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Business Migration from Belarus to the EU after August 2020

by Sierż Naŭrodski

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POLICY PAPER
BELARUS

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Executive summary

5,780 small and medium enterprises (SMEs) were closed in Belarus during January – June 2022, implying a loss of 1.6% in total number of SMEs. Over the same time period, employment reduced by 64,200 people previously engaged in productive activities in the economy of Belarus. Around 135,000 Belarusians moved to the EU from August 2020 to June 2022, adding 2,000 new self-employed and start-ups in the EU countries.

At least 2,100 companies were fully or partially transferred from Belarus to the EU during August 2020 – June 2022. The vast majority of them are registered in Poland (80%), while Poland together with Lithuania make up to 90% of total business transfers from Belarus. Belarusian companies in the EU are mostly SMEs engaged in services.

The cumulative number of the Belarusian business community in the EU increased by around 4,100 private businesses of different scale and legal form (including self-employment and start-ups) between August 2020 – June 2022. This number is made of both full or partial company transfers and all kinds of legal entities of entrepreneurship migration opened or going to open in the EU after August 2020.

As the number of Belarusian migrants in the EU is growing fast, their cumulative entrepreneurship potential increases and brings economic benefits to the hosting EU countries. To multiply those benefits, a structured public policy response from the EU countries is needed to support fair entrepreneurs among the Belarusian migrants by providing them with funding, training, access to work spaces, and navigating the administrative processes associated with starting a business as an immigrant. Moreover, it seems crucial to institutionalise the process of fair business verification to make sure that Belarusian capital in the EU countries is not linked to individuals and companies sanctioned by the EU.

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1. Introduction

Private sector was the key driver of protests following the unfair presidential election in Belarus in August 2020 and faced harsh government response in the aftermath. The political crisis affected many Belarusian private companies in different sectors as well as the self-employed. According to the survey of the Imaguru Startup Hub and the Coordination Council in October-November 2021, the political crisis led to financial losses for more than 60% of the businesses surveyed¹. Among the factors negatively affecting domestic business development were the risks of inspections, closures, arrests; unwillingness to pay taxes to the regime; falling demand; lack of opportunities for growth; the psychological state of employees; deteriorating access to finance, credit and investment. The survey indicated that back in 2021, about 62% of companies were thinking about moving their business abroad, and about a third of them indicated having already partially relocated.

After the Russian invasion of Ukraine on 24 February 2022, the private sector experienced further pressure to relocate from Belarus because of the challenges related to new economic sanctions towards Belarus. The key challenges included:

- » toxicity of the Belarusian export companies (including IT) that led to losing Western clients and additional costs of implementing existing contracts;
- » significant restrictions related to the Belarusian banking sector that made international wire transfers to/from Belarus increasingly more difficult, risky and expensive;
- » boycott by Western companies to supply Belarus that resulted in decreasing import, deteriorated supply chains, and high logistic costs;
- » increasing uncertainty and business costs due to instability of the Belarusian ruble exchange rate and consumers' buying power deterioration.

Business climate deterioration has led to business closures in Belarus. According to the data of the Ministry of Taxes and Duties of Belarus, 2,857 micro companies (less than 15 employees), 722 small businesses (16-100 employees), 58 medium companies (101-250 employees) were closed across the country, as well as 2,200 sole proprietors were terminated in January-June 2022². In total, 5,779 SMEs were closed making a loss of 1.6% in total number of SMEs in Belarus. To compare, in entire 2021 the number of SMEs in Belarus decreased by 1,442 entities (-0.4%), while in 2020 the total number of SMEs grew by 10,265 entities (+2.8%).

