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## Business Migration from Belarus to the EU after August 2020

Since August 2020 an increasing trend of business migration from Belarus to the EU can be observed. The most important drivers of this process have been the fraudulent presidential election in Belarus in August 2020 and the Russian invasion of Ukraine on February 24, 2022. Both events led to a massive business climate deterioration in the country. As a reaction to it, members of the Belarusian business community increasingly chose to leave Belarus for EU countries offering more favourable business conditions. Entrepreneurship migration and full or partial business transfer represent the two main types of the current business migration from Belarus. With most of the Belarusian business community members choosing Poland and Lithuania as their new destination countries, support of the EU for the growing Belarussian business diaspora in the EU countries is crucial.

### Deteriorating business environment in Belarus

The political crisis that started in August 2020 following the fraudulent presidential election in Belarus had immediate negative impacts on private companies and self-employed citizens. Being the main driver of protests against the Lukashenko regime, the Belarusian business community was confronted not only with financial losses resulting from the widespread economic instability in the country, but also with increased risk of inspections, arrests, and forced closures.

The Russian invasion of Ukraine in February 2022 contributed strongly to the worsening conditions for the Belarusian business by adding new pressures. The main challenges included the perceived toxicity of Belarusian companies leading to the growing unwillingness of their Western partners to sustain business relations because of the fear of violating international sanctions. In addition to that, the toxicity of the Belarusian banking sector has hampered international wire transfers, whereas fluctuations of the exchange rate and falling consumers' buying power has further increased uncertainty and business costs.

The deteriorating business environment had several important economic effects. First, many businesses were forced to close. Over the first half of 2022, 5,779 small and medium-sized enterprises (SMEs) were closed, which represents 1.6% of the total number of SMEs in Belarus. Against the background of the predominantly state-dominated Belarussian economy, this decline is a

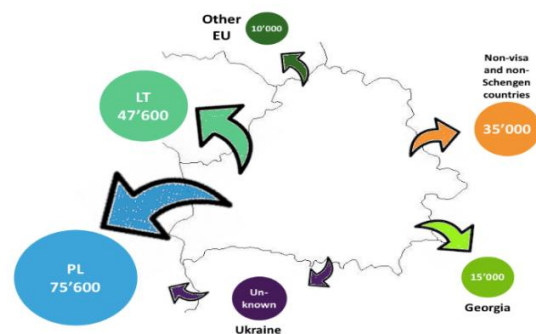
significant loss for the private sector in Belarus. Second, also the employment level went down: Belarus lost 64.2 thsd. people engaged in productive activities in the economy over the same period (-1.5% yoy). As a result, business migration from Belarus – both entrepreneurship as well as business transfers – accelerated.

### Entrepreneurship migration from Belarus

Entrepreneurship migration can be understood as all kinds of self-employment and creation of new businesses in destination countries. In this respect Poland and Lithuania were the most popular destination countries for Belarusian entrepreneurs. It is estimated that around 75,600 Belarusian citizens moved to Poland since August 2020. This potential for entrepreneurship migration from Belarus to Poland is expected to grow further because of the new simplified legal procedures for Belarusians in Poland. Recent legislation amendments allow the Polish Business Harbour (PBH) and humanitarian visa holders applying for the simplified residence permit procedure.

In addition to the more favourable legal procedures for Belarusian migrants, the geographic proximity is yet another important factor for choosing the destination country. As a result, Lithuania is the second most popular destination for the Belarusian entrepreneurship migration. It is estimated that around 47,600 Belarusian citizens moved to Lithuania since August 2020. According to Eurostat data, Lithuania and Poland together accounted for 94.4% of all residence permits issued for Belarusian citizens in the EU in 2021. As the cumulative share of residence permits issued in Poland and Lithuania in 2020 was 92%, one can talk of an increasing concentration of Belarusian entrepreneurship migration in these two countries.

### Estimated number of Belarusian migrants after August 2020



Source: own elaboration based on open public information

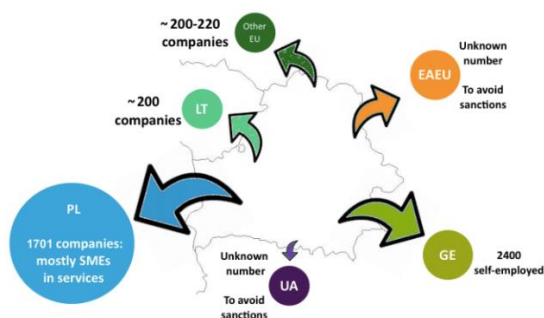
Among all economic migrants, IT specialists constitute a significant share of Belarusian entrepreneurship migration with their outflow accelerating significantly since February 2022. Experts estimate that up to 23,000 IT

specialists relocated from Belarus since then. Poland, again, was the main destination country for the relocation of Belarusian IT specialists. In addition to Poland and, to a lesser extent, Lithuania, also Georgia, Uzbekistan, and Turkey were among the top destinations for Belarusian IT specialists.

### Business transfer

Choosing a destination country to transfer business from Belarus depends on factors like company size, number of employees to relocate, as well as visa accessibility for both company owners and employees. As a result, relocation to neighboring Poland and Lithuania are mostly chosen by small companies. Medium and bigger companies choose full or partial relocation to those countries, where the costs of relocation can be minimized most effectively. It is estimated that at least 2,100 companies were fully or partially transferred from Belarus to the EU after August 2020. The majority of them are now registered in Poland (80%), while Poland together with Lithuania make up to 90% of total business transfers from Belarus. Thus, also in the area of business transfer the high concentration of the Belarusian business diaspora in Poland and Lithuania prevails. Most of the Belarusian firms relocated to Poland and Lithuania are small companies operating in the service sector: retail and wholesale trade, transport and construction, hotel and restaurant business, and in the financial sector.

#### Estimated business transfer after August 2020



Source: own elaboration based on open public information

Concerning other EU countries, Latvia and Estonia attracted around 200 Belarusian companies. However, less attractive migration aspects with relatively high visa costs compared to Lithuania and especially Poland, resulted in a rather moderate interest from Belarusian companies to relocate to Latvia and Estonia. There is no evidence that any significant number of Belarusian companies relocated to any other EU country.

### Business migration potential

It is generally assumed that economic migration, as it is in the case of Belarusian entrepreneurship migration

and business transfer, has positive effects also for the countries of destination. In order to support the growing needs of the Belarusian business diaspora in the EU, the Association of Belarusian Business Abroad (“ABBA”) has been established. Having developed contacts with multiple national and international business associations, ABBA not only connects members of the Belarusian business community abroad, but also provides to them support in understanding the business environment in their new destination countries and facilitates getting access to financing. Through a continued dialogue with the EU, the activities of ABBA allow exploiting the potential of the Belarusian business diaspora also for the economies of their host countries.

### Outlook

Business migration from Belarus to the EU is a continuous process depending heavily on the actual political situation in the country. The support of the Lukashenko regime for the ongoing Russian war in Ukraine deteriorates the environment for private business even further and increases the likelihood of growing business migration flows from Belarus. In order to exploit its positive effects and create more win-win situations for both Belarusian migrants and their destination countries, further attempts at uniting the Belarusian business diaspora and strengthening its ties to the host countries in the EU should be undertaken.

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*This text reflects the opinion of the author and does not necessarily represent the views of the German Economic Team.*

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\*Advisory activities in Belarus are currently suspended.

#### Editor

Robert Kirchner

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