The following full text is a publisher's version.

For additional information about this publication click this link.
http://hdl.handle.net/2066/46551

Please be advised that this information was generated on 2019-01-27 and may be subject to change.
Martin van de Velde & Szymon Marcinczak

From Iron Curtain to Paper Wall: The influence of border-regimes on regional economies and societies
The life, death and resurrection of the bazaars in the Łódź-region

Working Paper Series 2005/5

Nijmegen, October 2005
From Iron Curtain to Paper Wall: The influence of border-regimes on regional economies and societies

The life, death and resurrection of the bazaars in the Łódź-region

Martin van der Velde
Radboud University Nijmegen, The Netherlands

Szymon Marcinczak
University of Łódź, Poland

Dr. Martin van der Velde
Department of Human Geography
Nijmegen Centre for Border Research
Nijmegen School of Management
University of Nijmegen (KUN)
Thomas van Aquinostraat 3.1.34
P.O. Box 9108
NL-6500 HK Nijmegen
Tel: +31-(0)24-361 30 34
Fax: +31-(0)24-361 18 41
eMail: M.vanderVelde@ru.nl

ISSN 1570 - 5501

1 This paper was prepared for the workshop "European Union and North American Border Security Policies in Comparative Perspective", December 2 and 3, 2005 – Victoria, BC and concerns work in progress.
2 Martin van der Velde is working at the Department of Human Geography. He is also co-director of the Nijmegen Centre for Border Research and co-editor of the Journal of Borderlands Studies
3 Szymon Marcinczak is working at the Department of Geography. During the preparation of this paper he was hosted by the Department of Human Geography of the Radboud University Nijmegen, the Netherlands. His stay was made possible through a Huygens Scholarship.
From Iron Curtain to Paper Wall: The influence of border-regimes on regional economies and societies

The life, death and resurrection of the bazaars in the Łódź-region

Abstract

The purpose of this paper is to trace the effects of the Schengenisation of the eastern border of Poland on the functioning of the local and regional economy of Łódź, located centrally in Poland. In particular the larger bazaars and open-air markets in Łódź are scrutinised. These bazaars flourished in the 1990s after the borders in Central and Eastern Europe opened as one of the consequences of the demise of Communism. As a consequence of the Polish accession to the European Union and eventually the Schengen Agreement, the interpretation of the border changed again, and became less open. As the bazaars are relying on a very international public, where it concerns sellers as well as buyers, the reinterpretation of the borders affected its functioning. And because of its importance for the regional and local economy, they suffered as well. The responses by the two markets that were more closely observed turned out to be quite different. The privately run bazaar in Rzgów very actively tried to keep (or regain) its customers from the East, whereas the publicly run Tuszyn bazaar, through its municipal management, was much more focused on supporting the (textile-)trade as a major outlet for its locally produced textile. This is partly a reaction on the importance of the textile production sector in Tuszyn. By doing this, however, the local economy is becoming even more dependent on the bazaars. The Rzgów-government is far less depending on the bazaars, as it has tried (and succeeded) to diversify its local economy.

A second important outcome concerns the responses of the clientele. In the early 1990s, when the border had its maximum openness, even the bazaars in central Poland, like the ones in the Łódź-region, attracted many small-scale sellers and buyers. With the reinforcement and increasing bureaucratisation of the border, for these ‘suitcase’-traders it became more and more difficult to visit the centrally located bazaars. A major affect of the Schengenisation of the border therefore is that the buyers and sellers that still come to the Łódź-region are the bigger ‘players’.

By answering these questions this papers may contribute to a further understanding of micro local and regional implication of macro European developments.
Introduction

The history of Łódź is closely tied to the textile industry. This was so much so that it has been labelled as the ‘Polish Manchester’ and ‘Textilopolis’. Partly because of its location in central Europe as a whole, the orientation for the textile-industry has always been very much towards the East. The large bazaars with a very international public, which came into existence after 1989, might be regarded as the off springs. They arose in all sorts and kinds, like formal and more informal, publicly run as well as run by private companies.

![Map of Poland, Lithuania, and Russia](image)

**Figure 1: The location of Łódź**

Although Łódź is located in the geographic centre of the country since WWII (Figure 1), it has always been one of the focal points for trade with the former Soviet Union. After the breakdown of the USSR the traders as well as buyers from especially Belarus and Ukraine kept coming. This was especially easy because of the relative permeable eastern border of Poland. However, since Poland applied for membership of the European Union (EU), this permeability, especially as a consequence of the Schengen-agreement, has decreased.
The bazaars acquired considerable importance. In 1998 it was estimated that e.g. the large bazaar in the ‘Tenth Anniversary Stadium’ soccer-stadium in Warsaw accounted for no less than €330 million of export of Poland, this way being the fifth largest national ‘exporter’ at that time. In total it was estimated that the bazaars in Poland provided a living for 130,000 people in the markets themselves as well as in ancillary services. In the Łódź-region for instance (budget-)hotels were build close to markets en people living near the larger bazaars rented their gardens as parking spaces and had rooms available for traders that wanted to stay longer than one day. After the tightening of the Eastern border it was estimated that the turnover of the markets fell by no less than 50%. Recent trends, however, suggest that the bazaars are recovering again.

For the Łódź-region these bazaars constitute a major factor in the regional economy. Not only it serves as an outlet for the locally and regionally produced textile-products, it also made up a major part of the local budgets of the municipalities where the markets are located, through tax-revenues.

Figure 2: The Łódź-region and the location of the Bazaars
The purpose of this paper is to trace the effects of the Schengenisation of the eastern border of Poland on the functioning of the larger bazaars in the Łódź-region in Tuszyn and Rzgów (Figure 2) and with that on the local and regional economy. Questions that will be addressed are amongst others whether this region is still a magnet for traders and buyers from the eastern neighbours or might it be that other locations, closer to the border have taken over? Have the function and the clientele of the bazaars changed? What have the responses and policies been of the local government and development agencies?

By answering these questions we hope to contribute to a further understanding of micro (local and regional) implication of macro (European) developments. Explaining the current position and the past performance of the bazaars in the Łódź-region, requires very much describing and analysing the path dependency of the development of the bazaars within the local, regional, national and European context. Besides the historic role of the region within Central and Eastern Europe, their activities are very much shaped by the political and institutional context. In this case it is not only the local and regional institutions that are at play, but also the decision of the Polish government to join the EU and eventual the Schengen agreement. In doing so, the fate of the bazaars is also depending on the decisions made and agendas set in both Warsaw and Brussels.

