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**THE ROLE OF SOCIAL CAPITAL IN THE DEVELOPMENT OF  
TRADE WITH SECOND-HAND CARS IN CENTRAL AND  
EASTERN EUROPE. THE CASE OF ROMANIA AND  
MOLDOVA<sup>5</sup>**

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*The article focuses on the trade with second-hand vehicles imported from Western Europe to Central and Eastern Europe. Of particular interest is the role of social capital in starting and developing the trade with used cars in the Republic of Moldova and Romania. The study is based on data collected via a multi-sited ethnography research strategy. It is generally acknowledged that the social capital plays an important role in starting and developing enterprises in general and in the trade with second-hand goods in particular. Yet distinctions between the different types of social capital and their effects on the start and development of the trade with second-hand goods received scant attention in the literature, probably because it was assumed that it was necessary to have wide social networks per se. The research identifies three areas where social capital is extensively used by the entrepreneurs in developing the trade with used automobiles; argues that the Moldovan entrepreneurs tend to use rather bonding social capital and the Romanian ones the bridging social capital; stress out that the availability of bridging social capital can lead to the development of transnational social capital.*

**Key words:** social capital, international migration, second-hand car market.

**Introduction**

This article examines how traders of second-hand cars imported from Western Europe to Central and Eastern Europe distinctly uses bridging and bonding

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social capital to start and develop their businesses. Social capital has been extensively utilized to frame and understand various economic processes while in the last period special attention was given to the critical role it plays in the business development and success [26; 4; 35; 39; 41]. Extensive research also stress out in the academic literature that social capital is strongly anchored in the social and political context in which the entrepreneurship is taking place [27; 37; 24; 18]<sup>6</sup>. Social capital is oftentimes mentioned as an important asset in the import-export businesses with second-hand goods [39; 3; 8; 44]. However, studies on the international flows of second-hand goods have seldom assessed how various forms of social capital are used in the context of the trade with second-hand goods. Therefore, this study focuses particularly on the use of bridging and bonding plus the local and transnational forms of social capital in the trade with second-hand cars imported from Western Europe to Romania and the Republic of Moldova<sup>7</sup>.

Most studies on the trade with second-hand goods have been conducted in the Euro-African or North American-African context where a long history of trade with this kind of goods exists, the trade is conducted around business hubs in Europe / North-America and Africa, and the trade is shaped across various trade networks. With the collapse of the Iron Curtain, market liberalization, and economic development, the trade with second-hand goods (and especially the second-hand vehicles) emerged as an expanding and very profitable business in Central and Eastern Europe as well [22]. However, the trade with second-hand cars is conducted distinctly in Central and Eastern Europe comparing with the flow of second-hand goods to Africa. First, with many of the former communist countries in Central and Eastern Europe joining the European Union or having visa waiver agreement with EU, the flow of the goods from Western Europe to the Eastern part is less structured and institutionalized around business hubs simply because the entrepreneurs can freely travel to the exporting countries to search for desired the second-hand goods [22; 7]. In this context, to be part of a trade network is no longer mandatory for the entrepreneurs and the commerce with used vehicles is not necessarily structured along business hubs. Second, in the same time the complexity of importing second-hand goods to CEE countries is reduced. This is happening mainly due to the smaller geographical distances, good infrastructure connecting East with the West of Europe, smaller amount of money needed to invest, and more institutional and individual ties linking the two sides of Europe [42; 41; 7; 6; 1]. Third, the type of imported second-hand goods is distinct. While it seems that to Africa in general lower priced second-

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<sup>6</sup> The most known is probably the "mixed embeddedness" perspective but it is not the only one.

<sup>7</sup> Henceforward in this article the Republic of Moldova (the official name) will be called Moldova.

hand goods (oftentimes donated) are shipped, to the CEE countries mostly low to medium and medium priced goods are transported [44; 39; 3; 41; 42; 7; 33; 6; 1]. Four, in the African context much of the trade with second-hand goods happens in strong relation to the migration. Significant shares of the second-hand goods that reach Africa are sent by migrants, were brokered by them or are required by (former) migrants and their families. This situation is partially valid for the CEE countries context where only a part of the second-hand goods are requested or brokered by migrants and their families [7; 41; 42; 33; 3; 44; 6; 22; 1].

