By law and by custom: Factors affecting small and medium-sized enterprises during the transition in Lithuania

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Citation for published version (APA):

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Chapter 4: In the shadows but not on the fringe: Open-air market traders in Lithuania

4.1 Introduction

... open air markets are often seen as especially dangerous and immoral places. This is particularly the case in the former communist countries where such speculative activity was condemned for many years as 'parasitic' and is still seen as immoral (Sik & Wallace 1999:709).

All over the world, open-air markets (OAMs) exist on a continuum of trading activities from extremely informal to more formalized and regulated places of exchange. However all OAMs have informal characteristics such as low entrance barriers and the flexible participation of vendors. They also embody the concept of the market in its most raw and direct form namely face-to-face interactions (Sik & Wallace 1999). Though OAMs are a global phenomenon, studies in Central and Eastern European countries highlight the unique quality of OAMs in post-socialist countries (Sik & Wallace 1999; Czako & Sik 1999). For example, OAMs in post-socialist countries tend to specialize in durable goods such as clothing, footwear, appliances, dishes, toys, lighting fixtures, videos, compact discs and most often display seasonal variation in the goods on sale.

In post-socialist countries, OAMs have survived and in many cases thrived during the transition process. OAM traders experienced a dramatic shift from engaging in illegal and condemned ‘entrepreneurial’ activity to a legal and increasingly more open existence. OAM traders also experienced profound changes to the macro environment including the dismantling of the socialized retail sector, the disappearance of the Council for Mutual Economic Assistance (COMECON)\(^1\), the opening of borders, the weakening of the state, the growth of consumer culture and the dramatically decreasing standard of living for many citizens (Sik & Wallace 1999).

The emergence and continuing existence of OAMs like Gariunai in transition countries like Lithuania may have as much to do with initial pre-transition conditions as with current economic conditions. Most transition countries were generally characterized by
weak retail trade sectors and inefficient wholesale trade sectors. This provided the opportunity for many small traders to fill the existing market gaps.

OAMs occupy a unique position in the transitional environment by blurring the traditional division between formal/informal economic activities since in many cases, in most cases, OAMs have been institutionalized but are not yet formalized (Sik & Wallace 1999). Though many OAM traders engage in international trade, these activities are largely unrecorded since in general, OAM traders do not register their precise trading activities.

Issues related to morality and legitimatization are also brought to the forefront by OAMs. Viewed as dangerous and immoral places, OAMs are often a source of inexpensive goods for a significant portion of the population (ibid.). In addition, OAMs tend to promote the mingling of diverse ethnic groups in terms of both local ethnic minorities and by attracting traders and buyers from abroad. OAM trade relationships have also been shown to illustrate the importance of social capital and investments in relationships, which can act as a supplement or substitute for lack of financial capital (Sik 1994).

The basic definition of 'transition' in the post-socialist context refers to the switch from a centrally planned economy to a market-based economic system. What this definition implies is that the 'market' economy did not exist in former socialist countries. But on a small scale, trade based on market principles (i.e. flexible prices balancing supply and demand) did exist within the former socialist countries frequently in the form of OAMs. In most cases, OAMs were 'despised' by official ideology but tolerated by local officials. In this way, one could say that the continuing existence of OAMs form a bridge between the capitalism of the pre-communist states, the informal economy of the communist period and the present capitalist orientation (Sik & Wallace 1999).

After the collapse of the Soviet Union, it was widely believed that price and trade liberalization along with privatization would eliminate the distorted marginal markets tolerated under central planning and would hence result in the disappearance of the informal sector of the economy (ibid.). Further, competitive forces and price
liberalization would ensure the dominance of the new capitalist market system. More than ten years later, we see another reality has emerged, one characterized by a thriving informal sector. We also find that the traditional prescription of stabilization, liberalization and privatization advocated by the Bretton Woods Institutions has not been nearly as effective as expected. ‘Entrepreneurship’ in many cases is flourishing albeit in a marginal and small-scale manner.

The most basic form of small and medium-enterprise (SME) owners in Lithuania are license-holding traders. Individuals interested in legally undertaking activities such as small-scale trading can obtain a license for a small fee from the municipality. Licenses are flexible and can be bought for one day, a number of weeks or months of trading. License holders differ from other SME owners in some significant ways. According to Lithuanian law, a license holder pays a flat fee and is allowed to engage in trading activities. Traders are currently expected to keep a record of the goods they sell but they do not have to officially declare these sales or pay tax on them. As a result, all the goods that are sold with a license are not officially recorded. In addition, license holders are not legally permitted to hire additional employees except for family members. In general, license holders tend to engage in small-scale trading activities in designated markets areas and do not have a permanent business address.