This paper largely follows the ideas of the structuration theory, in which functional embeddedness is an important issue. This claim finds its justification in the arguments of the structuration theory, that: “[p]eople live in structures, organized set of rules and resources that they have created and which, as they enact them, they reproduce. Thus agents and structures are not independent, forming a duality (there is no dualism of structure and agency). They are interdependent forming a duality: the structural properties of social systems are both medium and outcome of the practises they recursively organize” (Giddens, 1984)

It is also in line with the general framework of new economic geography, which gives great emphasis on the spatial interactions between economic agents. In stead of focussing on activities, the actors are given a more prominent role (Fujita et al., 1999). In other words, according to Yeung (2003, p.445): “[t]he context in which the multiplicity of identities and logics shapes the social practices of economic actors constitutes they key starting point in most recent studies of new economic geography […] context sets the contingent in which economic action can be analysed […] Thus the context of economic situation becomes a
critical component in any geographical explanation”. The assessment of the actors is partly based on the concept of regime theory (Stoker, 1995). Therefore, the actors (or their representatives) were chosen who have a coalition building capacity.

In this sense this paper tries to combine the importance of the temporal, spatial and institutional context and a strong focus on actors and their interaction in giving insight into the importance of the changing interpretation of the Eastern EU-border, especially where it concerns the bazaar-phenomenon.

In the following section, we will deal first of all with the bazaar-phenomenon in general as the topical issue of this paper. Next the implication of (the preparation for) the accession to the Schengen-agreement will be dealt with as one of the institutional contexts of the bazaars. The third section will elaborate on the regional setting, in describing the regional development of the Łódź-region. The fourth section is focussing on the bazaars in the Łódź-region in particular and how the specific consequences of the Schengenisation of the Polish border are dealt with.

**Open-air Market**

The bazaars, as they are the general topic of this study, are one of the forms in which the broad phenomenon of open-air markets presents itself. This term open-air market (OAM) might be somewhat misleading, as the two bazaars that feature in this study (the ones in Tuszyn and Rzgów) are both functioning in (partly) covered structures (Figure 3). They both are one of the wide varieties of forms that together constitute a continuum running from small haphazard street corner markets to large scale mall-like market halls. In the following the terms bazaar and OAMs are used both and as synonyms.

The OAMs play a major role in the distribution of goods all over the world. In that sense they have a long history already. The term ‘bazaar’, certainly in the early days, most often is associated with the (periodic) markets in less developed countries. As such they were first and for all studied by cultural anthropologists. When they are associated with the more developed countries, very often it still comes with an air of folklore and ‘garage sale’.
Figure 3: Bazaars in Tuzsyn and Rzgów

One of the first definitions of a bazaar is from Polanyi in 1957 (in: Sik & Wallace, 1999), when introducing the idea to study these markets in order to study market relations. He defined OAMs shortly as places for the exchange of simple goods. This very straightforward definition was augmented by Bohannon and Dalton by including the social, cultural, political and economic characteristics as influencing factors for the manifestation of the market relations (1962).

When dealing with the bazaar-economy two approached dominate. In the first one they are regarded as a prototype of the competitive market. Other (ethnographic) approaches are stressing the exotic and sometimes even bizarre character of the bazaars, in the sense that at first glance the ‘entrepreneurs’ operating on these markets very often display an almost irrational behaviour (Fanselow, 1990). In our case the described OAMs in Central and Eastern Europe (CEE) might be considered in both perspectives. They can be regarded as a stage in the development of capitalists markets after the 1990s. But when visiting these markets nowadays, one still can also not escape the impression of the exceptional character, both with regards to the products, the sellers and the buyers. Not only very strange, exotic and bizarre combinations of products are sometimes at display, also the traders and clientele are coming from unexpected locations. The OAMs in for instance Warsaw and Łódź in the beginning not really catered the Poles. In the early days the customers came largely from the eastern countries, buying the products that were made in Poland. At that time many small factories were set up by the Poles around the OAMs. Nowadays the Vietnamese sell textile imported from Asia and it some bazaars are also a hub for contraband from the eastern countries.
OAMs did already exist in Central and Eastern Europe before 1990s, in the socialist times. At that time they played an important complementary role in a dysfunctional redistributive system. Officially they were considered “… as remnants of an outdated and unnecessary form of commerce or as a dangerous challenge to the socialized retail sector …” (Sik & Wallace, 1999, p.697). After the fall of Communism these markets kept on playing an important intermediary role between the collapsed socialist system and the proliferating capitalism. As will be illustrated later on, the CEE OAMs have become almost a substitute more than a supplement to the normal retail sector (ibid.), or as Aidis has formulated it, they are “officially despised yet tolerated” (2003). According to Rada it is even possible to speak of a cross-border bazaar economy stretching from the ‘Chinese’ market in Budapest, over Tuszyn, via the ‘Tenth Anniversary Stadium’ in Warsaw to the market ‘At the Seventh Kilometer’ in Odessa⁴. Nowadays “[t]hey have developed from sites for illegal activities condemned as ‘parasitical’ by the former regimes (but nevertheless an important part of those regimes) to becoming increasingly open” (Sik & Wallace, 1999, p.701). As such the already existing OAMs, became the prototypes of shopping malls (Shields, 1992).

The current functioning and past adaptation of the CEE OAMs is very much depending on the influence of the interaction of the state and the market on the everyday life of citizens. This interaction is not only applicable on the national (Polish) level, but also on the higher European level. As will be explained further on, the success and/or failure of these markets, partly depends on traders as well as customers coming from abroad, especially from the Eastern countries. In this sense the regimes that are imposed upon the Polish border with Belarus and Ukraine are of great importance for these OAMs.

Notwithstanding the fact that the open-air markets are more and more claiming their regular position within the wholesale and retail system, there still is a gleam of illegality, surrounding them. This is supported by the fact that many of these OAMs might be characterised as examples of ‘raw’ capitalism. This implies that these markets certainly do operate according to certain rules (they are institutionalised), but for a long time were not really formalised. The traders have to behave according to those rules and regulations (like paying fees for occupying the stalls) without being protected by formal laws largely. Also the fact that the markets, certainly in the early days operated in what Elster et al. (1998) have come to call as

---

an ‘institutional void’, where the state withdrew and the other institutions were not prepared to regulate the market forces, may have contributed to the unregulated character of these markets. Huge profits are possible, but failure is also lurking.

