of the respondent	Males	Females	Total
Store owners in Istanbul	10	0	10
Shop assistants in Istanbul	16	2	18
Foreign employees	7	3	7
Suitcase traders	0	10	10
Hotel personnel	1	0	1
Travel company personnel	0	1	1
Cargo company personnel	2	0	2
State officials	3	0	3

Table 1.2 Distribution of the migrant workers interview by place of origin

Place of origin	Males	Females	Total
South East Anatolia	3	0	3
Balkan states	1	1	2
Post-Soviet states	0	2	2

The interviews were held in different locations such as shops, streets, cafes, international airport and ports, and in some cases in the homes of the respondents. In about 90 per cent of the cases the respondents were randomly selected, while in the remaining 10 per cent of the cases they were selected according to the snowballing method. In some cases, respondents from different categories were tied to each other

by their trade activity. Hence, several respondents work in the same shop. For instance, in some cases, the shop owners, the employees and the clients interviewed were related to a single enterprise, while in other cases the respondents from different groups were completely independent from each other and randomly selected.

The set of questions asked to each group of the interviewees varied, as the experience of the different groups also varies greatly. For instance, the shopkeepers are not always capable of answering questions regarding organization and the impact of the suitcase trade in the receiving states, while the shuttle traders are not always able to answer questions pertaining to the specific regulations of the suitcase trade related production in Turkey. Therefore, the focus of the questions asked to each group in the majority of the cases varied. However, in some situations, when it was paramount to learn the perceptions of some issues of all of the actors of the suitcase trade, the same questions were addressed to different groups[4]. Interviews with state officials and custom officers will reveal the trends and dynamics of suitcase trade regulations, while interviews of suitcase traders will reflect the development of their migratory processes as well as their social transformations. Also, shopkeepers through their interviews will reveal the general trends, developments and economic situation related to the suitcase trade in Turkey.

[4] For the list of the questions for each group of the respondents see appendix.

All of the interviews were conducted in a very friendly and comfortable environment. Though I did not have an official document verifying my identity as a Koç University researcher and stating that the identities of the respondents would be held anonymous, I faced no suspicion or alienation by the majority of the shopkeepers. Many of them were very enthusiastic about the research and provided me with their business cards. The situation, however, varied when I interviewed their employees. Many of the employees approached me with suspicion and it was obvious that they struggle to understand the reasons for my research although I explained these very clearly and in some cases even several times. It was obvious that some employees were responding very carefully, choosing expressions and that they felt some pressure from the employers. In the majority of the cases, however, the employees answered freely and honestly, without filtering their responses according to their employers. Nevertheless, the employees approached my interview with some degree of suspicion.

Finally, interviewing migrant workers in the Turkish shops was the hardest part of this research. They usually preferred avoiding contact with me immediately after they realized that I was not a potential customer. Some even preferred hiding in the back of the shops. Therefore, the reference of the shopkeepers was crucial for me as it provided me with the opportunity to interview the migrant workers. After their employers informed them that they can answer my questions, the migrant workers were not so afraid of making contact with me. The state officials were reluctant to answer my questions as well.

All of the interviews were very informal and semi-structured. Even though I tried to ensure that the whole set of questions is asked to each respondent, the order of the questions was adjusted individually and it followed the natural flow of the interview. The duration of each interview varied from 30 minutes to 3-4 hours depending on how much each respondent was willing to talk. The way in which the questions were asked also differed according to the level of openness or suspicion of the respondent, on the amount of time that the respondent possessed and the nature of the respondent's occupation: the longest interviews were conducted with shopkeepers, who also appeared to be the most enthusiastic and interested in the research. The shortest interviews were conducted with state officials, considering that they are usually overwhelmed with their daily jobs.

In addition to interviews and extensive fieldwork, an analysis of internet forums of the suitcase traders will provide the empirical guidance for the research: it will point out to the main destinations, shopping points, border crossing spots and many other important aspects of suitcase trade. Most importantly, those forums will provide some "insider" information for the investigation.

CHAPTER 2
THE SUITCASE TRADE FROM THEN TO NOW

Introduction

This chapter is going to outline the history and provide an insight into the developments of the suitcase trade between the post-Soviet states and Turkey. The novelty of this chapter can be emphasized by two facts: not only it takes an analytical and critical outlook to the historical developments based on the secondary sources, the previous studies of the suitcase trade, but it also incorporates the opinions of the people directly involved in this trade, which will certainly bring in a fresh perspective. This chapter proves or in some cases challenges the existing assumptions regarding the milestones of the suitcase trade evolution. Secondly, this chapter discovers the newest period of the suitcase trade's life, the late 2000s to be precise. To my knowledge, no other study has engaged in such an attempt and has provided an analysis of the most recent developments, dynamics and changes.

The main purpose of this chapter is to capture the changes and the capitalist socioeconomic transformations that the suitcase trade has been undergoing up to the most recent period, rather than merely reconstructing the history of the suitcase trade in a temporary sequence. However, in order to do so, a very thorough theoretical understanding of the historical mechanisms that were active in the suitcase trade throughout its lifetime is necessary. Furthermore, it is also very important to study

these historical mechanisms closely as they can help to constitute an understanding of the reasons for why certain changes did occur and what they can probably lead to.

Besides, a clear understanding of the historical process which will be achieved in this chapter will constitute a basis for the following chapters of this thesis. When we trace the post-Communist capitalist transitions facilitated by the suitcase trade and follow them up in a sequence, we will be able to reach a better insight into the mechanisms, reasons and rationale of the changes in migratory processes intertwined with the suitcase trade, the institutional changes related to the suitcase trade and the relationship between the state and the individual actors of the shuttle trade which will all be discussed in the consequent chapters. As a result, this chapter will help to understand how individual actors responded to tremendous socioeconomic transformations brought about by the capitalist transitions, and how they in turn, by their counteractions impacted the development of these transitions.

The remainder of this chapter is organized as follows. In the first part of this chapter, after providing a detailed analysis of different approaches to the periodization of the suitcase trade, a logical model of the developments of the suitcase trade will be provided. Secondly, the most important fragments of the suitcase trade history will be discussed and unified logically under the umbrella of socioeconomic capitalist transitions. In the second part of this chapter, the analysis of the newest period in the evolution of the suitcase trade will be presented, with a focus on both the general framework and the most important developments of this newest period. The newest period of the suitcase trade will be analyzed on three

levels, namely macro, meso and micro. On the macro level, the state-level discussion will concentrate on the changes in the volume of the suitcase trade and the impact of the global financial crisis of 2008 on the suitcase trade. On the meso level, the changes pertaining to the suitcase trade enterprises, the profits, clients' preferences, international and domestic competition as well as new business strategies will be analyzed. On the micro level, the changes in the behaviour of individuals will be investigated in detail. Namely, the role that the Internet plays in individual activities of the suitcase trade and the interpersonal relations based on trust, swindle and love affairs will be elaborated on.

2.1. Theoretical framework for the periodization of the suitcase trade

Perhaps, the suitcase trade would not develop if it was not for the specific conditions in the Soviet Union and Turkey. The suitcase trade in Turkey and the USSR was to a large extent facilitated by the tremendous changes which can be broadly unified under the umbrella of economic liberalization and globalization. In the 1980s, due to the inconsistency of their economies with the new global requirements, both Turkey and the Soviet states were forced to significantly modify their policy agendas. Since the regime in Turkey was not as restrictive and closed as the authoritative regimes in the communist states, Turkey started active liberalization early in the 1980s. The Soviets, on the other hand, realized the urgent need to open up their failing economies, while ideologically and institutionally they were still opposing changing

the system. Therefore, Turkey's liberalization was already several steps ahead of the Soviets by the time their capitalist transition started. Besides, without dwelling on its detailed impacts on economic growth, Turkey's liberalization can be classified as a successful attempt of opening up for the global economy, while the USSR collapsed during the liberalization attempts (Karaçay, 2011). Therefore, the suitcase trade dynamically developed with the globalization of Turkey's economy and capitalist transitions of the collapsing Soviet Union and the newly independent post-Soviet states.

In the existing literature, the suitcase trade is periodized in three different ways. One group of scholars approaches it as a post-Soviet phenomenon caused by the collapse of the Soviet Union (e.g. Eder *et al.*, 2003; Iglicka, 2001; Kostylyeva, 2009; Sadovskaya, 2002; Shcherbakova, 2006; Şahin *et al.*, 2008; Yadova, 2008). Yükseker in her 1999 study also proposes a similar approach which associates the suitcase trade with the collapse of the Soviet Union and the global economic transformations. The second group of scholars traces the roots of the suitcase trade to the Soviet times (Malinovskaya, 2003; Statistics Department of the International Monetary Fund, 1998), while the third group of scholars goes further into history to track the preconditions for this trade in much older pre-Soviet times. The third group of scholars analyzed in this thesis is represented by a work by Shcherbakova (2008), who analyzes the history of entrepreneurship in Russia in order to understand what premises it created for the emergence and development of the suitcase trade and by the book by Yükseker (2003) who analyzes pre-Soviet trade agreements and treaties

which facilitated the relationship between Turkey and the states which would later become communist.

Yükseker assumes that even though suitcase trade developed as an important economic phenomenon in 1990s following the collapse of the Soviet bloc, she nevertheless believes that the foundation for that trade rests on the robust informal economy developed in the Black Sea basin starting from the 16th century. Yükseker (2003: 20) attributes further development of informal trade in the region to the formation of ethnic trade and business networks and then assumes that the creation of the Soviet Union put an end to the informal transnational trade between Turkey and the neighbouring states which was restored only in 1988 after the opening of the borders between the Soviet Republic of Georgia and Turkey (Yükseker, 2003: 21). Nevertheless, Yükseker accepts that the first really global suitcase trade interactions between Turkey and the post-Communist states and their rapid acceleration started not earlier than the 1990s (2003: 22; 26). As the beginning of the suitcase trade, Yükseker accepts the pre-collapse informal economic activities of the Soviet citizens who expressed the demand for foreign fashion goods as a way to spend surplus income, which altogether created an organized black market in the USSR (2003: 23). This black market, according to Yükseker, specialized in the retail of the products smuggled into the USSR by people who were able to receive permission to travel abroad (2003: 23). Yükseker (2003: 27) associates the rapid development of the suitcase trade after the collapse of the USSR with an inflated unemployment.

Shcherbakova, on the contrary to Yükseker, argues that suitcase trade is a unique phenomenon with no historical analogues which, nevertheless, bears some paramount features of the Soviet entrepreneurship (Shcherbakova, 2008). In order to be able to observe under what conditions the development of the suitcase trade tends to make turns leading to new eras, it is important to understand the distinct characteristics which the post-Soviet entrepreneurship inherited from its Soviet past. Shcherbakova distinguishes three major periods in the development of the Soviet entrepreneurship: 1) New Economic Policy (NEP); 2) early after-war years; and 3) the dawn of Perestroika (Shcherbakova, 2008: 45). On the whole, Shcherbakova claims that the historical developments of the Soviet entrepreneurship were directly related to the periods of economic crises following some important political events. Hence, according to her, the periods of entrepreneurship were shaped by the government which softened policies towards private entrepreneurship in the periods of severe economic hardship.

In this chapter it will be argued that, as opposed to the views approaching the development of the suitcase trade as a pre-Soviet or post-Soviet phenomenon, it is logical to analyze the historical evolution of the suitcase trade together with the development of capitalism in the communist states and trade, financial and economic liberalization in Turkey. The suitcase trade is a response of the population who faces severe socioeconomic marginalization in the USSR and the response of small and middle scale manufacturers and textile traders in Turkey to the macro level challenges posed by globalization. These manufacturers and retailers by their

mundane activities and survival strategies responded to the economic problems that Turkey was facing: declining growth, export deficit and an inward-oriented economy which was not capable of keeping up with the pace of globalization. Therefore, in this chapter, the history of the suitcase trade will be analyzed together with the historical events which shaped and structured it both in Turkey and the post-Soviet states.

2.2. Analytical framework for the periodization of the suitcase trade: capitalist transitions and globalization

It seems most logical to base the periodization of the suitcase trade on the stages of the development of capitalism. An explanation for this is the fact that the suitcase trade was not only an economic necessity of marginalized people to diversify their incomes, and not only a choice of people with suppressed entrepreneurial skills, but it is first and foremost an example of the first attempts to the exchange of goods, symbols and ideas between capitalist Turkey and the post-Communist states. Therefore, I strongly believe that the suitcase trade had defining functions of one of the first global commodity exchange channels for Turkey and one of the first capitalism tutorials for the post-Soviet states. Besides, it can be claimed that the suitcase trade emerged because of the transition of the Communist states towards a capitalist economy and developed together with the evolution of capitalism in the post-Soviet states. Therefore, I am convinced that the history of the suitcase trade

should be analyzed alongside the development of capitalism. Based on this, I argue that so far three main periods in the suitcase trade can be distinguished.

The initial period of the suitcase trade which lasted roughly from the 1980s to 1991 can be referred to as a period of learning capitalism. It can be characterized by the first entrepreneurial activities of the Soviet people, which were very amateur and bore a clandestine character. On the Turkish side, this period can be characterized by the attempts to keep up with the global economy and trade liberalization. Both Turkey and the Soviet states were learning to survive and manage in the global capitalism.

The second period from 1991 to mid 2000s can be characterized as a period of active individual capitalism and it can be approached as a separate independent period because in the post-Soviet countries not only the state's restrictions on entrepreneurship were abolished, but also social perception of capitalism changed from shameful and disgraceful to normal and mundane, which together with new more liberal state policies allowed the entrepreneurs to actively participate in the capitalist and global transformations of their states.

The most modern period, which began roughly in the mid 2000s, can be called a period of consolidating capitalism. In this period, the volume of the suitcase trade has remarkably increased, making it a profitable business rather than just a survival strategy for marginalized people. Though the suitcase trade still continues in its primitive form with some people carrying their goods in their private luggage, the

industry in Laleli has developed significantly and this district has begun to be an attractive business space for very large Turkish textile firms. This most modern period, which will be discussed in this part of the thesis, has been almost left untouched in the literature. Yet, the suitcase is a very dynamic phenomenon and the changes that it undergoes in 6 years can be tremendous. Therefore, this part will capture the changes which can be seen in the suitcase trade in this under-researched period.

2.3. Historical periods of the suitcase trade

Economic relations between the Soviet Union and Turkey to a limited extent existed at different stages of the histories of the two states. There have been numerous trade agreements between Turkey and the USSR: certain agreements were signed in 1920, 1921, 1927, 1931, 1932, 1937, 1958, 1960 (Yakobson, 1978) and then trade agreements were signed annually from 1960 to 1975 (Piskoppel, 1978). The active normalization of economic relations with Turkey was officially pursued by the USSR in the 1960s (Petrov). As a result of this normalization, USSR extended credits for the construction of energy and textile plants in Turkey (Starodubtsev). However, the cooperation was very specific and marginal. Due to the import-substitution policy of the Soviet economy which almost entirely prohibited imports of consumer goods, trade relations (Alhimov, 1978) were almost non-existent. Long-term economic partnership agreements between the USSR and Turkey were signed only in 1984

(Barinova, 2005). As a result, customs regulations were also rudimentary, with state ideology being the only regulating mechanism of people's trade activities (Dmitriyev, 1998). It is logical to start the periodization of the suitcase trade with the period preceding the globalization challenges that Turkey and the post-Soviet states had to face.

2.3.1. 1970s and the period of inward-oriented economies

Trade in the USSR in this period was controlled by the State Foreign Trade Ministry, which arduously persecuted smuggling and uncontrolled import of consumer goods, and established limits for foreign trade (Dmitriyev, 1998). First steps in the suitcase trade were observed mainly in the form of tourists bringing small quantities of consumer goods from their trips abroad (Statistics Department of the International Monetary Fund, 1998; Yükseker, 2003: 72). Meanwhile, Turkey followed an inward-oriented import substitution policy (Celasun and Rodrik, 1989; Şenses, 1990), exports were growing significantly slower than imports, which along with other factors such as increased demand and investment boom resulted in very marginal growth and severe dependency on foreign borrowing (Günçavdı *et al.*, 1998).

2.3.2. 1980s and the growing need for reforms

Very few cases of retailing activities were registered in this period, migration due to the politics of the Iron Curtain was very selective, geographically limited and centrally controlled (Malinovskaya, 2003). However, the USSR realized the backwardness of its closed economy. The first steps towards opening for international trade started in 1986 with the signing of the Central Committee of the Communist Party resolution for the necessity to modify and develop foreign economic relations of the USSR (Dmitriyev, 1998). As a result, this period can be characterized by the growing entrepreneurial activity of the Soviet citizens in the conditions of systemic crisis. Private entrepreneurship was no longer severely oppressed by state regulations, cooperation among small and middle-size businesses was officially allowed (Shcherbakova, 2008: 49). Individuals were allowed to transfer goods across external borders of the USSR (Dmitriyev, 1998).

By the end of the 1980s, people who were previously working faced unemployment and voluntarily preferred to undergo professional changes, being guided firstly by the temptation of commercial gains (Malinovskaya, 2003: 2; Shcherbakova, 2006) and secondly, by the possibility to develop their entrepreneurial skills and talents (Shcherbakova, 2006: 2). It is claimed that the suitcase trade developed as a result of the economic activities of late socialism and was indeed empowered by the capitalist transition (Williams and Balaz, 2002).

Some scholars, however, argue that as opposed to a voluntary transition to suitcase trade entrepreneurship, people were forced to start the business in this area as well as in other schemes of informal economy as the collapse of the Soviet Union brought about significant structural changes, economic failure, unprecedented unemployment and large numbers of labour inflow into economy (Ivanova, 2008: 82; Kanji, 2002: 141; Sadovskaya, 2002: 16; Yakovlev, 2006).

In Turkey, on the other hand, a similar economic liberalization happened. Turkey has demonstrated a remarkable transformation from a closed to an outward-oriented economy (Rodrik, 1990). Import substitution was replaced with export-oriented growth (Baysan and Blitzer, 1990: 10). Turkish manufacture exports demonstrated rapid growth during this decade as well (Öniş and Aysan, 2000), because export growth was supported by the new policies. Export growth was seen as a crucial condition for the improvement of the balance of payments, gaining international creditworthiness and on the whole for securing the entire liberal reform program (Baysan and Blitzer, 1990: 13). The proportion of textiles in the share of Turkish exports grew from 15 per cent in 1980 to 25 per cent in 1986 (Baysan and Blitzer, 1990: 23), while total exports grew from 3.2 per cent of GNP in 1979 (Şenses, 1990: 60) and 7 per cent of GNP in 1980 to 20 per cent by 1985 (Baysan and Blitzer, 1990: 24). As a result, export growth in this period fostered Turkey's rapid economic growth, compensating for the shortfalls in other economic areas (Şenses, 1990: 61). Similarly, the share of clothing in Turkey's total manufactured exports grew from 20.7 per cent in late 1970s to 32.9 per cent in 1987 (Şenses, 1990:

64). In this period, the first steps towards commercialization and the creation of the Laleli infrastructure were made (Yükseker, 2003: 72).

2.3.3. 1990s, first half and the beginning of mass suitcase trade

The period of 1987-1991 was marked by the first examples of mass mobility between Turkey and the former Soviet countries (Dyatlov, 2003; Malinovskaya, 2003: 2) due to the fall of the Iron Curtain, eased visa regimes and multiple loopholes in the customs legislation in the post-Soviet states (Yakovlev, 2001). This period also witnessed the introduction of the production infrastructure to Laleli (Yükseker, 2003: 74). Besides, this period is known for the entrance of large retailers into the suitcase trade market (Yükseker, 2003: 86), a robust infrastructure in the post-Soviet countries based on so called 'shop-tours'(Kapralova and Karasyeva, 2005; Kostylyeva, 2009; Shcherbakova, 2008), introduction of charter and freight flights by the air transporters, and the centralization of marketplaces in the post-Communist space (Kostylyeva, 2009: 132). In this period, the suitcase trade became a widespread phenomenon (Kapralova and Karasyeva, 2005; Sadovskaya, 2002; Statistics Department of the International Monetary Fund, 1998). In turn, official bodies such as IMF realized the importance of this phenomenon for regional and international economies (Statistics Department of the International Monetary Fund, 1998: 5).

This period is accepted to be a heyday of the suitcase trade. However, though the apex may have been reached in the 1990s, its effect was tremendously felt both

before and after the 1990s (Williams and Balaz, 2002: 329). Though Turkish liberalization-related reforms bore fruit in this period (Conway, 1990), the sustainability of their success is debatable for several reasons among which is low domestic investment in manufacturing industries (Baysan and Blitzer, 1990: 32; Şenses, 1990). Scholarly attention is also paid to the different periods in the social perception of the suitcase trade in Turkey. Yükseker (2003) states that between 1991 and 1994, when the Soviet Union collapsed and large numbers of tourists from the post-Communist states started coming to Turkey, Turkish society and media were mocking these tourists, labelling them 'Natashas'[5]. In fact, Slavic women were stigmatized as prostitutes spreading sexually transmitted diseases and disgrace among Turkish men (Milliyet, 16 November 1994).

Economic crisis of 1994 and the policy changes led to an increased competition and a dramatic fall in profits in the suitcase trade market in Turkey (Yükseker, 2003: 78). Some scholars mark the beginning of the shift from quantitative to qualitative orientation of the suitcase trade and the end of the rapid increase in the numbers of the suitcase traders with this period (Malinovskaya, 2003: 2). The crisis of 1994 made Turkish business and society approach post-Soviet shopper-tourists in a more serious way. In this period, people understood that

[5] Slavic women coming to Turkey usually attract attention due to their distinct phenotypes (blonde hair, light skin, height and different body types), quite sexy style of dress and general emancipated behaviour not common for Turkish women. These factors contributed to the creation of the stereotype of Slavic women in Turkey, who are supposed to have no dignity and to be open for pre-marital and extra-marital sexual relations. The term 'Natasha' stems from the fact that name Natalia with a pet form Natasha is very common among Slavic women, hence people in Turkey started using it for all Slavic-looking women.

suitcase traders were an important source of foreign currency for the country experiencing crisis. Simultaneously, an understanding of the importance of suitcase trade in Turkey was built (Yükseker, 2003). Turkish media started reflecting the grief of Laleli retailers who regret the previous negative approach of Turkish people towards women suitcase traders from the post-Soviet states (Doğru, 09 December 1998; Milliyet, 16 August 1994; Milliyet, 23 September 1994; Milliyet, 27 February 1999; Milliyet, 29 August 1994).

2.3.4. 1990s, second half and the boom of the suitcase trade

In the late 1990s, trade relations between Turkey and the post-Soviet states were consolidated by new agreements and treaties (Dmitriyev, 1998). Entrepreneurship was also legitimized by the post-Soviet states, which together with the severe economic marginalization on the post-Soviet space contributed to the booming of individual business activities. The changes in the institutions of trade and the entrepreneurship of the Soviet states in transition will be discussed in detail in Chapter 3 of this thesis.

Yükseker claims that the first capitalist phase of the suitcase trade was experienced in the beginning of the 1990s (2003: 80). There was a significant centralization and organization of the suitcase trade in the post-Soviet states by 1998 (Sadovskaya, 2002: 18; Yakovlev, 2001). The usage of the suitcase trade infrastructure has significantly increased: people started actively benefiting from the services of cargo companies for transportation of their goods (Yakovlev, 2001). This

period also witnessed a significant shift in the suitcase traders' demands: the preferences changed from quantitative towards qualitative (Kostylyeva, 2009; Yükseker, 2003: 86). The number of suitcase traders in the end of the 1990s exceeded their numbers in the beginning of the 1990s by three times (Kapralova and Karasyeva, 2005: 402). Besides, the post-Soviet players started entering the suitcase trade infrastructure in Turkey. For example, the evidence presented by Shcherbakova (2006: 8) claims that in 1995-96, post-Soviet criminal organizations started their activity in Turkey which was aimed at robbing and deceiving the shuttle traders.

Furthermore, the shock created by the 1998 Russian crisis led to bankruptcies and enterprise closures in Turkey (Yükseker, 2003: 74) and tremendous losses and bankruptcies among the post-Soviet suitcase traders (Kostylyeva, 2009: 133). Ethnographic evidence presented for instance by Shcherbakova (2006: 7-8) demonstrates that the 1998 crisis created a temporary stagnation in the suitcase trade business which is mainly caused by the lack of information: both suitcase traders and the consumers in the post-Soviet states did not know whether it was logical to continue purchasing the goods. Besides, potential suitcase traders hesitated to start this business during and after the 1998 crisis (Sadovskaya, 2002: 17) which, naturally, impacted the overall output of the suitcase trade and prevented its growth in the consequent years. Furthermore, the lack of information concerning the currency operations in time of crisis also had its impact on the period of stagnation of the suitcase trade, which lasted for about six months in total (Shcherbakova, 2006: 8). The changes in the suitcase trade associated with the decline can be shortly

characterized in four main groups: the first group of changes is associated with a complete withdrawal of some suitcase traders from the business, which can be partly explained by emotional and physical difficulties (Shcherbakova, 2006: 13), which in total accounts for almost 40% of all withdrawals from the business (Kostylyeva, 2009: 133). The second group of changes embraces qualitative distillation of the suitcase traders and an evolutionary process of the 'survival of the fittest'. Only the most successful entrepreneurs with the best strategies and skills were able to survive and improve their businesses (Ivanova, 2008; Kapralova and Karasyeva, 2005: 403; Kostylyeva, 2009: 133; Malinovskaya, 2003: 3; Shcherbakova, 2006: 87). The third group of changes is associated with the oversaturation of the post-Soviet markets with goods and increased competition (Shcherbakova, 2006: 13) which partially led to the geographical changes in trade: smaller suitcase traders started purchasing goods at domestic or regional markets (Ivanova, 2008; Kapralova and Karasyeva, 2005; Sadovskaya, 2002: 20) instead of travelling to Turkey. The fourth group of changes in the suitcase trade can be characterized as caused by the harsh policies, increased taxes, high levels of inflation and unreasonable costs associated with the suitcase trade (Shcherbakova, 2006: 14).

Şahin *et al.*, supporting their claims with the estimations of the volume of suitcase trade in relation to the overall volume of trade between Turkey and Russia, assume that due to numerous unqualified labour constituting a growing comparative advantage for Asian states, the suitcase trade in Turkey has significantly shrunk (Şahin *et al.*, 2008: 10). Maksakova (2003: 4) also accepts that there was some

decline in the suitcase trade in the early 2000s. Shcherbakova (2006: 1) also admits a quantitative decline in the suitcase trade by the early 2000s, however, apart from it she argues that there is a qualitative change in the infrastructure of the suitcase trade business and the social composition of the suitcase trade participants. She also states that by 2006, 3,5-4 millions of Russian citizens were involved in the suitcase trade, and that the suitcase trade by the 2000s has witnessed a process of regional differentiation in which some regions became more active consumers of the shuttle trade products than others (Shcherbakova, 2006). She also argues that the 1998 crisis in Russia drew suitcase traders back and seriously damaged the trade, which caused another period of neglect of the suitcase trade by Turkish society and media. According to Yükseker, the crisis that hit the Turkish economy that year again reminded the Turks that the suitcase trade was a reliable "export safety valve" (Yükseker, 2003).

2.3.5. 2000s, the period of consolidating capitalism of the suitcase trade

After the restoration of the robust trade thanks to Russia's economic recovery from the 1998 crisis and the positive trade effect of 2001 Turkish crisis (Yükseker, 2003: 74), the early 2000s witnessed wide informalization of trade and shuttle migration activities (Kapralova and Karasyeva, 2005; Sadovskaya, 2002: 32). For instance, almost 33% of all imported goods in Russia were constituted by the suitcase traders' imports (Kostylyeva, 2009: 133). This period is also characterized by the fact that the

players of the suitcase trade started benefiting from the financial developments in the business: the availability of credit grew significantly compensating for the necessity to increase the sums spent on the purchasing of goods in the condition of increased competition between the suitcase traders (Kapralova and Karasyeva, 2005).

By the late 2000s, about 13 per cent of all trade in Russia was constituted by small retails on the open-air markets (Rossiyskaya Gazeta, 10 December 2009). Also, significant development of the suitcase trade in the 2000s is attributed to the shifts in the gender balance of the suitcase trade participants: in many post-Soviet countries the share of women suitcase traders decreased while the share of the males increased (Ivanova, 2008: 82). The share of young participants (younger than 29) in the suitcase trade has also increased in the second half of the 2000s (Ivanova, 2008: 83).

2.4. Late 2000s: the most recent period of the suitcase trade

In this section, the most recent developments on the macro, meso and micro levels will be analyzed. Namely, on the macro level the general meaning of the suitcase trade for the state in the recent years in terms of general economic output and the contribution of the suitcase trade tourism to economy will be assessed. The remarkable regulations which were introduced by Turkey and the post-Soviet states in the last six years will also be analyzed. On the meso level, the meaning that the suitcase trade bears for business in Turkey and the post-Soviet states will be analyzed. The new trends in business such as the changed strategies for the

manufacturers, retailers and the suitcase traders themselves will be discussed. The issue of international and domestic competition and the effect that the world financial crisis of 2008 has revealed on the suitcase trade will also be assessed in this chapter.

On the micro level the new relationship between individual actors of the suitcase trade and the role that the Internet plays in the relationship between the retailers in Turkey and the suitcase traders will be analyzed. It will be also discussed how the issue of trust has changed over the last years and which role does love and affection play in Laleli.

2.4.1. Macro level

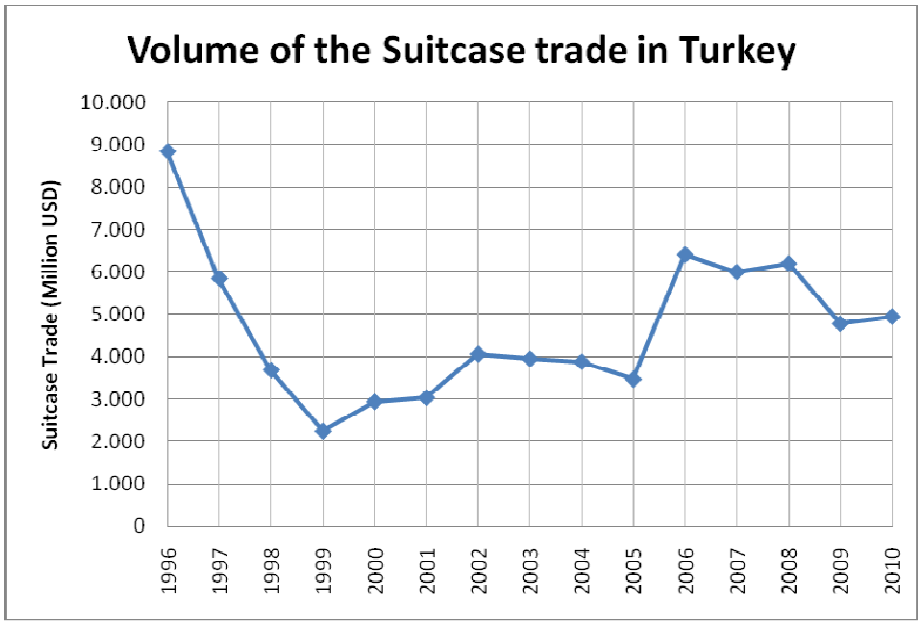
It has been argued in the literature that the volume of the suitcase trade is declining (Shcherbakova, 2006: 1). The media as well has often reflected negative opinions about the state of things in Laleli: it has been said that the trade is shrinking, that the 2008 crisis has severely damaged the state of the trade, that the market in the post-Soviet states is being saturated. I strongly disagree with the assumptions that the suitcase trade has diminished. Rather, it would be too simplistic and too narrow-minded to claim that it has declined. In fact, the changes that the latest period has witnessed are very complex and significant.