Though there are approximately 37 500 license holders in Lithuania\(^3\), very little is known about their activities. In order to address this knowledge gap, a survey was conducted of market traders at Gariunai, the largest open-air market in the Baltics. Beyond personal opinions and some anecdotal evidence, little is known about the traders at Gariunai. This is surprising given what seems to be the significance of Gariunai for regional economic development.
Our analysis of OAM traders at the Gariunai market in Lithuania addresses the following three questions:

a) To what extent can OAM traders be considered ‘productive’ entrepreneurs?

b) What unique functions do OAMs fulfill in the post-socialist environment?

c) What barriers to OAM traders face?

Our results indicate that according to our definition of productive entrepreneurship (see Chapter 2.4.4), the majority of traders at Gariunai could be considered entrepreneurs. They have been able to carve out a market niche for their trading activities centered on the needs of potential customers in an ever-changing transitional environment. Further, OAMs seem to play an important role in facilitating market penetration and providing an economic means for household survival in post-socialist countries (Sik & Wallace 1999). OAM traders also face a number of different barriers including formal, informal and environmental factors. The positive and negative externalities of OAMs highlighted by our study have further implications for the government’s role in either stimulating or interfering with OAM trading activities.

4.2 Open-air markets in post-socialist countries

There exists an extensive literature on the role of informal markets in developing countries (Jagannathan 1987; Hill 1986). In 1957, Karl Polanyi introduced the idea of studying market relations through OAMs (see Sik & Wallace 1999:698). According to Polanyi’s definition, the OAM was a place to exchange simple goods (ibid.). However, Polanyi’s definition has been found to be too limited. Bohannan and Dalton (1962) expanded the definition to view OAMs as sites of exchange in which the actors and their social, cultural, political and economic characteristics influence the manifestation of the market principle (ibid.).

To date the largest and most systematic study of OAMs in a post socialist country was conducted by Czako and Sik (1999). Through participant observation, data was gathered on four OAMs in Hungary. Czako and Sik find that there is a path-dependent relationship between OAMs and the commercial system in COMECON countries. Path
dependence is illustrated by the important role OAMs have played in responding to consumer demand not satisfied by existing formal venues. Most often, OAMs supply the need for cheaper products than are available in normal retail outlets, especially clothes (1999:733). Among their findings Czako and Sik observed that though most OAM traders were male, most of the consumers were women especially older women. Small-scale and anthropological studies of OAMs have also been carried out in Bulgaria (Konstantinov 1994), in Poland (Iglicka & Sword 1999) and in Uzbekistan (Kaiser 1997). A study by Wallace et al. (1999) further investigates the role of social capital for small-scale traders in post-communist countries as a means to minimize the risks of market exchange. Wallace argues that the lack of formal regulation and protection necessitates the development of various forms of informal social control through networks and alliances (ibid.).

4.3 The Gariunai market

It's 4:30am in October. It is cold and dark but not silent. I'm actually being jostled about as buyers race past me clutching carts and bags in order to make their purchases of shoes, gloves, winter coats, but also light fixtures, movie videos even wallpaper. This is Gariunai, the largest open-air market in the Baltics. It operates all year round; rain, shine or subzero temperatures. Working conditions are harsh. Sales begin at 4am and by 10:30am many traders have already closed shop or are taking down their stalls and most of the charter buses with Latvian, Estonian or Lithuanian license plates are gone.

Under the Soviet system, 'private' trading was limited to basic goods such as handmade clothing and food products (berries, mushrooms, honey, homemade jam, etc.) which was permitted in designated market areas. These market areas were usually located in the center of cities. In Vilnius the number of buyers and sellers outgrew market areas within city limits and so in the late 1980's local officials created a new market in an area called 'Gariunai' located about 10 km outside of Vilnius proper. Gariunai has been in existence for over 15 years.

The Gariunai market has gone through many changes. As with many informal markets, most individuals associate a level of criminality with Gariunai. This association is
reasonably substantiated given Gariunai's history. In the early 1990's during the initial 'transition' chaos in Lithuania, Gariunai exploded into a massive market selling a wide range of legal and illegal goods. In those days, one could come to Gariunai to buy a new winter coat, a used western-made car or an automatic pistol. Racketeering was prevalent as were incredible profits. According to one trader, after a day of good trading, you could buy yourself a used car, and in a week, you had earned enough money to buy a house.