Maybe it is also because of this still somewhat obscure disposition that from a scientific point of view this topic is still very much a wasteland. This is remarkable considering that they are in a way a form of intermediary between the market and the planned economy as well in the socialist past as in the capitalist present. One of the exceptions to this ‘intellectual void’ is the collection of papers that was published on the issue of open-air markets in Central Europe in the International Journal of Urban and Regional Research in 1999. The core of this special issue was based on an extensive study that has been carried out by Czakó and Sik (1999), who analysed four of these markets in Hungary. In one of the contributions Sik and Wallace (1999), tried to systematise the structural changes that influenced the developments of CEE OAMs. They formulated six major changes, to wit

- the deconstruction of socialised retail sector;
- the disappearance of the bilateral international trade;
- the opening of previously closed borders;
- the ‘vanishing’ strong and paternalistic state;
- the growth of a ‘western’ consumer culture;
- the rapidly decreasing standard of living.

(Sik & Wallace, 1999, p.701)

All of the changes above are creating a fertile bed for the (existing) OAMs. In the Post-communist society, the already available skills of ‘surviving’ in a Communist society proved to be very valuable as well in dealing with these changes (Piirainen, 1997). However, within the context of this contribution, especially the changing interpretation of the border is of interest. Directly after the collapse of the communist system, indeed the border controls were alleviated, resulting in increasing cross-border flows, not only of sellers, but also of buyers. To illustrate this, in 1989 fewer than 3 million people from the former Soviet Union entered Poland. Their number more than doubled the next year and continued to grow to more than 14 million in the peak year of 1997 (Stola in: Iglicka 2001a). Before that time travelling within the communist block was difficult because many national borders were most of the time completely sealed. Even travelling within national borders was made difficult. The high level
of cross-border interaction after 1989 was induced by price differences between countries for an important part, next to the mere shortage of products. These factors stimulated the what some have become to call shuttle migration. Shuttle migrants are travelling to certain places for selling products, while staying for some days before returning home (Iglicka 1999, 2001a, 2001b). According to Iglicka inhabitants of the former Soviet Union, involved in this shuttle migration had often given up their jobs and positions simply because the movement and trading based on the differences in the currency exchange rates or price differences between the countries was much more profitable for them. International commuting became their main source of income and de facto their ‘job’ (2001a, p.507). In the same vain the so called suitcase traders (sometimes also called ‘ants’) are people that travel, in a literary sense, with the products in their suitcases (Sword, 1999), this being possible because of the fact that they only sell very small quantities. Notwithstanding that cross-border travel was possible, of course borders in those days still were barriers and as such also create opportunities for border-traders (Thuen, 1999). These people make a living out of crossing borders back and forth, because they charge people when selling them the goods they brought across the border. This charge is a compensation for the risk they take (smuggling) or the effort it took to get it there (transportation costs etc.). In case a border gets less permeable, as is happening at the moment because of the Schengen-measures, for some it becomes even more attractive to continue this shuttle trade.

Given the fact that the increased permeability of the border has been an important contributor to the rise of the bazaars (not only in the border regions, but also for the ones further inland, like Warsaw and the Łódź-region), it shall not come as a surprise that the tightening of the borders and the intensified border control, in the run-up to the Polish Schengen-membership also had great consequences for these bazaars. One could have expected that this would be a fatal blow for the bazaars. For the Warsaw bazaar it was estimated that number of vendors fell from 7000 in 1997 (the year the first transitional measures were taken) to 5000 in 1998. Sales fell from €450 million in 1997 to €200 million in 1998 and to €160 million in 2000 (New York Times, 30 Sep. 2001). It has to be mentioned immediately that this decline not only was because of Schengen-measures, but also because of the financial crisis in Russia from 1998 onwards. Apparently the customers didn’t return immediately after the recovery. In the case of the Warsaw bazaar “[t]he decline reflects changes in Central and Eastern Europe. New

---

5 In the next section these measure will be elaborated on
markets have usurped Warsaw’s role as a shopping centres for Minsk, Kiev or Moscow. Asian producers selling through Poland’s sizeable Vietnamese community have undercut Poland’s sweatshops. And many companies now use Warsaw simply as a distribution centre.” (ibid.)

The fact that the stricter border-regimes are not the only factor influencing the functioning, may also be witnessed by the fact that it seems that after an initial drop, the CEE OAMs, at least in the Łódź-region, have regained some of their position. This observation will be dealt with more extensively later on.

Who and what
So far we have only be talking about bazaars and OAMs in general terms. The study by Czakó and Endre provides us with quite detailed information about four Hungarian OAMs (Czakó & Sik, 1999). The data that are the basis of this report stem from a project carried out in 1995-1996. So it is important to keep in mind that this was before transitional measure (like introducing visa for certain countries) anticipating the EU- and Schengen-membership were in place. In other words, this report is more or less describing the heydays of the CEE OAMs. As the observations in the bazaars in Tuszyn and Rzgów, that will be presented later on, are more global and anecdotal and the questionnaires only dealt with the buyers, in this section the data collected by the Hungarian scholars are used to get some insight in the who and what of CEE OAMs (as it used to be).

The biggest bazaar in the Hungarian study was the famous Budapest-Józsefváros OAM. Its 12,000 square meter area is property of the Hungarian National Railway Company and run by a private entrepreneur. Its annual turnover was estimated at €75 million in 1995. Illustrative for the international orientation of the bazaars is the fact that in Budapest almost half of the traders are Asian. This high share on the Budapest market is exceptional. On the other markets, two third or more are Hungarians.

When looking at the products that are sold at the Budapest bazaar it shows first of all that an overwhelming majority of 86% concerns clothing. In that sense it is, however, comparable with the bazaars in the Łódź-region. The high percentage of textile-trade in Budapest may concur with the fact that so many Asian textile traders are present. On the other three markets also a majority of the products, albeit not so high, concerns textile. The second most
important category when it concerns the geographic origin of the products concerns western products. This relates probably to the fact that the OAMs also are satisfying the growing ‘western’ consumption culture.