Romania and Moldova are very interesting cases in this context. First, in both countries the demand for second-hand cars rapidly developed in the last decade leading in a short period of time the share of imported second-hand cars to as much as 40% of the each country's vehicle fleet. The proportions are among the highest along the CEE countries (as for 2011 only Poland had a higher share of the imported second-hand cars). Second, the revenues obtained from the trade with used cars tend to be higher in the studied countries comparing to other similar small and medium business (e.g. trade with second-hand goods in general, passenger and parcel companies, cross-border trade, etc.) or comparing to the potential salaries the individuals can obtain by working in exporting or importing country [1; 7]. Higher financial outcomes are also possible due to the informal nature in which the trade with second-hand cars takes place in both countries, the asymmetric information characteristic of the second-hand car market in both countries, and the higher incidence of frauds related to the acquisition of second-hand cars [40]. Third, to set-up an enterprise with second-hand cars requires smaller amount of money and no specific skills comparing with other small and medium companies in Romania and Moldova, a situation explained by the shorter distances between importing and exporting countries, the informality of second-hand car market, but also by the comparatively less complex process of importing / exporting second-hand cars. Fourth, the above presented situation led to an increased competition in the second-hand car market in both countries in which the entrepreneurs have to use all the available social capital to develop and survive. However, the types of social capital available to the entrepreneurs in Romania and Moldova are expected to be distinct considering that the socio-economic context in Romania and Moldova are significantly different. To name only the preeminent ones, while Romania is part of EU and the free circulation of goods and people is granted, the importation of second-hand cars in Moldova is subject to various taxes and regulations and the goods and entrepreneurs' circulation is restricted. These distinctions are expected to have deep implications for the way in which the trade with second-hand cars was developed, the amount and types of resources needed to start it up, the way the trade is conducted and organized, or the outcomes.

After the introduction, this article has the following structure. First, the conceptual background is presented with reference to the social capital theory. It is followed by discussion of the research strategy and methods. In the analysis section special attention is paid to the use of social capital in the context of the trade with second-hand cars in both Romania and Moldova. Finally, the article concludes with a summary and discussion of the findings.

### *Conceptual backgrounds*

The definition of social capital is widely contested given its multiple applications in both policy and academic debates. However, the common ground found among the existing definitions is that social capital in general refers to the amount of resources that are potentially available to individuals due to the membership in various social networks [34; 16]. The contribution of social capital to the entrepreneurship<sup>8</sup> formation and development is widely accepted [4; 31]. It is generally acknowledged that few entrepreneurs dispose of needed capitals – such as information, skills, labor, or finance – in the beginning of their ventures, so they are constrained to seek support among their contacts [31]. It appears to be especially significant for transnational enterprises, ethnic minorities, immigrant groups, and in general to individuals or initiatives who need extensive cross-border networks in their activities [30; 25]. In this respect, Gittins et al. [19] observe a positive influence of the social capital accumulated and used by returned migrants on the internationalization of the IT firms in Central and Eastern European countries. Going deeply Rosenfeld [39] explains in a study on the weakly institutionalized and uncertain Euro-African flow of second-hand cars that Lebanese entrepreneurs are advantaged in this trade comparing with the Beninese traders due to the existent Lebanese diaspora living in the exporting countries that help them conducting the trade. Further, Bagwell [2, p.324] argue that Vietnamese businesses in London use their transnational networks, which can “be seen as enhanced form of social capital”, to gain the needed resources, new ideas, or market opportunities.

Given its large applicability, there are number of lines among which social capital can be differentiated. One of the most important distinctions for this study is among the density and quality of social capital. The `bridging` form of social capital in fact refers to actual or potential resources that are available in between-group connections, the so called `weak ties`, which are deployed by individuals from linkages to external groups. In contrast, the `bonding` form of social capital refers to actual or potential within-group connections, the so called `strong ties`, which are deployed by individuals within social groups [20; 34;

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<sup>8</sup> This is another unclear and debated concept but in this paper is used with the sense of “self-employment in commercial business” [31].