The employment level in the Belarusian economy went down by -1.5% in the first half of 2022 comparing to the first half of 2021. Belarus has lost 64,200 people engaged in productive activities in the economy over six months of 2022³. Decreasing employment level is a longer trend for Belarus that started in 2011, however in 2022 the fall rate is twice higher than a year ago (number of employed in the economy was -0.7% down in the

¹ For the survey conducted in October-November 2021 with 154 companies see:

<https://bel.biz/how-to-2/rezultaty-issledovaniya-o-vliyani-krizisa-na-belorusskij-biznes/>

² The source file from the Ministry of Taxes and Duties of Belarus was accessed at:

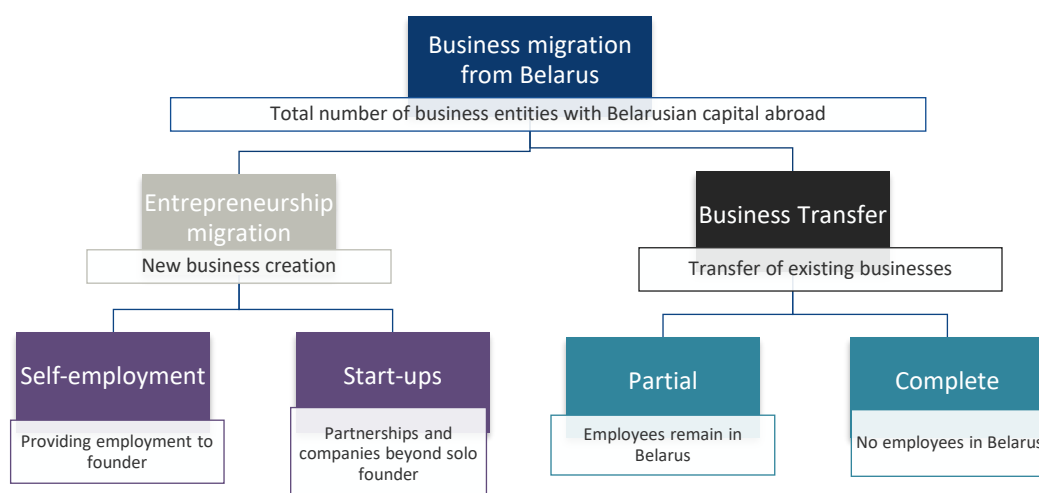
<https://www.nalog.gov.by/analytics/> on August 17, 2022

³ For the most recent data see: <https://banki24.by/news/5587-belorusskaya-ekonomika-teryaet-zanyatyh>

first half of 2021, while number of economy employment reduction was -35,100 people in 2021 in total and -14,600 in 2020).

The decreasing numbers of SMEs and accelerating fall in the employment level at the times of political crises in Belarus suggest increasing business migration from the country. In this policy-paper, we consider two types of business migration from Belarus: entrepreneurship migration and complete or partial business transfer (see Figure 1). For the purpose of this study, we assume that entrepreneurship migration from Belarus means all kinds of self-employment in destination countries and start-ups⁴. Business transfer from Belarus should be understood as a full or partial cross-border company migration abroad.

Figure 1: Business migration from Belarus



Source: own elaboration

This policy paper is structured as follows: based on international evidence Chapter 2 presents a short overview of reasons why business migration is beneficial for the recipient countries. Chapter 3 looks at the entrepreneurship migration from Belarus and estimates the number of Belarusian self-employed and start-ups in the EU countries. Chapter 4 deals with the questions of how many businesses have been fully or partially transferred from Belarus to the EU, and what is the nature of that business. Chapter 5 concludes the analysis and presents some policy recommendations.

2. Background: business migration potential

Migrants represent an important pool of potential entrepreneurs in the destination countries, while in the OECD countries the total net fiscal contribution of migrants is proved to be positive. The International Migration Outlook 2021 claims that on average during the 2006-18 period migrants contributed more in taxes and contributions than governments spend on their social protection, health and education in the 25 OECD countries with available data. Migrants are not only 'job takers' but contribute to

⁴ **Self-employment** is defined as legal forms of businesses providing employment to a founder.

Start-ups are broadly defined as all kind of business entities that intend to grow large beyond the solo founder.

the economic growth in the destination countries. Both historical evidence and empirical research show that entrepreneurial potential of migrants is high what makes them also ‘job creators’. As one of the latest researches shows, migrants have a personality-based self-selection driver resulting in the propensity for risk-taking that increases their risk tolerance for running a business and starting a company (Vandor, 2021). In the case of Belarus, the politically motivated migrants bore the risk of participation in street protest or supporting the protests in a different form, and we assume that those migrants, present or potential, possess a high willingness to take risks to leave Belarus and to start a business abroad.