A very interesting outcome of the Czakó and Sik-paper is the comparison of the price levels. One would expect that the prices in general would be lower, compared to the national level. This is only partly true. Especially textile products were cheaper at about half the level elsewhere. Strangely enough chocolate, cigarettes and deodorant (western products) were as expensive or even more expensive. Interestingly enough the price differences were remarkable constant over the four markets that were scrutinised, almost as if the prices were subject to some regulation.

Summarising, in this section it becomes clear the OAMs in Central and Eastern Europe do play an important role in the local, regional and national economies. They are mediating between the upcoming capitalist market and a fading socialist system. They are becoming more and more a substitute for the ‘normal’ retail and wholesale outlets, in stead of playing the supplementary role they had in the early days. Both the traders as well as the buyers exhibit a very widespread geographical pattern. Therefore the changing regimes, especially at the eastern border of the current EU might have a great impact on these bazaars. The next section will deal with the so called Schengen Agreement, which among others organises and regulates the outer border of the EU (or to be more precise the outer border of the Schengen-territory.

**The Schengen-agreement**

The fall of the iron curtain in the late 1980s initially enabled inhabitants of the CEE countries to freely cross national borders. However, as one of the consequences of the aspirations of some countries\(^6\) to join the EU and the Schengen-agreement this changes again. Among the requirement is the virtual sealing of their eastern borders that have become the outer borders of the EU. This was mainly achieved by the introduction of visas for non-EU citizens.

The Schengen Agreement is an agreement originally signed in June 1985 by five countries (Belgium, France, Germany, Luxembourg and the Netherlands). Its aim was (and still is) a

---

\(^6\) It concerns the following CEE countries: Estonia, Lithuania, Latvia, Hungary, Poland and Slovakia
free movement of goods, people and services within the EU, parallel to, a harmonised system of external borders control. In other words, the opening up of the internal EU borders is accompanied by sealing of the external ones. Five years later (in June 1990) the Convention Implementing the Schengen Agreement was signed. Its key issues relate to measures designed to create a common area of security and justice, following the abolition of internal border checks (Rakowski & Rybicki, 2000). Implementation of the ideas gradually led to the establishment of a set of rules and norms (the Schengen acquis) creating a.o. a uniform visa-system enabling aliens to travel across the Schengen territory. The Amsterdam Treaty, adopted in 1997, included the Schengen acquis into EU law (ibid.). The Convention Implementing the Schengen Agreement entered into force on 1 September 1993. Its provisions could not take practical effect, however, until the necessary technical and legal prerequisites (such as data banks and the relevant data protection authorities) were in place. The Convention thus took practical effect on 26 March 1995 for the original parties to the Schengen Agreement as well as for Spain and Portugal. Since 1995 Italy, Greece, Austria, Denmark, Finland and Sweden have acceded to the Convention, which only entered into force for the three Nordic countries in March 2001. A Schengen cooperation agreement was concluded with the non-EU members of the Nordic Passport Union (Norway and Iceland) in 1996. Norway and Iceland have also fully implemented the Schengen regime since 25 March 2001.

As it has already been mentioned, a visa is the main tool used to control the flow of the migrants into the EU. First of all, it creates quotas and shapes the structure of inflow by the pre-adopted number of accession and by imposing requirements on the personal history, affluence or martial status of the immigrant. Of course for individuals the process of obtaining a visa is usually problematic, at best it requires time. Apart from planning their trip beforehand, potential tourists have to travel to a consulate, which may be quite remote from their place of residence. At that consulate they will be interviewed, very often on detailed personal information. Furthermore, they have to pay for a visa without any certainty that they will be given one. Finally, the lucky ones who are granted access have to wait sometimes up to several weeks for a visa to be actually issued.

---

Due to the introduction of a new Aliens Law in Poland already in 1997, in preparation for signing the Schengen Agreement, the free movement of people across the Polish eastern border, flourishing since the early 1990s, was suddenly stopped. Within its frame an individual crossing the border was required to possess a legal document stating the identity and a voucher. This law, adopted in order to adjust the Polish border crossing policy to the EU norms influenced mostly Belarussians, Russians and Ukrainians. The other neighbouring countries, due to their ongoing accession process, as well as the members of the EU were exempt from the visa obligation. In order to diminish the negative impact of this policy, especially where it concerns the decreasing number of visitors from the former Soviet Union, the Polish government worked out a set of facilities. They included that the Belarussians and Russians for certain types of journeys (e.g. business trips or journeys aiming at visiting family or relatives) did not need these vouchers. Ukrainians who wished to stay in Poland less than 90 days did not even require a voucher at all (Rakowski & Rybicki, 2000). The situation has become even more difficult since 1 October 2003 when visas were introduced for all travellers from non-EU countries. However, again in order to maintain the profitable influx of the shuttle migrants from the former Soviet Union, the Polish government introduced some measures aimed at relaxing the emerging border clinch. According to Tokarz (2004) the ‘stream’ method of visa issuing is the most important one. This method e.g. implies that the required interviews when applying are seldom carried out and maybe even more important, a visa has to be issued no later than two days after it was requested.

Summing up this section, one can say that since the 1997 the former iron curtain has been gradually replaced by a paper wall, created by visas, invitations, work permits and so on. Furthermore, this process may be reinforced by the future legislation. The ‘liberal’ visa policy of Poland is, so far, tolerated by the EU. However, it inevitably will be changed when Poland is actually joining the Schengen territory, scheduled in 2008.
The Łódź-region
This section presents a succinct description of the Łódź region. As was already mentioned such a portrait is inevitable to understand the environment in which actors (bazaar managers in particular) act. Not doing this, can lead to spurious conclusions concerning the activities of individuals (cf. Johnston, 1986). Moreover, in order to achieve a proper insight, it is necessary to use an extended timeframe (Jones, 2004). This issue is especially important in the case of post-socialist urban regions, where the path-dependency narrative seems very important (Andrusz et al., 1996). Therefore, the Łódź-region is portrayed, with special emphasis on the development of the textile industry.

The early history
Although Łódź received city status already in 1423, at that time it was only a small agricultural settlement with no more than a hundred houses. It led an obscure existence until the 19th century when its situation changed completely and Łódź began to grow (Koter et al., 1996). It would not have happened if it had not been for the textile industry development parallel to the opening of the eastern markets.