36]. Further research on these two forms of social capital has shown that bridging ties are acknowledged to be used `to get ahead` when looking for work or seeking business opportunities in contrast to the bonding ones that are essential `to get by` [29; 5]. A number of studies show how these two forms of social capital are practically used to: explain variations in the start-up and survival strategies among Turkish and Chinese entrepreneurs in Finland [26] demonstrate that transnational social capital can provide access at other various forms of capital, such as the economic or the human one [2]; differentiate between various forms of organizing supply chains of second-hand car trade [39]: argue that bonding ties are more useful in the start-up process while the bridging ones as the business matures [10; 28]; show that having more of one form can bring additional from the other [48].

A second important distinction for this research regards the transnational nature of social capital. Transnationalism generally refers to sustained interactions and ties that link people and organizations across the borders of nation states [14; 51]. In this context, transnational social capital is defined as the “actual and potential resources embedded within, available through and derived from a network of professional relationships and ties that span national borders” [30]. Bagwell [2] in a study of Vietnamese businesses in London argues that contacts overseas can be used to acquire new consumption markets and clients, to help finance the start-up of business, or as a source for labor force but the actual use of them depends on the each entrepreneur history of migration which in the end determines the geographical dispersion of the transnational ties. Urbano et al. [50] found in a study on the socio-cultural factors influencing the transnational entrepreneurship in Spain that access to transnational ties is essential in the case of cross-border economic activities but distinct ethnic groups use distinct forms of ties and to various extents. Katila and Wahlbeck [26] found that the entrepreneurs with migration background tend to utilize resources available within their social network from both origin and destination country but those lacking the needed social capital in the destination country were more likely to use their transnational connections. Rosenfeld [39] shows how transnational ties available among the Lebanese Diaspora living in Brussels are used by the Lebanese Diaspora to create enforceable trust while Levy et al. [30] stress out that the development of transnational social capital is more likely among the those who have overall more social capital.

### *Method*

Considering the paucity of research on the topic of trade with second-hand cars in Romania and Moldova, an exploratory multiple-case study design was chosen to answer the research question [54]. The study is based on two complementary researches. The first one deals with the trade with second-hand goods

in North-West Romania (commonly known as Transylvania). The area around Cluj-Napoca was chosen considering that there is located one of the biggest second-hand car market which acts as a gate for second-hand cars entering Romania. The second research deals with the trade with second-hand cars in Moldova. Given the reduced dimension of the country and the concentration of the most economic activities around the capital city of Chisinau, this area was considered for investigation. However, in both cases entrepreneurs from other regions were encountered and as well considered for the study.

#### *Data collection*

The information concerning the trade with second-hand cars in Romania is based on two sets of data. The first set comprises 21 face-to-face semi-structured interviews with entrepreneurs selling used vehicles in Romania. In addition, general information on around 100 entrepreneurs activating on the Romanian second-hand car market were obtained directly from them as part of various interactions or indirect from other entrepreneurs or clients. The second set of data was collected by interviewing 17 customers of second-hand cars plus information on about 1500 second-hand cars available for sale on the Romanian market. The information concerning the Moldovan case was again collected in two forms. In total 13 direct semi-structured interviews were conducted with entrepreneurs activating on the Moldovan market. Additionally, information on another 60 entrepreneurs activating in the field were gathered as part of direct and indirect interactions with them. The second set of data consists on semi-structured interviews with 9 Moldovan buyers of second-hand vehicles and information on about 600 cars on sale on Moldova flea markets. In both Moldova and Romania the interviews with the customers and the data collected on the second-hand vehicles for sale were collected for triangulation purposes. Given the predominantly informal nature of the trade with second-hand cars, the selection procedure was difficult but I tried to obtain the greatest diversity of cases in terms of the socio-demographic characteristics of the entrepreneurs: age, migration career, scale of trade, entrepreneurial career, etc. The fieldworks were carried out in 2013, 2014, and 2015 when using the multi-sited research strategy [15] I followed the entrepreneurs in all the stages of the trade: searching for goods, buying them, importing / exporting them, sortation and preparation for resale, and the resale. This meant also that I travelled from Romania and Moldova to various Western European counties (Germany, Belgium, Netherlands, France, Austria, etc.) and / or back together with the entrepreneurs and that I accompanied them in the preparation and selling stage.

### *Procedure*

Qualitative interviews and participant observation methods were used to obtain a broad picture of the phenomenon. The observations and the interviews sought to gather data about the cars imported, the process of importation / exportation, how did the idea appeared, life history, the role of migration (if any), existing connections in the exporting and importing country and how they are used, interactions with clients, entrepreneurial strategies, and other similar issues. The interviews were between 45 minutes and 1.5 hours long. The interviews were transcribed to facilitate the analysis using the key themes and emergent themes identified using a grounded theory approach [45].