In order to understand the real situation that the suitcase trade is now facing, it is logical to take a look at the official numbers. Even though the official figures on the suitcase trade greatly vary across countries due to informal operations with

receipts issued in such a way to avoid taxes, and despite the fact that the suitcase trade by definition is done semi-legally or illegally, the official numbers still provide some idea about the state of things. One of the manufacturers and store-owners in Laleli indicated during the interview that “the magnitude of unofficial trade in Laleli is at least as much as that of official trade, thus, the figures for official trade can be surely multiplied by two” (Interview, 24.03.2011).

There is another major limitation for tracing the numbers of the suitcase trade. Although Turkey reflects the suitcase trade in the balance of payments record of the Central Bank, Turkish government accounts only for the goods which the suitcase traders take with them under the regulation of ‘yolcu beraberi’ procedure. This regulation allows people to carry certain amounts of goods, which will be sold in their home countries and which are not subject to any customs procedures (TÜİK, 2008). ‘Yolcu beraberi’ procedure is not always preferred by the suitcase traders. Therefore, it is necessary to notice, that only limited amount of goods are transported under this procedure. It is clear from this point that the official Central Bank statistics of Turkey will only reflect a very limited part of the whole amount of the suitcase trade. Keeping this limitation in mind, a glance at the official numbers, reflected in Figure 2.1 indicates that the volumes of the suitcase trade fluctuate across different years. This, as the interviews indicate, may certainly be attributed to the broad historical, political and economic developments of the sending and receiving states. Nevertheless, it can be seen that no significant evidence to the eradication of the suitcase trade in the recent years exists.

Figure 2.1



Source: Statistics of the Balance of Payment, Central Bank of Turkey, available online at [http://www.tcmb.gov.tr/odemedenge/odmain.html], 12.05.2011.

What is more, it is also necessary to take into account that the amount of the suitcase traders benefiting from the 'yolcu beraberi' procedure also changes together with the phases of the development of the suitcase trade. Hence, in the beginning of the suitcase trade, when the capital possessed by the traders was limited and when little investment was done by the manufacturers and retailers in Turkey, in short, when the suitcase trade existed in its very literal form, the goods were usually transported as personal luggage of the suitcase traders. Now, when the suitcase trade has demonstrated remarkable growth, when the investments of both the traders and the manufacturers have increased many folds, the shipment of goods is often done by

the cargo companies, hence, the share of the goods taken by the traders with them has shrunk or at least, has not grown. Consequently, it is possible to assume that the official figures for the suitcase trade captured by the Central Bank in the balance of payments record is even less reliable now than it was in the 1990s. For the illustrative purposes though, the official data of the Central Bank and Turkish Statistical Institute (TÜİK) will be used in this thesis because it can be accepted as the most humble account of the suitcase trade volume and can give some idea at least about the most pessimistic scenarios of the suitcase trade volumes in the last years. According to the data presented by these two institutions, the share of the suitcase trade in Turkey's total exports has declined from 28 per cent in 1996 to 4 per cent in 2010. This, however, can be related to the development of Turkey's exports in other industry areas such as machinery, natural resources and agriculture. With a closer and more detailed look at the structure of Turkey's exports, the role of the suitcase trade becomes significantly more obvious. Thus, we need to calculate total amount of goods which can be subject to the suitcase trade. These can be: raw hides, skins and leather; articles of leather; fur skins and artificial fur; cotton, cotton yarn and cotton fabric; knitted or crocheted fabrics; articles of apparel and clothing accessories knitted; not knitted articles of apparel and clothing; footwear and the like; and precious stones[6]. When the share of the suitcase trade in the total amount of exports of these goods is calculated, it is clear that the suitcase trade constitutes a large share of total exports of these goods from Turkey (Table 2.1).

[6] The official data for the volume of these goods exported from Turkey is provided by the TÜİK. The data is available at: [www.tuik.gov.tr].

Table 2.1

Share of the Suitcase Trade in the Turkey's Total Exports of Specific Goods

Year	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Share of the suitcase trade in specific exports	55,12	42,13	30,10	21,98	26,61	26,43	28,77	24,12	21,36	18,48	28,04	23,32	21,71	19,11	19,92

Source: Turkish Statistical Institute available at [www.tuik.gov.tr], 12.05.2011.

2.4.1.1. 2008 global financial crisis

Laleli, during its trade with the post-Soviet states, has experienced several large economic crises. The 1998 Russian crisis has tremendously negatively affected the suitcase trade both in the post-Soviet states and in Turkey, as it has been discussed above. In a nutshell, Yükseker described the impact of the 1998 crisis stating that about one third of the shops in Laleli was closed down in that year (2003: 216). According to the same study by Yükseker, Laleli started slowly recovering after this crisis in 1999 (2003: 216). The 2008 global financial crisis did not obviously have such devastating effect on the suitcase trade. On the one hand, several respondents in Turkey argued that the last crisis had a significant negative impact on their business. Some argued, that the levels of production had to be cut dramatically by up to 70 per cent. Others stated that until recently they had difficulties selling the goods, which all accumulated in the stocks since the crisis hit. On the other hand, even after an ethnographic observation, which altogether lasted for about a year, it was obvious that empty stores for rent are rare in Laleli. In addition to that, when the store owners in Laleli were asked if they witnessed many bankruptcies and closures in their

neighbourhoods in since the 2008 crisis, all of them were unable to recall anything of a kind. In spite of the fact that many small store owners complained about the devastating effect the crisis had on them, it is hard to find an empty space in Laleli even on the back streets, in places remote and invisible from the centre. Besides, among all of the respondents interviewed, only one store owner intended to close down his shop in Laleli after finishing all current deals with his permanent clients. Nonetheless, even this storeowner stressed that recovery has been experienced in Laleli in 2009. Laleli Business Association (LASİAD) president has also emphasized in his interview that the losses of the 2008 crisis reached 35 per cent in 2009 and that the recovery would only be expected to start in 2010 (Erdem, 18 January 2009). Therefore, even according to the most pessimistic beliefs, the recovery period after the current crisis seems to take roughly the same time as the recovery after the 1998 crisis or even shorter.

2.4.1.2. Regulations and state-business relationship in the suitcase trade

On the whole the store owners in Laleli often emphasize the delicate role that the Turkish state plays in the suitcase trade. What can be derived form the interviews is that the state approaches the business in Laleli as a junior partner, necessary for the economic development. Many of the trade and financial operations in Laleli are semi legal and illegal, however this illegality significantly boosts the suitcase trade.

I suggest that Laleli market is perceived by the state as a self-regulating market[7]. Such self-regulating markets are defined as "systems of private, self-interested agents interacting through exchange contracts succeed in satisfying their wants within the limit of the resources available to them" (Caporaso and Levine, 1992: 2). It is also accepted that the self-regulating markets benefit entire societies through providing them with goods and money (Caporaso and Levine, 1992: 39). Consequently, the Turkish state has realized the potential of the suitcase trade to contribute to economy and the importance that slight illegality adds to it. Hence, the Laleli market was left to its own regulation. The majority of self-regulations in Laleli are normative: for example, people do not cheat on clients because they assume these clients will not return again. The transactions are based on trust rather than on official contracts and there is no mechanism of official legal enforcement in Laleli except for normative one[8]. Therefore, on many occasions where self-regulating illegality does not pose an imminent threat to human or state security, the state uses blind eye policy in Laleli. A large store manager with 25 years of experience in Laleli put the suitcase trade and state relationship in the following way:

> The state has nothing to do with Laleli. It has no influence here. It's incredible here, it's like a goose with golden eggs, like a money printing machine. The revenues are huge, so of course the state does not want to spoil it in any way. (Interview, 15.02.2011)

Some other respondents argued that rather than perceiving the suitcase trade as an

[7] I thank Caner Bakır for this point (Bakır, 17 May 2011)
[8] The more detailed discussion of institutions and regulations in the suitcase trade is provided in Chapter 3.

important partner, the state simply lacks enough capacity to intervene in the illegality of Laleli:

> The state really gives us a blind eye, and this is good. Because here we don't want to be messed up with. In fact, the state doesn't have enough capacity to solve what's illegal or not exactly right here. If the state wanted to do so, it would have to go to the very source of things, like to the very basics of production for example. So, the sate would never have enough time or strength to solve the illegality of this business from the beginning, so it also prefers giving us a blind eye. And they also don't want to lose the profits of this business. Everything is illegal here. (Interview, 04.03.2011)

A simple observation of the behaviour of the shopkeepers in Laleli gives a clear idea that the owners of the enterprises are very cautious in their relations with the state officials. In some instances, because of my appearance, foreign on the one hand and too casual to associate me with the suitcase traders from the post-Soviet states who usually prefer rather chic style, I have been denied access to some stores on the back streets in Laleli. On some other instances, after starting interviewing the shop assistants, who were willing to answer my questions, I have been asked to leave immediately by the store owners who seemed extremely wary. In one case, I have been asked to show my university identity and speak some Russian to convince the store owner that I was not an authority inspecting his store, which as a matter of fact employed an illegal migrant, which the store owner passionately denied. It is also necessary to note that the lion's share of the interviews were held behind the closed doors and in almost all of the cases the respondents asked me not to disclose their

identity in any possible way, while a significant part of the respondents asked not to record the audios of the interviews.

Nevertheless, despite such fear in regards to the state authorities, the majority of the storeowners in Laleli was satisfied with the actions of the Turkish state as a provider of public goods and services. Several large store owners prised the 'traveller accompany' (yolcu beraberi) state policy. This law permits the representative of a retailer to receive the full tax compensation (accounting for about 8 per cent) for official export, provided that an official receipt issued for the goods being approved at the Turkish customs. Since the airways restrictions on the total weight of the baggage are significantly stricter than the marine carrier ones, the suitcase traders travelling by sea to destinations such as Ukraine for example, usually prefer taking large quantities of goods with them. Therefore, this law is especially beneficial for the stores who sell their goods to such traders.

It was claimed in literature that the entrepreneurs in Laleli used to complain about the state failing to provide public services in a decent way. Hence, Eder *et al.* (2003) provided evidence that the state failed to provide security and basic hygiene in Laleli in the late 1990s. According to them, the state was not cleaning the streets, not taking the waste, not fixing the street lights sufficiently at that time, which required spending extra effort and resources from the entrepreneurs. Now, all of the respondents interviewed were very pleased with the public services provided by the state. Many of them emphasized that thanks to the state human security was restored in Laleli. One of the store owners noted that the issue of racketeering was extremely

common in Laleli before and it used to pose threat to both the store owners and the clients. According to him, no one was able to oppose the gangsters and they used to threaten the entrepreneurs. Because of such an environment of insecurity, the volumes of trade fell remarkably, since the clients carrying cash would be robbed in the streets, so they would have no other resources to purchase goods. In many instances, since the suitcase traders usually raised funds from borrowing money from friends or family members, once robbed, they had to pay the money back and therefore did not have further funds to raise for the suitcase trade. Nevertheless, the Turkish police have successfully solved the issue, as this store owner proclaimed. Another store manager summarized the important role of the state as a provider of public goods in the following way:

> We used to have a huge issue of pick pocketing here, they used to steal everything, bags, money, documents, everything. People who come here were terrified. This has changed only five or six months ago. Before, women clients used to hide their money in their underwear, in socks, they used to wrap it around their waists not be robbed in the street. In the last four five months the state really did a great job here, they activated the police here, so they really cleared this issue out of Laleli, now there's nothing like this anymore. The police solved this issue. The clients are of course very satisfied now, because they used to tell robbery stories to each other before, but now all of them became calmer. (Interview, 10.12.2010)

One of the store owners also expressed his gratitude to the state for easing the visa regime for the post-Soviet states. He claimed that this has created an incredibly positive impact on the profits of his enterprise selling ready-to-wear clothes, and he also assumed that further ease of the travel restrictions would contribute to the boom

of Laleli's business. Turkish media has also been actively discussing the potentially increasing number of Russian tourists which is expected in Istanbul after visa abolition for Russian citizens in April 2011 (e.g. Cihan Haber Ajansı, 2010).

Two store owners, completely independently from each other, expressed a very surprising idea during the interviews. They argued that the post-Soviet states use the suitcase trade regulations as a foreign policy tool. A shoe store owner argued that there is a strong correlation between Islamic terrorism in the post-Soviet states and the suitcase trade regulations there:

> You know, it's the suitcase trade, so of course there are lots of special things here. You never give people right receipt for what they buy here, you see, what you buy and what appears on paper should be different. It's normal here and everyone is used to it at the customs. But sometimes, customs just detain some parties of goods, just out of the blue, you know. So it means that there's another problem. Why so suddenly? Why Turkey? Actually, every time there's a kind of problem in Chechnya, we have problems at customs, every time. (Interview, 04.03.2011)

Similarly, a textile store owner suggested that such foreign policy management is very much boosted by the media interpretation, tailored to certain foreign policy objectives:

> People there are always affected by terror in Turkey. Though nothing happens here actually, people hear what they are told on the news and are afraid. In fact they don't know Turkey at all, they don't even know Istanbul at all, they only know the airport and Laleli, so whenever something happens somewhere far in Turkey and they hear about it on the TV, they are afraid of coming here. They think

> that entire Turkey is situated in Laleli, that Turkey is as small as Laleli. So often they call and ask whether it's safe for them to come. Sometimes even I don't know about the news, but they hear about it on the TV back in their countries. (Interview, 09.12.2010)

When the store owners in Laleli were asked about what the state ought to do in order to better support the suitcase trade, the opinions varied across the entrepreneurs of different scale. The owners of smaller shops usually advocated the minimum possible state intervention in Laleli. They argued that due to semi legality of the trade, the best the state can do for them is to apply a blind eye policy. Similarly, the suitcase traders also argued, that the blind eye policy would be the best for them. The owners of the medium and large enterprises, on the contrary, argued that more state support would significantly improve their business. On the one hand, they advocated free economic area for Laleli. On the other hand, some of the large store owners complained about the unconscious competitors among other store owners, arguing that some government intervention in Laleli would be very important for order and justice. One of the ready-to-wear clothes store owners stated that the state has to impose labour protection regulations in Laleli so that all of the shops would close at a certain hour. This, according to this entrepreneur, would not only protect people from working extra hours late at night to succeed in a competitive race with other stores, but it would also make the suitcase traders spend extra days in Istanbul, which would also benefit the tourism industry and related sectors greatly.

Both the store owners in Laleli and the suitcase traders emphasized the obstacles posed by corruption at the customs in the post-Soviet states. According to the interviews, the level of corruption in the post-Soviet states has not declined significantly from the 1990s. Nonetheless, the actors of the suitcase trade both in Turkey and in the FSU did not take any collective action to oppose the actions of corrupt officials. Despite their complaints, they seem to be either used to or satisfied with the possibility to receive preferential treatments after bribing state officials at customs and border crossing points.

Therefore, it is possible to assume that with the size of the enterprise, the level of illegality in the business declines, making the business owners seek for the support of the government. The suitcase trade, consequently, with increased outputs of production passes the stage of an informal economy and enters the stage of consolidated capitalism which seeks for supportive though not restrictive actions from the state. Finally, even though corruption is blamed by the storeowners and the suitcase traders for many of their problems, they do not seem to lobby it in any organized way.

2.4.2. Meso level

2.4.2.1. International and domestic competition in the suitcase trade

Even though it is sometimes claimed that Turkey loses its position of the main destination of the suitcase trade to countries with cheaper labour such as China or

India, the results of my interviews show that this cannot be proven. The store owners and manufacturers in Laleli argue that Asian countries cannot act as sufficient competitors for Turkish market because of their geographical remoteness which significantly increases the time and costs of travel and creates delays in transportation of the goods. The traders also emphasize that the style of doing business in China considerably delays the transportation of goods.

> All my clients from Russia know other countries' markets very well. They all know China, they all know India very well. In fact, some clients come with samples from China and beg us to do the same because they don't want to go to India or China. They are ready to pay twice as much as they pay in China or India, but they don't want to go there because it's a huge loss of time for them. These countries send the goods very late because of the distance and the differences in business style. And they also have to buy large quantities of goods from China because of the distance and customs. Here they can buy as much as they want. I think every client works with at least 10 firms here. They buy different goods so that they can have various products in their shops. Goods go to Russia in five-six days. (Interview, 15.11.2010)

Some people explain China's inability to compete with Laleli with the generally low quality of Chinese goods, which significantly affects the preferences of consumers in the post-Soviet states. Hence, one suitcase trader said: "Once you buy a Chinese product you'll never buy it again". Consumers in the post-Soviet states very often consider Chinese goods to be of extremely low quality. This may be explained by the fact that the first suitcase traders due to severe consumer goods deficit in the post-Soviet countries, used to rely on the strategy of making profits from buying as many goods for a certain price as possible. Consequently, the goods were of

extremely low quality in the first years of the suitcase trade. Later, however, the quality demands of the post-Soviet suitcase traders changed and the Turkish market had to keep the pace. The goods from China on the other hand, which were sold by the suitcase traders in the post-Soviet states significantly varied from the Turkish goods in terms of quality. The situation might have changed in China lately, however, the bias towards Chinese goods remains. Hence, the suitcase traders face difficulties selling Chinese goods in the post-Soviet states. This situation is often cherished by the manufacturers and shop owners in Laleli as their saviour from China's competition:

> One client bought a good from us for 12 dollars. Then he comes to me and says that we've cheated on him. Apparently, he bought the same good from China for two and a half dollars. Then he sold this good to a client, but the client later came back complaining and demanding a compensation. Because after the first wash the colours [from the fabric] were all gone. So, of course, he apologized to me for thinking that I've cheated and he said he'd never mess with Chinese goods again. (Interview, 10.12.2010)

A suitcase trader referred to the changed quality demands by the consumers and the Chinese goods in the following way:

> When we buy goods from China we always know the customer will only wear it once and then he'll trash it. So, he isn't coming to our store again. Since we buy the goods which we have to sell, we have to think about the quality. (Interview, 14.12.2010)

In some situations the manufacturers in Laleli emphasize the selectivity of China's competitive abilities. They claim that the competition is a normal and natural

flow of economic development. They also emphasize competitive advantage of China in terms of cheap and abundant labour, which significantly affects competition in some areas:

> The competition with China and other countries depends on the good you're selling. For example, jersey is much cheaper there, well, actually, things that are easy to make, that don't require expertise or quality are cheaper there, so everyone goes to China for this kind of things. The machines are the same everywhere, but they rely on the cheap labour, so this is their advantage of course. But when you need something with better quality, you really come to Laleli because it's better here. The quality is incomparable. (Interview, 05.03.2011)

Nevertheless, all the respondents interviewed blamed Chinese goods for their low quality, stressing that the price difference that China derives from the lower labour costs, can only be attractive for certain layers of the suitcase traders. One large manufacturer in Laleli summarized the prospective competition with China by saying that since the quality of the Chinese goods is lower, only the beginners of the suitcase trade prefer them: "I'd say maybe the slice of people who want to buy a lot and for no money doesn't come to Turkey any more, but the other slices do" (Interview, 10.11.2010).

The second important aspect which the actors of the suitcase trade emphasize is the efficient infrastructure which has been created in Laleli. According to the absolute majority of the respondents, such infrastructure cannot be found anywhere else in the world including the domestic and foreign market. Consequently, such infrastructure positively influences Turkey's competitiveness both on the Turkish and foreign market. Moreover, the manufacturers and store owners in Laleli claim

that this infrastructure not only helps them in the competition with Asian states, but it also provides them with a very significant advantage compared to the European states. A manufacturer of home textiles who has been active in the business for more than 20 years now claims that the suitcase traders from the post-Soviet states researched the European market including other suitcase trade destination countries such as Italy and France, but they all returned to Laleli because of the ease created by the infrastructure there. A ready-to-wear clothing manufacturer summarized this idea as follows:

> But to tell you the truth, you can go anywhere, including Europe, countries like Italy and France, you won't find collections like this anywhere. You won't find such concentration and such variety as here anywhere in the world. You can't find such an infrastructure with the hotels, cargo companies, lots of stores, restaurants anywhere else. (Interview, 05.03.2011)

The same factor -extremely well-organized infrastructure in Laleli- is often mentioned by the store owners as an advantage over other domestic retailers and wholesalers. Hence, according to them, Laleli's infrastructure acts as a significant attraction for the suitcase traders over other suitcase trade regions in Istanbul such as Merter, Osmanbey and Taksim. One of the manufacturers put it this way: "For example, take Osmanbey. They don't have such industry there, so they only work till five or six o'clock, and then everyone comes here from there. It's very different here" (Interview, 15.03.2011). And the other also added to the abovementioned the fact that Laleli has also the advantage of offering special services to the clients:

> People don't go to Osmanbey, Taksim or Merter now because they can find everything they need, everything in Laleli. It's easier for them to come here of course, and you can't find anything like this in other areas. Here people speak many languages, so people from all over the world can be understood here, they can manage. (Interview, 20.02.2011)

Continuing the competition requirements which have changed over the course of the last years, all the respondents emphasize the remarkable shift of the consumer preferences towards quality. It is of course natural development of things. Since the economies of the post-Soviet states have undergone a significant development, the markets in these states begun to be saturated with foreign consumer goods. The manufacturers in Turkey very often emphasize that these increased quality requirements are typical for the last decade of the suitcase trade. The ready-to-wear clothes producer in Laleli said:

> We used to produce lots of goods which were really crap. It was selling back then, so it was so profitable. But as time goes by of course this has changed. Now to be successful in competition you have to produce something different, something better than your competitors. (Interview, 17.11.2010)

The increased requirements for the quality of goods and services has also affected the domestic competition, more precisely, the inter-store competition in Laleli. Now the manufacturers have to compete with each other not only for the advantages in prices, but also for the advantages in quality of the goods and services they offer to the clients. It has been claimed in the literature, that there are strong professional bonds between the suitcase traders and retailers in Turkey. It has been

said also that these bonds constitute a mutual trust between the business partners and this mutual trust prevents people from the post-Soviet states from using the services of other retailers or manufacturers in Turkey (Yükseker, 2003: 206). However, the store owners and manufacturers which have been interviewed for this thesis argued, that this is not the case any longer. It is obvious that a shift from trust to capitalist organization with market competition is now dominant in the suitcase trade.

Firstly, the respondents emphasize that the competition increases now since Laleli trade is extremely profitable, substantial manufacturers always try to open their stores and showrooms in Laleli. A very large manufacturer in Laleli indicated that everyone who works in textile industry makes sure to have a representation in Laleli. Consequently, the number of stores in Laleli has increased dramatically. Thus, according to the interview data, there were about five home textile stores in Laleli in the early 1990s, whereas now there are about 400 stores like this. It is logical that the variety of goods and services offered by the high quantity of competitors has risen significantly. Therefore, some of the suitcase traders emphasize that not only quality of the goods, but also the level of services has undergone significant changes recently. Some store owners claimed that great deal of attention is now paid to the appearance of the store: it has to look attractive, neat and professional. Some said that they have to pay attention to their appearance as well to be more respectable and more trustworthy for their clients:

> Socialist people are really very educated and you can admire their culture. In fact, we learnt a lot from them: we learnt to comb our hair and cut our nails, we learnt that a respectful person should look nice,

> should pay attention to his appearance. Before that we weren't like this at all. (Interview, 04.03.2011)

Other store owners stressed the importance of the variety of the languages in which they can provide service to the clients. Since the majority of people coming from the post-Soviet states can speak or at least communicate in Russian, Russian has become an official language of trade in Laleli. Moreover, it has been emphasized that because of the fact that the majority of the post-Soviet states traders communicates in Russian, Turkish people started mistakenly referring to all of the suitcase traders as Russians. Therefore, everyone tries to speak Russian in Laleli. The ability to provide services in the Russian language can be considered as an absolute linguistic minimum for the stores working with the post-Soviet states. "If you don't speak Russian in Laleli, you can't stay afloat. Russian is a must" told me a very successful manufacturer and a wholesaler in Laleli. A shop assistant with 20 years of experience told me that the suitcase traders from the post-Soviet states, except for those who come from the Turkic republics, do not usually try to learn Turkish because "they are comfortable, we [the Turkish people] do everything for them. We learn Russian so that they don't have to do anything" (Interview, 12.10.2010). In fact, every single person from my interview sample was able to speak Russian at least sufficiently enough to be able to communicate with the clients. Another wholesaler explained the importance of Russian services with the ability to create trust in relationship with clients:

> If you don't speak the same language with the client, you'll never be able to communicate effectively. If you have to use a translator or something like that you'll never do effective business. Because the person in front of you won't be able to trust you fully. People there are really educated, so they can understand a lot, they can feel people. So they want to hear your personality, your soul through the way you talk. And for that you need to be able to communicate in the same language. So that's why people here are forced to learn foreign languages. If you say I'll speak my own language you shouldn't come to Laleli at all. (Interview, 01.12.2010)

The skills in Russian, according to some store managers and owners in Laleli, until recently used to be the only criterion for employees to find a job. People who could speak Russian would be instantly hired in Laleli. In the recent years though, the ability of the store to provide services in other languages spoken on the post-Communist space is considered an important asset.

Another important development in the suitcase trade which can be seen in the last years is that the many successful manufacturers start opening their stores in the post-Soviet states. This development, however, should not be attributed to the increasing competition among the enterprises in Laleli. On the contrary, this should be perceived as a form of investment in the development of business ventures, a different strategy and a way to differentiate the income of the enterprise. According to the data of the interviews, the stores on the post-Communist space offer services in the local languages. These stores mostly employ local people as shop assistants. The variety of goods presented at these stores can sometimes exceed the variety of goods presented in Turkey. The prices, naturally, are higher than the prices of the equivalent goods in Turkey due to the expenses related to issues such as

transportation, rents and foreign staff. The stores experience great demand from the local clients, mostly in retail, and they also became widely used by the beginner suitcase traders, who buy small parties of wholesale goods from the local shops to retail them in the regions. Though these stores significantly reduce the transportation costs for small-scale suitcase traders in the regions of the post-Communist states, the suitcase traders with larger business ventures nevertheless prefer the same classical way of the suitcase trade with regular shuttle visits to Turkey. A large manufacturer and an owner of about five stores in the post-Soviet states explained this in the following way:

> In no way it [the fact that new branches of Turkish manufacturers are being opened in the post-Soviet states] affects their coming here, they always come here. Take our store in Russia. It has the same, absolutely the same products there and the service is better, everyone speaks Russian there, everyone is ready to serve them there, but they nevertheless come here. If you ask why, because they prefer the way business is done here. (Interview, 10.11.2010)

2.4.2.2. Changes in the profitability of the suitcase trade

The issue of profitability of business in Laleli is rather contestable. Some of the store-owners in Laleli argue that the business is not as profitable now as it was till 1997, before the Russian economic crisis of 1998, when as one of the respondents summarized “people did not count money in Laleli”. Another respondent said: “Before, I could not see the shops across the street because of how crowded the street was. But now it is really empty: the other side of the street is clearly seen”. Some store owners argue that they have experienced declines in sales since the 2000s

because of the market saturation in the post-Soviet states. Some storeowners argue that before 1998 they did not have to do anything at all to attract clients or to increase their profits, whatever they did used to sell, bringing them incredible profits.

Though estimation of profits gained by the suitcase traders is very often considered to be a problematic issue and many scholars emphasize that it is impossible to estimate (e.g. Eder *et al.*, 2003: 11; Malinovskaya, 2003), some approximate indications of the general income can be suggested. It has been argued in the literature that in the early 1990, one day of successful retail activity at an OAM in a post-Soviet state generated enough income to buy a second-hand car, while a weekly retail trade on the same market would provide enough money to buy a house (Aidis, 2003: 464). Anecdotal evidence which also attributes the suitcase trade with enormous profits, allowing the traders to purchase real estate, cars and luxury goods is omnipresent in post-Soviet media and societies. In the early 2000s, it is argued that the suitcase traders on OAMs in the post-Soviet states were able to generate income equivalent to wages of highly educated professionals (Aidis, 2003). Presently, in spite of the pessimistic views of some of the respondents, the other group of the interviewees claimed that the suitcase trade has become even more profitable than before. A suitcase trader by doing a simple calculation of the travel, accommodation and transportation costs which every suitcase trader on average faces, demonstrated that it is simply irrational for the suitcase traders to bring less than 50.000 USD in a single trip to Istanbul. According to the interview data, a suitcase trader makes on average one trip to Laleli a month (some argue that wholesale clients in home textiles

come once every two month and some traders in ready-to-wear clothing come several times a week), so the suitcase trader would have to spend a minimum of 600.000 USD a year. In regards to the changes in profits in the late 2000s, a very humble home textiles store owner told me that the suitcase trade has become much more profitable than it used to be because people in Laleli learnt to arrange prices now:

> It's much more profitable now because we know how to arrange prices now. Before we used to be really inexperienced, so were the people who came here. We didn't know what to buy for which price, we didn't know what will sell. Now you may sell less, but you keep the prices higher. (Interview, 04.03.2011)

One of the prêt-a-porter clothing manufacturer told me that many clients from Russia make orders for one million USD. To my extreme surprise and astonishment, which I was not able to disguise during the interview, he reassuringly answered: "don't be so surprised, a million bucks is so common, there's nothing to be surprised. It's average, they make orders like this regularly, several times a year" (Interview, 24.03.2011). A very large store manager in Laleli said that the business in the region is about billions of USD now. When I asked him about the changes in profits in the last years, he told me:

> Well, I've come to Laleli 14 years ago as a young man, and since then I keep hearing the same stories that everything is bad, we are all going bankrupt, everything will close down. But we have survived three big crises. For example 1998 crisis did not affect Turkey, but all people in the post-Soviet bloc were affected so badly, that the profits fell dramatically, but nevertheless even then nobody left Laleli. The 2008 crisis didn't affect us at all, I mean at all! In fact,

> Laleli is like a life buoy for everyone. When crises hit, people can come here and arrange something. (Interview, 10.03.2011)

Several storeowners in Laleli also commented in a very similar way. They argued that the rents in Laleli can serve as a very good indicator of the profitability of the suitcase trade business. Hence, according to them, a monthly rent of a small store in Laleli is about 10.000 USD now, a bigger store with very basic storage facilities can be rented for 30.000 USD a month. A large manufacturer stated:

> Everyone keeps saying that everything is bad, that we'll all close down, that we're just waiting. But you see, it keeps going, somehow no one closes down. And the owners usually do this. But really, business is great here. Anyone who opens a store in Laleli will be a sufficient businessman in three years or so. So, Laleli is amazing. (Interview, 15.03.2011)

On the whole, I assume that since the opinions of the respondents vary from pessimistic to extremely optimistic ones, since it is logical to assume that the trade in Laleli at least pays for its expenses and since the official figures indicating the suitcase trade volume went up in the recent years, I think that it would be wrong to assume a remarkable decline and shrinking widely suggested in the literature.