This particular set of events was enabled by the political and economic context of the 19th century. Although, there was not an independent Polish state at that time8, the relative autonomy was maintained by the Congress Kingdom of Poland established under Russian supervision. Łódź, that was part of this political entity, used this opportunity by responding to the growing demand for textile products particularly from the internal market (i.e. the army) and from Russia. The latter gained importance when Russia imposed a protectionist customs duty on imports of goods produced in Prussia in 1821, and established a customs union with the Kingdom of Poland a year later (1822). These factors eased the penetration of the vast markets of the tsarist empire (Liszewski, 1997).

The period of the tempestuous development ended in 1830 when, due to the failure of the November Uprising (Davies, 1982), custom duties on the border with the Russian Empire were imposed. The period of relative idleness was used to implement technological changes such as a restructuring of production and the introduction of the steam engine (Liszewski, 1997). So, already in 1851, when the duty-system was abolished, Łódź was a highly

8 Due to three partitions (1772, 1793 and 1795) the Polish territory was divided among three military powers: Austria, Prussia and Russia.
mechanized industrial city, producing high quality textile goods (especially cotton products) that were competitive on the eastern market (ibid.). Along with the introduction of very restrictive custom duties on goods imported to the Russian Empire from Western Europe in 1877\(^9\), the favourable market environment for the Łódź industry continues to grow. In the period 1879-1913 about 70\% of the textile production of the region was sold on the Russian market (Puś, 1987). During the interwar period, however, industrial production collapsed due to three factors, the textile machinery was confiscation by Germans, the capital and securities of the entrepreneurs deposited in Russian banks were lost and the eastern markets closed.

After WWII, the region, together with the rest of Poland, found itself under the political and economic supervision of the Soviet Union. The traditional eastern market was opened again, but it was a ‘controlled’ opening without appreciation of the free market forces. Moreover, Poland, like other communist European countries, joined the CMEA (Council for Mutual Economic Assistance), an organization overseen and controlled by the former Soviet Union. In general, in the case of Łódź, the socialist times (1945-1989) meant further industrialization with limited possibilities to control the structure of this process. In other words, the Łódź industrial structure, resembling other communist states (cf. Elster et al., 1998), was subordinated to the idea of economies of scale. In practice, even though new industrial branches were introduced (e.g. chemical, electro-engineering and machine-industry), by serving its needs they were strongly tied to the predominant textile production. Constant industrialization required more labour force, therefore, inhabitants of the hinterland (mainly the suburban zone) found employment in the factories in Łódź (Jakóbczyk-Gryszkiewicz, 1997, p.228). All in all one can argue that this was a period of relative stability (Liszewsk, 1997, p.18).

Concluding this subsection, we can state that the periods of prosperity and decline of the region are influenced by contemporary relationships with Russia in general, and by the access to the eastern markets in particular. As will be illustrated in the following subsection, this pattern seems to prevail in the current (1990-2003) economic performance of the region in general, and in the case of the examined bazaars in particular.

---

\(^9\) See C. Owen (1985) for a in depth description of the socio-economic situation of the Tsarist Empire at that time.
Łódź-region today

The present socio-economic situation of the region bears a heavy socialist legacy. Especially the former mode of production, implying strong ties between suppliers and their customers (Elster et al., 1998), undermined the economy during the early years of systemic transformation. Firstly it influenced the internal economic structure of the region, in that the collapse of one link implies severe problems for the whole production chain. It also effects the external trade relations. The almost exclusive reliance on the CMEA market before 1989 meant loosing all the customers at the same time. The huge unemployment of about 100.000 people in 1991 and numerous closed factories are exemplary of the early days of the socio-economic transition. Łódź and its region shared therefore the fate of many other industrial urban regions in the CEE countries (Kovács, 2000, p.3). In general, the area under study was perceived as not having immediate prospects for development (Walker, 1992).

Notwithstanding this black scenario, the region managed to achieve a desirable shift in developmental trajectory by implementing a set of more or less successful projects (Dornisch, 2001). Among those successful projects are the creation of the bazaars on the outskirts of Łódź city by a consortium of private and public investors, including private businessmen, the city councils, and the Communal Bank of Łódź (ibid.).

The development of the above mentioned bazaars was in particular enabled through two main factors. The first one was the launch of two organisations, namely the Enterprise Monitoring Department and the Debt Restructuring Department (ibid.). Apart from all kinds of other positive effects, this enabled individual actors to buy assets from liquidated factories (especially machines) to start their own private enterprises. It turned out to be of major importance for local inhabitants of Rzgów and Tuszyn since the new textile entrepreneurs, in majority, used to be employees of Łódź factories. Therefore they had already a background in textile production.

The second factor was the phenomenon of the earlier mentioned shuttle mobility (primitive mobility) from the countries of former Soviet Union to Poland during the decade after the collapse of the communist rule (Iglicka, 1999, 2000, 2001a, 2001b, 2002; Okólski, 1996). The influx of ‘tourists’ from the former Soviet Union had many positive effects such as the development of specific sectors of the Polish economy. Especially the foreign demand for textile and leather products was one of the main factors behind the boom in private textile and
shoe businesses (ibid.). These ‘tourists’ proved to be the major stimulus not only for border-regions bazaars (cf. Potrykowski, 1998) but also for markets located in the heart of Poland, like the Warsaw Bazaar (Okólski, 1996) or the Rzgów-Tuszyn textile-trade strip discussed in this paper.

To sum up this subsection, the current development of the region is path-dependent in its nature. The economy of the Łódź-region is still influenced by the eastern market, although to a lesser extent thanks to diversification of industrial branches and development of the tertiary sector in the urban core. Moreover, bearing in mind a chronic deficit on the balance of payment in international exchange, the eastern market shall remain of importance for development of the Łódź-region.

**Tuszyn and Rzgóź Bazaars**

The history of the bazaars in Tuszyn and Rzgóź begins in the early 1990s when the local entrepreneurs, who desperately wanted to sell their products, started to do it standing along the major Polish north-south artery that runs through the two municipalities (see also Figure 2). Along with a growing influx of the ‘Russian’ visitors, the textile producing and trading activities started to flourish. Thus, already in 1993 representatives of local government along with businessmen from the region undertook actions aimed at improving the existing conditions. First of all the number of the bazaar locations were delimited. In the case of the municipality of Rzgóź, the local government provided an area, while local businessmen supplied the necessary funds. Based on this a huge apparel market was created. In other words, a private-public coalition was established. This bazaar is also known as PTAK, after the name of its founder.