### **Results and discussion**

#### *Trade with imported second-hand cars in Romania.*

##### *Brief history and main patterns*

Trade with imported second-hand cars in Romania appeared in the 1990s but it was after 2000s when it became an *en mass* phenomenon. However, it was only after 20009, when the economic crisis hit Romania, when the number of imported second-hand cars skyrocketed and outnumbered the number of the new cars registered. For instance, in 2007 when the economy was still revved, 123.842 second-hand cars were imported and registered comparing with 312.589 new cars registered in Romania. Significant changes took place in the following years as the economic crisis restructured the market in both Romania and Western countries. As such, in 2008, 294.393 second-hand cars have been imported while 269.876 new cars were registered. The trend is getting clearer starting with 2009 when 212.838 second-hand cars and 116.016 new ones were registered in Romania, but also in 2010 with 214.606 second-hand cars and 94.541 new ones registered. In the next period, the ration between second-hand imported cars and the new cars registered has increased, with the pick in 2013 when about 4 times more second-hand cars have been registered (221.852) comparing with the new cars registered (57.710). All in all, between 2007 and November 2015, roughly 1.761.300 second-hand cars have been imported, which is around 36% of the entire Romanian car park in 2014.

Table 1: Car fleet in Romania 2006-2015

	<i>Second-hand imported auto vehicles</i>	<i>New vehicles</i>	<i>Romanian car fleet</i>
<b>2006*</b>	18839		-
<b>2007</b>	123.842	312.589	3.541.718
<b>2008</b>	294.393	269.876	4.013.721
<b>2009</b>	212.838	116.016	4.230.635
<b>2010</b>	214.606	94.541	4.307.290

<b>2011</b>	94.488	81.708	4.322.951
<b>2012</b>	175.118	66.255	4.485.148
<b>2013</b>	221.852	57.710	4.693.651
<b>2014</b>	219.929	70.172	4.905.630
<b>2015**</b>	204.257	64.401	-

\* Data available for December 2006

\*\* Data available for January-November 2015.

*Info: Data collected from the `Directia Regim Permisi si Inmatriculari Vehicule` (Driving License and Vehicles Registration Direction) [56].*

For comparison, in the same period about 1.133.268 new cars have been registered. Significant share of the new cars registered come from the internal factories (Dacia and Ford manufactories) but most of the new cars imported in Romania are the German brands WV and Opel. In the development of the import of the new cars two processes deserve a special attention. First, much of the decrease of the new cars bought in Romania is due to the decrease of the incomes after 2008 but especially after 2010 when the salaries of the public employees were cut by 25% due to the economic crisis. Second, together with the 25% cut, the VAT increased from 19 to 25% in the same year. This led to an increase in the final costs of the new cars that have to pay VAT while the second-hand ones, as part of the EU rules, do not have to pay it. In addition to the above general picture shown by the official data, the fieldwork in Romania shows that a significant part of the imported second-hand cars is not registered in Romania (about 5-10%) but in other countries where the registration taxes are lower (Bulgaria, Hungary) or where the owners have a second residency abroad (Spain, Italy, Germany, etc.).

#### *Trade with imported second-hand cars in Moldova.*

##### *Brief history and main patterns*

The centralized statistics indicate 525.171 cars officially registered as for 2015 in the Republic of Moldova [55]. The most common model is VAZ<sup>9</sup> with about a share of 25% of the entire Moldovan car fleet, followed by Volkswagen and Opel with around 10% each, Moskvich and Mercedes-Benz with around 5-6%<sup>10</sup>. On top of the official data, various reports show that about 5-10% of the

<sup>9</sup> VAZ (also known as LADA) is a car manufactured in the USSR and later in the Russian Federation.

<sup>10</sup> The above information was collected from a number of mass-media sources from Moldova: [57; 58; 59].



cars in Moldova are registered in various other countries but used in Moldova<sup>11</sup>. Various estimations consider that around 30 – 40% of the entire vehicle parc in Moldova was imported in the in the last 10 years with an average of 15 to 20 thousand second-hand cars imported on average per year<sup>12</sup>.