Initially, Gariunai was simply a vast expanse of land on which stalls were erected, wares put out and packed up again on a daily basis. Following Lithuania's independence (circa 1991), there was further development and the administration of Gariunai became more regulated. Currently Gariunai is made up of four distinct areas: the new market, the old market, the Belarussian market, and the fringe markets. There is also a massive used car market located on the other side of the highway. The administration of Gariunai is divided between two private enterprises and the municipality. In recent years, the enterprise administering the new market area of Gariunai has built cement garage-like stalls to house some of the traders. Restroom facilities and a rather large café-restaurant have also been built on the outskirts of the new market territory.

In order to trade at Gariunai (in the old and new markets), traders are expected to possess a trading license and to pay a daily market fee. Those traders outside the boundaries of the designated old and new markets are sometimes expected to pay a daily market fee but otherwise are unregulated.

Gariunai is open six days a week (closed on Mondays) and trading occurs from 4am to 1pm. The main trading days are Tuesday, Thursday and Saturday. On Tuesday and Thursday most 'bulk' trades are conducted early in the morning whereas on Saturday most buyers are individual buyers from Lithuania. The number of traders is constantly shifting at Gariunai and varies due to the day of the week and seasonal influences. There are no official statistics regarding the number of traders at Gariunai. A rough count of traders on a busy day (Tuesday, Thursday and Saturday) is approximately 4 000 stalls. On the less busy days (Wednesday, Friday and Sunday) there are approximately 1 000 – 2 000 stalls. Many traders work in teams of two individuals
(often husband-wife teams) so on a busy day we could expect approximately 8 000 traders and on a slow day 2 000 – 4 000 traders to be working at the market.

4.4 Sample characteristics
Both personal and business characteristics were collected on the Gariunai traders interviewed (see chapter 3.14). The majority of traders did not consider Lithuanian to be their native language. We used this question as a proxy for identity. Moreover, only a slight majority of traders possessed a reasonable command of the Lithuanian language. The rest either did not speak Lithuanian well or did not speak it at all. This is surprising given the fact that officially less than 20 percent of the population of Lithuania are non-Lithuanians. Most of the non-Lithuanians were Russian, Polish, Belarusians or other Slavic-speakers. Some traders were ethnically Azerbaijani though they have been living and working in Lithuania for many years. In addition, a small number of Vietnamese traders have moved to Lithuania in order to trade at Gariunai.

Given the ‘sinister’ and ‘dangerous’ stereotypes of the Gariunai market, one would expect a ‘masculine’ environment to prevail. This was probably the case in the past, but is not the case now. The majority of the traders interviewed were women and this was a reflection of the general composition of traders at Gariunai. In twenty percent of the cases, couples were working together in a ‘family business’ often with a clear division of labor: the husband helped with setting up and taking down the stall while the wife’s primary duty was sales.

The traders we interviewed ranged in age from 23 to 65 years of age. The average trader’s age was 42 years. Almost all the traders had previous work experience in a state-owned enterprise (SOE) and less than a fourth of the traders had previous trade experience. In terms of education, close to a fourth of the traders had a university education.

Most traders ‘owned their businesses’ (i.e. were license holders) and less than a fourth were hired employees. The vast majority had not set up an official business structure (such as a sole proprietorship or corporation) but traded using a renewable trading license. The individual trading operations tended to be small, with the average number
of employees being less than one. Though most traders did not legally employ family members, our observations confirm that a large number of traders do not work alone and are most likely assisted by family members on an unofficial basis. For the majority of traders interviewed, their trading activities were not temporary in nature and the ‘average’ trader had been trading for about five years. Close to sixty percent of the traders stated economic reasons as their main motivation for starting up trade activities at Gariunai. Only two percent stated that they were motivated by the desire to have their own business. This is in stark contrast to the responses of Lithuanian SME owners to the Litsme survey where 42 percent of the SME owners started their businesses because ‘they always wanted to have their own business’ and only 34 percent had started their business due to ‘economic reasons’ (needed money)⁷ (see Chapter 3.13).