A number of empirical studies confirm that migrants around the world are more likely to start companies than the native-born populations. A study from 2012 found that migrants were more likely to start businesses than members of the native population in the most of the 69 countries surveyed (GEM, 2012). A study on the business migration to the USA found that, per capita, migrants were about 80% more likely to start a firm, compared to the U.S.-born citizens (Vandor, 2021). Those firms founded by migrants also had more employees than those ones founded by the U.S. natives (about 1% on average, between 2005 and 2010). Ultimately, the study showed that 0.83% of migrants to the U.S. founded a firm, while at the same time there were only 0.46% of native-born U.S. citizens who founded a firm in that time. The same disparity – the 80% higher rate of firm founding – also held up among firms founded before 2005. The authors of the study claim that migrants contribute to growth in number of small firms, medium-size firms, and large firms.

The EU statistics indicates the significant share of migrants in SME activities in the EU as migrants contribute to both start-ups and self-employment. According to non-profits, 21% of all European founders are migrants, while 36% of them come from outside of the EU⁵. The OECD data indicates that about 12% of working migrants in the EU were self-employed in 2020, which was slightly below the proportion of non-migrants (14%)⁶. The likelihood of being self-employed is almost the same comparing migrants born outside of the EU with those ones born in another EU Member States. Taking only German data into account, migrants make up 20% of entrepreneurs but only 18% of the total population, which means they are more active entrepreneurs than the average population. Their start-up rate in Germany is 1.77%, above the overall rate of 1.6% (based on a multi-year average)⁷.

The European Commission (further EC) has committed to facilitating entrepreneurship among migrants who are already residing in the EU, based on the best practices from the EU countries. In the Entrepreneurship 2020 Action Plan, the EC acknowledges that ensuring economic and social contribution of the third country nationals to their host communities is the key to the future well-being, prosperity, and cohesion of European societies (Action Plan, 2016). In the 2016 Action Plan on the integration of third country nationals, the EC assumes that the cost of non-integration will turn out to be higher than the cost of investment in integration policies (Action Plan, 2016). However,

⁵ Startup Migrants, <https://startupmigrants.com>

⁶ OECD (2021), The Missing Entrepreneurs 2021: Policies for Inclusive Entrepreneurship and Self-Employment, https://www.oecd-ilibrary.org/employment/the-missing-entrepreneurs-2021_71b7a9bb-en, The data quoted does not include Germany

⁷ KfW Start-up Monitor, The representative survey of start-up activity in Germany, <https://www.kfw.de/%C3%9Cber-die-KfW/Service/Download-Center/Konzernthemen/Research/Fokus-Volkswirtschaft/?redirect=78471>

according to the OECD/EU report, only about one-third of Member States have a clear entrepreneurship strategy for migrants in place and most policy strategies remain very general, often lacking clear policy objectives and targets⁸.

The European Commission in 2022 launched projects aiming at supporting the Belarusian business diaspora in the EU. One of such examples is the support of recently established Association of Belarusian Business Abroad (“ABBA”)⁹. 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.

3. Entrepreneurship migration from Belarus after August 2020

To estimate the number of Belarusian self-employed and start-ups in the EU countries the key challenge is to estimate precisely the total number of migrants from Belarus to the EU. The migration from Belarus to the EU after August 2020 consisted of two waves of migration: after start of the political crisis in August 2020, and after beginning of the war in Ukraine on 24 February 2022. The total number of people that left Belarus (for EU and non-EU countries) after August 2020 is unknown because of three factors:

- » unknown number of migrants to the visa-free countries (mostly Russia, Ukraine, and Georgia);
- » unknown number of migrants using visa-free countries or easy-to-get visa countries as a stop-over for further migration;
- » unknown number of returning migrants.