From the data collected during the fieldwork, the region from where most of these cars are imported is Western Europe, with Germany as the leading export country. Other recurrent export countries are Belgium, the Netherlands, France, or Austria. The data collected during fieldwork show that the average age of the imported second-hand cars is 10 years, with the Renault Megane, Toyota Corolla, Ford Focus, VW Golf / Passat and Opel Astra as the most common imported models. Significant flows of second-hand cars appeared in the beginning of 2000s when the economic situation improved in Moldova but also when more people changed their migration paths mostly towards Western European countries [32].

#### *The role of social capital in developing the trade with second-hand goods*

*Start-up financial capital.* The start-up financial capital or the money (some) of the entrepreneurs need to expand their businesses is oftentimes mentioned in the academic literature as an important barrier for business development. In the case of the present research most of the traders of second-hand cars lack financial resources in the beginning of their ventures. Only a quarter of the entrepreneurs involved in this study had their own savings (mainly accumulated abroad as migrants) to finance the start-up or expansion of the enterprise. It is a common finding in the literature that the entrepreneurs will look towards their network to overcome the barrier of startup financial capital [26]. In both Romania and Moldova, about half of the entrepreneurs involved in the trade with second-hand cars have migration background. While some of them are settled in the destination country and travel back to the home country to sell the used vehicles, the others are returned migrants undertaking constant business trips abroad to find the desired goods. The remaining part of group is formed by entrepreneurs having no migration background that travel between the exporting and importing country. There are mainly three forms of migrants in Romania and Moldova: permanent emigrants (people who left with the idea of moving out of

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<sup>11</sup> *The situation is similar with the Romanian case with significant numbers of vehicles registered in other countries (Ukraine, Lithuania, Germany, and Bulgaria) but used in Moldova. An interesting case is that of the self-proclaimed independent Pridnestrovian Moldavian Republic (henceforward Transnistria) with a vehicle park of about 200.000 (half of them owned by Moldovans) which can be officially used in Moldova.*

<sup>12</sup> *In the absence of official data, I mention bellow a number of newspaper articles from various sources and periods of time that support the above figure [60; 61; 62; 63; 64]. Similar findings were also proposed by Serghei Solomonov, expert in the field of car acquisition in various automotive companies in Moldova but also the report of Sander et al. [40].*

the country of origin for good), long-term émigré (people with the intention to return to the origin country who were going for a non-limited or undefined period of time), and short-term émigré (seasonal workers, incomplete migration)<sup>13</sup>. Almost all the entrepreneurs in this study who had their own startup capital can be considered permanent émigré. The entrepreneurs who needed start-up capital employed distinct strategies to overcome this barrier according to their migration experience and country of origin.

*“The initial investment was not big. All in all I think I needed 5000 euros to take the first car to Moldova. [...] I did not have that amount of money at that point since an important part of my incomes were sent back home each month [...] so I asked my cousins working also in Germany to loan me the missing part [of money] for a few weeks”*<sup>14</sup>. (Interview with Moldovan entrepreneur with migration experience, Ion).

*“I worked as a driver for C. [trader of second-hand cars in Germany] for a few years, two or three. I returned back home in 2006 due to the construction boom [...] When the economic crisis came in Romania two years later, there was not much left to do in the construction [...] I had only a few thousands Euro, enough to pay for the trip but not enough for the car [...] I called him to help me, to let me pay for the car after I will sell it and he agreed”*<sup>15</sup>. (Interview with Romanian entrepreneur with migration experience, Vasile).

The quotations illustrate how the entrepreneur from Moldova use local social capital in order to overcome the start-up financial capital barrier while the Romanian one use the connection he had abroad in the former destination country. These two cases are in general lines representative for the entire group of entrepreneurs from the respective country. While the Moldovan entrepreneurs rely mostly on links available in the immediate family or close kinship group, the Romanian ones tend to use in addition the ties available outside it. In both cases the ties can be available in both local and transnational form. For instance, in the cases when the Moldovan entrepreneurs appealed to their transnational network to financially support the beginning of the trade with second-hand goods, it was mainly about family members who live in different places than the entrepreneur.

*Costumers.* Given the rapid growth of the trade with second-hand cars in both countries in the last period, more and more entrepreneurs have entered this trade leading to an increasing completion among them for clients. The data collect on the field show that about half of the second-hand cars in both Romania

<sup>13</sup> For a detailed account of this typology see [1].