2.4.3. Micro level

On the micro level, this chapter will analyze the developments in human relationships and individual development in the suitcase trade in the recent years. First of all, it will analyze whether there has been a significant change in the way

people conduct business in Laleli. By doing so, the role that the Internet has been playing in the suitcase trade will be investigated. Secondly, the issue of trust and cheating in the relationship between clients and customers and between the manufacturers and storeowners in Istanbul will be analyzed. Finally, this chapter will also examine how the role that gender relations, namely, love and affection play in the suitcase trade has changed over the last decade.

2.4.3.1. Suitcase trade and the Internet

It will not be surprising to argue that the Internet has been playing a tremendous role in the modern world. Without a doubt, Internet has also affected the way in which contemporary business is executed in many countries. Therefore, it is also natural to suggest that the Internet may have played an important role in the recent stages of the suitcase trade by facilitating information exchange.

In fact, it can be seen that the suitcase trade has explored the ways in which it can utilize the Internet: almost all of the stores where I have conducted the interviews had their websites, Laleli business association (LASİAD) has it's official website in Turkish, English and Russian, Laleli magazine, which is an official newsletter and yellow-pages facility has a very robust Internet page. In addition to that, manufacturers, retailers and wholesalers as well as cargo and shipment companies

very lively participate in the Russophone Internet[9]. Many of these players advertise on post-Soviet business websites, in the Russian-speaking forums and discussion boards dedicated to small and middle size entrepreneurship or to Turkey in general.

The situation, however, is different for the post-Soviet states. As can be concluded from the interview data, only small minority of the suitcase traders have websites of their companies. According to the majority of the respondents interviewed, even large corporate suitcase traders in the post-Soviet states do not usually have official websites of their companies. They do not usually even have e-mails. Some of the suitcase traders even argued that the post-Communist states are not yet used to the Internet and online business activities.

One of the manufacturers of ready-to-wear clothes in Laleli claimed that the post-Soviet states lack cultural grounds for letting the Internet play important role in their everyday lives and especially in their business activities. He said that, perhaps, the young generation has slowly started to acquire business in the cyberspace, but it will take a long time before they reach the level where other states such as Turkey for example, are now. A home textiles manufacturer underlined the cultural distrust that people feel towards the Internet in the post-Soviet states in the following way: "Russia, Ukraine, Kazakhstan, Uzbekistan… they don't like Internet". He told me that instead of using the Internet, some of his permanent clients can now call him and make some orders. However, according to this manufacturer and many other

[9] See for example Ashkim.ru Moya Lyubimaya Turtsiya [http://www.ashkim.ru/node/8389], Biznes Forum [http://www.biznet.ru/topic19438s0.html?p=74564&], Forum o Turtsii [http://forum.turkey-info.ru/ubbthreads.php].

respondents whom I have talked to, arranging business issues from the telephone happens only on a narrow variety of issues. To be precise, only the issues which have already been settled in a personal meeting, but which need a follow up touches are usually arranged by telephone.

A large part of the respondents attributed the reluctance of the suitcase traders to do business in the cyberspace, which would actually significantly lower the costs associated with travelling to Turkey, staying at the hotels and other shuttle-migration related expenses, with the specifics of the textile industry. They argued that the Internet is not efficient for the textiles industry, because working with textiles requires a very close examination of the products, fabrics and in some cases even raw material. According to them it is necessary to touch and feel the products, so that the best quality goods can be chosen: “They continue like they used to do in the 1990s, they prefer coming here and doing their trade in person. They need to see, touch and feel what they’re buying” (Interview, 15.11.2010). The goods have to be chosen so that they would satisfy the consumer preferences and could be later efficiently sold. Therefore, the goods are usually chosen in a very scrutinized way. One successful manufacturer explained this with an example:

> You can use Internet for ordering some goods, right, but in the textiles industry, especially if you are a professional you can’t do this. Like you know, many women buy Victoria’s Secret which operates largely through the Internet. Why? Because first, they don’t have stores everywhere, second, because you buy one or two things for yourself. But when you buy something to sell it, you can’t do things so easily. If you buy clothes for yourself, it’s easy: if you don’t like it you won’t buy it again, but if the other person doesn’t like it, he won’t buy it from you again. (Interview, 14.11.2010)

Other manufacturers and storeowners, however, explain the fact that the post-Communist states avoid doing business in the Internet by saying that the suitcase trade embraces more than just economic relationship. They claim that it entails very important interpersonal and social interactions which the actors do not want to lose:

> People don't want impersonal trade, that's why they don't prefer Internet or phone trade. Because they need to come here, have their tea, coffee, juice, talk to you, listen to your comments on everything, they need to see everything for themselves. That is why nobody prefers impersonal trade. (Interview, 21.03.2011)

According to some other opinions, the Internet has nevertheless shown its influence on Laleli's trade. One of the manufacturers, however, stated that the Internet might be used by some of the suitcase traders as a complementary means, but never as a substitute for personal way of doing business. According to him, the traders from some post-Soviet states can closely follow new collections and models that are being manufactured in Turkey, in order to be better concerned about the changes in trends and prices, but they nevertheless do not use the Internet for direct business purposes.

Finally, only one of the respondents in Laleli, a shoe store owner, told me that he sometimes uses the Internet for business purposes with his clients from the Eastern Bloc. He uses Skype for communication with selected permanent clients and demonstrates them his goods online through a webcam. One can assume that while such strategy can be acceptable for shoe business, it cannot be easily applied to

ready-to-wear clothes or home textiles for example. When I suggested this to this respondent, he falsified my assumption by saying that comfort is the most important criterion for shoes, so even his wholesale clients usually try on every model in a collection. Peculiarly enough, he argued that the Internet creates new problems for him because it places the burden of additional responsibility on him:

> People can make orders from Skype now... But it is always harder for me. Because it depends on how you sell. If you know your business and your client well, if you can show the client something she likes, then you can make such distant business. For example, if you show the client something she doesn't like, then she'll very quickly get bored and try to find someone else. So you have to know her taste, her requirements. You don't want to lose your clients. That's why you have to show something nice, comfortable models. We try to help even if they don't come here directly. (Interview, 10.03.2011)

Interpersonal relations in the suitcase trade are closely connected with the issue of trust. Charles Tilly provides the following definition of trust: "Trust consists of placing valued outcomes at risk to others' malfeasance, mistakes, or failures" (Tilly, 2007: 7). Therefore, trust in the suitcase trade is often associated with the high financial risks that this business is connected with. Interpersonal relations based on mutual trust are often emphasized in the literature as one of the fundamental features of the suitcase trade (Eder *et al.*, 2003; Kapralova and Karasyeva, 2005; Shcherbakova, 2006; Yükseker, 2003). In their study of the suitcase trade in the late 1990s and early 2000s, Eder *et al.* (2003) demonstrate that over the course of years shopkeepers built a trustful relationship with their customers, whom they in exceptional cases provide with credits. This study also emphasizes that the

shopkeepers' trust has a national selection criterion, hence, the shopkeepers demonstrate "a sense of admiration" for people from the Eastern Bloc and feel a remarkable distrust to people from Muslim countries such as Azerbaijan and Arab states (Eder *et al.*, 2003: 21). Yükseker (2003: 211, 213) even shows that the issue of trust discriminates between the Muslim and non-Muslim suitcase traders to such an extent that some of the shopkeepers are willing to provide credits to the Russian traders, while they would never provide it to Turks.

As it can be judged from the interviews, the national criterion for trust has not changed much over the course of the last ten years. "Russians", as the storeowners refer to all Slavic people from the post-Communist states, are the preferential group for trust. Slavic people are preferred for their ability to work professionally and keep promises, while clients from Muslim countries are usually perceived as cheaters. In addition to that, it is also still emphasized by several of the respondents that they also distrust Turks:

> Slavic people are very clear people, they always give you a clear date of purchase and so on and they usually do their best to keep their promises. I can't say this for Azerbaijani or for Dagestanians. I can even tell you more, I won't trust my own people but I'll trust Slavs. (Interview, 07.11.2010)

The majority of the respondents were very particular about distrusting the Caucasian post-Soviet states. In some instances, the respondents found it hard to define which nation they would trust, but all of them had no difficulties in indicating which nations they would never trust to. This said, a Balkan migrant who has been

working in Laleli for almost 20 years now was very surprised with my question. When I asked her, whom would you trust, she said: “Whom would you? Isn’t it obvious? If they ask whom do you trust, a Russian person or a person from Dagestan, would you doubt at all?” (Interview, 10.12.2010). Consequently, the issue of trust has obviously been institutionalized in Laleli, it appears normal, common sense to the actors of the suitcase trade that some nations by definition cannot be trusted.

The issue of trust, however, on the whole has undergone a series of developments over the last years. The majority of the respondents stressed the fact that professionalization in Laleli had its tremendous impact on everything, including the way of doing business and the issue of trust. Many manufacturers and especially large store owners told me that they can trust Slavic clients now because over the last years they have learnt their traditions, philosophy and business habits. They often emphasize that there are swindlers and cheaters among Slavic clients, nevertheless, the Turks have been able to notice them, so now they claim to have developed an ability to identify trustworthy Slavic clients. Other than personal experience, Turkish storeowners usually explain their trust towards Slavic people by the fact that they admire the level of education and culture that these people have. On the contrary, however, several shopkeepers assured me that Slavic people are extremely individualistic by Turkish standards. They claimed that Slavic people have no respect for their relatives, no love for their families, no family bonds. I was told that Slavic people quite selfishly spend their incomes without helping their families and friends like Turkish people of their financial status would do.

On the contrary to the majority of the shopkeepers who to some extent base their business relations on trust, some of the storeowners claimed that they have experienced too much to trust people again. A shoe store owner told me a story of Slavic clients who used to shift countries regularly in the 1990s. According to him, first they would go to China and take as many parties of goods with credit as they could. Since they would never pay back, their names would eventually become known on the Chinese market, so they would shift the country and come to Turkey to do the same fraud before their identity became known to everyone here.

Many shopkeepers and manufacturers argued that the issue of trust has changed significantly over the last years. They say that since both Turkish and the post-Soviet sides of the suitcase trade have developed greatly in the professional sense, everyone is concentrated on maximizing their profits now. Consequently, they claim that the old credit relationships cannot be found in Laleli any longer because they simply do not fit the framework of professional business. Several manufacturers argued that they make sure to be paid in cash during the signing of a trade deal and even though this may affect the volumes of trade to a certain extent, at least this guarantees some income for the Turkish side.

During my fieldwork I have also discovered a very peculiar way in which institutional learning happened in the suitcase trade trust issue. A very large and successful fabric manufacturer told me a story of institutional exchange from Turkish to the post-Soviet entrepreneurs:

> You know we, Turks, have this thing, when someone makes business with us we always say, come on, take everything, the store is yours! So, we trust with no grounds to stay on. And what if he really takes the store and goes without paying? Then you're in trouble. Yeah, this is really Turkish! For example you can't see an Arab requesting credit from you. Because they work with Europe, they are used to normal way of things. They take credits from the bank. This is normal way. But if a Russian comes to the shop, we are in big trouble! Because first of all he always says: I've no money. Give me the goods and I'll pay you when I sell it. But again, this is not their custom. It comes from Turks. So, I'm telling you, Turks always teach wrong things because they also do everything wrong. So that's why people can't leave Laleli and abandon it for Dubai and places like this. Because it's so terribly simple here. If you go to Dubai you can't get any credit at all. What credit, you kidding me? (Interview, 21.11.2010)

It appears that the issue of trust used to exist separately from credit relationship in the beginning of the suitcase trade. Now it also appears to be either shifting to very professional level with trustworthy firms providing credit to each other, or that credit relationship has diminished. Perhaps, this can be attributed to the conceptualization of trust which has changed due to rises and falls in the volatile history of the suitcase trade. Thus, a wholesaler with thirty years of experience pronounced that trust remains the most important phenomenon in Laleli but it stands for the continuity of the business regardless of occasional complications and trust symbolizes mutual way to secure income. According to this wholesaler, to gain trust it is necessary to demonstrate an ability to make clients earn money. Put differently, it is important to supply the suitcase traders with certain goods in such a way that they would be able to earn sufficient profits from selling these goods to the consumers in the post-Soviet states. However, according to this wholesaler and many other large business representatives in Laleli, trust should not be confused with credit relationship and

most importantly, trust cannot be gained by letting the customers take goods without arranging the payment. Similarly, it is emphasized that the entrepreneurs in Laleli are often reluctant about letting the issue of trust into their financial matters and prefer avoiding the situations where they have to provide credit to the suitcase traders (Eder *et al.*, 2003: 22; Yükseker, 2003: 212).

Yükseker (2003) also elaborates on the issue of trust concluding that even though trustful relationship takes a long time and considerable effort to be formed, it is a pivotal part of the informal economy of the suitcase trade. Yükseker (2003: 206) explains the importance of the issue of trust by the fact that the majority of trading operations in Laleli are performed unofficially and the legal institutional settings in Laleli are not being used, hence, all problems are solved on the interpersonal basis without the help of the police or other legal organs.

It has been claimed that the effect of trust on the continuity of business can be observed in the fact that the suitcase traders usually prefer doing business with the same shopkeepers (Yükseker, 2003: 206), on the other hand she demonstrates that in case of broken expectations, cheating or harassment, the suitcase traders can easily break such informal partnership and go to other stores. Also, according to Yükseker, the shuttle migrants' store preferences are first and foremost defined by the price level of the shop (2003: 206). However, the storeowners in Laleli assured me that the situation has changed a great deal: there has been a remarkable change of client preferences from quantity to quality, which affects their relationship with the storeowners in the 2000s. Since the sizes and capacities of the suitcase trade

entrepreneurships have significantly increased, on average, each suitcase trader from the post-Soviet states simultaneously works with about ten stores in Laleli in order to secure the variety of goods and the quality of service. Therefore, the respondents claimed that there is no culture of permanent manufacturer-client relationship. They argued that such relationship is based entirely on the satisfaction of clients and is therefore subject to constant reassessment. The storeowners in Laleli also claimed that client satisfaction is based on the quality of service provided by the storeowners, staff, their ability to provide desired goods and their approach to transportation. Moreover, the respondents from the post-Soviet states emphasized that they are willing to work with stores offering higher price provided that they get better service there. The storeowners also claimed that as opposed to the suitcase traders from Arab and African states, the clients from the post-Soviet states will not leave a store if it offers a slightly higher price, but considerably better quality service. Therefore, as the results of the interviews demonstrate, in the 2000s, the preferences in the suitcase trade have significantly shifted from price to quality and service. The majority of the post-Soviet enterprises has now reached such a level of development that they can prefer quality and comfort, while the part of the clients who still prefers lower price are mostly small-scale traders or the beginners of the suitcase trade.

In many interviews, it has been emphasized that interpersonal relations between the clients and the client representatives plays a significant role in the business of the suitcase trade. The client representatives are said to be powerful mediators between the interests of the consumers and the profit considerations of the

enterprises. As a very large store manager argued, the client representatives have a right to provide an almost 90 per cent discount to the clients. Therefore, everyone underlines that a great deal of power is concentrated in the hands of the client representatives. The client representatives according to many respondents, by establishing a trustful and close relationship with the clients, have the ability to convince them that the quality, the price levels and the services are considerably better in their shop as opposed to the shops of their competitors. In short, the client representatives are in the centre of the attention of both the clients and the store owners and they are often perceived as a tool for profit maximization. The storeowners, without doubt, use client representatives to attract and maintain clients and to mediate negotiations over price and services such as for example delivery and payment method. However, the clients also try to enforce their own interests through manipulating the client representatives in certain ways. Since many of the client representatives in Laleli are males and the majority of the clients from the post-Soviet states are females, the issue of affection and intergender relationship plays a great role in this process.

2.4.3.2. Power relations and love affairs

There is a general cultural perception with regards to women from the post-Soviet states in Turkey. Since Slavic women on average are taller than Turkish women, they often possess different looks. Phenotipically, they often have blonder hair and fair eye colour. Besides, Slavic women usually wear quite sexy clothes which also

contributes to their different appearance. But, perhaps, most importantly, since their social behaviour significantly varies from that of Turkish women, social perception of Slavic women has been shaped in a certain way. Particularly, women from the post-Soviet states act in a remarkably more independent way than women in Turkey: post-Soviet women often take care of their families and act as providers for the needs of their households, therefore, they perform the tasks that are usually ascribed to men in Turkish society. When such image of Slavic women is coupled with the general perception that Christian females have no restrictions on pre-marital sexual relationship or sex outside marriage, they become labelled as "easy prey" among Turkish people. There are, however, claims that the reasons behind such labelling have a more substantial ground. Thus, many storeowners in Laleli argued that prostitutes from the post-Soviet states were extremely common in the area in the 1990s. In addition to that, many stories are told about Slavic women initiating intimate relationship with Turkish suppliers in order to manipulate the business agreements and to pursue their own economic interests. According to Yükseker (2003), intergender relationships between female suitcase traders and male suppliers in Turkey act as an important platform for the establishment of trust and to a certain extent facilitate commerce. It seems that this principle has undergone a significant change in the recent years.

Very often these interpersonal relationships have a pivotal gender side: they happen between men and women and rest on obviously sexual grounds. Hence, I was told a story of a store owner who often says: "I won't let the client make an order

until I touch her all over and squeeze her properly". This is another example of the fact that such gendered communication plays an important role in Laleli trade. It is often emphasized that the issue of using relationship for the profit maximization by the women suitcase traders was extremely common in Laleli in the 1990s. By engaging in romantic and sexual relationships with the suppliers in Turkey, Slavic women used to for example secure lower price levels and priority to have their business operations done quicker. Almost every store owner is able to recall several cases of great financial losses and even bankruptcies which happened as a result of a romantic relationship with the Slavic suitcase traders, who used this relationship for their own good. One of the storeowners told me that his neighbour had a permanent client from Russia who was always ordering large parties of goods for millions of USD. The trust reinforced by romantic relationship was never let down and all the payments were coming in time. However, once the woman made a 20 million USD order and after she received the goods, the payment was not executed. After a long search, the storeowner was able to find this woman's home telephone number, where her husband in quite a rude way explained to the storeowner that in order to receive the payment he would have to expose his wife to the same humiliation by this man.

However, it seems that since business in Laleli undergoes a significant qualitative shift, and the enterprises develop from small-scale unprofessional ones into large corporate firms, the role that romantic relationship plays in business is rapidly losing its importance. A large wholesaler with his family working in Laleli for more than 20 years told me:

> These things used to be very brutal before, and by before I mean the late 1990s. It was really very common. There were not so many firms here, so the clients had to compete among themselves, they had to fight for priority. So it was very common to use affairs for this kind of purposes. Now of course everything became more professional. You are more professional as well as the clients are more professional. So by the 2000s these things became rare. But before it was really very common, so that is why it caused all these urban myths and legends. (Interview, 10.01.2011)

Consequently, it is possible to conclude that the owners of the stores are now much more wary about entering a relationship with Slavic suitcase traders and being manipulated through this relationship. Hence, another store manager put the situation in the following way: “You can’t find love between shop owners and clients in Laleli. Don’t forget, it’s a huge trade with huge revenues, so people have to be very wary and very professional here. They should be careful not to engage in relationships and things that can harm the business” (Interview, 12.12.2010). The fact that intergender relations are not common between business partners in Laleli, however, does not mean that love, affection and romantic relations are not common in Laleli in general. Laleli, due to an extremely high concentration of people from different nationalities, is a place where people meet. Hence, many love stories can be told about people who meet each other and fall in love in Laleli. Serious relationships, however, will be discussed in the migration chapter of this thesis.

Conclusion

In this chapter an overview of the previous attempts to periodize the suitcase trade between Turkey and the post-Soviet states has been provided. Differently from the previous literature, this chapter assessed the suitcase trade as indivisible from the broader socioeconomic developments in the states at stake. Hence, this chapter has analyzed the history of the suitcase trade in Turkey with special reference to the liberalization of Turkey's economy in the 1980s when Turkey had to keep pace with the global market, and with particular attention to the changes in the Soviet economy which were urgently needed before the collapse of the Soviet Union and after it.

Furthermore, this chapter has provided a detailed analysis of the most modern period of the development of the suitcase trade in the late 2000s. In a parallel way, some evidence from the previous literature has been analyzed in this respect. For the sake of analytical clarity, the modern period of the suitcase trade has been analyzed on the macro, meso and micro levels. On the macro level, this chapter challenged the anecdotal evidence and the assumption used in some previous works which suggested that the suitcase trade has been in a decline in recent years. This chapter provided counter evidence to this by using statistical data and the information from the interviews. The data prepared by the Central Bank of Turkey and the Turkish Statistical Institute reflects only a small proportion of the total suitcase trade, therefore it can be accepted that it demonstrates the most humble state of things. Nevertheless, even official data indicates that there is no significant decline in the suitcase trade in the last years. In addition to that, the interviews conducted

demonstrated that not only there is no decline in the suitcase trade, but also that it rapidly grows in a new, more consolidated capitalist sense. There has been a significant qualitative shift in the suitcase trade, which is discussed in detail on the meso level. In particular, the changes in global and domestic competition that Turkish manufacturers and retailers face in the modern period, the growing demands for high quality goods, rising necessity to provide top quality services speeded up by the capitalist market competition and the changing profitability of the suitcase trade all indicate an era of consolidated capitalist relations in the modern phase of the suitcase trade. On the micro level, it was discussed how the previous pre-capitalist culture and new global capitalist economy changes the interpersonal relations with references to the relationship of trust, the issue of cheating and gender and sexual relations among the suitcase traders from the post-Soviet states and Turkish actors.

On the whole, this chapter has described the historical developments of the suitcase trade and explored and analyzed its modern developments. The change between the broader socioeconomic context, culture, norms and the regulations of the suitcase trade will be analyzed in the next chapter. The next chapter will also investigate whether the suitcase trade was a logical step on the historical development path of the post-Soviet states and Turkey or whether it was a truly revolutionary groundbreaking way for people to challenge the hardships posed to them by the structural changes such as the failing of the Communist system and global economic challenges. Hence, this chapter has provided an overview of the

changes in the evolution of the suitcase trade, while the next chapter is going to analyze these changes in detail.

CHAPTER 3
MICRO AND MESO LEVEL ACTORS RESISTANCE: INSTITUTIONAL CHANGE

Introduction

In the early 1990s, just before the dismantling of the Soviet Union, following tremendous socioeconomic and political changes, the suitcase trade between the Soviet states and Turkey came on front of socioeconomic arena. The suitcase trade came to being as a response and an adaptation to the requirements and hardships posed by the bumpy post-Soviet time and the structural and institutional changes of the post-Communist states. On the first sight the structural changes, such as the collapse of the Soviet system, and institutional changes, such as the fall of the iron curtain and introduction of property rights in the post-Soviet states that allowed for the development of the suitcase trade can indeed be characterized as revolutionary and unprecedented. However, when analyzed more closely the question remains: have these changes occurred as a result of truly revolutionary transformations, total abolition of the old Soviet institutions and creation of brand new capitalist institutions from scratch? Or did these changes rather come as a logical continuation, development, readjustment and transformation of already existing Soviet and pre-Soviet institutions?

The suitcase trade is often seen as the first case of exchange between the post-Soviet and the Western economies (Williams and Balaz, 2002). Therefore it is often attributed the role of a unique bridge through which an exchange of goods, experience, culture and institutions occurred. The suitcase trade was also one of the first sites where the Soviet citizens were able to encounter and experience capitalism. Moreover, it was a unique site from where simple Soviet people could bring capitalism in terms of commodities or non-material products of exchange back home and where they could develop their new capitalist skills and knowledge.

Perhaps, mainly because of its unique ability to facilitate exchange between the capitalist and post-Communist realities, and also because of its paramount economic importance for the livelihoods of many post-Communist households, the suitcase trade has also played its role in the socioeconomic changes both in Turkey and in the post-Soviet states. Despite its importance, it is surprising that very few studies have attempted to analyze the institutional change in the former Communist states through the prism of the suitcase trade. Hence, this chapter aims to analyse the grounds for the institutional changes, the ways in which the changes were done and the way in which the agency (individual and group actors who engage in institutional change as defined by Colomy, 1998) responded to the structural and institutional changes, from the Soviet times to the modern days through the capitalist transition. This chapter intends to investigate the nature and the character of the suitcase trade related institutional changes, the reasons which triggered these changes and the way that these changes took place. This chapter argues, that the suitcase trade is an

important part of the process of institutional change and that studying the institutional change through the prism of the suitcase trade can help us understand how and why certain changes in the institutional system of the post-Soviet states and Turkey happened in the last 20 years and how the capitalist transition of the post-Communist states took place. It will also be demonstrated that though unintentionally, through their daily survival practices, micro and meso level actors eventually contributed to immense socioeconomic changes in their states. Finally, this chapter adopts the assumption that the state inhibited the institutional changes and failed to reap the full benefits of the suitcase trade through effective cooperation with the suitcase traders.

In order to understand the structural and institutional changes in the post-Soviet time, it is necessary to comprehend the Soviet and in some instances even pre-Soviet structural and institutional grounds on which these changes later developed. The Soviet Union largely restricted information flows and therefore imposed strict limitations on the movement of people. People in general were not able to travel outside the Soviet Union due to the 'iron curtain' policy. By the same token, the exchange of goods, information, knowledge and symbols between the Communist and capitalist states was prohibited. Therefore, simple Soviet people had only few sites where they were able to observe capitalist states and their lifestyles.

When the travel restrictions were abolished just before the collapse of the USSR, people who had means and courage to travel started visiting foreign countries. In the same period, the suitcase trade came into the scene. Suitcase traders

with commodities to sell in other countries or with funds raised through loans travelled abroad to bring urgently needed consumer goods, the symbols of capitalist life promising prosperity and development, back to their home countries. Yet, commodities were not the only important objects of exchange between the new post-Communist and the capitalist states. People from the Soviet states had the chance to observe Western life and the way business was carried out, they were able to see how people with similar social status lived abroad. Hence, Soviet people gained their first experience of capitalism and they certainly brought it back home. This served as the foundation for tremendous institutional changes and again, the suitcase trade has played the role of a corridor through which important institutional transformations were moving.

On the other hand, the structural and institutional background in Turkey was very different from that of the Soviet states. Turkey has had a capitalist economic system with free and liberal trade for many years, it did not have travel restrictions and it was fully and actively involved in the process of exchange with other capitalist states for a long period of time. Besides, suitcase trade with other countries was already being practiced in Turkey by the time of the collapse of the USSR. However, the suitcase trade experienced a real boom only after the post-Soviet states started active shuttle migration to Turkey. This also very positively affected Turkey's trade liberalization which was critical for the economic growth in the 1980s. Consequently, Turkey has also been experiencing important institutional changes associated with the suitcase trade.

Since it is often acknowledged that the suitcase trade in the post-Soviet states developed and thrived not because of supportive government policies, but largely in spite of government policies which happened to be inhibiting and oppressive, it is logical to suggest the dichotomy between the state and the entrepreneurs. That said, this chapter will proceed by distinguishing between formal and informal institutions. By formal institutions, this chapter accepts the outcomes of state policies, while by informal institutions it will refer to the cultural perceptions and norms which emerge spontaneously as a response to the government policies. Moreover, this paper will embark on the analysis with the assumption that institutions are formed by the interaction between rule-takers and rule-makers (Streeck and Thelen, 2009). Therefore, such interaction is bilateral rather than unilateral and it is not only the institutions influencing the responses of the agency, but also the agency has its important say through opposing, interacting with and changing institutions.

Furthermore, since the presence of state-entrepreneurship dichotomy is pivotal for the understanding of the institutional changes in the post-Soviet states, the analysis of this chapter will be built on the model elaborated on by Bakır, which suggests focusing on both the ‘steering agents’ and ‘rowing agents’ and their interaction in the institutional analysis. The ‘steering agents’ in this context are accepted as the actors who define the institutional discourse and the ‘rowing agents’ are approached as the actors responsible for the implementation of the policies. This chapter will argue that in the conditions of the post-Soviet institutional change, the main distinctive feature of the institutional change and at the same time its biggest

problem are shaped by these actors confusing their roles. This chapter also proves that the problems emerged mainly because the agency both in Turkey and in the post-Communist states was guided by the logic of appropriateness rather than by instrumental considerations of profit maximization. This, as this chapter will demonstrate, has been largely defining the institutional change in the suitcase trade.

The sudden unemployment and mass economic marginalization on the one hand and the introduction of private property rights and consequent legalization of entrepreneurship in the post-Soviet states on the other hand resulted in remarkable cultural changes: entrepreneurship from shameful and socially inappropriate activity turned into a normal business which later became socially approved and respected. Nevertheless, the old institutions which existed in the Communist states previously were dragged to the present day, shaping the institutional structure in a certain way. For instance, bribery and informality, which used to characterize pre-collapse Soviet entrepreneurship were actually outdated in the new capitalist socioeconomic system of the post-Communist states because formal institutions were already developed to solve the issues which required bribery before. Nevertheless, bribery and informality were dragged and forced into reality by both rowing and steering agents. In this chapter, it is argued that this defining feature of the post-Communist institutional change can be best explained by the organizational institutionalism approach because it suggests that not only the logic of appropriateness rather than considerations of instrumentality drive the institutional change, but also that people shape institutional changes not only by their normative, but also by their cognitive considerations.

The same logic of organizational institutionalism will be utilized for explaining the path dependency in the behaviour of the state. The state was frustrated with the structural changes it had to manage during the collapse of the Soviet Union and its aftermath (Olsson, 2008), therefore, it was rather reluctant to regulate the suitcase trade. Moreover, when the state finally realized the importance of this kind of entrepreneurship for the provision of goods and services that the state failed to provide, the suitcase trade has already been informalized. This, in turn, along with the general stance of the new post-Soviet economy allowed for opportunistic behaviour of the state: officials, who in fact were supposed to stimulate and facilitate the suitcase trade, soon started active rent-seeking from the entrepreneurs. No doubts, this caused quick adaptation of the suitcase traders to the existing circumstances by responding with the creation of new informal institutions. However, it is generally argued, that marginalized actors through their resistance to the situation often benefit from it less than the actors with better access to regulatory knowledge (Kloosterman *et al.*, 1998; Portes *et al.*, 1989; Slavnic, 2010). The new informal institutions, however, did not manage to challenge the formal institutions of rent-seeking, on the contrary, they prepared a fertile ground for further opportunistic behaviour of the state, which in fact reaped more benefits that the marginalized actors themselves. Therefore, the suitcase trade between Turkey and the post-Soviet states also represents a peculiar example of a complex intertwining between formal and informal institutions, which are deeply influencing and reinforcing each other.

On the whole, this chapter will demonstrate that the institutional change shaped by the suitcase trade was evolutionary, rather than revolutionary. It was largely influenced by path dependency because the rowing and the steering agents were not following the logic of instrumentalism in influencing the institutional changes, rather, they relied on the logic of appropriateness, relying on normative and cognitive considerations at the same time. This, in turn, led to the steering agents mistakenly playing the role of the rowing agents.