Most of the merchandise sold at Gariunai does not originate from Lithuania but is brought in from elsewhere, most notably Poland but also Turkey, Greece and even China. Many traders interviewed are traveling to other countries to buy merchandise that they then resell at Gariunai. In this sense, Gariunai seems to play a significant role in international trade.

For the vast majority of interviewees, trading at Gariunai was their main source of income. Close to one-fourth of the traders interviewed began trading at Gariunai after they lost their jobs in the state sector (due to downsizing, privatization, or bankruptcy). Most others cited additional economic reasons such as no jobs available or lack of job availability with reasonable salaries and the need for supplemental income in addition to meager disability or pension payments⁸. Three-fourths of the respondents said they would stop trading if they were offered a decent job elsewhere.

Our own assessment of the situation indicates another underlying motivation. It is likely that the majority of traders are selling at Gariunai because their command of the state language (Lithuanian) is too weak to get them a reasonable job elsewhere. In addition, a number of traders work at Gariunai because they make a good living off their sales, better than if they worked elsewhere. Finally a smaller number have become traders due to family ties and established cross-border networks engaged in trade activities.
The question also arises as to what extent, we can classify the predominantly non-Lithuanian-speaking traders as immigrants. An extensive body of literature exists on immigrant entrepreneurship and self-employment. Some studies focus on the effects of disadvantage in the formal labor force or racism that pushes immigrants into self-employment i.e. displacement theory (Light 1979; Phizacklea 1990). Waldinger et al. (2000) have argued that blocked mobility and impediments in the labor market due to unfamiliarity of the host country language, inadequate or inappropriate skills, age and discrimination are powerful catalysts for immigrants to opt for self-employment. The importance of social capital in the form of networks amongst immigrant also entrepreneurs is stressed as an important resource for business creation (ibid.). In addition, the degree of host country language facility is an important influence affecting self-employment outcomes. Often, immigrants choose self-employment because the money-returns are greater than the entry-level jobs they qualify for (Light & Roach 1996).

The non-native-Lithuanian traders that we interviewed at Gariunai seem to share commonalities with other groups of ‘immigrant’ entrepreneurs documented in the literature but they also exhibit some unique characteristics. First of all, the majority has experienced loss of privileged status since the collapse of the Soviet Union. In Soviet Lithuania, native Russian speakers were given preferential treatment for employment (often blue-collar) and housing. In post-Soviet Lithuania, these individuals have not only lost their privileged status but due to new language requirements, experience discrimination. Though in terms of physical features there is little observable difference, Slavic speakers in Lithuania can be considered ‘foreign’ since they possess distinct phenotypical and cultural characteristics (Portes & Sensenbrenner 1993). During transition and the closure or downsizing of SOEs, many Slavic speakers have lost their employment. The only clear cases of immigrant entrepreneurs at the Gariunai market were a small number of Vietnamese traders.

4.5 Barriers
In response to the main barriers encountered by the traders interviewed, low purchasing power and too few customers was the most frequent response and primary concern. Low purchasing power results in fewer customers. The stories told by long-time traders at Gariunai indicate that there has been a rapid decline in the number of
customers at Gariunai. One trader commented that several years ago, he was not able to see the traders on the other side of the walkway because of the thick crowd of customers. This is definitely not the case anymore. In this regard, the situation for traders at Gariunai and SME owners in Lithuania is similar. SME owners in Lithuania identified low purchasing power as a primary barrier to their business operations (see Chapter 5). Further the traders indicated customs and high OAM costs as barriers. Customs is a barrier that affects traders at Gariunai for two reasons. Firstly, it affects the seemingly large number of traders that bring in their merchandise from other countries and secondly, it affects sales to foreign customers who buy goods at Gariunai with the intent of bringing them back to their home country. If customs regulations change, as they have in the past, such as by increasing customs duties and restricting quantities of tax-free import/export, sales and supply at Gariunai can be drastically reduced. High OAM costs refers to costs such as the unofficial ‘rental cost’ of specific stall locations at Gariunai, daily market fees and automobile entrance fees as well as the threat of fines issued during random checks by inspection officials.