The inception of the Tuszyn bazaars has a different origin. First of all, instead of one market, there were seven established. Contrary to Rzgóź, in Tuszyn the biggest bazaar is on public land and it is maintained by the local government. This situation inevitably influences the flexibility of this venue.
The flourishing of the bazaars, measured directly by the number of stalls, lasted till 1998 with its heydays in 1995-1996 (Figure 4). Late 1997 the Polish government introduced stricter border-crossing requirements for the inhabitants of the former Soviet Union countries, in order to fulfil the obligations arising from the forthcoming EU accession. This, according to Iglicka (2001a) immediately affected movement from Belarus and Russia, which in turn affected the sales at big bazaars in eastern and central Poland. This issue caused heavy lobbying on the national level – Polish traders and manufacturers forced the central authorities to lower the costs of tourist vouchers and the amount of money necessary to enter Poland (ibid.).

The second ‘strike’ affecting the bazaar economy, occurred in October 2003 when, according to the further fulfilment of the Schengen agreements, a visa-requirement for the inhabitants of the former Soviet Union was introduced, which hindered international travel even more.

Notwithstanding these unfavourable circumstances the bazaars are still very important for the local and regional economies. A first indicator is the taxes revenues derived from the bazaars. They constitute a significant share of the revenue of the municipalities (Figure 5).
The periods of prosperity and decline of the bazaars have a crucial influence on the regional-economic condition. This is reflected, albeit indirectly, by the numbers of employed in both municipalities. The absolute number, as well as the structure of employment, reflects the already mentioned dependence on the eastern markets. In short, the economic and political relation with and situation of eastern neighbours of Poland affects the employment in the region. Unfortunately, the Polish employment statistics are biased in the sense that enterprises that employ up to 9 workers are not included in the official statistics since the year 2000. This fact is of a great importance in our case because of the structure of firms, in that exactly the small enterprises constitute the predominant type.
Therefore a better assessment of the municipal economic performance (and employment structure) is achieved by charting the number of enterprises in the industry and the trade services sector (figure 6). The majority of the industrial venues in these municipalities is related to the textile-sector. For the trade services counts that this sector is dominated by bazaar-related activities. Of course not all of the volatility is accounted for by the changing border-regimes, but in general a somewhat declining trend can be witnessed since 1997, especially in the industry sector. With regard to the measures of 2003 it might be too early for them to show up in the number of companies.

Clients of the bazaars

In the general section describing the bazaar or open-air market phenomenon, some data was already presented to illustrate the “who and what” of at these markets. Because of the fact that the topic of these markets is still not very extensively scrutinized in scientific literature we had to rely on data dealing with Hungarian markets at the end of the 20th century. As was described a lot has happened since, like the accession of central and eastern European countries to the EU, the preparation for the Schengen-membership of many of these countries, increased border-security-regimes and changing attitudes towards (illegal) immigration. All of these events have implication for the mobility of people, and as was shown earlier, the market phenomenon very much relies on people being able to travel to the trading places. In order to start filling this ‘empirical’ gap, a small scale questionnaire-project was carried out among the buyers at one of the larger markets in the Łódź-region, to wit the publicly run OAM in Tuszyn.

The markets in Tuszyn altogether occupy an area of about 15 hectares and the traders have at their disposition about 7000 stalls. The location where the questionnaires were conducted had a little over 1100 stalls in semi-permanent constructions. As is the case at many of these markets textile and clothing are the most important products. The market that was studied is open six days a week, from 3am until 11am. It is estimated that about 7 million people are visiting the seven markets of Tuszyn per year and the turnover is about €830 billion. Just to indicate the importance of the markets for Tuszyn, the municipal revenues of these taxes amount to more the €1.5 million.
In order to get some basic insight in the clientele, about 97 customers were approached with a questionnaire while they were visiting the bazaar\textsuperscript{10}. Of course we are not able to draw firm conclusions from this small sample, but indications are of course possible. As almost all respondents were coming from Poland in the analysis that follows we will mostly only discern between the people from the Łódź-region and from the rest of Poland\textsuperscript{11}.

Just as a first indication of the changes in the ‘regional’ composition of the people it is interesting that only two of the respondents were coming from countries outside the future Schengen-zone. This might already indicate the importance of the border-regime since 2003. Although we are not able to prove it statistically, it might not be to daring to state that only a very small part of the customers is coming from these countries nowadays. This remark is also supported by the observation that few private cars and small trucks in the surrounding parking-lots are recognizable as coming the ‘East’\textsuperscript{12}. Of course this does not automatically imply that the revenues are likewise small. The two respondents from Belarus were indicating that the amount of money spend, fell in the highest categories, whereas the average for people from the Łódź-region was about €300 and for people from the rest of Poland €800 (Figure 7)\textsuperscript{13}.

\textsuperscript{10} In this respect the authors would like to thank the Polish Geography-students from the University of Łódź, which did do the actual questioning.
\textsuperscript{11} Two respondents were from Belarus, two from another EU-country, one respondent was Israeli and one refused to answer. The remaining 91 were quite evenly coming from the Łódź-region (45) and the rest of Poland (46).
\textsuperscript{12} The share of autobuses from these countries is much higher.
\textsuperscript{13} In the graphs the original Polish currency of the Złoty is used. In the text this currency is converted into Euros using a exchange-rate of 4 Złoty to 1 Euro.
In general, as was said already, people are mainly interested in textile and clothing. About three quarter of the respondents have bought or are going to buy textile. For about two third of the people the low price was the main reason to come to the bazaar. This pattern is the same for people from the Łódź-region, compare to the rest of Poland.

Figure 7: (Expected) Expenditures (in Złoty)

Figure 8: Visiting frequencies
There is a big difference when it comes to fact whether the products are for personal use or for resale. Whereas two third of the Łódź-people buy for private use, the people from the rest of Poland two third has the intention to resell their acquisitions. This might also account for two other observations. When looking at the frequency of the visits it shows that three quarter of the visitors from outside the Łódź-region are coming at least once a month. For the people living close by this is only a third (figure 8). Also the age-composition is quite different. About two third of the respondents from the Łódź-region is under the age of 40, whereas about three out of every five respondents from outside this region is older than 40.