The remainder of this chapter is organized as follows: the chapter can be divided into two main parts: a theoretical and an empirical one. At first, the institutional structure of the Soviet Union prior to the collapse and the legacy it left to the institutional structure of the newly independent post-Soviet states will be discussed. The paramount role that the informality of entrepreneurship in the Soviet Union has played in the process of institutional change in the post-Soviet states will also be discussed. This chapter will provide an account of trade in the Soviet Union and the mutations it underwent during the time of transition. With this in mind, this chapter will closely analyze the formal and informal institutions of the Soviet Union and the transition period. The differences between normative and cognitive institutions will be discussed as well. Consequently, this part of the chapter will build a theoretical understanding of the settings and broad environment in which the suitcase trade contributed to dramatic institutional changes that resulted in the creation of capitalist-like post-Soviet institutions. The empirical part of this chapter will analyze the changes in the formal and informal institutions. It will consequently

identify the actors responsible for the changes and discuss the relationship between formal and informal institutions and certain actors of the suitcase trade. This chapter will show that through considerations of appropriateness, different actors reciprocally shaped institutional changes. In the final part of this chapter, the empirical findings of my fieldwork regarding the institutional changes related to and achieved through the suitcase trade will be presented.

3.1. Institutions

Institutions, by shaping the behaviour of human beings clearly have a profound influence over our everyday life and many of its particular aspects. Institutions are among the most important factors not only affecting, but also directly shaping the development of entrepreneurship (Kshetri, 2007). Institutional factors define the nature and extent of entrepreneurship development. “While this is true for all economies, it is particularly evident in transition environments, especially those that still have serious institutional deficiencies” (Aidis *et al.*, 2007: 174).

It is argued that institutional formation happens through interaction between the rule-makers and the rule-takers, who are often in conflicting and contesting relationship with each other. Rule-takers’ response with adjustment or opposition to the institutions induced by the rule-makers (Streeck and Thelen, 2009), that is why to understand the nature and mechanisms of this relationship, institutional theory often draws a very clear distinction between formal and informal institutions. Formal

institutions are defined as the “rules of the game”, they are represented by laws and they are sensitive and easily adjustable to the changes in the economic situation (North, 1999: 4). Formal institutions represent written and widely accepted rules aimed at defining the economic and legal structure of a particular state (Tonoyan *et al.*, 2010). Formal institutions can be perceived as the starting point, the ground on which the behaviour of the agency is built on. They define the response of the agency and the emergence of the informal institutions and hence institutional change.

Informal institutions, on the other hand, are characterized as invisible rules of the game, comprised of norms, values and social perceptions (North, 1999: 4). Consequently, due to the differences in their very nature, formal and informal institutions play different roles in the functioning and development of entrepreneurship. Namely, formal institutions create opportunities for entrepreneurship, whereas informal institutions have pivotal impact on the perceptions of these entrepreneurial opportunities (Welter and Smallbone, 2003). Informal institutions, or normative and cognitive institutions as Scott (2001) defines them, play a crucial role in shaping and regulating the suitcase trade. Hence, normative institutions, such as consumer culture largely facilitated the development of the suitcase trade, while cognitive institutions such as justifying immoral behaviour and cheating by both Turkish and post-Soviet suitcase trade actors has demonstrated negative impacts on the development of this business.

3.2. Organizational institutionalism

Organizational institutionalism is interested in how rationality and rationalization of institution building are culturally and cognitively constituted and legitimized (Campbell and Pedersen, 2001: 10). Organizational institutionalism assumes that

> Institutional change occurs under conditions of environmental uncertainty where actors, often confused about what the most rational or cost-effective strategy should be, adopt whatever culturally appropriate or legitimate practices and models they find around them. As a result, institutional change is driven more by a logic of appropriateness than logic of instrumentality (Campbell and Pedersen, 2001: 11).

In other words, people's interests are ambiguous and divergent from their ideas (Somers, 1995; Thelen and Steinmo, 1992), therefore, in uncertain environments they act according to institutionalized routines, norms and systems (Campbell, 2001: 163). This results in certain path dependency: the new institutions are not formed from scratch according to current needs, but are developed from already existing ones through transformation and adjustment. Therefore, such institutional changes do not happen as a result of revolution, but as evolution. In the case of the post-Soviet institutional change, however, it is necessary to acknowledge the magnificence of the shock created by the collapse and complete fall of the previous structure. Hence, this evolution was affected by dramatic changes and can be perceived as an evolution with shocks, a "*punctuated evolution* which is a process of policy evolving through the iterative unfolding and adaptation of a paradigm to changing circumstances" (Hay, 2001).

Formal institutions such as entrepreneurship regulations, which are set up by the state, are often considered to be the most important factors responsible for the development of productive entrepreneurship in post-Communist economies (Aidis *et al.*, 2007; Xheneti and Smallbone, 2008). However, on the other hand, informal, hence normative and cognitive institutions, caused so called institutional inertia and seriously complicated the capitalist transition of the post-Communist states (Heliste *et al.*, 2008; Helmke and Levitsky, 2003; Tonoyan *et al.*, 2010; Volkov, 1999). It is argued that the cultural and normative legacy of the socialist states significantly slowed down the creation of free market institutions (Frye, 2002; Kshetri, 2009: 246, 250; Shaw and Hardy, 1998: 588) and that new post-Communist societies, where informal institutions dominate the law, emerged (Ledeneva, 1998). More so, the challenges that the post-Soviet economies faced after the collapse of the Soviet Union to a large extent were caused by the conflicting formal and informal institutions (Heliste *et al.*, 2008).

3.3. Prior Structure and the Formal Institutions

In order to understand the capitalist transitions that the Soviet states have undergone in the early 1990s and which initiated the suitcase trade, it is fundamental to analyze the prior institutional setting and the economic structure of the Communist states. It is acknowledged that the formal institutions introduced by the state have a tremendous role in reconstructing a market society (Polanyi, 1957: in Nee and

Matthews 1996: 407; Yalçın and Kapu, 2008), consequently, an important part of the capitalist transition of the post-Communist states can be attributed to the formal institutional arrangements. It is argued that because of such outdated Soviet legacy, that the formal institutions in the newly independent post-Soviet states had to change: new socioeconomic types of relations, new elements of market infrastructure such as labour market, services and goods market, financial market are developed during the Capitalist transition in the post-Soviet countries (Sadovskaya, 2002: 29). However, to understand the way in which they changed and the way in which formal and informal institutions developed in the suitcase trade, we need to analyze the institutional settings of the Soviet Union. This part aims to review the formal institutions which were established in regards to trade and entrepreneurship in the Soviet states and the institutions which predefined the suitcase trade in the newly formed post-Soviet states and in Turkey. Table 3.1 and Table 3.2 illustrate the changes in formal and informal institutions related with the suitcase trade. It can be seen from these tables that the new institutions were formed out of the existing Soviet institutions, therefore, a more detailed analysis of the prior Soviet institutional settings is necessary.

Table 3.1 Changes of the Formal Institutions of the Suitcase Trade

Soviet times institutions	Transition time institutions	Contemporary institutions
Central planning	Market economy with control over national champions	Market economy with post-Soviet legacies varying across countries
Banned trade	Legalization of cooperatives, legalization of small-scale retail activities	Free trade, but high taxes are applied to the suitcase trade
Absent imports	State failed to insure sufficient import, the supply of consumer goods is sharply insufficient, severe deficits of consumer goods. The niche of foreign trade started to be occupied by the suitcase traders, who are quantitatively oriented	Free import, market saturation led to qualitative orientation of both the suitcase traders and the customers
Supplier oriented trade	Trade continues to be supplier oriented due to sharp deficit of consumer goods, the demand exceeds the supply and the prices are dictated by the suppliers	Consumer oriented suitcase trade
Lack of civic institutions	Informal civic institutions substitute the missing civic institutions	Civic institutions insufficient, informal institutions still play an important role
State employment, high level of employment, high level of women employed	Failure of the state industries, mass unemployment, deprofessionalization of educated and skilled labour, severe impoverishment of the population, the suitcase trade becomes a crisis entrepreneurship	The level of unemployment varies across states, but the suitcase trade is not a desperation venture any longer, it is a respected business requiring intelligence and investment of resources and time

Table 3.2 Change of the Informal Institutions of the Suitcase Trade

Soviet times institutions	Transition time institutions	Contemporary institutions
No entrepreneurial culture, entrepreneurship is considered disgraceful, shameful and illegal. Suitcase trade is considered totally inappropriate for people with certain social positions	Entrepreneurial culture emerges, however, entrepreneurship is still considered as disgraceful, it is accepted as a temporary crisis survival strategy, suitcase trade is still perceived as disgraceful desperation venture	Entrepreneurial culture, entrepreneurs treated with respect, entrepreneurship is not a desperation venture, but an expression of success and sufficiency
'Homo Sovieticus' mentality of full reliance on the state for provision of goods and services	Disappointment with the state. Emergence of self-sufficiency culture which suggests that people should provide everything for themselves without relying on the state or other third parties	More capitalist mind-set with reliance on personal means for provision of goods, but also reliance on the state for provision of services
Only socially approved activities are considered appropriate, rule-breaking is kept in secret and is applied only in cases where everyone transgresses the law	Introduction of "whatever works" approach, all business activities are roughly perceived as desperation ventures, thus, it is justifiable to engage in them under the unfavourable conditions	"Whatever works" approach is still widely accepted as appropriate
The definition of success rests on the compatibility with the state-induced social norms	Being successful means finding institutional holes, acting legal is considered irrational	Being successful means combining both legal and illegal activities together in a rational and safe way
No consumer culture	Emergence of consumer culture and capitalist-oriented consumism	Well-established consumer culture and consumism
Crime level is extremely low, crime is socially inappropriate and opposed to	Racketeering becomes a social norm, new informal institutions such as private security services emerge to oppose it	Reliance on the state for protection from organized crime and racketeering. In Turkey, the police is trusted for maintaining order, but it is also avoided for taxes
Complete faith in the police, total respect to the state officials	State officials are distrusted and perceived with animosity, they are considered to be worse than criminals	State officials are still distrusted and perceived with animosity
Bribery is very specific, more social than material and it is kept in secret	Bribery becomes a social norm, a strict rule	Bribery is still common but it is harder to use now due to institutional arrangements against corruption
Traditional social role of women	Women continue to play traditional role by taking the disgraceful activity and letting the men protect the social status of the families	Women are attributed a more modern role: women suitcase traders are respected as successful entrepreneurs

Interestingly enough, it is sometimes claimed that the institutional settings which defined entrepreneurship during and after the post-Communist transitions on the post-Soviet space were shaped by the structural and institutional factors preceding the creation of the Soviet Union. New Economic Policy (NEP), which was introduced in the Soviet Union in 1921 in order to revitalize collapsed economy, can be accepted to be one of the most important institutional bases for consequent post-Soviet developments. Soviet Union was severely devastated by World War I, Russian Revolution and Russian Civil War. Structural factors such as dramatic population decrease by 25 millions, as a result of migration, death toll and hunger, resource scarcity, hunger and severe poverty required urgent adjustment of institutions. Hence, NEP was aimed at fighting inflation, stabilizing budget, replacing the politics of the War Communism, changing agricultural structure and the class system revolving around it (Skocpol, 1995). Private entrepreneurship in light industry and small-scale retail activities were allowed. However, due to heavily present bureaucracy, widened class gap and changed tax policies, entrepreneurs started to utilize any available strategies in order to make profits and escape taxes. Hence, Danis and Shipilov claim that most importantly, even during the pre-Soviet era and NEP period, entrepreneurship accustomed to function under the pressure of "all-powerful bureaucracy" (2002: 74) and the conditions of severe instability, poverty and unpredictability. This resulted in an agency responding with the creation of informal institutions such as the culture of bribery, the culture of informality and rent seeking behaviour of the authorities. Since these institutions are informal ones,

they are going to be discussed in detail in the next parts of this chapter. However, as a bottom line, it is important to emphasize that the old institutions have always been changed and revisited in the suitcase trade, which once again demonstrates that the institutional change followed an evolutionary rather than a revolutionary path.

The collapse of the Soviet Union has been a major structural change that affected the post-Soviet institutions for many years to come. In short, this structural change has led to a failed market and a devastated economy. The failure of the central planning system resulted in complete economic anarchy, opportunistic behaviour of people with access to power and capital (Ellman, 2000: 1418). After the collapse of the Soviet Union, many industries which used to provide employment for millions of people were abolished, releasing huge numbers of workers out of the labour force. Unemployment rose by more than 30 per cent (Williams and Round, 2007), reaching the frightening 80 per cent among women (Sassen, 2001: 104) and becoming an undesirable, but inseparable part of reality (Ellman, 2000). More than 73 per cent of people were unable to pay for their most basic needs with official wages (Rose, 2005) and only a tiny fraction of the population was able to receive their official wages. Delayed payment, payment in kind and non-payment were also distinctive economic features of the post-Soviet space, affecting tens of millions of people in the early 1990s (Ellman, 2000: 1425). The level of inflation by 1993 reached an annual 10.000 per cent (Round *et al.*, 2010), completely eradicating people's prior savings and causing a decline in real wages (Collins and Rodrik, 1991: 22; Round, 2006: 445). These structural developments resulted in vast

impoverishment of the population. Ellman (2000: 1425) cites statistics which indicate that the proportion of population in poverty went up from 2% in 1987-1988 to 39% in 1993-1995. Before the collapse the stable wage-price ratio facilitated normal and predictable life, whereas after the collapse many people faced total uncertainty and tremendous economic marginalization in terms of deprivation of opportunities to earn decent income and maintain appropriate level of life quality (Round, 2006; Round *et al.*, 2010). Economic marginalization, however, not only resulted in poverty, but led to the creation of new institutions such as developed corruption and inscrutable bureaucracy which affected all areas of everyday life (Round *et al.*, 2010: 1200). The national state institutions suppressed by the central planning and the lack of civic institutions can characterize the institutional structure of the Soviet states in the early 1990s (Shaw and Hardy, 1998: 589). In short, the Soviet system was accepted to be "dangerously inappropriate" to the contemporary social and economic developments (Hahn, 1978: 543).

The unemployment and poverty caused by delayed wage transfers and consequent poor life quality is widely accepted as the most significant push-factor for early capitalist entrepreneurship. Since people could not find jobs, they had no other choice than self employment in order to provide for their families. Danis and Shipilov refer to it as "desperation ventures" (2002: 83). It is widely acknowledged that crisis environments brought by structural factors such as unemployment, impoverishment and socioeconomic instability result in opening a 'window of opportunity', a push-factors for stimulating the development of entrepreneurship

(Aidis *et al.*, 2007). Crisis environment deprives people of income opportunities, therefore they have to use all their creativity and talents in order to find sources of income vital for their households. In such situations, entrepreneurship provides answers to the needs of those who can find an unoccupied niche or who can have some advantage compared to others.

The suitcase trade was one of the few ways in which highly demanded imported goods were brought into the post-Soviet space and the entrance to the suitcase trade business was relatively easy. Because of these reasons the suitcase trade has quickly become an unoccupied economic niche for the first attempts of entrepreneurship to develop. Hence, suitcase trade is seen as a crisis entrepreneurship occurring in times of tremendous socioeconomic transitions (Aidis, 2003; Pribytkova, 2003; Sadovskaya, 2002; Shcherbakova, 2006; Shcherbakova, 2008; Williams and Balaz, 2002), or as the most adequate means of mass adaptation to the conditions of hyperinflation and market relationship (Shcherbakova, 2006: 16). The suitcase traders themselves often emphasize that the suitcase trade for them was a means of survival in the harsh conditions of the post-Soviet economic collapse. They underline how poor they used to be, and also how poor the societies where they come from used to be. As a suitcase trader with 20 years of experience recalls in one of the interviews in Laleli (10.10.2010):

> I used to come to Turkey back in the early 90s and see all those foreign cars in the street. I was shocked by how well people lived here and how poor and limited we were apparently. I used to envy these people here and think that maybe one day we'll also live like this.

There are, however, other opinions, opposing the idea of forced entrepreneurship. Remarkably, some authors argue that suitcase trade in particular and entrepreneurship in general were not a necessity, but rather a choice during the time of transition. Since the Soviet regime left no space for the free development of business, people had no way to develop their entrepreneurial skills openly. Therefore, as soon as the opportunity emerged, they were happy to practice their unrealized skills and talents (Shcherbakova, 2006). Some other opinions on the matter declare that Soviet entrepreneurship was the combination of both necessity and choice (Williams and Round, 2010). This can be explained by the fact that jobs were available and some people had a chance to continue working in their previous positions, but since the wages were not paid, were insufficient or delayed, people had to diversify their incomes. With all this said, it still appears that the suitcase trade started as more of a desperation venture than an opportunity space because many people emphasize that they were ashamed of working in the suitcase trade (Shcherbakova, 2006). Consequently, it is possible to suggest that many of the suitcase traders would not start this business at all if they had a choice, hence, if it was voluntary.

Nonetheless, though the suitcase trade is initiated as a means of survival and at first it does not aim at changing the existing environment and institutions, it does more than just provides people with income. Bayat (1996) argues that resistance to marginalization is not always defensive, but is very often offensive in nature,

however, individual actors change the existing institutions not in an organized conspicuous way, but through 'quiet encroachment'. Such obviously disadvantaged people as a result of their survival struggle often win new socioeconomic positions and new places where they can exist and continue resistance (Bayat, 1996). Informal institutions of resistance are also accepted to prepare pivotal ground on which other formal and informal institutions are build (Scott, 1997). Hence, it is possible to claim that though the suitcase trade occurred merely as a survival entrepreneurship for marginalized people, it provided them with opportunity to create tremendous institutional changes through simple everyday activities.

3.4. The Informality of the Suitcase Trade

The suitcase trade between Turkey and the post-Soviet states is very closely associated with informality. Moreover, informality is a product of interaction between formal and informal institutions, facilitated by the structure of the central planning of the USSR. For instance, inappropriate and insufficient state institutions, inadequate regulations such as visible support of entrepreneurship, however, accompanied by rent-seeking officials, loopholes in restrictive system, superficial control and failed market for consumer goods stimulated the active utilization of loopholes, *blat*[10] and bribery.

[10] *Blat* refers to an extremely widespread socioeconomic phenomenon of 'economy of favours' in the FSU, which mainly because of consumer goods deficit relied on robust Exchange Networks between people (See for exampleLedeneva, 1998). *Blat* is defined as a social organizing that supplements the economic institution of the planned economy in the Soviet Union (Rehn and Taalas, 2004).

That said, informality in the suitcase trade stems from the interaction of multiple institutions and actors, who may benefit from several institutions at the same time. A change of one institution would require changes of many other institutions as well to maintain the benefits of these actors on the same level. Hence, what as Hall and Thelen (2009) claim to make institutions stable and cause institutional inertia emerges. The officials allowed for informality and prevented its abolition in order to be able to extract their profits from the suitcase traders, while the suitcase traders did not oppose informal behaviour of the state officials in order not to lose their benefits. Informality, hence, turned into a pivotal and stable institution, which can be perceived as defining many other formal and informal institutions related to the suitcase trade. In other words, it represents an institutional umbrella under which other institutions developed.

Generally speaking, rapidly changing environment of the countries in transition makes illegal economic niches attractive for entrepreneurs (Kshetri, 2009: 239). Economic marginalization, poverty, unemployment and the failure of the state to provide social goods pushes people to participate in informal economy (Aksikas, 2007; Hozic, 2006; Rehn and Taalas, 2004; Slavnic, 2010). Informality comes up front in many economies in the developing world because it is particularly attractive for enterprises with scarce resources in the unstable socioeconomic and institutional conditions. It is attractive because of its main features: easy access; family-based ownership; use of local resources; limited size of transactions; simple techniques; small number of employees; active use of practical non-academic skills and

unregulated markets and open competition (Aksikas, 2007: 250). Since the suitcase trade was developing in such unstable conditions with the main actors experiencing resource scarcity, informality was an attractive path to take both for the manufacturers in Turkey and the retailers in the post-Soviet states.

Generally, when the legal institutional structure is too restrictive and when the institutions and norms are associated with very high costs and are too demanding, the agency tends to utilize informal channels when the formal ones are too costly to be used (Bayat, 1996; Xheneti and Smallbone, 2008). This situation was especially clearly seen in the former Soviet Union just after the collapse, where only the minority of the households survived by the help of formal economic means, while the absolute majority of households had no other choice than to participate in informal economy (Williams and Round, 2007).

Some studies demonstrate that informal economy, which stems from economic marginalization of people in weak corrupt states undergoing capitalist transitions, is not merely a by-product of globalization (Ghosh and Paul, 2008; Kanji, 2002; Sookram *et al.*, 2009) and capitalism, but its ever-present feature (Mitra, 2008; Slavnic, 2010; Williams and Round, 2007). Thus, informal economy is inseparable from the capitalist structures (Aksikas, 2007).

Informality of the suitcase trade largely stems form the informal character of business in the Soviet Union. Since business was oppressed by the state, but it was nevertheless widely practiced out of necessity or self-expression, entrepreneurship

was by and large informal. Informal business activities, however, led to the creation of a unique business culture, represented by both formal and informal institutions. Hence, informality of business activities in the Soviet Union indeed played a pivotal role in the process of institutional formation and change. Therefore, this paper is going to provide a brief overview of informality, its levels and forms in order to be able to proceed with analyzing how exactly informality contributed to the creation of certain institutions.

In fact, informality can be seen on all levels of the suitcase trade: purchasing of goods in Turkey, transportation of goods, customs control operations, retail and wholesale activities in the post-Soviet states. Informality begins when the suitcase traders purchase their goods in Turkey and try to take receipts which indicate that they bought less goods than they actually did. This allows them to pay less tax during the transportation. A Turkish textile manufacturer interviewed noted that the grey economy of the suitcase trade can be clearly seen from the comparison of the official figures that Turkey and the post-Soviet states provide on the suitcase trade (Interview 28.08.2010). The post-Soviet figures will always appear smaller compared to the Turkish ones because every trader tries to avoid taxes and therefore, arranges fake receipts, which show that the amount of goods purchased in Turkey is less than it actually is.

Moreover, informality in the suitcase trade can also be seen not only in the actions of the suitcase traders, but also in the actions of state officials. As it has been discussed in the historical chapter of this thesis, from the late 1980s up to the

collapse of the Soviet Union, the citizens of the USSR expressed a demand for imported goods on which they were willing to spend income surplus and which as a result led to the creation of a robust black market (Yükseker, 2003: 23). The roots of the suitcase trade can be traced back to the late 1970s and early 1980s when few people who were able to receive official permits for travelling outside the USSR were bringing home consumer goods which they were then selling to their friends, relatives and acquaintances (Statistics Department of the International Monetary Fund, 1998; Yükseker, 2003: 72). On the early stages of the contemporary suitcase trade, the retail activities were mostly illegal and possible mostly due to the blind eye policies of the newly independent post-Soviet states. The post-Soviet Republics were totally devastated after the collapse of the Soviet Union. They had many issues to solve such as the creation of state and national ideology. They had to develop their damaged or non-existent economic backgrounds and they had to resolve the issues of violent public discontent and growing crime rates stemming from the failure of the Soviet regulations and institutions. Therefore, the newly independent states simply did not have enough time to deal with the relatively harmless issue of the suitcase trade. In addition to that, at a certain point, the state has approached the suitcase trade as a means of survival of many households, therefore the state was glad to shift the burden of economic responsibility to people, so it did not restrict the suitcase trade in the beginning. Later on though, when the suitcase trade continued existing and started to generate considerable profits, the state attempted to regulate it with policies. With these tightening regulations and increasing corruption, people

continued following informal mechanisms in the transportation of goods and retail activities in their home countries.

In the beginning of the suitcase trade evolution, the main place where the products of the suitcase trade were sold was open-air markets (OAMs). It is necessary to stress that open-air markets occupy a very special place in the development of the post-Soviet states (Aidis, 2003; Sik and Wallace, 1999). On the whole, it is possible to say that open-air markets, as the central spaces of the suitcase trade, represent a combination of formal and informal economic activities (Sik and Wallace, 1999) and form sort of a bridge between the capitalism of the pre-Communist states, the Communist informal economy and the modern capitalist economy (Aidis, 2003). Many suitcase trade actors emphasize that the open-air markets environment created conditions for informality; these markets have a special culture in which informality is a norm. This creates a relaxed attitude towards formal procedures, sanctions and law: since informality is everywhere, the traders perceive it almost as a formal rule. Hence, one of the respondents noted:

> I sell my goods in a container on this market [OAM] in the centre of Moscow, it's really huge, we have like 40.000 containers or so there. It's actually illegal to sell things like this because I don't have a cash register. I'm not even registered as an entrepreneur. But there are 40.000 containers like mine in the market, so if the police come, I'll just pretend I'm a customer or that I'm just a passer by. There's no firm to fine, no registration, so what can possibly happen? (Interview, 15.11.2010).

Informality of the suitcase trade is a special phenomenon which continues to exist through time, through official regulations, institutionalization and liberalization. More so, very often, formal institutional side of the suitcase trade provides a nursery and a shelter for informality. It is even possible to say that formality here is very tightly intertwined with informality and the boundaries between them are often completely blurred.

To sum up, the informality of the suitcase trade can be perceived as an important institution which has its roots in the pre-Soviet economic and political structure. Informality was a defining feature of entrepreneurship in pre-Soviet and Soviet times. The Soviet economic structure contributed to the creation of firm informal institutions and a culture of informality which continued to influence the behaviour of the agency and consequently shaped the institutional change. Therefore, informality represents a path dependency in the evolutionary road of institutional change with regards to the suitcase trade.

3.5. Trade in the USSR

In order to understand the development of the institutions which shaped and were shaped by the suitcase trade, it is necessary to provide a brief account of the trade in the Communist states. Both the exchange and trade systems in the USSR were controlled by the state planning system and directly managed by the central economic institution Vneshekonombank (Statistics Department of the International

Monetary Fund, 1998: 9). Private trading in the Soviet Union allowed the trading of "basic goods such as handmade clothing and food products (berries, mushrooms, honey, homemade jam etc)" (Aidis, 2003: 464). International trade was largely suppressed and strictly limited by state planning system, authorizing only a small number of organizations to engage in international trade. In 1988, only 50 organizations, represented mostly by large industrial groups, were licensed for international trade (Statistics Department International Monetary Fund, 1998, 9). When trade liberalization produced relatively successful results in the mid 1990s by increasing the number of licensed trade agencies to 20.000, the main focus was on exporting domestically produced goods abroad, leaving the import of consumer goods underdeveloped (Statistics Department of the International Monetary Fund, 1998: 10).

Organizational structure of the Soviet economy, due to the liliput size of the former retail industry, was incapable of managing the distribution of commodities in a centrally planned economy, let alone in a newly marketized economic structure (Kapralova and Karasyeva, 2005; Statistics Department of the International Monetary Fund, 1998: 10; Wallace *et al.*, 1999; Williams and Balaz, 2002). As a result of such an inability, the imported consumer goods in Russia were sharply distinguished between luxury goods which were sold in shops and normal or middle class consumer goods, which almost exclusively could be found in the OAMs (Statistics Department of the International Monetary Fund, 1998: 10). Therefore,

OAMs became important centres for shopping for large parts of the post-Communist society.

Consumer goods deficit caused by the inability of the state planned economy to satisfy the basic needs of the population, coupled with severe unemployment made the state seek alternative measures to provide income for the citizens. Thus, by legalizing the inflows of small quantities of tax free goods to be sold in retail trade, the post-Soviet states were trying to solve both its consumer goods deficit and its inability to support large numbers of unemployed people (Kostylyeva, 2009: 131). Among the other factors facilitating the emergence of the suitcase trade in the post-Socialist space were the dismantling of the retail sector, the collapse of COMECON, the softening of outer state borders and the weakening of the state apparatus (Aidis, 2003: 462).

The literature often emphasizes that even though post-Communist states are homes for large numbers of people with remarkable entrepreneurial talents (Kshetri, 2009; Rehn and Taalas, 2004), these countries often lack the institutional structure to support the development of free-market entrepreneurship (Kshetri, 2009) or very often have such structures that actually create obstacles for the development of entrepreneurship (Heliste *et al.*, 2008). Therefore, in the following section, a detailed outline of the existing institutions in the post-Soviet states is going to be continued with discussion of informal institutional structure of the post-Soviet states.

3.6. Informal Institutions

The tremendous changes caused by the collapse of the Soviet Union required not only a change of formal state institutions, but also of the norms of people behaviour (Olsson, 2008). As it has already been discussed in this chapter, informal institutions such as bribery among non-state and state actors, racketeering, justification of immoral behaviour, opportunism, developing consumism, are often perceived in the literature as defining the socioeconomic development of the post-Communist states on the whole and the suitcase trade in particular. Therefore, special attention needs to be paid to the analysis of informal institutions and their impact on institutional change.

As the logic of organizational institutionalism suggests, it is important to distinguish between cognitive and normative institutions because both of them play pivotal roles in the behaviour of the agency and institutional change. While normative institutions describe the socially approved constraints to human behaviour, cognitive institutions refer to the perceptions of people regarding their own social roles and the expectations of the society for their behaviour (Dacin *et al.*, 2002; Ruef and Scott, 1998; Scott, 1987). Normative institutions constrain or enable the behaviour of the agency according to socially approved cultural traditions. On the other hand, cognitive informal institutions constrain the behaviour of the agency according to their perceptions of normative institutions and their interpretation of cultural traditions. Hence, people not only account for what is socially appropriate to do, but they also account for what they think the society expects to be appropriate. In

this part, it will be analyzed, which normative institutions contributed to institutional change like for instance the development of consumer culture creating a new status for the suitcase trade and new set of institutions to support it; and which normative institutions caused the emergence of cognitive institutions which also in turn stimulated and shaped institutional change, which can be seen in the example of ubiquitous bribery and corruption.

One of the most important factors shaping both formal and informal institutions related to the suitcase trade in the post-Soviet times was the Communist cultural legacy. This legacy by formally and officially prohibiting all sorts of private entrepreneurship (Aidis *et al.*, 2007; Danis and Shipilov, 2002), tried to create a sense of equality of all citizens and place the state on the highest possible level while leaving the individual on the lowest position in the state-citizen hierarchy. Since the state was the main provider for the people (Round, 2006), only the state was able to decide on the distribution and allocation of resources. Put differently, the state was to decide what to provide for people and how much everyone should get. Hence, a culture of denial of entrepreneurship was developed.

Therefore, because entrepreneurship was seen as a competition with the state functions and even as claiming a share from the state authority, entrepreneurship has been perceived as something shameful and disgraceful if not strictly illegal. It was considered shameful to have economic motives for any kind of activity (Kshetri, 2007; Shcherbakova, 2008). More so, it was widely associated with criminal activity (Karpuhin and Torbin, 1991). Different levels of the suitcase trade are often being

labelled as immoral, parasitic and shameful (Aidis, 2003: 465; Shcherbakova, 2006: 5-6; Sik and Wallace, 1999: 709). Shcherbakova, by citing the interviewees response, demonstrates how disgraceful the trade was perceived: "I was standing there [on the marketplace] thinking that I'll simply die of shame" and "I didn't tell anyone about this. I had this big hat, which I pulled on my eyes, tracksuit. Most of all I was afraid that my professor will see me and say 'So this is where you get your outfits from!'" (2006: 5). The suitcase trade was perceived as immoral also because of the fact that it was practiced by those who either has always wanted to practice entrepreneurship and hence was willing to engage in socially inappropriate activities or because it was a means of survival for those who had no other hope, for the most desperate and for the lowest stratum of the new society.