Finally, many traders at Gariunai feel that they are unfairly judged and negatively stereotyped because they trade at Gariunai. For most Lithuanians, Gariunai evokes mixed feelings: it is considered a dirty and dangerous market but also one offering the cheapest prices for many durable goods. Lithuania’s former president and currently Member of Parliament, Vytautas Landsbergis called Gariunai ‘a national disgrace’. Landsbergis believed that markets like Gariunai should not exist in a ‘civilized market economy’. On the other hand, the current leader of parliament, Arturas Palauskas, visited Gariunai as part of his election campaign in the fall of 2000. Traders at Gariunai grapple with these attitudes. They feel that they are not only providing themselves with an income but also providing needed goods for their customers. By and large it seems that the ‘positive’ contribution of the traders at Gariunai is generally overlooked by the Lithuanian population as a whole.

4.6 Issues raised

Our survey of traders at Gariunai raises a number of issues regarding the socio-political and economic aspects of OAMs and OAM traders. These issues are discussed in some detail below.
Social aspects. As already described in section four, the majority of OAM traders did not consider Lithuanian to be their native language and a significant percentage of the traders did not speak any Lithuanian. It seems that a higher proportion of non-native ethnic groups are represented at this OAM than in the population as a whole. Also the presence of foreign customers increases the mix of ethnicities at Gariunai. This phenomenon can result in OAMs serving the function of an inter-cultural ‘meeting place’ (Sik & Wallace 1999) in an otherwise fairly homogenous population. This also suggests that Gariunai may play an important role in integrating national ethnic minorities and may also reduce the possibility of ethnic conflicts.

In addition, the majority of traders at Gariunai turned out to be female. Since women are traditionally highly represented in retail trade and petty trading activities, this does not come as a complete surprise. However, this counters the observations made by Czako & Sik (1999) that found that most traders in Hungarian OAMs are male. There may be several reasons for the higher proportion of female traders at Gariunai. Firstly, it may be a consequence of the large decline in female employment in Lithuania and may reflect the difficulty many unemployed women have in finding new employment. The combination of age and sex may be another factor affecting the large presence of female traders. A study by Kanopiené (2000) has shown that the largest percentage of unemployed women in Lithuania is between the ages of 31-54. For male laborers, unemployment numbers are greater only in the ‘under 18’ age group (ibid.). Having said this, all individuals who lost their previous jobs and are middle aged have a difficult time finding employment in Lithuania and it is for this reason that we probably encountered traders who were for the most part in their forties. The decline in employment opportunities in the state sector and the increased difficulty that women face in obtaining employment in the private sector may be of influence here (see also chapter 2.3). Secondly, females seem to have better developed communication skills and this may lead to better sales and greater trading success for female rather than male traders. Thirdly, our interviewees suggest that Gariunai has become less profitable and the reduced potential earnings of traders at Gariunai could be another reason why we encounter fewer male traders.

The relatively high level of education amongst the traders seems indicative of the displacement of labor that has occurred due to the closure, downsizing and
privatization of SOEs. Many highly educated individuals suddenly found themselves without a job or income. A number of these have turned to trading as a way to make ends meet.

Gariunai also provides the opportunity for flexible work hours. Though the vast majority of the traders we interviewed were working full-time at Gariunai, they could choose to skip days, come late or leave early according to their own needs and whims. One couple selling shoes said that five years ago they used to sell at Gariunai a few days a week but now that the number of buyers has decreased, they must come everyday in order to earn enough income. But even working full time at Gariunai is not the same as in most other establishments. For example, a number of traders were trading under the influence of alcoholic beverages. This type of behavior would no longer be tolerated at most official workplaces.

Furthermore, it seems that Gariunai provides the opportunity to make a decent living. It was impossible to ask the traders directly about their income from trading. However, we asked them to indicate the level of earnings for which they would be willing to take another job. The results were clearly influenced by ownership. Those who were hired employees trading at Gariunai would be willing to work at minimum wage levels at another job (400 Lt$^{10}$) whereas other traders had higher salary requirements (ranging from 600 – 2 000 Lt a month$^{11}$). Given that a monthly salary of 1 000 Lt a month (approximately $ 250 USD) is considered a reasonable income for even educated Lithuanians, the salary requirements of independent OAM traders are quite high. This indication combined with the fact that the vast majority of traders at Gariunai state that they make adequate earnings off their trading activities leads us to believe that it is still possible to make a decent living working at Gariunai.