The majority of Belarusian think tank experts believe that the total migrant number is in between 100,000 and 150,000 people. According to Eurostat statistics, 149,021 first residence permits were issued for Belarusian citizens in 2021. In 2020 the total number of first resident permits for Belarusian citizens was 63,520. However, because of frequent disparities between the data provided by Eurostat and national authorities in Poland and Lithuania, our further analysis is based on the national data.

Practical observation and surveys¹⁰ indicate that the Top-3 destination countries for Belarusians are Poland, Lithuania, and Georgia (see Figure 2). Both Poland and Lithuania are traditionally popular and familiar destinations for Belarusian emigrants. Ukraine was among the top choices for Belarusians prior to 24 February 2022, but evidently most of Belarusians left Ukraine after beginning of the war to most favourable countries like

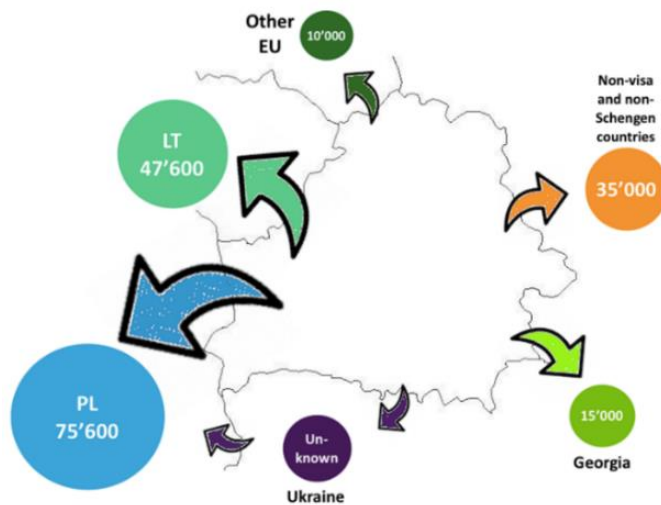
⁸ OECD (2021), The Missing Entrepreneurs 2021: Policies for Inclusive Entrepreneurship and Self-Employment.

⁹ Association of Belarusian Business Abroad, “ABBA”, <https://abbabusiness.org/en>

¹⁰ Devby.io „Where, whom and how Belarusian IT companies are transporting right now” (in Russian), <https://devby.io/news/relokeit-aitishniki>

Poland, Lithuania, and Georgia.

Figure 2: Estimated number of Belarusian emigrants after August 2020



Source: own elaboration based on the open public information

At least 123,000 of migrants from Belarus moved to Poland and Lithuania between August 2020 and June 2022. According to Polish authorities, citizens of Belarus held 52,313 Polish residence permits (short-term and long-term) or another legal status in Poland as of end of June 2022¹¹ and 54% of them were issued after August 2020¹². Lithuanian authorities announced that they issued 20,500 residence permits for Belarusians in 2021¹³ and 10,116 in January-June 2022, while another 4,400 permits are in consideration¹⁴. In terms of visas issued, Polish authorities reported about 79,546 visas allowing their holders to work in Poland issued during August 2020 – June 2022 (42,932 Poland Business Harbour (further PBH) visas and 36,614 humanitarian visas)¹⁵. Lithuanian authorities reported about 21,300 national visas for Belarusians in 2021.¹⁶ However, not all visa holders left Belarus. Available public data of the Polish border control allows estimating the percentage of those who used the long-term visa with employment opportunity and entered Poland. Between August 2020 and July 2022, 89% of humanitarian visa holders crossed the Polish border (32,562 Belarusians), and only 22% of PBH visas holders entered Poland (9,545 Belarusians)¹⁷. Altogether, we estimate that at least 123,000 of Belarusians cumulatively

¹¹ Report on Belarusian citizens by the Polish Office for Foreigners (in Polish),

<https://www.gov.pl/web/udsc/raport-dot-obywateli-bialorusi>

¹² *ibid.*

¹³ According to the data of the Department of Migration quoted in: Delfi.lt, „Department of Migration: more than 100,000 foreigners have lived in Lithuania at the beginning of 2022” (in Russian), <https://www.delfi.lt/ru/news/live/departament-migracii-v-nachale-2022-g-v-litve-prozhivalo-bolshe-100-000-inostrancev.d?id=90644181>