Generally 'shameful' or at best simply socially inappropriate status of the suitcase trade resulted in informal justification of norms which are not usually acceptable elsewhere. Thus, for example, Aidis (2003: 469) states that open-air market traders were often seen working drunk and that it was acceptable on those markets, while it would be totally inappropriate in most official workplaces. People behaved according to how they thought the others expected them to behave. They thought that since everyone perceived the suitcase trade to be immoral, everyone expected immoral behaviour from people involved in this business. They satisfied what they perceived to be expected from them. Hence, it is possible to say that the informal norms created around the suitcase trade even further contributed to confirmation of these norms and social perceptions. This reflects the property of the

informal institutions to emerge from the formal ones and modify the formal institutions eventually (Aidis *et al.*, 2007: 160; Kshetri, 2007: 423). This process of institutional entrepreneurship also describes the process in which entrepreneurs not only play their usual roles, but also contribute to the establishment of new institutions by performing their business activities (Daokui *et al.*, 2006).

On the other hand, the suitcase traders, as it has already been said, usually represented intellectual elites, therefore they had some expectations about how they are supposed to behave. They tried to act according to their previous social position and by doing so, they attempted to challenge the existing situation which they were forced into by economic hardship. The suitcase traders always try to emphasize that their cultural and social status is way higher than the shameful profession of the shuttle migrant. They try to emphasize that they regularly engage in cultural events of the countries where they shuttle to, because their cultural background and their normative mindsets require them to be interested in culture and cultural events whenever they have an opportunity (Klimova, 2008: 60).

However, one of the most important informal institutional frameworks which were created at that time mostly by the existing structure and formal institutional settings was opportunistic environment in which “whatever works” approach was pursued. This environment can be briefly characterized as “survival of the fittest”, one in which it was not only allowed, but prestigious and rational to apply all sorts of strategies, even cruel or illegal ones. Moreover, success was seen as a matter of

personal achievement. Everyone was expected to reach it by themselves without any help from external sources.

> The "winners" of the collapse of the Soviet Union, those who have made money and gained power, construct post-Soviet social spaces as ones of opportunity and success: A theme repeatedly running through "elite" interviews was "if we can succeed why cannot you?" (Round *et al.*, 2010: 1200).

The suitcase trade provided the exact environment necessary for such opportunistic behaviour. It was the area in which different methods, both socially approved and disapproved ones, both legal and illegal ones are widely used. Since the suitcase trade was a survival strategy of the people who had no one but themselves and their closest relatives to rely on (Shcherbakova, 2006), the desperate situation of these people justified the extreme means used. Moreover, according to widespread informal cultural norms, it is considered irrational and archaic to obey the formal rules set by the state (Sadovskaya, 2002: 31; Tonoyan *et al.*, 2010). Consequently, success in entrepreneurship was often described as an ability to find loopholes and circumvent the law (Danis and Shipilov, 2002: 74). On the other hand, "whatever works" approach and methods used for the fierce competition were often justified by the logic that the suitcase trade was a necessary evil and an unavoidable development of contemporary economic structure. Very often suitcase traders start justifying their opportunistic actions by associating their own profits with the development of the society (Klimova, 2008).

Another important factor which contributed to the creation of informal institutions of the suitcase trade was the emergence of consumer culture (Aidis, 2003: 462; Yükseker, 2007: 65), which largely stimulated social acceptance and flourishing of the suitcase trade. Previously, the concept of marketing, which places the consumer at the centre of the trade process was totally absent from the centrally planned Soviet economy (Farley and Deshpande, 2006). Therefore, people used to shop in the Soviet Union to satisfy their needs; shopping for pleasure, for anything more than basic needs was considered to be shameful. Therefore, the goods demanded from the suitcase traders in the early 1990s varied greatly from the goods demanded after the consumer culture has been established. While many respondents emphasize this, a textile manufacturer interviewed in Laleli noted:

> First of all, the bazaars [OAM] which developed in the Soviet Union, address the needs of a specific category of people, those, who had nothing, who were not used to see goods and variety. People didn't have any consumer culture when they started coming to Turkey. And they started requiring something here. For example, they required textiles, but they didn't know this business, they didn't know textiles because they had never worked with textiles before. The only thing they knew was that they had to take something there. Because whatever they took there was being sold, like, the moment you bring it to the country, it's sold. So, they were saying, I need to buy as much as possible for as cheap as possible. But in textiles when you say a lot and cheap, you know what it means? It's not even low quality, it's super low quality because it really depends on the raw material. Like you know, if you make the raw material from polyester, then it'll be cheap. But it'll affect the product in the end, maybe not the colour and not the appearance of the thing, but its quality. So for this reason, before and even now, all the goods going to those countries were based on polyester. But for example Europe never buys anything like this. They always look for natural materials, like cotton, linen, natural because they were never hungry for goods, because they are used to

> having everything, so they can choose what they want (Interview, 10.01.2011).

Naturally, the normative institution of consumer culture emerged with time and it is also possible to claim that to a large extent, this is the merit of the suitcase traders, because they were the first actors to facilitate the flow of foreign goods into the post-Soviet countries and they were the first to make these goods available and affordable for the large slices of the population. After the emergence of this culture though, the society realized that the suitcase trade was a virtue satisfying their needs rather than something shameful aimed at increasing one's individual economic profits. Moreover, the society learnt that shopping can be done for something more than just basic needs and got used to the fact that the suitcase trade industry was not shameful, but a reflection of a normal capitalist life that the post-Soviet states were heading towards. Consequently, the social perceptions and informal cognitive institutions related to the suitcase trade changed and therefore, the approach of the traders changed from a shameful but necessary short-term income generation towards an honest, competitive and challenging business with long-tern perspectives. The respondents very clearly illustrate this in the interviews. For instance, a home textiles store owner referred to such change in the following way:

> When the time passes and when people make money, their preferences change. First of all they require fashionable things. [So the traders] start asking themselves, how can I sell the product I have for the highest price possible. Before they used to ask, how can I sell as much as possible. So, now when they want more quality, I can tell them, come, let's do something with silk. Like, maybe you can sell less, but

> you'll gain more profits, since you raise the prices (Interview, 10.12.2010).

The respondents clearly caught the change in the approach of the post-Soviet suppliers and consumers. A store manager who came to Turkey from Iraq notice that

> [Post-Communists] have become very clever in the last years. Now they focus on selling, not on buying like Arabs for example, who do their best to buy more for a lower price often at the expense of the quality of the goods. [Post-Communists] on the contrary focus on quality, on how they can better sell their goods back home (Interview, 09.01.2011).

Another large wholesaler said in the interview:

> People and their approaches changed a lot in the last ten years. And of course, nobody changes just like that, you need a good reason to change. So they changed because their clients changed and they had to satisfy their needs in a new way, they have to suit their tastes now, that's why people who come to Laleli can be more picky now. People in the Eastern Bloc used to be hungry before, now they start to get fed with technology, goods, everything. This is a huge factor influencing everything in this business (Interview, 16.02.2011).

Of course, the development of this kind of normative institution of consumer culture, the change of cognitive institutions of social perceptions and the way that business is done has a great effect on the Turkish institutions as well. The majority of the respondents in Turkey emphasizes the fact that informal institutions, which determined the balance of powers between the Turkish and post-Soviet players of the suitcase trade, have greatly changed. Since the suitcase traders from the post-Soviet states used to be inexperienced before, since they perceived their business as a

necessity rather than a profession which required intellectual investments, they were usually approached as fools by the Turkish manufacturers. A large wholesaler, who has been in the suitcase trade business for more than 20 years now, put it this way in the interview:

> People used to come here with their eyes shut ten years ago. They used to buy whatever you sell them here. So of course there was lots of cheating here before. People are now very professional, they are even more professional than us now. It's a huge difference with what we had here before. Now people really require special service. It feels like 50, not 10 years have passed. There are no more fool clients now. Before, there used to be. People here used to cheat on those fool clients, they used to think that they are not going to be back anyway, so you can cheat them as you like, you can sell them whatever you want. But now this logic has changed a great deal (Interview, 01.03.2011).

When during the interview a store owner, who has been selling women gowns in Laleli for about 20 years now, was asked to describe the biggest change he witnessed in Laleli, he said:

> Everything has turned upside down now. Before, the manufacturer was a king and now it's the client. Now we have to offer something to the clients so that they don't escape to someone else. Now everything is produced as they want, everything is sold as they want (Interview, 16.03.2011).

And another retailer who has come to Turkey from Bulgaria to work in Laleli commented on the issue of the shifting balance, with the central place in the suitcase trade moving from manufacturers to traders and consumers in the following way:

> Clients can lead the manufacturers now. When three different clients come to your store and ask for the same good which you don't have, you should make sure you produce it for them, because first, it will sell and second, if you don't give it to them, they'll find another retailer who does (Interview, 16.03.2011).

The informal institutions of the suitcase trade developed in the process of post-Communist capitalist transition and can be clearly followed along the lines of the development of capitalism in the post-Soviet states. At first, when capitalist transition has just started, the Communist legacy dominated informal institutions of the suitcase trade: because of the old restrictions and old normative basis, it was perceived immoral, shameful and associated with crime. The suitcase traders hence struggled to justify their actions, which they did by behaving in accordance to cognitive institutions, to what they supposed was expected from them. This caused a cognitive institutional response in two divergent ways. While one part of the suitcase traders supposed that immoral behaviour was expected from them and they acted accordingly, the other part of the traders believed that they have to maintain their cultural and intellectual status which they possessed before they initiated this business. The suitcase traders used different reasons to justify their actions: some blamed the public expectations, some argued that they were the only ones to foster the development of the society, while some introduced the logic of 'whatever works' approach by saying that it was a necessity to survive. As a result, the actions of the suitcase traders shaped the informal institutions.

Furthermore, when capitalist transition moved forward in the post-Soviet states, the normative institution of consumer culture emerged, contributing to a dramatic change of other normative and cognitive informal institutions of the suitcase trade. Instead of being a shameful and disgraceful activity, consumism became a normal part everyday life, creating new demand for the products of the suitcase trade and making the profession of the suitcase traders socially approved. Consequently, enormous changes of informal institutions followed: the suitcase trade turned into an honest business, requiring investment and intelligence. The behaviour, cognitive and normative institutional response of Turkish manufacturers and traders has also changed. As it can be seen from this part of this thesis, informal institutions shaped and developed each other in a process of complex and extensive interactions. The next part is going to provide an analysis of such interaction between formal and informal institutions.

3.7. Interrelation of the formal and informal institutions

Cognitive and normative informal institutions such as corruption, consumer culture, the behavioural norms, as it has already been discussed above, played a crucial role in the suitcase trade, however, it is also very important to understand that informal and formal institutions were very tightly intertwined in the time of transition. Institutions do not function alone in a sterile environment, they work together with multiple other institutions (Hall and Thelen, 2009). Moreover, new institutions

emerge because of conflicting and contesting interaction between formal and informal institutional actors (Streeck and Thelen, 2009). Since formal and informal institutions are interdependent and they oftentimes evolve together, it is sometimes difficult to distinguish between them (Aidis *et al.*, 2007: 160). To be precise, formal institutions were providing fertile ground for informality to flourish on. For instance, the issue of racketeering, one of the most conspicuous examples of informal suitcase trade institutions, was booming within the existing legal framework. Racketeering existing outside the legal institutional settings was inevitable on all stages of the suitcase trade. Post-Soviet racketeers started to operate in Turkey around 1995-1996 aiming at shuttle traders (Shcherbakova, 2006: 8). Turkey however also had plenty of its own racketeering. An owner of a ready-to-wear men clothing in Laleli describes the issue of street racketeering in the following way:

> The issue of racketeering was so intense here before. They [the gangs] used to walk in huge numbers in the street and there was nothing you could do about them. They used to say, if the business goes bad for us it goes bad for you too. So, we had no choice, we had nothing against them because we knew they'd come to our store and destroy it (Interview, 20.02.2011).

Klimova (2008: 55) and Shcherbakova (2006: 8) provide evidence that vehicles which were carrying suitcase traders were often stopped by the groups of organized criminals and certain sums of money were required from the passengers. There is evidence that open-air markets accommodated a large number of racketeers, who by using hard coercive power or by threatening the traders and in some instances even the consumers extorted regular payments (Aidis, 2003; Klimova, 2008).

Nevertheless, suitcase traders almost never seek justice by the help of the police because they accept the police to be corrupt, faithless and even more harmful than the criminals themselves. They believe that the police hides behind their official status (Klimova, 2008). In fact, suitcase traders often place the police exactly in the same line with the racketeers (Bobohonova and Rasulova, 2009; Shcherbakova, 2006). In this case, since the suitcase traders do not trust the state for the provision of their security, the only strategy for the suitcase traders for protection is hiring private security services. As time passes, this proved to be extremely effective even though security services never cooperate with the police or official state forces (Bleher, 1997). However, one can certainly doubt the legitimacy of the means such security services use. The evidence exists that they use force and threat to maintain stability and order in the areas where the suitcase trade is concentrated. Therefore, the state not only fails to suppress racket and to monopolize coercion and provide security and justice for its citizens, but it also indirectly reinforces illegal means of fighting insecurity by letting unauthorized bodies to perform its functions.

Another important reflection of the combination of formal and informal institutions and illegality covered by and embedded in legality can be seen in the omnipresent issue of bribery in the post-Communist economies. Yang (2004) refers to such phenomena of intertwined formal and informal institutions as “institutional holes” or as structural gaps which occur in the post-Socialist economies due to incompleteness, ambiguity and underdevelopment of the formal rules. In fact, the settings for bribery were laid before the creation of the Soviet Union, during the New

Economic Policy period when the environment of uncertainty, strained budget and high taxation came up front (Danis and Shipilov, 2002: 78-79). This resulted in the creation of a bribery culture which was then reinforced by the Communist centrally planned economy and reached its peak during the transition. Indeed, corruption rates in the post-Communist countries are among the highest in the world (Tonoyan *et al.*, 2010).

In the suitcase trade, institutional holes can be clearly seen in the bribery of officials, whose main duty is to inspect the implementation of the formal rules and laws. Police, customs officials and other officials are said to be literally requiring bribes from the suitcase traders. Bribery is considered a rule, a norm, an obligation, and disobeying this rule can lead to serious unpleasant results (Bobohonova and Rasulova, 2009; Egbert, 2006; Klimova, 2008; Yükseker, 2003). Manufacturers and suppliers in Turkey claim that state officials pursue their personal interests in keeping the legal requirements unfeasibly high, in order to maintain a stable level of informality and to be able to benefit from extensive bribery on those grounds (Eder *et al.*, 2003).

Bribery continues to dominate the shipment of goods as well. Customs officials are described by the suitcase traders as the most important external actors of the suitcase trade and at the same time as representatives of a kind of hostile external system (Eder *et al.*, 2003; Klimova, 2008: 54; Shcherbakova, 2006). This positioning of the customs officials is so firm and unchangeable, that as soon as the new regulations, limiting the total weight of tax free goods which were allowed to be

imported by the suitcase traders was implemented, the suitcase traders immediately understood that this was intended to increase the sizes of bribes that the customs officials would require (Klimova, 2008: 54). A study conducted among Tajik suitcase traders indicates that around 60 per cent of the shuttle traders are forced to pay bribes when crossing the border (Bobohonova and Rasulova, 2009: 15) and that 50 per cent of these traders are convinced that bribing significantly speeds up the process of border crossing (Bobohonova and Rasulova, 2009: 17). A producer of men ready-to-wear clothes in Laleli mentioned that the customs in some post-Soviet states give them "official" bribery requirements. For instance, the customs informs the traders that for a transportation of a truck loaded with ready-to-wear textiles they require 100.000 USD.

It is also very interesting that the issue of bribery has undergone a process of complex legitimization through creation of an institutional system. Thus, each actor in the system of bribery has his or her own institutionalized role to play, and each actor has to behave according to a system of unofficial, but widely accepted and very strict rules. The customs officials are the only state officials who the suitcase traders pay bribes directly (Klimova, 2008). The other state officials are paid bribes by other actors of the suitcase trade, such as administration of the markets and shopping malls where the goods are sold (Klimova, 2008), who are in turn also paid bribes by the suitcase traders. Hence, the administration plays a role of a buffer between the traders and state officials in a sophisticated and consolidated system of bribery.

Informal rules within the suitcase trade are so clear to the suitcase traders that nobody ever attempts to break or challenge them.

A textile producer in Turkey claims that not only bribery is an official institutionalized norm in the post-Soviet states, but that bribes are very often used in a legitimized way. Namely, he argues that bribes are very often being used by state officials for political purposes. In order to use the money from bribes and not to be persecuted by law, officials try to contribute to the development of infrastructure, they build roads, bridges and this adds credit to their political portraits.

As a result, it can be said that the informal institution of bribery is highly organized, widely spread and socially accepted. It occurred as a response to the failed formal institutions. Bribery in the suitcase trade has a long history going back to the pre-Soviet roots of entrepreneurship. Bribery provides an example to the situation where formal rules and informal institutions are so tightly intertwined that they reinforce and develop each other in an extensive way.

3.8. Change in the suitcase trade institutions

The background of the suitcase trade related institutional changes was by and large defined by the settings in which the suitcase trade emerged. Because of the tremendous socioeconomic transformations accompanying the collapse of the Soviet Union, many people had lost their social status. Many industries which used to employ large numbers of highly educated or skilled professionals came to a halt or were completely abandoned in the early 1990s, therefore, many people experienced

not only unemployment, but also a total loss of social positions that they used to hold (Aidis, 2003: 468; Klimova, 2008; Shcherbakova, 2006: 3). It is also very important to notice that only part of those people was able to restore their employment later, either in the reconstructed industries or in new capitalist establishments, therefore, they had to search for other types of employment during the transition period. Very often, this employment would be of much lower quality compared to their previous one. In other cases, people would have to face total unemployment and impoverishment, which would also negatively affect their social status.

The loss of the privileged socioeconomic status by some suitcase traders can be also explained by the ethnic cleavages in the Soviet Union. In the Soviet times, ethnic Russians possessed a privileged social and employment status in some of the Soviet states, however, after the collapse, due to the awakening of the ethnic awareness, Russian people experienced alienation and socioeconomic exclusion in some post-Soviet states (Aidis, 2003: 467). This resulted in marginalization of their status and is sometimes accepted as a push factor for these people to be involved in the suitcase trade.

On the whole, the capitalist transition in the Eastern Europe and the institutional change associated with it is often regarded as “rapid”, “comprehensive” and “big-bang” (Kshetri, 2007: 417). Though the extent of the success of the institutional changes varies across the post-Soviet countries, there is no doubt that the change has been tremendous in its depth and outcome.

It appears that the institutional change in the post-Soviet states developed in the environment of a sharp distinction between different actors: the state and its officials on the one side of the battle field and the suitcase trade agency on the other. This institutional change certainly cannot be viewed as a result of successful cooperation between the state and other actors, or as Streeck and Thelen (2009) define them, rule-makers and rule-takers. On the contrary, in many instances it was prevented by these actors, each of which behaved irrationally. Both sides, the state and the suitcase trade industry agency, did not try to maximize their profits, rather they were trapped in a constant race of adjusting themselves to the previous and often outdated institutions. This prevented both sides from successful cooperation. Hence, though the institutional change which can be seen in regards to the suitcase trade is truly magnificent in terms of size and importance, the question remains: Would these institutional changes be more successful if the efforts of the actors were in a greater accordance? Therefore, in analyzing institutional change in the post-Soviet states through the prism of the suitcase trade, it is particularly useful to focus on the actors of different levels. For this purpose, Bakır's (2009) model for institutional change and policy entrepreneurship analysis which proposes combining the analysis of the 'rowing agents' and 'steering agents' and their roles in the process of institutional change in the same analytical framework will be utilized. 'Rowing agents' here are involved in supervision and implementation of policies in a certain sector (Osborne and Gaebler, 1992), while 'steering agents' engage in setting the general policy direction (Bakir, 2009: 915).

When we apply this analytical framework to the suitcase trade, we can see that the state and state officials such as custom officers and the police are ‘rowing agents’. By definition, they were supposed to support the state’s position and fully implement its policies. The ‘steering agents’, on the other hand, mainly represented by the suitcase traders, suppliers and other workers of the suitcase trade industry, were supposed to give motion to the process and broadly define the direction in which the process of institutional change and the overall socioeconomic transition would follow. However, in the case of the post-Soviet states, due to the institutional setting which existed before the transition and the cultural legacy that they inherited from Communism, the formal institutions were intertwined with the informal ones far too tightly to be clearly distinguished. Therefore, the rowers often played the role of the steering agents and the steering agents facilitated the rowers to strengthen their chosen policies even deeper. State officials, customs officers and the police were expected to promote economic liberalization and the capitalist transitions of the post-Soviet states in the early 1990s, because they by definition have to support the state policies which at that time were aiming liberalization. However, in fact they prevented the successful implementation of such policies by their actions. By making bribery an official norm, they preserved communist legacy and created extra obstacles for the private business development. The state itself, by not only allowing bribery, but also by enforcing it through creation of unrealistic policies slowed down the process that it itself started and needed to be facilitated. Steering agents, on the other hand, by not demonstrating any resistance to the outrageous actions of the state

officials, by playing the game by their rules and supplying them with constant bribes actually contributed to slowing down the institutional change. Hence, by playing each other's role, the steering agents and the rowers affected the way in which the policy change happened.

Regime change in the FSU resulted in the change of economic activities of many people and moreover, it resulted in the change of culture and perceptions as well (Wallace *et al.*, 1999). The literature offers a perspective that 'Homo Sovieticus' mentality, which suggests that Soviet people were used to rely on the state in provision of all their needs, had to change in the crisis environment which followed the collapse of the USSR (Round, 2006; Sik and Wallace, 1999: 700). The shuttle migration in the post-Soviet states has led to the creation of a new middle class, which is characterized by a substantial extent of independence and the overcoming of paternalistic state ideology by independent decision making and ability to calculate and take risks (Sadovskaya, 2002). Free market entrepreneurship is also widely accepted to be a crucial part for the successful economic development of post-Socialist states (Aidis *et al.*, 2007; Collins and Rodrik, 1991; Danis and Shipilov, 2002; Kshetri, 2009; Shcherbakova, 2008; Williams and Round, 2010; Xheneti and Smallbone, 2008).

With the development of private business and ownership, tremendous social transformations in all post-Soviet states took place (Aidis *et al.*, 2007). This in turn resulted in cultural transformation which can be clearly seen among younger generation of people in the post-Soviet states (Hahn and Logvinenko, 2008; Malle,

2009), since they grew up after the collapse of the Soviet Union and they were less influenced by new norms and values shaped in the Soviet period. Thus, by mid 2000s about 80 per cent of young generation Russians confirmed that they have adjusted themselves to capitalism (Nikitina, 2004). Entrepreneurs have gained more respect in post-Communist societies (Kshetri, 2007: 424). Therefore, among the most important institutional changes is that the attitude towards private entrepreneurs on the whole changed dramatically from labelling them 'dirty' during the Soviet times to ascribing them the role of 'driving forces' in capitalist transitions (Danis and Shipilov, 2002: 70).

Conclusion

The suitcase trade is one of the first examples of international entrepreneurship in the post-Soviet states. Therefore, studying the suitcase trade can facilitate understanding of early post-Soviet capitalist transition. It is contested whether the suitcase trade institutional changes occurred as revolutionary transformation of the post-Communist states and unprecedented adoption of capitalist institutions or whether the suitcase trade is a continuation, development and readjustment of already existing Communist institutions. As a result, deeply analyzing the suitcase trade institutional change can also provide idea about general discourse of the post-Soviet institutions towards new capitalist regimes and the adaptation of the Turkish economy to the global dimension.

The extreme structural changes such as the collapse of the Soviet Union, mass unemployment and severe impoverishment of the population required truly revolutionary changes of the formal institutions. The informal economy in terms of small-scale private international entrepreneurship was allowed in order to ease the government's burden of combating poverty, unemployment, social, political and economic destruction. However, the state regulations of the private entrepreneurship allowed for rent seeking and opportunistic behaviour of the officials. This, in turn, contributed to rocketing growth of the suitcase trade and robust informal institutional response such as strengthened culture of bribes, opportunistic behaviour and loopholing. Nevertheless, as it has been shown in this chapter, many informal institutions did not develop as completely new attributes of the post-Communist era, specific to the suitcase trade. In fact, many of these informal institutions, norms and skills have already existed since the pre-Soviet and Soviet times.

On the whole, however, it can be said that both the formal and informal institutions of the suitcase trade developed along the lines of the development of capitalism in the post-Soviet states. Hence, formal institutions such as abolition of travel restrictions, introduction of private ownership, eased customs regulations and cancellation of restrictions on small-scale retail activities aimed at facilitation of private entrepreneurship and the suitcase trade emerged when the communist state planning economy was no longer able to continue its existence and when the transition to capitalism was of vital importance. By the same token, the informal institutions of the suitcase trade also by large were defined by the general stance

towards capitalism: the suitcase trade became socially approved and appropriate when capitalism was accepted to be socially approved economic regime.

This chapter by using the analytical framework of organizational institutionalism demonstrates that the suitcase trade in the post-Soviet states developed as a result of the interrelation between multiple formal and informal institutions. Informal institutions central to the suitcase trade were represented not only by normative institutions, as historical institutionalism framework would suggest, but also by cognitive institutions. Besides, the actors were driven not only by the rationale of profit maximization as rational choice institutionalism argues, but also and mostly by the logic of appropriateness. As a result, the successful development of the suitcase trade institutions was jeopardized by disorganized and non-harmonized actions of the state and individuals. The state actors, or rowers as defined in this chapter, by their opportunistic and rent-seeking behaviour eradicated the possibility of state-business cooperation, which would in fact lead to a smooth post-Communist capitalist transition, rapid economic development and abolition of informal economy, black market and illegality. On the other hand, the individual entrepreneurs, or steering agents as they are accepted in the analysis of this chapter, instead of collectively opposing the mismanaged formal institutions in an organized and consistent way, driven by logic of appropriateness and cognitive assumption about social expectations, mixed their roles with the rowing agents. By doing so, the steering agents justified and formalized illegal and rent-seeking behaviour which they suffered from. Nonetheless, this did not affect the destination point of the post-

Communist transitions: the institutional changes after all resulted in the adoption of capitalism, but such uncoordinated and irrational behaviour led to institutional mess in which state actors were inhibiting the development of entrepreneurship and making the burden of the suitcase traders even heavier.

To conclude, though the suitcase trade institutional changes appear to be really explosive and revolutionary, they in fact were largely built on the grounds which already existed from the Soviet past. Therefore, the capitalist transitions of the post-Soviet states analyzed through the suitcase trade institutional change can be decisively accepted as punctuated evolution: a development of the old institutions, achieved through constant interaction between formal and informal institutions, in crisis environment. The formal and informal institutional changes accompanying the development of the suitcase trade are summarized in the Table 3.1 and Table 3.2 below.

CHAPTER 4
MARGINALIZATION RESISTANCE THROUGH MIGRATORY PRACTICES

Introduction

The migratory systems between Turkey and the post-Soviet states are multiple and complex in nature. Though migratory movements between Turkey and the former Soviet Union are not studied in detail yet (Karaçay, 2011: 92), providing a full account of all of these human movements lays beyond the scope of this thesis. Therefore, this research will only approach the mobility of individuals which is directly related to the suitcase trade. The suitcase trade can be accepted as one of the most crowded human mobility between these regions, yet the research in this area needs further elaboration. The suitcase trade is usually associated with circular or shuttle migration of the individual traders from the post-Soviet states between their countries of origin and destination. In reality, the suitcase trade is constituted by a robust and volatile network of tight transnational and domestic movement of people. A simple stroll in Laleli can show us the diversity and richness of this area's migration. Historically, there have been four major migratory flows in Laleli: 1) the shuttle migrants from the post-Soviet states who come to Istanbul for a short period of time on a regular basis (Malinovskaya, 2003); 2) migrants from the Balkan states who usually work in the shops or have their own enterprises in Laleli (Eder *et al.*,

2003; Yükseker, 1999; Yükseker, 2003); 3) Kurds from Eastern Anatolian region of Turkey, who also have their business ventures in Laleli (Eder *et al.*, 2003; Yükseker, 1999; Yükseker, 2003); 4) people from the post-Soviet republics who are employed in Laleli (Eder *et al.*, 2003: 12; Yükseker, 1999). These, however, are not all migratory flows that Laleli has stimulated. Recently, people from Laleli started moving to the post-Soviet states as well. The last group of people moving from Turkey to the post-Soviet states has not been properly covered by academic research yet.

While some of these movements such as marriage migration or new waves of Turkish migration to the post-Soviet states are relatively rare, some of these flows such as temporary or shuttle migration, domestic migration and labour migration from the Balkans and the post-Soviet states are quite common and they can be referred to as mass movements. Indeed, temporary movements have become truly mass in the contemporary global world (Tani, 2005), though they are very rarely addressed because they are very often carried out outside official migration legislation or are characterized by such legislation as tourism or short-term visits (Herman, 2006; Tani, 2008: 162). Hence, despite their mass character and importance, these complex movements have not yet been analyzed in published academic works. Therefore, this chapter is going to be the first known attempt to involve in complex analysis of different types of migration related to the suitcase trade.

This chapter is going to analyze the multiple migratory movements intertwined in a central knot in Laleli. It is going to be investigated how individual actors through their migratory practices challenge the socioeconomic marginalization that they have found themselves in due to structural and institutional factors of their regions. It will be argued that the suitcase trade has created multiple complex migratory flows, both domestic and international, which were initiated as a way of people's resistance to socioeconomic marginalization in their home regions. These flows were also happening between different systems: a more capitalist and a communist one. These migratory flows are centred in Laleli, therefore Laleli is a unique and pivotal place to analyze not only migratory movements in their complexity, but also the way through which individual actors resist marginalization that they are exposed to.

The remainder of this chapter is organized as follows: the first section will discuss the model of migration analysis proposed by Massey (1999) and justify the application of this model of analysis for the post-Soviet-Turkish migration. The second section will be dedicated to the analysis of the push factors which stimulated migratory movements from the post-Soviet countries, the Balkans and Eastern parts of Turkey to Istanbul. The third section will in a similar way discuss the pull factors that helped Istanbul to attract the migratory flows in question. The fourth section will analyze the goals and individual motives of the migrants, by focusing on economic and social factors affecting their decision to move. The fifth section will address the social structures primarily in terms of networks, which facilitate the complex

migratory flows centred in Laleli. The concluding section of this chapter will finalize the discussion of micro-level players' responses to socioeconomic marginalization engendered by structural and institutional factors in their regions of origin.