Despite some improvements, the working conditions at Gariunai remain harsh. Gariunai is open all year round, six days a week, from 4am to 1pm. Some parts of the new market are paved and there are a number of cement ‘stalls’ built for the traders. But this is only relevant for a small group of traders. The vast majority of traders stand on the dirt floor and put up and take down flimsy stalls made of a metal frame and plastic covering. For approximately six months out of the year, there are subzero temperatures for at least part of the trading day. In many cases, traders are completely
exposed to the elements: whether it be snowstorms, rain, wind or even extreme heat. A number of traders remarked about the negative health aspects of the harsh working conditions. In addition, in preparation for busy trading days, many traders will line up in their cars starting at 9:30pm and spend the night in their cars in order to ensure that they will enter the market area and set out their goods in time for the earliest buyers (who tend to buy goods in bulk).

**Economic aspects – micro.** Gariunai seems to act as a social safety net for people who have lost their jobs. Though the majority of traders at Gariunai have been engaged in trading activities for a number of years, Gariunai also offers the possibility of short-term work for individuals to make an income when they have lost their jobs. For example, one trader we interviewed turned out to be a recently laid-off Lithuanian Airlines pilot. A friend of his was a trader at Gariunai and offered him the possibility to sell at the market. During our interview, the former Airlines pilot was selling men's winter coats. His situation is not uncommon. After losing their jobs, a number of OAM traders began working at Gariunai using existing informal networks such as friends or family members that encouraged them to trade at Gariunai. However, though many of the traders may have started at Gariunai as a temporary source of income, for the vast majority of those interviewed, Gariunai has become their main source of income and their main job. Most traders spend more than 36 hours a week at Gariunai and the overwhelming majority earn an adequate or above adequate amount of money. More than half of those traders interviewed have been working at Gariunai for seven or more years.

Further, Gariunai provides additional income for pensioners and those on disability benefits who find it difficult to survive off their state pensions and disability payments. Lithuanian law limits the type of paid activities pensioners can engage in, but trading at Gariunai is permissible and seems to be a viable option chosen by a number of pensioners.

**Economic aspects – macro.** Though no official records are available, it seems that the majority of merchandise sold at Gariunai is purchased outside of Lithuania and brought to Gariunai by the traders themselves. These goods are re-purchased by foreign customers who bring the goods back home. As such we can say that Gariunai promotes
international trade activities. Currently an equal number of buyers at Gariunai are Lithuanians and other nationalities (Russians, Latvians, Belarussians, etc.), but this has not always been the case. Before the ruble crisis in 1998, Russian buyers were as important or even more important than Lithuanian buyers. For ‘bulk’ sales Latvian and Estonian buyers are still important as evidenced by the sizeable presence of vehicles from these countries on busy trading days. It is difficult to estimate the exact quantities of goods being purchased and sold in Gariunai since these types of records do not need to be officially kept. However, the scope and frequency of market activities seems to indicate that Gariunai plays an important role for regional and international trade. Currently the main regional movement of goods is from Poland to Gariunai and to markets in Latvia and Estonia as well as smaller regional markets in Lithuania.

4.7 Discussion

Our interview data suggests that the majority of OAMs traders at Gariunai are female and on average are 42 years old. The vast majority of interviewees were previously employed and started trading at Gariunai for economic reasons. The average number of employees was less than one though it is believed that most traders make use of the unofficial labor of family members. The general profile of a typical trader at Gariunai is of an individual pushed into trading due to circumstances rather than choice.

Customs procedures and high OAM costs are the main formal barriers identified by OAM traders. In terms of environmental barriers, low purchasing power and too few customers were mentioned as well as harsh working conditions. In terms of informal factors, the negative image of OAM traders at markets like Gariunai continues to form a barrier to the legitimacy of trading activities. These barriers are presented in figure 4.1.

Using the definition for productive entrepreneurship in transition countries which focuses on innovative activity under uncertainty that leads to a viable business, the traders interviewed at Gariunai could be categorized as productive entrepreneurs. In terms of innovative activity, these traders have been able to adapt their activities not only to the changing demands of extremely price sensitive customers but also to the uncertainty of an ever-changing regulatory environment that characterizes Lithuania’s transitional process. Their activities seem to result in viable, legal businesses to the
extent that they provide a decent income for themselves and their families. Though it is unclear to what extent traders engage in bribery and corruption in order to bring their goods to market, in general we find most OAM traders to embody a form of productive entrepreneurship since most are legal license holders, provide employment and a personal income to themselves and their families.