<sup>14</sup> The interviews were conducted in the Romanian language. The translation in English was realized by the author.

<sup>15</sup> The interviews have been recorded in Romanian, the transcriptions are author`s personal translation.

and Moldova are bought by migrants or their families. There are a number of studies indicating that migrants and their families oftentimes invest in luxury goods, such as clothes or cars using the money accumulated abroad. In both countries, around 10-20% of the financial remittances are used by migrants and their families to buy a car [21; 46; 38; 9; 52]<sup>16</sup>. Migrants look for second-hand goods for several reasons. To purchase a car of a well-known brand is an important step for many migrants struggling to acquire higher social status in their communities Jacob [23] and second-hand ones appear as a short-cut in this respect: one can buy a well-known brand but still pay lower prices comparing with the new ones. In other cases acquiring a car has different meanings for the migrants and their families besides improvement of life standards: better access at schools for children, investments, or developing businesses [43; 49]. The other half of the second-hand imported cars are sold to clients with no migration background. As in the case of customers with migration background, the cars are also used for various purposes, from improving social status to upgrading the previous car.

*“Clients call me directly when they need a car for them or for somebody in their family [...]. [Why do they call you?] Everybody knows that most of the imported cars are `worked on` so they want me to bring `clean` ones, exactly as it is on the internet webpage. They need no additional troubles”.* (Interview with entrepreneur from Moldova with no migration background, Andrei).

In the above interview fragment the Moldovan entrepreneurs mention that the clients directly contact him when they decide to acquire a second-hand car. Two reasons are mostly mentioned by the clients why they do buy directly from entrepreneurs they know and not from the market: the price and the quality. Clients can obtain a lower price and a better quality for cars if they buy from the traders they know in advance. Most of the Moldovan entrepreneurs tend to sell the second-hand cars within the group they are part of, either to clients with migration background or to those without it, which is in contrast to the Romanian entrepreneurs who sell to both categories at the same time. Interesting to note here is that in the case of the Moldovan entrepreneurs with no migration background, they simply do not have direct access at clients with migration background (transnational social capital) and accordingly do not sell cars to them and their families. The situation is rather distinct in the case of the Moldovan entrepreneurs with migration background who sell rather to clients with migration background who live in either origin (transnational social capital) or destination country (local social capital).

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<sup>16</sup> In Romania, financial remittances averaged 739 Million Euro from 2003 to 2014, with the all-time peak in 2006 of 1425 Euro Million [13]. The financial remittances heavily contributed to Moldova's GDP, with around 25% of its annual GDP in the period 2000-2012 and a peak of 34.5 % in 2006 [18].

*Support and labor.* There are 4 types of entrepreneurs according to the development degree of the business – *brokers, independent, small* and *part-time* entrepreneurs. The *broker* entrepreneurs are the smallest group but by far the most significant one in terms of revenues, number of imported cars, number of employees, etc. Their businesses are large-scale enterprises with a volume of importation of about 30-50 cars per month. Aside of importing second-hand goods they also organize `business` trips for other entrepreneurs importing second-hand cars or customers who want to select for themselves the car, own housing facilities in the exporting countries and transportation facilities (e.g. trailers) to import the second-hand cars. They also are a constant presence at various auctions where second-hand cars are bidden. The *independent* entrepreneurs usually have high social status and prestige in their communities, and are part of various larger groups that offer them constant access at customers or supplies (e.g. Pentecostal Church, professional associations). The scale of their imports is medium, from 5 to 10 cars per month. Some of them also organize `business trips` for clients keen to choose their own car but this is happening rather as an exception. Besides the second-hand cars they also import / export car`s spare parts (tires, engines, etc.) which account for a significant part of their trade. The *small* entrepreneurs come mainly from poor and marginal social groups, among them many Roma, young people, returned migrants, etc. The gains obtained by this group of entrepreneurs are sizable lower than in the case of previous two groups, a situation explained by the relative lower value of the imported cars but also by the limited number of the imported cars, around 4-5 per month. Usually they work close to other members in the family to conduct the trade with second-hand cars. The *part-time* entrepreneurs import / export second-hand cars sporadically. There are two types of *part-time* entrepreneurs. The first one is composed of individuals that have a full-time job in either the exporting or the importing country who get involved in this trade just from time to time, most common during the legal holydays – 1<sup>st</sup> of May, Easter, etc. – or during the annual rest leave. Usually they are prestige individuals in their communities, working in private or public institutions (firemen, bankers, etc.) and the second-hand trade is meant to round up their incomes. In other cases, the entrepreneurs live in the exporting countries where they have full-time employment but rather in `classic` jobs in factories, building sector, agriculture, etc. The second type includes entrepreneurs that are focused on other type of economic activities (e.g. parcel services or passenger transportation companies) but who occasionally import second-hand cars. Given the sporadic nature of their trade, they tend to buy in one trip as many cars as they can with much of the import process outsourced, such as transportation and reparation. A few dozen second-hand cars are imported by year, usually newer and more expensive. The distinct types of entrepreneurs require different amount of help and support to carry on the trade