4.1. Theoretical background and the Massey model

Multiple academic debates have been revolving around the root causes of migration. Why do people move? What makes them leave their houses, relatives, friends and lifestyles and go to unknown, insecure and often hostile places? Clearly, the reasons have to be significant enough to make people undertake such adventures. People move in order to re-negotiate the unsatisfactory conditions that they are in (Heaton *et al.*, 1981; Jong *et al.*, 2002). Most often, dissatisfaction stems from the economic situation, thus, it has been argued that economy is the most important stimulant for migration (Jenkins, 1977; Jong *et al.*, 2002; Massey *et al.*, 1998; Stark and Bloom, 1985). Migration also acts as a response to relative deprivation and economic inequalities (Jong *et al.*, 2002; Massey *et al.*, 1993; Morawska, 1990; Portes and Walton, 1981; Stark and Bloom, 1985; Stark and Taylor, 1989; Stark *et al.*, 1986; Stark and Yitzhaki, 1988). When economic conditions of a home region are marginalizing for people and affect their quality of life, families allocate their members in different labour markets by facilitating their migration abroad (Jong *et al.*, 2002). Hence, migration is accepted to be one of the fundamental ways in which people resist marginalization.

Migration research has produced several theories which are supposed to explain the reasons for migratory flows and the ways in which migratory decisions are being made considering these underlying reasons. One of the most fundamental theories, New Economics of Labour Migration, as opposed to previous theories, approaches households as levels of analysis and is capable of explaining continuity of migration through time. The main assumption of this theory is that people are rational actors who tend to relocate for a temporary period of time in order to overcome the difficulties they are facing (Massey, 1999). New Economics of Labour Migration theory suggests that temporary migration is a response of people to market failures. By moving abroad, they can accumulate savings and diversify income (Massey, 1999; Massey and Zenteno, 1999: 5328). According to this theory, people take migratory decisions collectively in order to maximize the benefits and minimize the risks and costs associated with migration (Jong *et al.*, 2002; Stark, 1991).

It has been argued in the migration literature that migration is a fundamentally historical phenomenon, a process that cannot be abstracted in time, that is why it is critical to build a temporal analysis of socioeconomic changes in order to reach a comprehensive theoretical understanding of migration (Fan and Huang, 1998; Morawska, 1990). Specific socioeconomic transformations create geographic inequalities in wealth and opportunity (Portes and Walton, 1981). Capitalist economies in the new world with transformed markets penetrate into non-capitalist markets (Massey *et al.*, 1993: 444), creating growing incentives for migration (Morawska, 1990). In addition to this, since the developed markets have

reduced risks, and the developing markets are characterized by high risks such as unemployment, poverty, lack of insurance and pensions, the migratory decisions are taken in favour of moving into developed states with better markets (Massey *et al.*, 1993: 436). Since the beginning of capitalist transitions in many states, migration has become an indivisible feature of capitalist development (Sassen, 1996). Capitalism facilitates creation of inequalities between regions in terms of development, therefore it inevitably marginalizes the population of disadvantaged regions and unequally benefits the population of the developed regions.

This situation creates incentives for people to fill in labour market and other gaps in the more developed regions. Hence, 'push' factors emerge in the underdeveloped regions and 'pull' factors thrive in the developed regions. Considering the fact that globalization greatly facilitates human flows, it can be said that globalization stimulates people from the disadvantaged regions to try their luck in more advantaged ones. The 'push factors', which stimulate people move away from their homes, are by large defined by the structural and institutional factors. Structural factors are accepted to have tremendous impact on the way people take migratory decisions. Structural factors often define the level of development of a state and its market. Hence, it has been proven that in the developing states, markets such as for insurance, capital and credit are generally non-existent, therefore, people are forced to decide to move to substitute for such market failures and minimize the risks such as unemployment or poverty (Massey, 1999). Temporary migratory movements, as a result, are extremely high in the states with low government support

to marginalized groups (Massey *et al.*, 1998: 22). In addition to the economic conditions in the home regions which create powerful push factors for people's movements, other issues also need to be taken into account. It has been demonstrated that migration is closely associated with the life satisfaction of people (Jong *et al.*, 2002; Martin and Lichter, 1983). People can take migratory decisions based on considerations of comparative well-being: they perceive migration as utility-maximization and may decide to move to be better-off in some subjective way (Ziegler and Britton, 1981: 304).

'Pull factors', or the conditions which appear particularly attractive for migrants, very much depend on the structural factors of the destination region. It has been often emphasized that no matter what conditions migrants have at their homes, they almost always have a choice to move or to stay in their regions. Therefore, in dual labour market theory it has been argued that people are always more attracted by the pull factors than stimulated by the push factors when they take migratory decisions (Piore, 1979).

With all above in mind, it is necessary to emphasize that the New Economics of Labour Migration theory assumes that migrant households take decisions on relocation not in isolated sterile environments, but in the conditions influenced by specific structural factors. Hence, individuals and structural elements are simultaneously involved in human migration: people make decisions weighting costs and benefits of migration in specific environments under specific circumstances (Massey, 1990: 7). Therefore, Massey argues that migration analysis models which

fail to account for both individual and structural factors are misspecified and doomed to failure.

In addition to the structural factors intertwined with individual migratory decision making, Massey stresses the importance of interpersonal networks. Networks are accepted to reach into every corner of social life (Tilly, 2007: 7). Networks play a fundamental role in making migratory flows more acceptable and significantly steadier. In the groundbreaking study on theories of migration, the migratory networks are defined in the following way:

> Migratory networks are sets of interpersonal ties that connect migrants, former migrants, nonmigrants in origin and destination areas through ties of kinship, friendship and shared community of origin. They increase the likelihood of migration and decrease the costs and risks of migration once the number of migrants reaches critical mass (Massey *et al.*, 1993: 448).

It is proven that people tend to migrate more when their friends or family members have already migrated so that networks between movers and stayers are created (Jong *et al.*, 2002; Massey *et al.*, 1993). This happens mainly because through time, when people migrate, they provide invaluable information, financial support to their relatives and acquaintances to help them migrate. This way, the risks and costs associated with migration are significantly reduced when enough social capital is accumulated in a society and as a result migration tends to continue (Massey, 1990: 8; Massey and Zenteno, 1999: 5328). These networks formed between the migrants and those who stay behind leads to mass movements of people (Massey and Zenteno, 1999).

Therefore, it has been proposed that any satisfactory analysis of migration needs to account for: 1) the structural factors in the migration sending regions which create push factors for migration; 2) the structural factors in the migration receiving regions which are responsible for the pull factors attracting people from other regions; 3) the motivations, goals and aspirations of the people who respond to these push and pull factors with their migratory practices; and 4) the social structures between the sending and receiving regions which restrict or facilitate migratory flows (Massey *et al.*, 1998; Massey, 1999).

Therefore, in this chapter the migratory flows associated with and stemming from the suitcase trade will be analyzed based on this theoretical model. The analysis of the broader structural factors in the post-Soviet states and Turkey has been provided in the previous chapters, while this chapter will firstly project these structural systems onto the push and pull factors of the migration sending and receiving regions. Secondly, the goals and aspirations of the migrants will be discussed in detail, explaining what exactly made these people engage in migration. Thirdly, this chapter will also address the issue of social capital - migratory networks - that these migrants have and the role that these networks play in the migratory practices of the people.

Though the suitcase trade is a process performed by individuals, migrant networks seem to play a crucial role in the suitcase trade. Networks of trust have been discussed in the Chapter 2 of this thesis, while this section is dedicated to interpersonal networks that facilitate migration. It will also be demonstrated that

these migratory networks in the suitcase trade are transnational and robust as the previous scholars argue. However, on the contrary to general opinion that these networks are created between compatriots who share some kind of kinship or friendship (Massey *et al.*, 1993; Tilly, 2007), they are also formed between people with different origins. Besides, it will be demonstrated that these networks not only facilitate unilateral migration of people from one state to another and back, but they also stimulate active reverse migration of people from originally migration receiving states to migration sending states. Hence, it will be shown that through migratory networks, not only people from the post-Soviet states have a possibility to travel to Turkey with reduced risks and costs, but also Turkish people started active migration to the post-Soviet states thanks to their networks with people from the post-Soviet states.

4.2. Push factors for migration centred in Laleli

It is claimed that in the 1980s, significant part of Laleli business ventures belonged to the second generation migrants from the Balkans, who moved to Istanbul in the 1950s (Yükseker, 1999: 63). The migrants from the Balkan states came to Istanbul as war refugees in the early 1990s (Yükseker, 1999). Some of them were also fleeing political persecution of ethnic Turks in communist Balkan states just before the collapse of the communism. Consequently, Balkan migrants were exposed to tremendous push factors such as war and post-war socioeconomic marginalization.

Kurds came to Istanbul as a result of forced migration from Eastern regions such as Diyarbakır, Mardin, Ağrı and Maraş (Yükseker, 1999). The movement of these people has been pushed by extreme poverty, supposedly following the eradication of smuggling between Iran and Turkey (Yükseker, 1999: 64) which usually constituted a traditional occupation of Kurds (Yeğen, 1996). The movement of Kurds to Istanbul can also be associated with the escalation of conflict in the South Eastern Turkey in the 1990s (Eder *et al.*, 2003: 10).

It is also important to emphasize that one of the economic motivations for Kurdish migration are also to a large extent explained by the urban-rural inequalities. It has been shown in the migration literature that in the developing states, living conditions in the cities are superior to conditions in towns and villages (Jong *et al.*, 2002: 839). More precisely, higher wages are accumulated in the cities, leaving the periphery in a disadvantaged position (Massey, 1999). Therefore, rural to urban migration has become a pivotal component of household survival strategies all over the world (Massey, 1990). In addition to this, it has been demonstrated that many migrant households take decisions on relocation of its members in order to increase the productivity of their assets (Massey *et al.*, 1993), which can serve as a good theoretical explanation for Kurdish migration from the South East Anatolia to Istanbul in general and to Laleli in particular.

It is argued that temporary labour migration in the post-Soviet states started as a response of people to unemployment and socioeconomic marginalization (see the detailed discussion in Chapters 2 and 3). Very briefly, it is logical to remind that

the main motives for labour migration are accepted to be economic. People were forced to search for income, since suitcase trade was the only chance to create employment for many people. Hence, mass labour mobility in the post-Soviet states in the 1990s is often characterized in the literature as migration of "the worst of times" (Raijman and Semyonov, 1998). For many, especially for single mothers or young women in charge of their parents, the suitcase trade formed a safety-valve. About 10 per cent of all suitcase traders in the post-Soviet countries are single mothers. They started shuttle migration out of necessity and new responsibilities that they had to face after the collapse of the USSR. These women had to take tremendous financial, moral and physical risks to be able to earn their livings from the suitcase trade. Therefore, they created a distinct social status for themselves, a status of extremely marginalized women who manage to survive and provide income to their families in the conditions of crises. Nevertheless, one group of scholars argues that women shuttle traders accept suitcase trade as a necessity for women's self expression and personal development (Florinskaya and Roshchina, 2004); while others state that this new role of the female traders is neither accepted as desirable nor it is respected in their home countries (Ivanova, 2003; Malinovskaya, 2003; Pribytkova, 2003; Shcherbakova, 2006; Sik and Wallace, 1999).

The interviews conducted for this thesis have also supported the idea of pushed labour mobility from the post-Soviet states. It has been acknowledged by the respondents that in the 1990s, people from the post-Soviet states were happily

accepting any jobs in Laleli despite the high risks because they were attracted by the appealing life-quality in Turkey:

> These foreigners come here for a better life. They are sure they are going to have better life quality here. They even accept the fact that they're going to work illegally here. In fact, they come and offer their services for illegal jobs themselves. It's not you who finds people in the streets and offers them illegal jobs. They come to your store and say, hey, we want to work for you and we can do so without any procedures or registration. (Interview, 14.12.2010)

In the recent years, however, the situation has changed for people from different post-Soviet states since some of these states demonstrated significant economic growth in the last decade. Hence, it has been emphasized by several shopkeepers in Laleli that Russian workers in Laleli are not common any longer. Their positions are occupied by people from the other post-Soviet states:

> It was very very easy to find Russian people to work here illegally, they were everywhere here, because they preferred life here of course. But now, things are better in Russia, so they don't prefer conditions here that much any more. You can find people from other post-Soviet nations, not from Russia itself. Like from countries with conflicts or very bad economic conditions. Also, it's easier for people from Asian post-Soviet countries to learn Turkish. (Interview, 20.02.2011)

4.3. Pull factors for the suitcase trade migrants

Pull factors for different migrant groups in the suitcase trade demonstrate significant variations with particular implications for socioeconomic and cultural environment

that each of the groups exists in. Therefore, the pull factors should be classified in a logical way.

Aside from the better life quality in Turkey, one of the most important pull factors for migrants from the Balkans and the post-Soviet states is that they have a very significant quality highly demanded on the Laleli labour market: the ability to speak Russian. Russian can be accepted as the official language of business in Laleli. While English or Arabic are used to communicate with shuttlers from African or Arab states, Russian is certainly the *prima facie* language for communication with shuttle traders from almost all post-Soviet states. Therefore, an ability to speak Russian is very highly praised in Laleli. Moreover, as it has been discussed in Chapter 4, it is considered an absolute must for successful business.

The importance of Russian for business in Laleli can also be seen in the fact that employers often hire workers into their stores based on this single language criterion:

> When you try to find a job in Laleli, the first thing that has to be on your CV is skills in Russian. That's the first thing needed here. Previously it was so that people who spoke Russian could get a job immediately. Now they may ask you which other languages you speak. But they won't even ask for any other qualities. (Interview, 27.02.2011)

However, it is also very important to notice that not only an ability to speak Russian is highly prised in Laleli, but also the cultural proximity of the workers with the suitcase traders is pivotal. It is crucial that the shop assistants are able to establish a relationship of trust and understanding with the clients, therefore, it is not enough

just to speak the same language with them. It is also pivotal to share the same cultural grounds and mindsets with the suitcase traders to be able to secure the continuity of business and the best business deals. Therefore, migrant workers are preferred more than local Turkish shop assistants even with advanced skills in the Russian language.

> It's crucial that you have a foreign worker in the shop. You know, we have some clients who have been working with us for 20 years and when I ask them why, they say, you know, you used to have this girl called Rahime and she spoke incredibly good Russian. She was also able to understand all our needs and wishes. Also, it was crucial for the business, people in Turkey were not able to speak Russian well before, so when we ordered white, they used to send us red. And it was really harmful for the business. Like, we were bargaining for half an hour and then a man says one sentence which completely crosses out everything we've agreed on. So, it was really inefficient. But this girl could speak Russian, so because of her we started coming to this store. (Interview, 20.02.2011)

Foreign workers are accepted to have a remarkably better ability to establish a relationship based on trust with the clients from the post-Soviet states since they know their culture in detail. A shop assistant from Bulgaria stated in the interview:

> I've lived in those countries, I know their traditions, their culture, I know their people. I know what they can do, I know what to expect from them. So, I know whether they will cheat or not and I know how they can cheat. So that is why I know who can be trusted and who can't. (Interview, 15.03.2011)

Some of the store owners interviewed emphasized the fact that the added value of a foreign worker is incomparable with that of the local employees:

> Some people have 5 workers in a shop, but in the neighbour shop where they have one foreign worker, the business goes better. Because

> the clients want to work with this foreign worker directly. So everyone does their best to enrich their teams with foreigners. (Interview, 15.10.2010)

In the recent years, when travel restrictions are fully abandoned and globalization has significantly facilitated human mobility, a relative saturation of the labour market with foreign workers can be seen. Hence, having skills in Russian is not the only criterion for employment in the area any longer, as a store owner with 20 years of experience in Laleli has emphasized:

> Now Turkish people from Bulgaria and other Balkan countries are preferred. And this is really important, because they are better qualified for these jobs because they speak many different languages including Turkish (Interview, 10.11.2010).

The other significant qualities that many employers emphasize as decisively advantageous for the foreign workers are their cultural openness and the lack of mental restrictions. It is important to emphasize that informal institutions in Turkey stigmatizes the suitcase trade as something highly inappropriate for women, as something extremely shameful. Hence, one respondent told me that he was about to hire a Turkish girl in her mid 20s to work in the finance department of his very large firm. He claimed that despite usual work conditions and a salary sufficiently higher than that of equivalent positions, the girl was not able to accept the job offer because her family strictly disapproved of her working in Laleli. The family was afraid of prejudices that are widespread in Turkish society, that Laleli and the suitcase trade in

general is related with sex and prostitution. One educated and quite modern young man, a family business venture owner in Laleli indicated:

> Everyone has to have an employee who speaks Russian. Everyone has to have a foreign employee here. I'll tell you more, we can't employ people from our culture here, it's immoral, we can't do this to our own people. For example, I'd never let my sister work in a shop in Laleli. (Interview, 04.03.2011)

Another also very educated respondent with many years of experience in Laleli also claimed:

> If you ask any people who study at a good university for example, would you work in Laleli even if you get a very high salary, everyone would say no. This is considered something dirty, something bad, something socially inappropriate … No METU[11] graduate wants to work in Laleli. (Interview, 24.12.2010)

Another shop owner directly told me that he would never want his sister to work in Laleli. Perhaps, because of such highly negative social perception, many traders in Turkey seem very critical about the post-Soviet men for letting the women do such a job. In fact, this leads to the creation of another gender-related informal institution: people in Turkey usually think that either communist men are incapable of taking care for women or that letting women to be engaged in such matters is socially acceptable in the post-Communist states. Therefore, it is often accepted in Turkey that the post-Soviet women were free to do whatever they wanted, in their sexual life as well. Consequently, people in Turkey start treating post-Communist

[11] Middle East Technical University, which is famous for very successful alumni who usually are highly demanded on the job market.

women in a highly negative manner without going into the details of their occupation, education, social and marital status.

It is also indicated that women from the post-Soviet and Balkan states are employed because of the demand of the clients for models to demonstrate the products. In this sense, the employees who have communist cultural backgrounds are accepted to have no social prejudice regarding the appropriateness of work in Laleli for women, which is usually accepted to be a fundamental issue for Turkish people:

> You always have to have a model girl who'll wear your products and demonstrate them to the clients. Clients don't want to buy goods which they only see on the shelves or hang on the hangers. They want to see how the product fits, how it looks on a real person. So, girls have to wear stuff here. I'd never let my sister wear clothes and show them to customers here. They have to wear underwear even. It's inappropriate for us but it's really normal for their culture. So, we have to employ foreigners here. People used to try on clothes themselves, but now everything has developed, they have developed too, so now they are used to the full service we provide. Now they don't want to try on goods themselves, now they either demand a model or leave your store. They don't even trust mannequins, because mannequins have standards, and you can adjust the clothes to these standards. You can do a couple of arrangements with pins, so it's always better to see the products on real people. (Interview, 08.03.2011)

Work in Laleli is seen as completely inappropriate for local girls and thus is supposed to be performed by people from other cultures, who are in no position to be picky about jobs due to their migrant status. Such situation is accepted to be typical for many migration receiving countries and is referred in the literature as "social labelling" of certain jobs: some jobs are being done almost exclusively by migrants (Massey *et al.*, 1993). Therefore, it can be said that due to their systems of values,

women from the post-Soviet states have a significant comparative advantage on the Laleli job market. Of course, they also have inherent advantages. Turkish body types are different from the Slavic bodies, therefore, it is preferable to hire a Slavic woman since she can be a better model for the clothes which are produced to be sold in the post-Soviet market. This also creates an important employment pull factor for the Slavic women.

One of the store managers in Laleli summarized the advantageous qualities that employees from the post-Communist states possess in the following way:

> Girls from Ukraine, Moldova and other Slavic states work here in Laleli. They are more suitable for this work. Turkish girls are not like this. Even if you take a Turkish girl and educate her, train her a lot, she won't be able to go over her limits. But they are really better in this sense. They are more relaxed, more comfortable. They can travel, they can meet clients. In Turkey this is really limited, people are limited here. People don't send Turkish girls to work in Laleli. We took a Turkish girl to work in the finance section of our firm and her family opposed this so strongly, they told her 'couldn't you find a normal place to work at?' People have many prejudices here. (Interview, 14.12.2010)

The main pull factor attracting Kurdish migration to the region is accepted to be the chance to earn easy money quickly and effectively. The necessity to organize informal operations with the customs in the suitcase trade is also accepted to be one of the important pull factors for Kurdish people, since they are accepted to have the comparative advantage in this sense because of their previous experience in smuggling (Yükseker, 1999: 64). Besides, Kurdish people are said to be attracted to Laleli because they accept it as a place to earn 'easy money' (Eder *et al.*, 2003: 10).

As a result, it is possible to say that all of the migrant workers interviewed for this research came to Istanbul with the intention to work in Laleli. A possibility to be employed in Laleli was the only motive for their relocation. Nevertheless, it is important to note here that this motive was constituted by economic pull and push factors, as well as personal aspirations, a detailed account of which will be provided in the following section.

Hence, it can be summarized that there are several pull factors for the migrants from the Balkans and the post-Soviet states. The Balkan and the post-Soviet migrants were attracted by the possibility to find employment in Laleli easily due to their skills in Russian. The post-Soviet migrants were also advantaged because of their cultural values allowing women to work in Laleli. Among the Kurdish migrant workers interviewed, economic motives for coming to Laleli can be accepted as the most important.

4.4. Gendered goals and aspirations of the post-Soviet migrants

The data from the interviews that were conducted for this thesis indicates that around 70 to 95 per cent of the suitcase traders from the post-Soviet states who come to Turkey are females. The numbers seem to fluctuate from sector to sector, thus, for example, in home textiles, according to the respondents, women constituted about 80 up to 95 per cent of the traders; in shoes women accounted for almost 100 per cent, in ready-to-wear clothing women constituted about 85-90 per cent of the traders. It is

necessary to note that the ratio of men to women in the suitcase trade has not changed for the last 20 years. No respondent has ever witnessed a significant shift in this ratio.

Pre-capitalist socialist societies ascribed a conflicting role to women (LaFont, 2001). In general, it is accepted that in the first post World War II decades, women almost entirely depended on men as bread winners (Esping-Andersen, 2003: 599). In the Soviets, though, due to severe demographic and economic losses of the war, on the one hand, the society cherished full participation of women in the economy on conditions equal with men, including dangerous and physically demanding jobs. By 1988, women constituted about 51 per cent of all working population of the Soviet Union (Ashwin and Lytkina, 2004: 192). Similarly, the percentage of the unemployed men and women was equal in the Soviet times (Gregory and Irwin L. Collier, 1988). On the other hand, however, women were usually ascribed a rather traditional role (LaFont, 2001), with family care being the main social goal (Aidis *et al.*, 2007: 171, 173). Therefore, the fact that the absolute majority of the suitcase traders from the post-Soviet states, as opposed to the Arab states for example, are women can be explained by the combination of their traditional role in the societies. Yükseker (2003) also emphasizes the importance of the historical institutional position of women as bread-winners in the Soviet states.

Guided by this logic, the cognitive and cultural institutions in the Communist states accepted men as status-holders (Ashwin and Lytkina, 2004). Therefore, in times of transitions, when unemployment pushed people to participate in ‘shameful’

activities, households would delegate women for such work whereas men were protected from such inappropriateness in order to maintain their social status (Kanji, 2002; Klimova, 2008: 59-60). On the contrary, some suitcase traders suggest that women in the post-Soviet states are simply more flexible and thus more suitable for entrepreneurship and commerce:

> Women in Russia as far as I can judge from my experience, are more suitable for trade than men due to the social structure in the post-Soviet countries and the culture that stems from it. Men play a very different role in economy generally, especially in trade. Men take a consumer position, they usually seem to spend what women earn. (Interview, 04.03.2011)

Regarding the reasons of such a domination of women in the suitcase trade in the post-Soviet countries, the opinions of the respondents varied. The post-Soviet shuttle traders usually ascribe this to the informal institutions in the post-Soviet states. Furthermore, many of them suggest that this even stems from the Soviet times:

> Due to our culture, Russian women are much better at trade than men. It's because during the socialist times, the women always worked at factories and in other places, in short, women did the working while men were more passive. (Interview, 29.10.2010)

Turkish retailers generally seem rather astonished with the difference between the gender roles in Turkey and in the post-Soviet states. Almost every respondent in Turkey emphasized this difference.

> About 100 per cent of Russian clients are women because women are on the forefront in everything in Russia. I can't say they are

> number one in everything, but they are certainly up front in everything. In all the other Soviet republics, as well. You know, we have this head of household thing here for men. But in the Soviet states, it's certainly the role for women. There's no man doing this job. They don't have this culture there that a woman has to stay at home and look after the kids. (Interview, 11.10.2010)

Some of the retailers drew parallels between the traditional social role that men play in Turkey with the role that female suitcase traders play. In their opinion: "As far as I could see, Russian women occupy a very similar social position to that of in the Turkish system" (Interview, 26.03.2011).

Some are rather critical about the socioeconomic roles of men in the post-Soviet states:

> This business is always done by women. They are always interested, they search for the best goods, they communicate with us, they negotiate the price, they arrange the details. Even if they come to the store with their husbands, women do everything and the husbands usually wait just like accessories, you know… (Interview, 12.12.2010)

> Women are more hardworking in the post-Communist states. They are not like their men. Their women are like our men. Men there like comfort and leisure. (Interview, 24.02.2011)

Therefore, it is possible to say that the changes in the social role of women were guided by the changes in culture. Since the role of women in the Soviet period ascribed them with the task to care for the wellbeing of their families, women were supposed to become suitcase traders during the time of transition. Hence, women constituted the absolute majority of the suitcase traders because they had to do this

“shameful” job in order to free their husbands, the bearers of the social status of the family, from losing their social positions. The Soviet legacy once again had its say in the formation of new institutions.

Later though, when the suitcase trade began to thrive and generate considerable profits, this type of entrepreneurship became socially approved and even prestigious and changed the role of women. The post-Soviet society started to perceive women suitcase traders as respectful and independent business owners, who demonstrated remarkable success in providing for their families in times of crisis. Hence, in that sense, informal institutions changed according to the changes in the environment but again followed an evolutionary rather than a revolutionary path.

Nevertheless, since people are not usually accustomed to such behaviour of women in Turkey, the female post-Communist suitcase traders led to an emergence of a new informal gender related institution: the prejudice which associates the suitcase traders in particular and all post-Communist women in general with adultery and inappropriate behaviour.

4.5. Marriage migration

In her study of migration in the Central-East European region, Iglicka (2001) indicates important migratory shifts from pendulum shuttle migration to marriage migration. She argues that in the last years, primitive mobility which was widespread in the region in the early 1990s has shifted into other types of more permanent migrations such as labour or marriage migration (Iglicka, 2001). In a sophisticated

study of the suitcase trade in the 1990s, Yükseker uncovers the romantic relations which constitute the ground for trust and business between women from the post-Soviet states and Turkish store owners and retailers. Indeed, these relations that began in Laleli in some cases lead to steady relationships and marriages. Almost every store owner and every retailer in Laleli is able to recall several cases of marriage between Turkish men and women from the post-Soviet states who used to be their clients or employees. Therefore, it is possible to witness a shift in migratory statuses of people: they start with labour mobility and short term shuttle migration and continue to permanent marriage migration. Why does this happen and what are the theoretical explanations for such migratory shifts?

Despite the marginal socioeconomic situations in which women found themselves in the post-Soviet states after the collapse of the Soviet Union, it is women who took the most active use of the situation. Indeed, it has been claimed in the literature that women should not be perceived as passive victims of global economic forces (Marchand, 2000). Exactly for this reason, women marriage migrants should not be considered as passive actors, but they are guided by economic considerations and utility maximization and actively use marriage migration as a marginalization resistance strategy (Fan and Huang, 1998; Ortiz, 1996; Rossiter, 2005; Watts, 1983). Through migration, women gain financial and social independence (Ortiz, 1996). On the whole, marriage migration plays a crucial role for the women from the post-Soviet states since there are bad economic conditions in

their home countries and appealing conditions in the destination states (Rossiter, 2005).

In addition to the "classical" migration of the post-Soviet women to Istanbul for relocation, the reverse migration has also became popular in the recent years. Namely, in some marriages it is men who move to the post-Soviet states to relocate with their wives. If not all people interviewed for this thesis, a large group could recall cases of male migration which they witnessed in Laleli in the recent years. In such cases, naturally, men as opposed to women do not escape marginalization, but they move with more instrumental considerations of utility maximization. Marriage migration is sometimes deliberately used by one of the partners who is initially interested in relocating (Lievens, 1999). Though the emotional grounds of these marriage migrations are not contested, the suitcase traders from Laleli marrying women from the post-Soviet states may initially consider moving there for business. In fact, in about 70 per cent of the cases that the respondents were able to recall, males continued their suitcase trade business in the host states after migration there, while about 30 per cent kept their business in Turkey and constantly travelled between the home and host states.

Institutional factors oftentimes also act as significant pull factors for women from the post-Soviet states involved in marriage migration. Hence, many cases of marriage migration are direct implications of eased policies in Turkey. As a migrant worker from Turkmenistan indicated in the interview, due to ridiculous policies in

Turkmenistan and Uzbekistan, Turkish men have almost no chance to marry Turkmen or Uzbek women legally in their states:

> It's very hard to marry women from some countries. You have to get a visa and pay a huge amount of money. For example, girls from Ukraine or Russia can get married to Turks, but in Turkmenistan you have to pay 50.000 dollars and you have to give up your citizenship, you have to become Turkmen if you want to marry a Turkmen girl. Uzbekistan is also like this. So, everyone from my country gets married in Turkey secretly. Turkey really has nice conditions, nice laws, not like anywhere else. Economy is better here, lifestyle is better here. (Interview, 07.03.2011)

4.6. Social structures: migrant networks in the suitcase trade

The migrant networks in the suitcase trade can be classified into four main groups based on the types of migrant networks between these people: 1) migrant networks between the post-Soviet, Kurdish and Balkan migrants and their stay behinds; migrant networks among the shuttle traders from the post-Soviet states; migrant networks between Turkish business migrants to the post-Soviet states; 2) exclusive migrant networks between Turks and the post-Soviet shuttle traders. While the first three groups have similar networking mechanisms, the fourth group is significantly different from the other groups and it also differs from the classical theoretical understanding of migrant networks.

Migrant networks in their purest sense, i.e. between the migrants and non-migrants who share the same cultural and geographic origin and are united by some family connection or friendship, very clearly exist between the migrants from the

Balkans and South East Anatolia. The migrants from these two groups to a very important extent facilitate migration of their family members and run family-based businesses in Laleli (Eder *et al.*, 2003: 10; Yükseker, 1999: 64).

Migrant networks between the migrants from the post-Soviet states who are employed in stores in Laleli cannot be named robust or very effective. However, they can be best illustrated by the example discussed above, when couples of friends work in Laleli interchangeably when one of them is deported from Turkey for working illegally. Apart from this example, the results of the fieldwork conducted for this thesis indicated that there are no explicit migrant networks between the people from the post-Soviet states. They tend to move individually and do not significantly facilitate migration of their relatives and friends.