¹⁴ Delfi.lt, „During the first 6 months of this year, more than 10,000 Belarusians received a residence permit in Lithuania” (in Russian), <https://www.delfi.lt/ru/news/live/za-6-mesyacev-etogo-goda-bolshe-10-000-belorusov-poluchili-vid-na-zhitelstvo-v-litve.d?id=90808117>

¹⁵ Telegram, <https://t.me/BelarusPoland/1845>

¹⁶ Delfi.lt, „Department of Migration: more than 100,000 foreigners have lived in Lithuania at the beginning of 2022” (in Russian). As tourist visas (Schengen visas) are not currently issued by Lithuania, we assume that most of the national visas (type D) are related to employment and thus have work permit, while Schengen visas (type C) are issued to drivers.

¹⁷ Telegram, <https://t.me/BelarusPoland/1845>

moved to Poland and Lithuania from August 2020 to June 2022 (see Table 1). This number seems to be accelerating since March 2022, mostly because of constantly simplifying procedures for Belarusians in Poland. Recent legislation amendments in the Polish Law allow PBH and humanitarian visa holders to apply for simplified residence permit procedure¹⁸, thus the number of short-term residence permits by Belarusian citizens will further grow in the upcoming months of 2022.

Table 1: Number of migrants from Belarus to Poland and Lithuania since August 2020

Country	Number of resident permits issued	Number of visas with work permit	Number of visa-holders who crossed the border	Visa usage, average, % (D/E)	Estimated number of migrants (B+D)
A	B	C	D	E	F
Poland	33,500	79,546	42,107	53	75,607
Lithuania	30,616	21,300	17,040	80*	47,656
Total	64,116	100,846	59,147	-	123,263

Source: own calculations based on publicly available data

*Estimated share according to observations and comparable data for Poland, as the government of Lithuania does not provide details

According to Eurostat data for 2021, Poland and Lithuania together issued 94.4% of all residence permits for Belarusian citizens in the EU¹⁹, while in 2020 this share was 92%²⁰. Assuming that the share of other EU countries in hosting Belarusians under urgent conditions of 2021 and 2022 stays in the range between 5% and 8%, we estimate that the total number of Belarusian citizens that left the country after August 2020 for the EU is between 130,000 – 135,000.

The number of Belarusian migrants leaving Belarus via visa-free or non-Schengen countries is unknown, although it can be significant. Observations show that not everyone who receives an EU visa stays in the visa-issuing country. A significant number of Belarusians left for temporary residence or in transit to non-Schengen countries since August 2020, including Ukraine, Georgia, Israel, Turkey, Montenegro, Armenia and even Uzbekistan and Kyrgyzstan. Data for Ukraine shows that in 2021 more than 199,000 of Belarusians crossed the Ukrainian border, however, only 1,824 applied for the residence permit²¹. After February 2022 the majority of Belarusian citizens in Ukraine left for Poland or Lithuania. Available statistics for Georgia show that in March-May 2022 the net amount of 13,700 holders of Belarusian passport stayed in Georgia (number of country entries

¹⁸ Government of the Republic of Poland, New temporary residence permit for Belarusians holding humanitarian visas, <https://www.gov.pl/web/udsc-en/new-temporary-residence-permit-for-belarusians-holding-humanitarian-visas>

¹⁹ Eurostat (2021), Top 10 countries whose citizens received first residence permits in the EU, by Member State issuing the permit, https://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:T3_Top_10_countries_whose_citizens_received_first_residence_permits_in_the_EU,_by_Member_State_issuing_the_permit,_2021.png

²⁰ Eurostat (2020), First residence permits visualised, <https://ec.europa.eu/eurostat/fr/web/products-eurostat-news/-/wdn-20211102-1>

²¹ Radio Free Europe/Radio Liberty, „How many Belarusians moved to Ukraine in the pre-war year. Figures from Ukrstat” (in Belarusian), <https://www.svaboda.org/a/31898949.html>

minus number of country exits)²². More importantly, 2,363 self-employed Belarusians were registered in Georgia since 24 February 2022²³. Taking into account the visa-free regime with Russia and Kazakhstan, up to 50,000 Belarusians could have left Belarus cumulatively to all visa-free and non-Schengen countries since August 2020.