Before and after October 2003

One of the presuppositions of this paper was that the actual introduction of the visa-requirements influences the functioning of the bazaars. One way this could express itself is that the customers will appreciate the bazaar differently. Some effect is noticeable, albeit that the number of respondents requires prudence. About half of the respondents state that they haven’t noticed a lot of change. Among those that have seen changes a small majority rates this change as negative. This tendency is stronger among the respondents from the Łódź-region. Although we have to be even more careful in analyzing what has changed, it seems that changing range of products is mostly observed. This is, however, almost equally often mentioned as good as bad. Among those that indicated that things changed for the worse, the price and the suppliers are mostly mentioned.

Another possible effect can be that people are going to other markets, especially to the East of Łódź, closer to the Ukrainian and Belarusian border. This can, however, not be substantiated from the questionnaire. Next to the bazaars in the Łódź-region, the bazaars to the East and West are about equally often mentioned and since October 2003 the frequency of these visits has hardly changed.

Local responses

In respond to the changes, apart from activities undertaken at the national level, the local private-public coalitions implemented their own initiatives battling this unfavourable situation. In order to trace the responses three in depth interviews were carried out. The two mayors of the Tuszyn and Rzgów and the management of PTAK have been interviewed. Based on this the conclusion can be drawn that the character of visits and purchasing habits have changed since 1997. Particularly, now there are only around 20 coaches from the former
Soviet Union coming. There used to be more than 40 of them in the heydays. What is more usually only the driver and some passengers are on board, whereas the places that formerly were occupied by shoppers are currently full of textile products.

Next to the changing behaviour of the customers also the Rzgó w bazaar has implemented different strategies. The first one is related to activities devoted to help foreigners from the former Soviet Union to cross the Polish border. Within this group one can mention several ‘innovative’ actions. First of all, resident permits are quite easily issued in order to maintain the informal contacts of local entrepreneurs. Secondly, the PTAK bazaar has its own computer data base comprising the names of regular (preferred) clients. Being on this list entitles one to obtain a visa much faster and without any additional problems. However, utilising this ‘facility’ obliges one to do shopping exclusively in PTAK. It acts therefore as a kind of loyalty program. The exclusiveness of shopping activities is reinforced by the fact that PTAK cooperates with the company that provides transport from the border to his bazaar and, at the same time, makes sure that contingent clients will not visit any of the border-zone markets.

The second strand of activities involves intensive marketing, especially, like commercials from PTAK in the Russian TV, internet and press, in addition to the billboards welcoming ‘tourists’ while crossing the eastern border. The interviews have indicated that the elaborated strategy (after the first turmoil in 1997) were quite successful also after the visas were introduced in October 2003.

Next to this strategy aiming at (re)attracting the former customers and traders, the PTAK-management is also in the process of converting the bazaar into a more regular shopping mall, this way trying to attract not only more Poles, but even eventually also people from other (western) countries.

The situation of the Tuszyn bazaar is different. Partly this is due to its public ownership. On the one hand, it inevitably narrows the depth of possible activities. Only small scale projects were implemented, like providing cheap meals for coach drivers, discounts when hiring a stall, implementing different operating hours, to create an almost 24/7 operation. On the other hand the Tuszyn municipality, from its responsibilities for the inhabitants at large, also tried to protect the local economy. One initiative in the respect is joining the ACTE (Association of
European Textile Collectivities) in 2005. This was a deliberate initiative to protect the local textile production.

In short, it maybe clear that all sorts of (mirco-)coalitions are build and (micro-)strategies are pursued in order to battle the negative outcomes of the re-affirmation of eastern border of Poland.

**Conclusion**

This paper is the outcome of a first attempt to trace the effects of the changing interpretation of eastern border of Poland on the local and regional economies. It has tried to create some empirical basis for further research and in that sense has a strong descriptive character.

It is clear that the local and regional development of the Łódź-region is strongly tied into the developments on other levels of scale. It is by no means an isolated process, on the contrary is embedded in national, European and global structures and processes, not only in a spatial sense, but also in a temporal and institutional one.

First of all it strongly bears the legacy of the socialist past. The relative mono-culture that is still strongly based on the textile industry can be explained from the past. Not only the ‘hard infrastructure’, e.g. in the form of available machinery, kept the sector alive, certainly immediately after the end of Communism in the early 1990s, but also the ‘soft infrastructure’ in the form of expertise and craftsmanship of the former textile workers, enabled the rise of the small, home-oriented companies. The local bazaars were the perfect outlet for their products. This also may count for the fact that even in the age of post-industrialism the industrial sector in the Łódź-region was growing or at least stable. Also the survival-strategies of the population that were already present in the socialist time, proved to be useful in the post-socialist transformational period.

Secondly the development of the Łódź-region is embedded within the overarching process of continuing integration within the European Union in general and, when considering the border-effects, of the Schengenisation. As the Łódź-region received as very international public, all measures that impede mobility, are affecting its development. Within this respect one could almost state that the current cross-border policy within the Schengen-framework,
especially the visa requirements, may be treated to a certain degree, as a counterpart of former trade wars, banning Łódź from its biggest market.

Given these observations in general the development of the Łódź-region is strongly tied to the changing regimes at the border in general and the eastern border in particular. The early rise and flourishing of the bazaars, that constituted an important factor in the regional economy, can largely be explained by the openness of the border in the early years of the transition. The differences between and within countries, with regard to prices and the mere availability, induced high levels of interaction, not only in the form of flows of people, but also of goods. As a consequence of the ‘institutional void’ that existed in the early days, a very caricaturist form of ‘raw’ capitalism came into existence.

With the accession to the EU and the aspired Schengen-membership, the interpretation of the eastern border changed again, in the sense that it became involved in a process of tightening. As the fate of the bazaars was so closely linked to the openness of the border, this process had great influence, and with that also the regional economy was affected. Responses from three (groups of) actors were described, the bazaar-management, the local government and the customers of the bazaars.