Migrant networks among the shuttle traders from the post-Soviet states can also be assessed under the category of classical migrant networks since they represent the networks between the people on the move and those who have not yet engaged in migration. Such networks can be seen for example between several suitcase traders who in order to minimize travel costs and human investment delegate one person to travel to Laleli to purchase goods (Sadovskaya, 2002: 8). Some of the suitcase traders came to this business through their personal contacts with those who have already started shuttling to Turkey (Maksakova, 2003: 3; Shcherbakova, 2006: 5; Yadova, 2008: 66). It has also been demonstrated that the majority of the suitcase traders derive their initial capital from personal networks instead of taking official credits from banks (Bobohonova and Rasulova, 2009: 14; Ivanov *et al.*, 1998: 42).

The migrant networks between the Turkish migrants in the post-Soviet states also seem to belong to the category of classical migrant networks. The first migrants establish their enterprises in the host countries. For instance, as it has been demonstrated in the Chapter 2 of this thesis, many home textiles or ready-to-wear clothing stores open their branches in Russia, Ukraine, Kazakhstan and other post-Soviet states. Naturally, a large part of people who works in these stores is interconnected by robust migrant networks. First Turkish migrants bring their families to the host states, many stores recruit family members or friends to work in the new enterprises. Among the respondents, about four storeowners in Turkey had opened new stores in the post-Soviet states in the last seven to five years. They recruit a high number of Turks who are connected through kin or friendship and migrate to the host states with the intention to be employed in these stores. Some storeowners in Turkey indicated that they deliberately apply migration strategy to the business management of their stores to increase the skills and knowledge of the employees. Several of the shop assistants interviewed had been sent to work in the branches of their firms in the post-Soviet states. This way, they argued, they have improved their skills in Russian, they had a chance to learn the culture of the host states better, they had a chance to observe the clients there and the way they prefer conducting business. Therefore, it can be said that such temporary or permanent labour exporting strategy has become increasingly important in the recent years and it stands for a new type of migration in the suitcase trade.

Marriage migration of Turkish men to the post-Soviet states can be accepted as a relatively new phenomenon. Previously, push factors for migration significantly dominated the pull factors in the post-Soviet states. Due to the economic collapse that they experienced after the dismantling of the USSR, the post-Soviet states were not able to create significant incentives to attract migration from Turkey. Therefore, marriage migration was usually streamed to Turkey: women from the post-Soviet states preferred settling in Turkey with their husbands. Now, however, due to the significant economic growth in many post-Soviet states and most importantly, due to a considerable demand for high-quality Turkish textile products, it became very appealing for the Turkish manufacturers or wholesalers to start their enterprises in the post-Soviet states. What mechanisms facilitate such migration and how do migrant networks work in such marriage migration?

First of all, it is necessary to emphasize that marriage and family-forming migration occurs almost exclusively in cases when networks among the home and host states are robust and when communication between people is active and constant (Lievens, 1999). This is certainly the case for the post-Soviet states – Turkey relationship. Thanks to the shuttle migration, the networks between the shuttle traders and the workers of the Laleli industry are well-established. Constant and active communication is also sustained at a high level because the shuttle trips are frequent and regular. Moreover, as it has been discussed in the Chapter 2, the shuttle trade involves very close interpersonal communication between the traders and the storeowners and client representatives in Laleli. In short, the networks are

really robust and the communication is lively. However, a more careful assessment of these networks indicates that their structure significantly varies from the classical migrant networks. These networks just as the classical ones are formed between the migrants and non-migrants, however, as opposed to the classical networks, these networks do not tie people from the same origin and culture together. They occur between Turkish businessmen and post-Soviet shuttle traders. And in this case, at first such networks facilitate shuttle migration of the post-Soviet traders. They know the people they work with, they have established trust relations. Therefore, their financial and non-financial risks associated with migration are reduced. Later on, however, interpersonal relations grow into romance, affection and long-term love affairs. Hence, with or without official marriage, marriage migration takes place. And most importantly, it is not only one-sided as it used to be before, but thanks to these networks, marriage migration becomes reverse. Thus, as opposed to Massey's and Tilly's definitions of the migrant networks, the suitcase trade case demonstrates that migration can also be facilitated by the networks between migrants and non-migrants from different communities, of different origin and not initially united by kinship or other relationships.

4.7. Migration as business: facilitating factors

Migration theory often emphasizes the role of the agents facilitating international migration. In a fundamental work on such agents, Salt and Stain (1997) argue that in the globalizing world migration is being perceived by these actors as business. Such

agents who not only facilitate migration, but also extract personal benefits from different kinds of migration can be found in both sending and receiving states (Herman, 2006).

Naturally, the shuttle migration between Turkey and the post-Soviet states has a range of agents facilitating migration. The state can be accepted as a facilitating agent for international suitcase trade migration. The Turkish state used to promote ticket compensation for the traders who purchase a certain amount of goods in Turkey during the time of export deficits. Currently, Turkey does not lead such policy, but it significantly assists the suitcase trade with its policy of non-intervention and by leaving the Laleli market to regulate itself, providing only basic public services. It is harder to qualify the post-Soviet states as decisively facilitating or constraining the suitcase trade as it has been discussed in the previous chapters. But it can be said that when state's interests coincided with the development of the suitcase trade, facilitating policies in the post-Soviet states dominated the constraining ones.

There is a plethora of travel agencies specializing in shuttle migration: they provide different travel packages, so called shop-tours. Such shop-tours usually include the transportation to Istanbul, airport transportation to a hotel in Laleli or in the old town area of Istanbul, hotel accommodation, meals and orientation of Laleli for the shuttle traders. The price of an offer usually starts from 400 USD. The shop-tours are extremely common and are offered by many travel companies all over the

post-Soviet states. There are several cases in which Turkish businessmen migrate to the post-Soviet states to start travel enterprises there (e.g. Cihan Haber Ajansı, 2010).

4.8. Restrictive policies: constraining factors

The combination of the push and pull factors with the goals and aspirations of the migrants constitute a very powerful magnet for migration to Istanbul. In fact this magnet has such powerful gravity that it cannot even be constrained by the restrictive policies on foreign employment that Turkish state implements. On the contrary, these policies lead to migrants and employers in Laleli to seek for institutional loopholes. Hence, these policies are incapable of preventing employment of foreigners, moreover, they push it underground and exacerbate its illegality.

The law for employment of foreigners in Turkey is extremely strict: an employer has to apply to the Ministry of Labour and Social Security for the employee. A legal residence permit in Turkey valid for at least six more months at the time of the application is one of the conditions for the application (Turkish Ministry of Labour and Social Security, 2003: article 16). Since it is already complicated to receive a residence permit for foreigners in Turkey, the application for official work permit is rendered hard. Besides, strict limitations are applied to the enterprises applying for a work permit. Hence, according to the law, only enterprises officially employing five full time Turkish workers can apply for a residence permit for a foreigner, moreover, annual paid-in capital of this enterprise has to be at least 100.000 TL or the enterprise has to make annual sales for 800.000 TL (Turkish

Ministry of Labour and Social Security, 2003: article 13). Therefore, all the store owners which were interviewed in Laleli indicated that the great majority of the post-Soviet employees in Laleli work without residence and work permits usually with expired tourist visas. Of course, this is associated with high risks both for the employers and the employees. In case of a police raid, a legal sanction for the employers is 6.163 TL, and the employee is subject to a 616 TL fine (Turkish Ministry of Labour and Social Security, 2003: article 21). In addition, foreign employees are subject to forced deportation from Turkey with consequent entrance restrictions. One of the store owners also emphasized that police raids and arrest create very negative impression of their shops for the clients:

> Now also, if the police comes to your store and tries to fine you for employing a foreigner or something, this really hurts your image. Imagine you have clients in your shop and the police make a raid. Even if you don't have any serious transgressions, your clients will be suspicious, they can be afraid and they won't trust you again. At least, you know, they'll look for some place quieter. So, of course it's for your own good to be in good terms with the state, it's for your own interest to have all the documents and stuff arranged. If you make the procedures easier, everyone will go legal in Laleli. (Interview, 04.03.2011)

It is necessary to notice that on the one hand, all the store owners and foreign employees in Laleli are extremely wary of strangers in their shops. Many foreign employees escaped to the back of the shop when I started asking questions. On the other hand though, many stores in Laleli put job announcements in the displays of their shops, which can be easily seen by anyone who passes by. Therefore, it makes one assume that despite strict state persecution of illegal employment of foreigners,

people manage to find ways to escape legal sanctions. In that sense, many employers trust the blind eye policy that the state often applies in Laleli. One of the store owners expressed his general stance on illegal employment in the following way:

> Illegal employment of foreigners is frequent and it doesn't even necessitate bribes in Turkey. It's just that the police has so much to do, they have other problems to solve and those problems are really big and important. If you compare employing foreigners illegally with what the police has to deal with, you'll see that it's really not the priority for the police to arrange raids in Laleli. They have plenty of other things to do and the employers rely on this I would say. You see, these women try to earn their income by doing fair work. (Interview, 26.03.2011)

Other employers emphasized that even despite the fines and institutional restrictions, people continue coming to Turkey again and again. Hence, after deportation, since people cannot enter Turkey again for a certain period of time, the interview data indicated that many of them find new documents to be able to come to Laleli to work again. Moreover, some interviewees also indicated that some people work in couples with their friends. At first, one person comes to Laleli and works for an employer without a work permit. When this person is apprehended and deported back home, her friend goes to Turkey to work with the same employer until apprehended or until the other friend's suspension period finishes. This way, people secure some employment for themselves.

Conclusion

This chapter has investigated the multiple human migrations started by and evolved in the suitcase trade. The chapter's initial assumption was in line with the New Economics of Labour Migration theory, which suggests that the households delegate their members for temporary migration in order to resist economic marginalization or increase the productivity of available assets.

In this chapter, the Massey model for migration analysis has been utilized to penetrate into the under-researched area of migration in the suitcase trade. The Massey model was especially useful to capture the suitcase trade induced migration in its complexity and lively dynamics. Within the framework of this model, the push and pull factors for migration between the post-Soviet states and Turkey were assessed for each group of migrants. Furthermore, the personal goals and aspirations of the migrants were discussed in order to understand their rationale of engaging in migration and the mechanisms of such migration. In addition to that, the social systems in which migration exists were also analyzed: namely, the migrant networks for all types of migration in question were assessed.

It has been indicated in this chapter that migratory processes for the majority of the cases were driven by marginalization and the necessity to resist it. Hence, it has been shown that Kurdish migrants from the South East Anatolia and the migrants from the Balkan states came to Istanbul fleeing bad economic conditions at home. The same can be said about the shuttle traders from the post-Soviet states. They started their pendulum movements due to stark economic conditions following the

collapse of the Soviet Union, the explosion of unemployment and the escalation of risks caused by the inability of the state to provide social services and security for its people. While on the one hand marriage migration of course has very explicit emotional grounds, on the other hand its direction is in many cases defined by utility maximization and economic considerations. Hence, while migration of married couples of the post-Soviet women and Turkish men was almost exclusively directed to Turkey before, now Turkish men started moving to the post-Soviet states. Turkish migration to the post-Soviet states which became commonplace in the recent years is certainly caused by profit maximization considerations and business development strategies.

The issue of personal goals and aspirations of the migrants has also been discussed in this chapter. As it can be seen, the main aspirations for the Kurdish migrants were the ability to increase personal wealth by entering the suitcase trade business in Laleli and the ability to gain easy money in a short period of time. The ability to generate income can also be accepted as one of the most important motivations for the migrants from the Balkan states. For the shuttle traders from the post-Soviet states, the suitcase trade migration was first and foremost associated with an ability to resist both economic and social marginalization. By their actions, the shuttle traders made the society recognize their strength and independence not only in the financial, but also in the social sense.

This chapter also investigates the mechanisms of migrant networks which are accepted to be among the most important drivers of migration. It can be seen that

networks proved to be classical in cases of Kurdish migrants, migrants from the Balkan states and the shuttlers from the post-Soviet states. In these cases, networks were formed between the migrants and the non-migrant population of their regions of origin. In all these cases, these networks facilitated further migration in the same direction. Migrant networks do not seem important in the case of post-Soviet marriage migration to Istanbul, as in these cases people seem to move individually and they do not stimulate further migration of their friends or relatives.

The most peculiar finding regarding the migrant networks is that the suitcase trade example demonstrates that migrant networks can function not only between compatriots, but they can also exist on a transnational level. Moreover, they can cause not only a steady stream of people from one group to the host states, but they can facilitate reverse migration too. As it was shown in the case of Turkish business migration to the post-Soviet states which is becoming more and more common these days, the networks which facilitate this migration exist between the Turkish business owners and the shuttle traders from the post-Soviet states. Hence, not only the interpersonal relationship between the suitcase traders and the business owners in Laleli makes shuttling for goods easier and reduces the risks and the costs of migration, but it also facilitates the business migration of Turkish enterprise owners to the post-Soviet states. Furthermore, such business migration also triggers consequent human flows from Turkey: the employees of the Laleli stores are often sent abroad to increase their skills and knowledge.

In this chapter, additional facilitating factors for migration such as travel agencies were also discussed. The constraining factors for migration were also analyzed. The complicatedness of the work permit application process has been discussed as the major concern of the employees and employers in Laleli. It has been demonstrated that because of the difficult procedures, the store owners cannot usually apply for a work permit for their foreign employees, which makes them work illegally with no social security whatsoever. Besides, such illegal work makes the foreign employees extremely vulnerable to the police raids. Hence, their work is volatile, unstable and dependent on external factors. These foreign employees usually belong to the lower social strata of their home societies and they are pushed to Turkey by bad economic conditions at home.

The pushing economic force is clear from the fact that they are usually happy to be employed in Laleli even illegally considering the risks they are exposed to. In this sense, it is crucial that the government adjusts work permit application procedures. Several store owners assumed that the complicated regulations were introduced by the state with the intention to prevent human trafficking and exploitation of foreign workers in sex industry. This thesis is not in a position to argue about the effectiveness of such policies for protection from trafficking and exploitations. However, from the interviews and observations conducted, it is clear that such restrictive policies certainly create more harm than good for foreign workers, who come to Laleli voluntarily. With eased state regulations, many more storeowners would be able to employ foreigners officially, thus giving these already

marginalized and vulnerable people a chance to work under decent conditions. This would also provide social security for these people and make their income remarkably more stable and independent from external factors.

CHAPTER 5
CONCLUSION

The suitcase trade between Turkey and the post-Soviet states developed as a response of the individual actors and enterprises to the changing structural and institutional conditions of their countries. In the post-Soviet states people had to respond to tremendous socioeconomic marginalization which developed after the collapse of the Soviet Union, proceeding unemployment and poverty. In Turkey the suitcase trade developed mostly as a by product of trade liberalization because of the urgent need to update the backward economy with trade and financial liberalization policies. Both Turkey and the post-Soviet states had to keep pace with the new global requirements and individual and meso level actors were strongly affected by this challenge.

This research tried to contribute to the literature on marginalization and resistance, socioeconomic transformations, circular migration and institutional change. The main findings of this thesis can be summarized as follows. *Firstly*, differently from the previous literature this thesis assessed the periodization of the suitcase trade along the lines of the development of capitalism in the post-Soviet states and Turkey. It has been demonstrated in this thesis how the developments of the suitcase trade evolved together with the liberalization of Turkey's trade and post-

Communist capitalist transitions in the newly independent states of the former USSR.

Secondly, this thesis provided a detailed analysis of the most modern period of the suitcase trade on three analytical levels. On the macro level of analysis, it has been indicated that the volumes and the significance of the suitcase trade, as opposed to widespread anecdotal evidence, remain very high. The results of the fieldwork indicate that the suitcase trade is, in fact, growing in a more consolidated capitalist way. This thesis has also demonstrated that on the meso level, a significant qualitative shift in the suitcase trade has been registered. The increasingly rising demand from the suitcase traders for quality of goods and services fosters modern capitalist competition among the manufacturers and retailers in Turkey and this signals that the suitcase trade functions in the conditions of free market. On the micro level, this thesis has discussed how the suitcase trade and the broader context of globalizing capitalism have changed the interpersonal relations between different players of the suitcase trade. The issue of trust which is a *sine qua non* of the transnational relationship between the Turkish and the post-Soviet players of the suitcase trade has been discussed. Furthermore, this thesis has also analyzed the issue of cheating and how inappropriate it has become in the conditions of the self-regulating market. Besides, it has also been demonstrated that inter-gender relationships and romance play an instrumental role in Laleli because they facilitate the business and to a large extent constitute the close interpersonal relations that are an indivisible part of the suitcase trade.

Thirdly, this thesis has assessed the process in which individual and meso level actors responded to the changes of the formal institutions with informal institutional practices by challenging the hard socioeconomic conditions that they found themselves in. As a result, these actors shaped the changes in the formal institutions of the suitcase trade. The development of both formal and informal institutions also followed the general flow of the development of global capitalism and very much facilitated it. This thesis by using the organizational institutionalism framework demonstrates that the informal institutional responses of the people and enterprises were not only normative, but also cognitive. Hence, people behaved according to how they thought the society expected them to behave. In a nutshell, this thesis has demonstrated that though the behaviour of micro and meso level actors was very much guided by their instrumental interests of survival, the socioeconomic change that they managed to achieve was truly tremendous. However, due to a constant confrontation between the state and the informal institutions, this socioeconomic change required significantly more resources and time from Turkey and the post-Soviet states.

Fourthly, this thesis has utilized the Massey model of the New Economics of Labour Migration theory and investigated complex migratory processes of the suitcase trade. It has been demonstrated that the main push factor for migration within the suitcase trade was the necessity of individual level actors to resist the economic marginalization that they were exposed to by global capitalist transitions. Economic factors were dominant for migration of Kurds from the South East

Anatolia, the migration of people from the Balkan states, labour migration from the post-Soviet states and the shuttle migration of the suitcase traders. The marriage migration, as it has been said, may have both emotional and instrumental rationale.

Fifthly, the mechanisms behind the networks among different groups of migrants were demonstrated. Hence, the migration of the people from the Balkans and South East Turkey, new business migration of Turkish people to the post-Soviet states, as well as the labour and shuttle mobility of the post-Soviet people seems to be very much facilitated by traditional migrant networks between the migrants and non-migrants of the same origin. The marriage migration of women from the post-Soviet states seems to be more individualist and independent from networks, however, its roots are in the shuttle trade which relies on traditional migrant networks. One of the important findings is that the suitcase trade case clearly illustrates that the migrant networks may also occur between non-compatriots and people who do not share the same cultural or geographic origin. Moreover, these networks may also facilitate reverse migration as in the case of male marriage migration to the post-Soviet states.

As a result of the analysis conducted in this thesis it is possible to say that the evolution of the suitcase trade can be attributed to the failure of the state to accommodate the needs and labour of people in the legal environment and to help these people overcome marginalization of the socioeconomic changes caused by the capitalist transitions in the post-Soviet states and economic liberalization in Turkey. Hence, it has been shown through the analysis of the interactions of the state and the

micro and meso level actors that instead of ensuring successful cooperation between these actors, the state often behaved opportunistically and burdensomely.

Based on these findings, it is possible to draw some important lessons that in turn can form a preliminary basis for future research which can create policy solutions regarding the suitcase trade. These policies should not only help to reduce the negative effects of illegality but also significantly increase the developmental effect of the suitcase trade on both source and destination states. It should again be emphasized that the suitcase trade is a means of people's resistance to the hostile conditions dictated by modern socioeconomic transformations. Therefore, it is a crucial life buoy for thousands of people. In addition to that, however, the suitcase trade is an incredibly profitable business whose economic potential should be used to its fullest. Hence, the post-Soviet states, regardless of their other socioeconomic and political problems, should give the suitcase trade a chance to develop. These states have a lot to learn from the Turkish case. The state should approach it less haphazardly and less opportunistically and should change its treatment of the suitcase trade from rent-seeking to a form of a senior-junior partnership, as in the Turkey's case.

Nevertheless, it is also very important to note that the state should in no way retreat its presence from the suitcase trade industry, be it in Turkey or in the post-Soviet states. Though the market in which the suitcase trade operates is capable of self-regulation by informal institutional practices, the state should not turn to blind-eye policies as it often does. Blind-eye policies are often pursued by the states in

order to let the suitcase trade develop and contribute to the economic development of the state or to release the state from the pressure of unemployment and poverty. Such blind-eye policies, however, are dangerous because the state retreats from its main functions of providing public goods, hence, in many instances, insecurity can rapidly develop. As it has been demonstrated in the previous research on the suitcase trade and in this thesis, people used to suffer from thriving criminal forces in Laleli when Turkey completely withdrew its control from the area. Now, when Turkey's government seems to provide public services in Laleli and maintain the order in the district leaving the suitcase trade as a self-regulating market, the storeowners and Laleli workers interviewed were quite satisfied with the situation.

It seems, at the current stage, very effective to promote softer regulations with regards to the suitcase trade[12]. Turkey has remarkably soft policies in terms of Laleli, therefore, the storeowners and manufacturers are stimulated to keep illegality on a moderate level. Moreover, in the majority of the situations illegality seems to be preferred by the suitcase traders from the post-Soviet states and not by Turkish Laleli workers themselves. Therefore, it can be assumed that if the regulations on shipment of goods and customs limitations are softened by the post-Soviet states, the level of illegality of the suitcase trade would significantly reduce. It is necessary to remember that due to a significant qualitative shift in the suitcase trade business and due to the fact that the suitcase trade is now a venture of consolidating capitalism, the traders

[12] The suitcase trade volumes have boomed in 2011 after Russia turned blind eye to the suitcase traders registering all their goods at the customs as baby nappies, which are not subjects to customs tax (Dünya Gazetesi, 2 May 2011).

would prefer working legally, if formal institutions would not be so costly. The post-Soviet states would also have to address the issue of corruption and bribery of the state officials, which is both resisted and supported by informal institutions of micro and meso level actors. In fact, the possibility to bribe the state officials who are supposed to be the guards of legality of the suitcase trade business further stimulates illegality.

Softer migratory regulations are crucial and should be urgently worked on. Due to the strict requirements on employing foreign workers in Laleli, migrants from the post-Soviet states usually stay in Istanbul without documents and work in Laleli illegally. This makes them extremely vulnerable: their wages are not competitive, they do not have any social protection such as health insurance and pension. The very employment of these people is dependent on the police raids and state controls, therefore, these people can lose their job and be deported to their home states any minute. This way they are returned to the socioeconomic marginalization which they escaped from by undertaking tremendous risks. It is argued that such a strict policy on employment of migrants is intended to protect people from human trafficking and exploitation in domestic work or sex industry. However, sex industry continues thriving in Laleli despite such regulations, yet the people who come to earn their money by working as shop assistants are left completely vulnerable. It has been indicated that poor economic conditions in the home countries and unemployment are the main reasons for human slavery and trafficking (Demir, 2010; IOM, 2009; Olimova, 2006; Olimova and Mamajanova, 2006; Tyuryukanova *et al.*, 2006).

Furthermore, current regulations on foreign employment in Turkey can be criticized. According to the law, only the employer can apply for the work permit for a foreign employee. Hence, because of this and other factors mentioned above, these regulations make the employees extremely vulnerable, since they cannot decide on their own labour, change jobs and apply for the documents themselves (Tyuryukanova *et al.*, 2006). Hence, to prevent human trafficking, comprehensive schemes of support to the victims should be developed. Strict migratory policies are ineffective in solving such issues, and such strict policies, as it has been said, harm innocent people who come to Laleli to work as shop assistants to escape from poverty they face in their home states.

To summarize, at this stage of the research, the policies that might help reduce the negative aspects related to the suitcase trade and significantly enhance its positive potential, the following can be proposed. The suitcase trade emerged as an opportunity to resist the marginalization stemming from the clashes between the existing system's drawbacks and new system's pressure. The suitcase trade emerged to be a free and self-regulating market. The actors of the suitcase trade effectively implement normative and cognitive institutions to regulate the exchange. Hence, on the one hand the state should not limit the suitcase trade's ability to perform as an independent self-regulating market. On the other hand, it should not abandon people involved in the suitcase trade and continue performing its duties as provider of public goods and services to prevent threats to human security and wellbeing. This way the state will prevent the suitcase trade entrepreneurs from spending their precious

resources on public goods and help them to spend more on productive investment. Most importantly, under no circumstances should the state lead rent-seeking policies. As it has been shown, such opportunistic behaviour significantly slows down development and greatly fosters illegality.

Regarding the limitations of this research it can be said that despite being a research of the suitcase trade both in Turkey and the post-Soviet states, the focus of analysis is somewhat gravitated towards the post-Soviet states and their capitalist transitions. Nevertheless, the fieldwork conducted for this research is more robust on the Turkish side: the number of Turkish entrepreneurs interviewed exceeds the number of the shuttle traders. Such inequality should without doubts be addressed in future studies, however, multi-sited fieldwork would be impossible at the current stage since, according to the university regulations, only one academic year can be dedicated to this Master's thesis. In future research, however, more attention should be paid to the extensive fieldwork in the post-Soviet states. Similarly, more has to be learnt about Turkey's global transitions facilitated by the suitcase trade.

Therefore, in addition to these areas, the future research might also focus on more sociologic aspects of the suitcase trade. More attention should be paid to women's role in the suitcase trade and the impact of this shuttle trade on their family and social lives. More research should be dedicated to modern migratory practices. An in-depth analysis of Turkish business migration and marriage migration to the post-Soviet states is necessary since it can reflect the pivotal socioeconomic developments in these states. Additional research on transnationalization in the

suitcase trade can greatly contribute to the literature. The economic side of the suitcase trade, its contribution to the post-Soviet and Turkish economies and its role in times of financial crises still remain under-researched. Finally, a deeper research on post-Communist capitalist transitions should be done to better explore the realms and the immense potential of the shuttle migration. After building a substantial knowledge basis with the help of this thesis, I intend to address many of these issues in my PhD research.

SELECT BIBLIOGRAPHY

Aidis, R. 2003. "Officially Despised Yet Tolerated: Open-air Markets and Entrepreneurship in Post-socialist Countries", *Post-Communist Economies* 15 (3): 461-473.

Aidis, R., F. Welter, D. Smallbone and N. Isakova. 2007. "Female entrepreneurship in transition economies: the case of Lithuania and Ukraine", *Feminist Economics* 13 (2): 157-183.

Aksikas, J. 2007. "Prisoners of Globalization: Marginality, Community and the New Informal Economy in Morocco", *Mediterranean Politics* 12 (2): 249-262.

Alekseyev, K. 11 August 2006. "О трудовой миграции в Казахстане: Миграция как продукт глобализации [On Labour Migration in Kazakhstan: Migration as a Product of Globalization]", Gazeta.kz.

Alhimov, V. S. 1978. "Внешняя торговля и внешние экономические связи [Foreign Trade and International Trade Partnership]", Prohorov, A. M. (ed.). Moscow: Советская энциклопедия.

Amoore, L. 2000. *The Global Resistance Reader*. London: Routledge.

Appadurai, A. 2000. "Grassroots Globalization and the Research Imagination", *Public Culture* 12 1-19.

Arıcalnı, T. and D. Rodrik. 1990. *The Political Economy of Turkey: Debt, Adjustment and Sustainability*. New York: St. Martin's Press.

Ashkim.ru Moya Lyubimaya Turtsiya. [http://www.ashkim.ru/node/8389].

Ashwin, S. and T. Lytkina. 2004. "Men in Crisis in Russia: The Role of Domestic Marginalization", *Gender & Society* 18 (2): 189-206.

Babb, F. 1989. *Between Field and Cooking Pot.* Austin: University of Texas Press.

Bakir, C. 2009. "The Governance of Financial Regulatory Reform: The Australian Experience", *Public Administration* 87 (4): 910-922.

Barinova, N. A. 2005. "Региональная политика турции (1945 - 1989 гг.) [Turkish Regional Policy (1945-1989)]", Brusilovskaya, O. I., Odessa: Odessa State University, School of Social Sciences, the Department of International Relations.

Bayat, A. 1996. "Cairo's Poor: Dilemmas of Survival and Solidarity", *Middle East Report* 202 (Cairo: Power, Poverty and Urban Survival): 2-6, 12.

Bayat, A. 1997. "Un-Civil Society: the Politics of the 'Informal People'", *Third World Quarterly* 18 (1): 53-72.

Bayat, A. 2003. "The "Street" and the Politics of Dissent in the Arab World", *Middle East Report* 226 10-17.

Baysan, T. and C. Blitzer. 1990. "Turkey's Trade Liberalization in the 1980s", Arıcanlı, T. and D. Rodrik (ed.). New York: St. Martin's Press.

Bee, A. 2000. "Globalization, Grapes and Gender: Women's Work in Traditional and Agro-Export Production in Northern Chile", *The Geographical Journal* 166 (3): 255-265.

Biznes Forum. [http://www.biznet.ru/topic19438s0.html?p=74564&].

Bleher, L. 1997. "Ярмарка "Отрада" [Fair 'Otrada']", *Znaniye-Sila* 2 99-106.

Bobohonova, M. A. and H. Rasulova. 2009. ""Межграничная торговля и вовлечение в неё женщин" (Таджикистан) [Transborder Trade and Women Involvement: Tadjikistan]". Assotsiatsiya Zhenshina i Obshchestvo.

Campbell, J. L. 2001. "Institutional Analysis and the Role of Ideas in Political Economy", Campbell, J. L. and O. K. Pedersen (ed.). Princeton: Princeton University Press.

Campbell, J. L. and O. K. Pedersen. 2001. *The Rise of Neoliberalism and Institutional Analysis*. Princeton: Princeton University Press.

Caporaso, J. A. and D. P. Levine. 1992. *Theories of Political Economy*. Cambridge: Cambridge University Press.

Celasun, M. and D. Rodrik. 1989. "Debt, Adjustment, and Growth: Turkey", Sachs, J. D. and S. M. Collins (ed.). Chicago: University of Chicago Press.

Cerny, P. G. 1999. *Reconstructing the Political in a Globalizing World: States, Institutions, Actors and Governance*. Cheltenham: Edward Elgar.

Cihan Haber Ajansı. 2010. "On binlerce Rus'u alış veriş için İstanbul'a götürüyor", CİHAN.

Cockcroft, J. D. 1983. "Immiseration, Not Marginalization: The Case of Mexico", *Latin American Perspectives* 10 (2/3 Social Classes in Latin America, Part II:Class Formation and Struggle): 86-107.

Collins, S. M. and D. Rodrik. 1991. "Eastern Europe and the Soviet Union in the World Economy". Washington, D.C.: Institute for International Economics.

Colomy, P. 1998. "Neofunctionalism and Neoinstitutionalism: Human Agency and Interest in Institutional Change", *Sociological Forum* 13 (2): 265-300.

Conway, P. 1990. "The Record of Private Investment in Turkey", Arıcalnı, T. and D. Rodrik (ed.). New York: St. Martin's Press.

Dacin, M. T., J. Goodstein and W. R. Scott. 2002. "Institutional Theory and Institutional Change: Introduction to the Special Research Forum", *The Academy of Management Journal* 45 (1): 43-56.

Danis, W. M. and A. V. Shipilov. 2002. "A Comparison of Entrepreneurhip Development in Two Post-Communist Countries: The Cases of Hungary and Ukraine", *Journal of Developmental Entrepreneurhip* 7 (1): 67-94.

Daokui, L., J. Feng and H. Jiang. 2006. "Institutional Entrepreneurs", *American Economic Review* 96 358-362.