Figure 4.1: Barriers to OAM traders in Lithuania
4.8 Conclusion
Our interview data seems to indicate that most traders at Gariunai are examples of productive entrepreneurship i.e. innovative activity under uncertainty leading to a viable business. The traders provide goods to the changing demands of price sensitive clientele and are able to earn a decent living for themselves and their families. Though it is unclear as to what extent OAM traders engage in bribery or corruption especially when bringing goods to the market, we find that by and large, their activities seem to contribute to economic growth.

Gariunai and its traders fulfill a number of important social and economic roles. Firstly, market trading provides a means of earning an income for the unemployed and supplements the income of pensioners and the disabled. OAMs seem to provide a reasonable income for individuals who are disadvantaged on the official labor market due to sex, language ability, ethnicity, and age. Further, OAMs provide supplemental income for individuals living off of meager pensions or disability payments. As such it reduces the financial burden of the state to provide additional benefits to these individuals. Secondly, it may be an instrumental stabilization factor for diminishing the possibility for ethnic conflict by providing an opportunity to earn an income to resident aliens and/or citizens who do not have an adequate command of the state language. Thirdly, the local government benefits from the revenue it receives in the form of license registration payments. Finally, additional revenue is also generated by market-related activities of Gariunai customers such as the use of food-related services, gas stations, etc.

In addition, in transition countries, OAMs such as Gariunai provide a selection of inexpensive goods to very price sensitive consumers (Sik & Wallace 1999). Given the instability and generally low wages of many citizens of transition countries, low price rather than high quality is often the determining factor for making a purchase. Furthermore, the low wages common to both the public and private sector in transition countries make trading at OAM, even at a low income, an attractive alternative to other forms of employment.

However, since many of the activities occurring at Gariunai are not officially recorded, the government faces a potential revenue loss. In addition, the bribing and corruption
that occurs regularly during customs controls may result in further government revenue loss. The ‘unofficial’ character of trade at OAMs like Gariunai could also result in unfair competition for the more structured ‘indoor’ wholesale and retail business sector. Furthermore since the trading activities occurring at OAMs like Gariunai are officially not registered or recorded, they may impact the reliability of key national economic measurements, such as the balance of trade statistics, current and capital accounts, income and employment statistics.

The main barriers that OAM traders encounter are related to formal and informal rules and environmental factors. Formal rules include high OAM costs and customs regulations while informal rules have to do with the negative image of OAM traders. Environmental barriers are related to purchasing power, too few customers and harsh working conditions.

Given the important role that OAMs like Gariunai play in terms of employment, supplementing pensions, integration of Russian-speaking Lithuanian residents and stabilization, it may be of interest for the government to further enhance trading at Gariunai. The policy recommendations presented in Chapter 9 provide some further suggestions on strategies to improve the trading environment at markets like Gariunai.
Chapter 4 notes

1 This intergovernmental organization covered the Soviet Bloc countries. The COMECON’s main activities were joint planning and the promotion of bilateral and multilateral trade (for more information see Brine 1992; Brabant 1989; Ausch 1972; Kaser 1965).
2 As outlined in the Washington Consensus (1989) for further discussion, see Kolodko (2000).
3 In 2000, according to the Lithuanian tax office.
4 More recently, a hotel has been built near the used car market.
5 The old and new markets take market fees from traders on their territory every day but the administrators of these two areas would not disclose the number of traders present.
6 Official statistics only provide an indication of Lithuanian citizens and nationality and not language speaking ability (Lithuanian Department of Statistics 2000). In Lithuania, citizenship and nationality can be distinctly different categories. For example, an individual can be a Lithuanian citizen but have Russian nationality. In 2001, approximately 55 percent of the residents of the Vilnius region were of Lithuanian nationality while 42 percent were of Polish, Russian, Belarussian, or Ukrainian nationality (Lithuanian Department of Statistics 2002).
7 Similar results have been found in other post-socialist countries (see Gerxhani 2002).
8 The minimum state pension in 1999 was 138 Lt per month (approximately $34.50 USD) (UNDP 2000). In April 2002, the minimum state pension was increased to 142 Lt per month.
9 In the old and new markets at Gariunai, the traders rent out segments of market for a fee that varies depending on market location. Further if the traders drive their cars onto the market grounds they must pay a daily automobile fee. Also traders pay a daily market fee. Numerous inspection agencies can randomly check traders for illegal employees, selling in US dollars instead of the national currency, trading without a valid license, etc. If traders are caught breaching the regulations, they are fined.
10 Approximately $100 USD a month.
11 Approximately $125 – 500 USD a month.