When looking at the responses of the management of two bazaars that were scrutinised, two quite different responses were observed, that are closely linked to the institutional form of the bazaars. The first one, the privately run PTAK-bazaar actively and almost aggressively started to campaign in Belarus, Ukraine and Russia, with all means available. They pampered their customers as much as possible. They also formed a coalition with the local government, based on the mutual interest of combating the declining number of visitors from the East. Furthermore they also try to diversify, by transforming the bazaar into a ‘normal’ shopping mall, this way increasing the attractiveness for the potential clients from the Łódź-region and eventually maybe even from other (western) countries. Their reaction can be characterised as ex-ante and proactive. The conglomerate in Tuszyn, on the other hand seemed to be more reactive and acting ex-ante. This of course is partly due the fact that it is run publicly. They could not do much and the management seemingly had to sit and wait what would happen. In this sense they might have profited from the proximity of the PTAK-bazaar that was far more active in attracting a new clientele.
With regard to the municipalities, we already mentioned the fact that the local government of Rzgów worked quite closely together with the PTAK-management. This was partly due to the fact that because of the tax revenues of the bazaar at the heydays were over 20 percent of the municipal budget and therefore the death of the bazaar would also implied the virtual collapse of the municipality. In the meantime, this percentage has dropped below 10 percent, also because the municipality diversified, by actively attracting other industries. This way the coalition became less strong, resulting in some municipal activities that were not greatly appreciated by the PTAK-management, such as the establishment of a second bazaar close to PTAK. In Tusyn, the local government still is strongly depending on the bazaars, with 30 percent of the budget coming from the tax-revenues stemming from the OAMs. The most prominent action of the local government so far has been to join the ACTE (Association of European Textile Collectives). This way they try to protect the local production and it also shows that Tusyn remains very much dependent on the textile industry.

Concerning the customers of the bazaars, finally, especially the (micro-)strategies of the cross-border sellers and buyers are interesting. The fieldwork done at the Tusyn bazaar strongly suggests that already the number of buyers from the East has greatly diminished. Hardly any customers from the former Soviet Union were encountered. From the interviews came that those that still are coming have changed their strategy in that they buy greater quantities at once. The seats of the buses that were occupied previously by people are now filled with goods. Because the sellers were not included in this research it is hard to tell whether this strategy of buying bigger quantities has compensated for the loss of clients, but it might be not to daring to state that the reinforcement of the eastern border has had far more consequences for the flow of people, than for the flow of goods. To substantiate this supposition, in future research the sellers will be included.

Finally coming back to the title of this paper, the region has been on a kind of roller coaster, where it concerns the eastern border. The pre 1990 border, that could be characterised alike its Cold War brother, as an Iron Curtain, preventing almost all interaction, was almost completely lifted in the first half of the 1990s. In the prelude to the EU and Schengen-accession, slowly the border was reinstated as a barrier, but this time better characterised as a Paper Wall. This time the border kept on being permeable, but in a very selective way. Passing it very much relies on being part of the appropriate (social) networks. Possessing the right expertise and attitude is crucial. The ‘stronger’ actors will survive, while the small
‘ants’\textsuperscript{14} will be confronted with virtual impassable barriers again and most probably will ‘die’. This will also affect the functioning of the bazaars in the future and with that the local and regional economy.

\textsuperscript{14} One of the nicknames of the small-scale private cross-border suitcase traders (see p.7)
References


Governance and Places (GAP) Working Papers Series
The following titles have recently appeared in the series:

2003

2003/01 Marisha Maas: *Migrant Wage Workers and Migrant Entrepreneurs Affecting their Region of Origin.*
2003/02 Peter Vaessen: *Organization structure, networks and the conception of potential spin-offs.*
2003/03 Olivier Kramsch: *Postcolonial Ghosts in the Machine of European Transboundary Regionalism.*
2003/05 Martin van der Velde & Henk van Houtum: *The threshold of indifference; rethinking the power of immobility in explaining crossborder labour mobility.*
2003/06 Andreas Faludi: *Territorial Cohesion: Old (French) Wine in New Bottles?*
2003/09 Wouter Jacobs: *Property Regimes in Territorial Competition.*
2003/10 Justus Uitermark: *The multi-scalar origins of urban policy: towards a policygenetic approach.*
2003/12 Bas Arts: *Verslag ISEG Heidagen; Soeterbeeck, Ravenstein, 28 en 29 augustus.*

2004

2004/01 Olivier Kramsch: *On the "Pirate Frontier": Re-Conceptualizing the Space of Ocean Governance in Light of the Prestige Disaster.*
2004/02 Elmar Willems: *Environmental Sociology and the Risk Debate: Insights from the Brazilian and British Biotechnology Controversy.*
2004/03 Andreas Faludi: *Territorial Cohesion: A Polycentric Process for a Polycentric Europe.*
2004/06 Roos Pijpers, "Help!The Poles are Coming". (narrating a contemporary moral panic).
2004/09 Raffael Argiolu, Rob van der Heijden, Vincent Marchau: 
ITS policy strategies for urban regions: a creative exploration.
2004/11 Henry Goverde: US hegemony and the new European divide:
The power of complex territorial governance.
2004/12 Barry Needham: The new Dutch spatial planning act. Continuity and change
in the way in which the Dutch regulate the practice of spatial planning.
2004/13 Wouter Jacobs: Institutional Regimes and Territorial Competition: The Case of
the Port of Rotterdam.

2005

2005/01 Edwin Buitelaar & Raffael Argiolu: ITS and the Privatisation of Road
Infrastructure. A Property Rights Approach to a ‘Public’ Good.
2005/02 Sander V. Meijerink: Understanding policy stability and change. The interplay
of advocacy coalitions and epistemic communities, windows of opportunity, and
2005/03 George de Kam: Social enterprise in the Dutch property market.
2005/05 Martin van der Velde & Szymon Marcinczak: From Iron Curtain to Paper Wall:
The influence of border-regimes on regional economies and societies. The life,
death and resurrection of the bazaars in the Łódź-region.
Contact details:

More information and copies are available from the website:
www.ru.nl/gap
www.ru.nl/fm (Faculty Research Programme)

Dr Arnoud Lagendijk
Nijmegen School of Management
PO Box 9108
NL-6500 HK Nijmegen
The Netherlands
Tel. (+31/0)24- 3616204/3611925
Fax: (+31/0)24 - 3611841
E-mail: A.Lagendijk@ru.nl