Demir, O. O. 2010. "Methods of sex trafficking: findings of a case study in Turkey", *Global Crime* 11 (3): 314-335.

Dmitriyev, D. V. 1998. "Характер и направленность таможенной политики Советского государства [Character and Direction of the Soviet Customs Policy]", Moscow: Social Sciences Department.

Doğru, N. 09 December 1998. "Krizin Sorumlusu İşçiler Değil [It is not the Workers to Blame for the Krisis]", Sabah.

Dünya Gazetesi. "Rusya'ya Kapıyı 'Bebek Bezi' Açtı Giden Bavul Sayısı % 20 Artacak ", Dünya Gazetesi.

Dyatlov, V. 2003. "Трудовые миграции и процесс формирования диаспор в современной России [Labour Migration and the Process of Diaspora Formation in the Contemporary Russia]", Zayonchkovskaya, Z. (ed.). Moscow.

Eder, M., A. Yakovlev and A. Çarkoğlu. 2003. "The Suitcase Trade between Turkey and Russia: Microeconomics and Institutional Structure". Moscow: State University High School of Economics.

Egbert, H. 2006. "Cross-border Small-scale Trading in South-Eastern Europe: Do Embeddedness and Social Capital Explain Enough?", *International Journal of Urban and Regional Research* 30 (2): 346 - 361.

Ellman, M. 2000. "The Russian Economy under El'tsin", *Europe-Asia Studies* 52 (8): 1417-1432.

Erdem, F. 18 January 2009. "Kan Kaybeden Laleli: Lale Devri 2010'da Olur", Star.

Esping-Andersen, G. 2003. "Women in the new welfare equilibrium", *The European Legacy* 8 (5): 599-610.

Fan, C. C. and Y. Huang. 1998. "Waves of Rural Brides: Female Marriage Migration in China", *Annals of the Association of American Geographers* 88 (2): 227-251.

Farley, J. and R. Deshpande. 2006. "Charting the Evolution of Russian Firms from Soviet “Producer Orientation” to Contemporary “Market Orientation”", *Journal of Global Marketing* 19 (2): 7-26.

Fauzer, V. V. 2007. "Кто и почему работает на городском рынке [Who Works on the City Bazaar and Why]", *Eko* 9 153-169.

Fetterman, D. M. 1989. *Ethnography : Step by Step* Newbury Park, California: Sage Publications.

Florinskaya, Y. and T. Roshchina. 2004. "Трудовая миграция из малых городов России: масштабы, направления, социальные эффекты [Labour Migration from Russian Towns: Scales, Destinations and Social Effects]", *Демоскоп- Weekly* 175-176.

Forgacs, D. 1988. *An Antonio Gramsci Reader: Selected Writings, 1916-1935*. New York: Schocken Books.

Forum o Turtsii. [http://forum.turkey-info.ru/ubbthreads.php].

Frye, T. 2002. "Capture or Exchange? Business Lobbying in Russia", *Europe-Asia Studies* 54 (7): 1017-1036.

Ghosh, A. and S. Paul. 2008. "Opening the Pandora's box? Trade openness and informal sector growth", *Applied Economics* 40 (15): 1991-2003.

Gibson-Graham, J. K. 1996. *The End of Capitalism (As We Knew It)*. Oxford: Blackwell.

Gregory, P. R. and J. Irwin L. Collier. 1988. "AssociationUnemployment in the Soviet Union: Evidence from the Soviet Interview Project", *The American Economic Review* 78 (4): 613-632.

Guarnizo, L. E. and M. P. Smith. 1998. *The Locations of Transnationalism*. New Brunswick: Transaction Publishers.

Günçavdı, Ö., M. Bleaney and A. McKay. 1998. "Financial Liberalisation and Private Investment: Evidence from Turkey", *Journal of Development Economics* 57 443–455.

Hahn, J. 1978. "Stability & Change in the Soviet Union: A Developmental Perspective", *Polity* 10 (4): 542-567.

Hahn, J. and I. Logvinenko. 2008. "Generational Differences in Russian Attitudes towards Democracy and the Economy", *Europe-Asia Studies* 60 (8): 1345-1369.

Hall, P. A. and K. Thelen. 2009. "Institutional Change in Varieties of Capitalism ", *Socio-Economic Review* 7 (1): 7-34.

Hapke, H. M. 2001. "Petty Traders, Gender, and Development in a South Indian Fishery", *Economic Geography* 77 (3): 225-249.

Hay, C. 2001. "The "Crisis" of Keynesianism and the Rise of Neoliberalism in Britain: An Ideational Institutional Approach ", Campbell, J. L. and O. K. Pedersen. (ed.). Princeton: Princeton University Press.

Heaton, T. B., W. B. Clifford and G. V. Fuguitt. 1981. "Temporar Shifts in the Determinants of Young and Elderly Migration in Nonmetropolitan Areas", *Social Forces* 6 1089-1102.

Heliste, P., P. Karhunen and R. Kosonen. 2008. "Managing Foreign Business Operations Through Institutional Change from Transition to Post-Transition", *Journal of East-West Business* 14 (1): 65-99.

Helmke, G. and S. Levitsky. 2003. "Informal institutions and comparative politics: A research agenda", *Perspective on Politics* 2 (4): 725-740.

Herman, E. 2006. "Migration as a Family Business: The Role of Personal Networks in the Mobility Phase of Migration", *International Migration* 44 (4): 191-230.

Hozic, A. 2006. "The Balkan Merchants: Changing Borders and Informal Transnationalization", *Ethnopolitics* 5 (3): 243-256.

Hrennikov, I. "Нерыночная "рыночная" экономика: В России давно есть средний класс - "челноки" [Non-Market Market Economy: It's Long Since Russia Has Been Having Its Middle Class: The Suitcase Traders]", Segodnya@, volume 15.

Iglicka, K. 2001. "Shuttling from the former Soviet Union to Poland: From 'primitive mobility' to migration", *Journal of Ethnic and Migration Studies* 27 (3): 505-518.

IOM. 2009. "Abandoned Wives of Tajik Labor Migrants". Dushanbe: International Organization for Migration.

Ivanov, V. V., Y. Y. Komlev and L. G. Tolchinski. 1998. ""Челночный бизнес" в Казани [Suitcase Trade in Kazan]", *Социс* 11.

Ivanova, T. 2003. *Коммерческая миграция жителей Ставрополья на фоне других городов России [Commercial Migration of the Stavropolye Residents in Comparison to Other Russia's Cities]*. Stavropol.

Ivanova, T. 2008. "Трудовая миграция россиян: экономические и социальные эффекты [Russian Labour Migration: Economic and Social Effects]", *Проблемы прогнозирования* 4 82-97.

Jenkins, J. C. 1977. "Push/Pull in Recent Mexican Migration to the U.S.", *International Migration Review* 11 (2): 178-189.

Johnston, R. J., T. F. Weaver, L. A. Smith and S. K. Swallow. 1995. "Contingent Valuation Focus Groups: Insights From Ethnographic Interview Techniques", *Agricultural and Resource Economics Review* 24 (1): 56-69.

Jong, G. F. D., A. Chamratrithirong and Q.-G. Tran. 2002. "For Better, for Worse: Life Satisfaction Consequences of Migration", *International Migration Review* 36 (3): 838-863.

Kanji, N. 2002. "Trading and trade-offs: Women's livelihoods in Gorno-Badakhshan, Tajikistan", *Development in Practice* 12 (2): 138-152.

Kapralova, N. L. and L. A. Karasyeva. 2005. "Челночный бизнес в российской экономике: роль и оценка масштабов [Suitcase Trade in Russia's Economy: the Role and the Scale Estimation]", *Экономический Журнал ВЭШ [Journal of Economics, HSE]* 3 400-408.

Karaçay, A. B. 2011. "Bir Göç Sisteminin Anatomisi: Türkiye-Rusya Örneği", Erder, S., Istanbul: University of Marmara, Political Science and International Relations.

Karpuhin, Y. and Y. Torbin. 1991. "Правовые и социально-экономические меры борьбы со спекуляцией", *Вестник статистики* 9.

Klimova, S. G. 2008. "Концепцуализация роли челнока её исполнителями", *Социологические исследования* 4: 52-62.

Kloosterman, R., J. v. d. Leunb and J. Rath. 1998. "Across the Border: Immigrants' Economic Opportunities, Social Capital and Informal Business Activities", *Journal of Ethnic and Migration Studies* 4 (2): 249-268.

Kostylyeva, Y. 2009. "Развитие "челночного" бизнеса в российской федерации [The Suitcase Trade Business Development in Russian Federation]", *Problems of the World Economy* 5 (67): 131-134.

Kshetri, N. 2007. "Institutional Changes Affecting Entrepreneurship in China", *Journal of Developmental Entrepreneurhip* 12 (4): 415-432.

Kshetri, N. 2009. "Entrepreneurship in post-socialist economies: A typology and institutional contexts for market entrepreneurship", *Journal of International Entrepreneurship* 7 (3): 236-259.

LaFont, S. 2001. "One step forward, two steps back: women in the post-communist states", *Communist and Post-Communist Studies* 34 (2): 203-220.

Leach, F. 1996. "Women in the informal sector", *Development in Practice* 6 (1): 25-36.

Ledeneva, A. 1998. *Russia's Economy of Favors: Blat, Networking and Informal Exchange*. Cambridge: Cambridge University Press.

Lievens, J. 1999. "Family-Forming Migration from Turkey and Morocco to Belgium: The Demand for Marriage Partners from the Countries of Origin", *International Migration Review* 33 (3): 717-744.

Little, P. D. 1999. "Selling to Eat: Petty Trade and Traders in Peri-Urban Areas of Sub-Saharan Africa". Institute for Development Anthropology Binghamton. New York: Broadening Access and Strengthening Input Market Systems-Collaborative Research Support Program (BASIS-CRSP).

Maksakova, L. 2003. "Экспорт рабочей силы из Узбекистана [Labour Export from Tajikistan] ", Zayonchkovskaya, Z. (ed.). Moscow: Институт народнохозяйственного прогнозирования РАН.

Malinovskaya, Y. A. 2003. "Поездки за границу как стратегия выживания в условиях переходного периода: опыт Украины [Trips Abroad as a Survival Strategy in the Transition Period: The Ukrainean Experience]", Zayonchkovskaya, Z. (ed.). Moscow: Институт народнохозяйственного прогнозирования РАН.

Malle, S. 2009. "Soviet legacies in post-Soviet Russia: insights from crisis management", *Post-Communist Economies* 21 (3): 249-282.

Marchand, M. 2000. "Some Theoretical Musings about Gender and Resistance", Amoore, L. (ed.). London: Routledge.

Martin, J. K. and D. T. Lichter. 1983. "GeographicM obility and Satisfactionw ith Life and Work", *Social Science Quarterly* 64: 524-535.

Massey, D., J. Arrango, G. Hugo, A. Koucouci, A. Pelligrino and J. E. Taylor. 1998. *Worlds in Motion, Understanding International Migration at the End of Millenium*. Oxford: Clarendon Press.

Massey, D. S. 1990. "Social Structure, Household Strategies, and the Cumulative Causation of Migration", *Population Index* 56 (1): 3-26.

Massey, D. S. 1999. "International Migration at the Dawn of the Twenty-First Century: The Role of the State", *Population and Development Review* 25 (2): 303-322.

Massey, D. S., J. Arango, G. Hugo, A. Kouaouci, A. Pellegrino and J. E. Taylor. 1993. "Theories of International Migration: A Review and Appraisal", *Population and Development Review* 19 (3): 431-466.

Massey, D. S. and R. M. Zenteno. 1999. "The Dynamics of Mass Migration", *Proceedings of the National Academy of Sciences of the United States of America* 96 (9): 5328-5335.

Milliyet. 16 August 1994. "Nataşa Muamelesi Turistleri Kaçırıyor [Natasha Attitude Scares the Tourists Away]", Milliyet, p. 9.

Milliyet. 16 November 1994. "Laleli'de AİDS'li İki Nataşa [Two AIDS Infected Natashas in Laleli]", Milliyet, p. 6.

Milliyet. 23 September 1994. "Laleli Şimdi Pişman [Laleli Regrets Now]", Milliyet, p. 4.

Milliyet. 27 February 1999. "Laleli Canlı Mankene Güveniyor [Laleli Trusts Human Models]", Milliyet, p. 7.

Milliyet. 29 August 1994. "Bindiğimiz Dalı Kestik [We Have Cut the Branch We Were Sitting At]", Milliyet, p. 6.

Mitra, A. 2008. "Trade Liberalization and India's Informal Economy", *Economic Systems Research* 20 (4): 433-434.

Mittelman, J. 2000. *Globalization Syndrome*. Princeton: Princeton University Press.

Mittelman, J. H. 1991. "Marginalization and the International Division of Labor: Mozambique's Strategy of Openingthe Market", *African Studies Review* 34 (3): 89-106.

Morawska, E. 1990. "The Sociology and Historiography of Immigration", Yans-McLaughlin, V. (ed.). New York: Oxford University Press.

Nagar, R., V. Lawson, L. McDowell and S. Hanson. 2002. "Locating Globalization: Feminist (Re)readings of the Subjects and Spaces of Globalization", *Economic Geography* 78 (3): 257-284.

Nikitina, O. 2004. "Changing Times, Changing Attitudes: What Do Russians Really Think about the Transition to Capitalism?", *RussProfile* 1 (4): 26-27.

North, D. C. 1999. *Institutions, Institutional Change and Economic Performance*. Cambridge: Cambridge University Press.

Ntseane, P. 2004. "Being a female entrepreneur in Botswana: Cultures, values, strategies for success", *Gender & Development* 12 (2): 37-43.

Olimova, S. 2006. "Денежные переводы и их влияние на уровень жизни в Халтонской области Республики Таджикистан [Remittances and their Impact on Life Quality in Khalton Region of Tadjikistan]". Dushanbe: МОМ-НИЦ «ШАРК».

Olimova, S. and N. Mamajanova. 2006. "Торговля Людьми в Таджикистане [Human Trade in Tadjikistan]". International Organization for Migration.

Olsson, M.-O. 2008. "The Russian virtual economy turning real: Institutional change in the Arkhangel'sk forest sector", *Europe-Asia Studies* 60 (5): 707-738.

Ortiz, V. 1996. "Migration and Marriage among Puerto Rican Women", *International Migration Review* 30 (2): 460-484.

Osborne, D. and T. Gaebler. 1992. *Reinventing Government*. Reading: Addison-Wesley.

Overton, J. 2000. "Academic populists, the informal economy and those benevolent merchants: Politics and income security reform in Newfoundland", *Journal of Peasant Studies* 28 (1): 1-54.

Öniş, Z. and A. F. Aysan. 2000. "Neoliberal Globalisation, the Nation-State and Financial Crises in the Semi-Periphery: A Comparative Analysis", *Third World Quarterly* 21 (1): 119-139.

Peberdy, S. and C. Rogerson. 2000. "Transnationalism and Non-South African Entrepreneurs in South Africa's Small, Medium and Micro-Enterprise (SMME) Economy", *Canadian Journal of African Studies / Revue Canadienne des Études Africaines* 34 (1): 20-40.

Petrov, V. G. Советско-турецкие соглашения [Soviet-Turkish Agreements]. [http://www.cultinfo.ru/fulltext/1/001/008/104/012.htm].

Piore, M. 1979. *Birds of Passage: Migrant Labor and Industrial Societies*. Cambridge: Cambridge University Press.

Piskoppel, F. G. 1978. "Внешняя торговля и внешние экономические связи", Prohorov, A. M. (ed.). Moscow: Советская энциклопедия .

Polanyi, K. 1957. *The Great Transformation*. Boston: Beacon.

Portes, A., M. Castells and L. A. Benton. 1989. *The Informal Economy. Studies in Advanced and Less Developed Countries*. Baltimore and London: The Johns Hopkins University Press.

Portes, A. and J. Walton. 1981. *Labor, Class, and the International System*. New York: Academic Press.

Pribytkova, I. 2003. "Трудовая миграция населения Украины в условиях трансформации экономических и общественных отношений [Labour Migration of Ukraine's Population under the Conditions of Economic and Social Relations Transformation]", Zayonchkovskaya, Z. (ed.). Moscow: Институт народнохозяйственного прогнозирования РАН.

Raijman, R. and M. Semyonov. 1998. "Best of Times, Worst of Times, and Occupational Mobility: The Case of Soviet Immigrants in Israel", *International Migration* 36 (3): 291-312.

Rauch, J. E. and V. Trindade. 2002. "Ethnic Chinese Networks in International Trade", *The Review of Economics and Statistics* 84 (1): 116-130.

Rehn, A. and S. Taalas. 2004. "'Znakomstva I Svyazi' (Acquaintances and connections) - Blat , the Soviet Union, and mundane entrepreneurship", *Entrepreneurship & Regional Development* 16 (3): 235-250.

Roberts, S. 2003. *Global Strategic Vision: Managing the World*. Minneapolis: University of Minnesota Press.

Rodrik, D. 1990. "Premature Liberalization, Incomplete Stabilization: The Ozal Decade in Turkey". National Bureau of Economic Research.

Rose, R. 2005. "Insiders and Outsiders: New Europe Barometer 2004". University of Strathclyde. Glasgow: Centre for the Study of Public Policy.

Rossiter, M. J. 2005. "Slavic Brides in Rural Alberta", *Journal of International Migration and Integration* 6 (3-4): 493-512.

Rossiyskaya Gazeta. 10 December 2009. "Черкизовский синдром [Cherkizon Syndrom]", Rossiyskaya Gazeta.

Round, J. 2006. "The Economic Marginalization of Post-Soviet Russia's Elderly Population and the Failure of State Ageing Policy: A Case Study of Magadan City", *Oxford Development Studies* 34 (4): 441-456.

Round, J., C. Williams and P. Rodgers. 2010. "The Role of Domestic Food Production in Everyday Life in Post-Soviet Ukraine", *Annals of the Association of American Geographers* 100 (5): 1197-1211.

Ruef, M. and W. R. Scott. 1998. "A Multidimensional Model of Organizational Legitimacy: Hospital Survival in Changing Institutional Environments", *Administrative Science Quarterly* 43 (4): 877-904.

Rybakovski, L., V. Arkhangelski, A. Ivanova and S. Ryazantsev. 2005. Moscow: CSP.

Sadovskaya, Y. 2002. "Трудовые миграции в республике Казахстан как основа трансграничных миграций [Labour Migration in Kazakhstan as a Basis of the Transborder Migration]", Zayonchkovskaya, Z. and M. Sadykov (ed.). Moscow; Uralsk: Centre for Forced Migration Studies in the CIS and Other States.

Salt, J. and J. Stein. 1997. "Migration as a Business: the Case of Trafficking", *International Migration* 35 (4): 467-491.

Sassen, S. 1996. *Losing Control? Sovereignty in an Age of Globalization*. New York: Columbia University Press.

Sassen, S. 2001. "The Excesses of Globalisation and the Feminisation of Survival", *Parallax* 7 (1): 100-110.

Scott, J. S. 1997. "The Infrapolitics of Subordinate Groups", Rahnema, M. and V. Bawtreea (ed.). London and New Jersey: Zed Books.

Scott, R. W. 2001. *Institutions and Organizations* Thousand Oaks: Sage.

Scott, W. R. 1987. "The Adolescence of Institutional Theory", *Administrative Science Quarterly* 32 (4): 493-511.

Shahotko, L. 2003. *Незарегистрированная трудовая миграция из республики Беларусь: состав мигрантов и их деятельность" [Unregistered Labour Migration from Belorussia: Characteristsc of the Migrants and their Activities]*. Moscow.

Shaw, A. S. and J. Hardy. 1998. "Globalization, Institutions, Foreign Investment and the Reintegration of East and Central Europe and the Former Soviet Union with the World Economy", *Regional Studies* 32 (7): 587-590.

Shcherbakova, I. 2006. "Синяя птица российских «челноков» [Lucky Charm of Russian Chelnoks]", *Социальная реальность* 10.

Shcherbakova, I. 2008. "Советская предыстория челночества: от мешочников до кооператоров [Soviet Prehistory of the Suitcase Trade: From Petty Traders to Associates]", *Sociological Research* 4 44-52.

Sik, E. and C. Wallace. 1999. "The Development of Open-air Markets in East-Central Europe", *International Journal of Urban and Regional Research* 23 (4): 697-714.

Sikder, M. J. U. and B. K. Sarkar. 2005. "Livelihoods and informal trade at the Bangladesh border", *Inter-Asia Cultural Studies* 6 (3): 432-445.

Skocpol, T. 1995. *States and Social Revolutions: A comparative Analysis of France, Russia, and China* New York: Cambridge University Press.

Slavnic, Z. 2010. "Political Economy of Informalization", *European Societies* 12 (1): 3-23.

Somers, M. R. 1995. "What's Political or Cultural about Political Culture and the Public Sphere? Toward an Historical Sociology of Concept Formation", *Sociological Theory* 13 (2): 113-144.

Sookram, S. and P. K. Watson. 2008. "Small-Business Participation in the Informal Sector of an Emerging Economy", *Journal of Development Studies* 44 (10): 1531-1553.

Sookram, S., P. K. Watson and F. Schneider. 2009. "Characteristics of households in the informal sector of an emerging economy", *Applied Economics* 41 (27): 3545-3559.

Stark, O. 1991. *The Migration of Labor*. Cambridge: Basil Blackwell.

Stark, O. and D. E. Bloom. 1985. "The New Economics of Labor Migration", *The American Economic Review* 75 (2): 173-178.

Stark, O. and J. E. Taylor. 1989. "Relative Deprivation and International Migration", *Demography* 26 (1): 1-14.

Stark, O., J. E. Taylor and S. Yitzhaki. 1986. "Remittances and Inequality", *The Economic Journal* 96 722-740.

Stark, O. and S. Yitzhaki. 1988. "Labor Migration as a Response to Relative Deprivation", *Journal of Population Economics* 1: 57-70.

Starodubtsev, I. I. Российско-турецкое многоплановое энергетическое сотрудничество [Russian-Turkish Multilateral Energy Cooperation] [http://www.iimes.ru/rus/stat/2009/13-02-09.htm] 10.05.2011.

Statistics Department of the International Monetary Fund. 1998. "Shuttle Trade". Washington, D. C.: BOPCOM98/1/3.

Streeck, W. and K. Thelen. 2009. "Institutional Change in Advanced Political Economies", Hancke, B. (ed.). New York: Oxford University Press.

Şahin, A., Y. Akdi and C. Atakan. 2008. "An Investigation on the Shuttle Trade Dynamics of a Small-Open-Economy", *International Journal of Economic Sciences and Applied Research* 1 (2): 1-12.

Şenses, F. 1990. "An Assessment of the Pattern of Turkish Manufactured Export Growth in the 1980s and its Prospects", Arıcalnı, T. and D. Rodrik (ed.). New York: St. Martin's Press.

Tani, M. 2005. "On the Motivations of Business Travel: Evidence from an Australian Survey", *Asian and Pacific Migration Journal* 14 (4): 419-440.

Tani, M. 2008. "Short-Term Skilled Labour Movements and Economic Growth", *International Migration* 46 (3): 161-187.

Teltscher, S. 1994. "Small Trade and the World Economy: Informal Vendors in Quito, Ecuador", *Economic Geography* 70 (2, Global-Local Relations): 167-187.

Temple, B. 1997. "Watch your Tongue: Issues in Translation and Cross-Cultural Research", *Sociology* 31 (3): 607-618.

Thelen, K. and S. Steinmo. 1992. "Historical Institutionalism in Comparative Politics", Thelen, K., S. Steinmo and F. Longstreth (ed.). New York: Cambridge University Press.

Tilly, C. 2007. "Trust Networks in Transnational Migration", *Sociological Forum* 22 (1): 3-24.

Tonoyan, V., R. Strohmeyer, M. Habib and M. Perlitz. 2010. "Corruption and Entrepreneurship: How Formal and Informal Institutions Shape Small Firm Behavior in Transition and Mature Market Economies", *Entrepreneurship Theory and Practice* 34 (5): 803-831.

Turkish Ministry of Labour and Social Security 2003 Yabancılar Çalışma İzinleri Hakkında Kanun [The Law for Employment of Foreigners]. Turkish Ministry of Labour and Social Security. 4817.

TÜİK. 2008. "Dış Ticaret İstatistikleri ve Endeksleri". Türkiye İstatistik Kurumu. Ankara: Türkiye İstatistik Kurumu Matbaası.

Tyuryukanova, Y., V. Anishina, D. Poletayev and S. Shamkov. 2006. "Принудительный труд в современной России: нерегулируемая миграция и торговля людьми [Forced Labour in Contemporary Russia: Unregulated Migration and Human Trade]". ILO. Geneva: International Labour Organization.

Volkov, V. 1999. "Who is strong when the state is weak? Violent entrepreneurship in post-Communist Russia", *Europe-Asia Studies* 51 (5): 741-754.

Wallace, C., O. Shmulyar and V. Bedzir. 1999. " Investing in Social Capital: The Case of Small-Scale, Cross-Border Traders in Post-Communist Central Europe", *International Journal of Urban and Regional Research* 23 (4): 751-770.

Watts, S. J. 1983. "Marriage Migration, A Neglected Form of Long-Term Mobility: A Case Study from Ilorin, Nigeria", *International Migration Review* 17 (4): 682-698.

Welter, F. and D. Smallbone. 2003. "Entrepreneurship and Enterprise Strategies in Transition Economies: An Institutional Perspective", Kirby, D. and A. Watson (ed.). Aldershot, Hampshire: Ashgate.

Williams, A. M. and V. Balaz. 2002. "International Petty Trading: Changing Practices in Trans-Carpathian Ukraine", *International Journal of Urban and Regional Research* 26 (2): 323-342.

Williams, C. and J. Round. 2010. "Explaining Participation in Undeclared Work", *European Societies* 12 (3): 391-418.

Williams, C. C. 2005. "Unraveling the Meanings of Underground Work", *Review of Social Economy* 63 (1): 1-18.

Williams, C. C. and J. Round. 2007. "Rethinking Livelihood Strategies in East-Central Europe: Some Lessons from Ukraine", *Journal of Contemporary European Studies* 15 (2): 201-214.

Xheneti, M. and D. Smallbone. 2008. "The Role of Public Policy in Entrepreneurship Development in Post-Socialist Countries: A Comparison of Albania and Estonia", *EBS Review* 24 (1): 23-36.

Yadova, Y. N. 2008. "Предпосылки смены профессиональной деятельности первой волной челноков [The Premises for Professional Activity Changes by the First Cohort of the Suitcase Traders]", *Социологические исследования* 4: 62-66.

Yakobson, G. M. 1978. "Внешняя торговля и внешние экономические связи", Prohorov, A. M. (ed.). Moscow: Советская энциклопедия.

Yakovlev, A. 2001. ""Челночная" торговля в новых условиях: возможные подходы к оценке масштабов [Suitcase Trade in the New Environment: Possible Approaches to Scale Estimation]", *Вопросы статистики* 4.

Yakovlev, A. 2006. *Агенты модернизации [Agents of Modernization]*. Moscow: State University High School of Economics.

Yalçın, S. and H. Kapu. 2008. "Entrepreneural Dimension in Transition Economies: A Review of Relevant Literature and the Case of Kyrgyzstan", *Journal of Developmental Entrepreneurship* 13 (2): 185-204.

Yang, K. 2004. "Institutional Holes and Entrepreneurship in China", *The Sociological Review* 52 (3): 371-389.

Yeğen, M. 1996. "The Turkish State Discourse and the Exclusion of Kurdish Identity", *Middle Eastern Studies* 32 (2): 216-229.

Yükseker, D. 1999. "İnformel Ekonominin Uluslararasılaşması: Bavul Ticareti ve Laleli Örneği [The Transnationalization of the Informal Economy: Suitcase Trade and the Case of Laleli]", *Defter* 35.

Yükseker, D. 2003. *Laleli-Moskova Mekiği: Kayıtdışı Ticaret ve Cinsiyet İlişkileri [The Laleli-Moscow Shuttle: Informal Trade and Gender Relations]*. İstanbul: İletişim Yayınları.

Yükseker, D. 2007. "Shuttling Goods, Weaving Consumer Tastes: Informal Trade between Turkey and Russia", *International Journal of Urban and Regional Research* 31 (1): 60-72.

Ziegler, J. A. and C. R. Britton. 1981. "A Comparative Analysis of Socioeconomic Variations in Measuring the Quality of Life", *Social Science Quarterly* 6 (2): 303-312.

APPENDICES

APPENDIX A
Interview questions for the entrepreneurs in Turkey

1. Suitcase traders from which countries do you work with?
2. When was your enterprise established?
3. What is the approximate proportion of female and male traders who come to your store? What was this proportion before?
4. How often do the clients from the post-Soviet states shop in your store? How often did they use to come before?
5. Approximately how much do they spend on one order?
6. How has the volume of the suitcase trade change in the recent years? Has it declined, increased or remained the same?
7. What has changed in the suitcase trade with the post-Soviet states in the last 5-10 years?
8. How have the clients' requirements change?
9. How has the production change?
10. Has the 2008 crisis affect your business in any way?
11. When you started the business, how was the environment? How did people treat you? How did the state treat you?
12. How has the Laleli's role for your business change? What does Laleli mean for your business today?
13. What role does the Internet play in your relationship with the clients from the post-Soviet states?
14. How has the state's role in Laleli and in the suitcase trade business change? Which regulations help you and which regulations constrain your business?
15. Do you employ foreigners in your store?
16. Do you have any long-term clients or partners from the post-Soviet states? How do you work with them and how did you establish your relationship with them?
17. How do you trust your clients? Based on what criteria do you trust your clients? And what do you think a storeowner/shop assistant has to do to be trustworthy for his clients?
18. What role does love and affection play in the relationship between the clients and the retailers?
19. How do your clients transport the goods they buy to their states?
20. What are the major difficulties you face in Laleli?
21. How have your profits change?
22. What role does bribery play in the suitcase trade?
23. Do you have partners in Laleli? Do you have any networks of mutual support here in Laleli?

APPENDIX B
List of the questions for the foreign employees

1. Where do you come from?
2. When have you come to Laleli and how did you start working in this store?
3. Why did you decide to come to Laleli?
4. Do you have official documents, residency and work permit?
5. How is your life here in Turkey?
6. Have you come on your own or have you received help from your relatives/friends?
7. What will you do if you are apprehended by the police?

APPENDIX C

List of the questions for the suitcase traders

1. Where have you come from?
2. How often do you come to Istanbul?
3. When did you start the suitcase business?
4. Why did you start dealing with the suitcase trade business?
5. What was your occupation before the suitcase trade?
6. What has changed in the recent years?
7. How do you sell the goods at home?
8. How have your profits change in the last years?
9. How does the state treat you? How has the state's position towards you change?
10. Do you have permanent partners in Turkey? How did you start your relationship with them? Why do you think you can trust them?
11. Do you use Internet or telephone to communicate with your partners in Turkey?
12. How has the suitcase trade impact your social position? How does the society treat you now?
13. Would you like your children to continue working in the suitcase trade business?
14. Which regulations and laws support you and which laws constrain you?