with second-hand cars according to the scale of their trade, the language proficiency, or the level of engagement in the trade. For instance, while the *part-time* and *broker* entrepreneurs need help virtually in all the stages of their business (searching for the second-hand cars in the exporting country, shipping the second-hand cars from Western Europe to Romania or Moldova, transporting the customers and other entrepreneurs from Romania or Moldova to Western Europe, repairing and preparing the second-hand cars for the market, selling the imported cars) the *independent* and the *small* entrepreneurs need assistance mainly in the initial stage of the trade (searching for the goods) and sometimes in the last stages (repairing and selling).

*“There resides my brother. I can call him at any moment if a see a new car online in the area and I am not sure how good it really is. I prefer to check it before reserving it since it happened to reserve a car and [pay for it] and then to see that it didn’t worth the money”.* (Interview with Moldovan entrepreneur with no migration background, Mihai)

*“We have colleagues that are well anchored [in the second-hand car trade] in Germany. When they have a car to be sold, they call us to ask if we are interested to put it aside for us”.* (Interview with Romanian entrepreneur with migration background, Alin)

As the citations illustrate, the Moldovan entrepreneur asks the help of his brother when he is uncertain about the quality of the cars he intends to buy. This is a strategy employed by most of the Moldovan entrepreneur. Whether is about employing drivers, ask people to intermediate / translate the deals with the sellers in the exporting countries, or to hire a sells person, the Moldovan entrepreneurs tend to opt for members of the family or members of the peer group. It is rather the bonding form of social capital used when labor force and support is needed by the Moldovan entrepreneurs. In comparison, the Romanian counterparts tend to use in addition the ties available outside immediate family or close kinship group when labor and support is needed.

### **Conclusions**

The research leads to several conclusions regarding how distinct forms of social capital are used by Romanian and Moldovan entrepreneurs to develop businesses with second-hand cars imported / exported from Western Europe to Romania and Moldova which may be relevant for other business sectors (import / export of goods in general, trade with second-hand goods, passenger and parcel companies, etc.) or for other groups of entrepreneurs activating in similar fields in different CEE countries, even though further research is needed to ascertain them.

First, the second-hand car market in both Romania and Moldova is in a significant growing process. Up to 40% of the entire vehicles fleet in each country

was imported in the last decade. This phenomenon is taking place in a market featured by asymmetric information and informality, by increased competition, and extensive use of the social capital to set and develop the trade with used cars. Second, the study indicates three areas where the entrepreneurs extensively use the social capital to support the trade with used cars: the financial capital needed to initiate the trade with second-hand cars, the access at customers and new markets, and the support and labor force. The three identified areas are consistent with findings in other studies [2; 26; 39; 47], but in addition this research shows how the social capital is used in the specific context of trade with second-hand cars in Moldova and Romania. Third, the research shows that in general lines the Moldovan entrepreneurs tend to rely more on ties available in immediate family or close kinship group (bonding social capital) comparing with the Romanian ones who also use the connections with the outside groups (bridging social capital). I argue that the specific institutional context of each country, higher levels of human capital and overall wider social networks in the case of Romanian entrepreneurs (partially) explain the situation. In conclusion and fourth, transnational social capital is more often used by the entrepreneurs activating on the Romanian market comparing to the ones involved in the Moldova ones. One of the possible explanations is that the availability of bridging social capital may lead to the accumulation of transnational social capital as well.

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