IT specialists constitute a significant share of Belarusian migrants and their outflow accelerated significantly since February 2022. Based on the survey results, experts estimate that up to 23,000 IT specialists relocated from Belarus²⁴. According to Belstat, the net loss in employment in the IT sector in Belarus in January-May 2022 was 5,500 employees, while in both 2020 and 2021 there were net gains in employment²⁵. Poland is the key destination for Belarusian IT specialists' relocation²⁶ due to the PBH program having issued 42,932 visas until the end of June 2022.

As previous research shows, westward labour migration is not new to Belarusians. The 2021 CASE study argued that by 2020, Belarusians looked much more to the EU than to Russia and the number of circular migrants to the EU was up to 70,000.²⁷ Most recent data shows that 65% of Belarusians receive Polish residence permits due to labour reason²⁸. A survey of individuals who crossed Belarusian border made by the Belarusian Statistical Committee indicates that employment is the main reason to leave the country (indicated by 28.4% of total responses)²⁹.

Having the total number of Belarusian migrants to the EU after August 2020 we can finally estimate the number of Belarusian self-employed and start-ups in the EU countries. We assume that the minimum share of 1.5% of Belarusian migrants will take a risk of launching a start-up or registering self-employment in local and international services or goods³⁰. Considering that there are around 135,000 Belarusians who moved to the EU between August 2020 and June 2022, potential of Belarusians in the EU in terms of entrepreneurship migration increased by around 2,000 of self-employed and start-ups.

²² Georgian National Tourism Administration data taken from the Monthly Tourism Update by PMCG Consultancy: https://pmcg-i.com/publications_file/d34062d824004950c.pdf, Date of access: August 29, 2022

²³ According to the data of Georgian Ministry of Justice released by the Georgian Parliament: <https://info.parliament.ge/file/1/MpQuestionContent/17028>

²⁴ Devby.io, „How many thousands of IT people could leave Belarus in two years. Calculations dev.by” (in Russian), <https://devby.io/news/relocate-how-many>

²⁵ Devby.io „Belstat: 5500+ people have dropped out of the IT sector since the beginning of 2022” (in Russian), <https://devby.io/news/uvolneniya-v-it-5-2022>

²⁶ Devby.io „Where, whom and how Belarusian IT companies are transporting right now” (in Russian).

²⁷ Agnieszka Kulesa and Piotr Kaźmierkiewicz (eds), In Search of New Opportunities: Circular migration between Belarus and Poland, Slovakia and the Czech Republic – state of play and prospects for cooperation, CASE, Warsaw 2021, <https://case-belarus.eu/wp-content/uploads/2020/04/circmigr-raport.pdf>

²⁸ Report on Belarusian citizens by the Polish Office for Foreigners (in Polish), <https://www.gov.pl/web/udsc/raport-dot-obywateli-bialorusi>

²⁹ National Statistical Committee of the Republic of Belarus, https://www.belstat.gov.by/upload-belstat/upload-belstat-word/Oficial_statistika/vwboroch_obsled_fiz_liz-2022_05-2.docx

³⁰ 1.5% is a minimum share of entrepreneurship migration potential available in the literature reviewed. The minimum share is used as a proxy to estimate the number of self-employment and start-ups among Belarusian migrants. We assume that minimum share of 1.5% remains as a revolving number of self-employed and new start-ups by Belarusian migrants in the EU

Similar to the business transfer, entrepreneurship migration of Belarusians is an important mechanism of transferring knowledge, investments, and creating new jobs. Practical experience of dealing with Belarusians abroad shows that the share of those interested in opening sole proprietorship or start-up in Lithuania or Poland is significant and makes them an important target group for policymakers in the host countries.

4. Business transfer from Belarus after August 2020

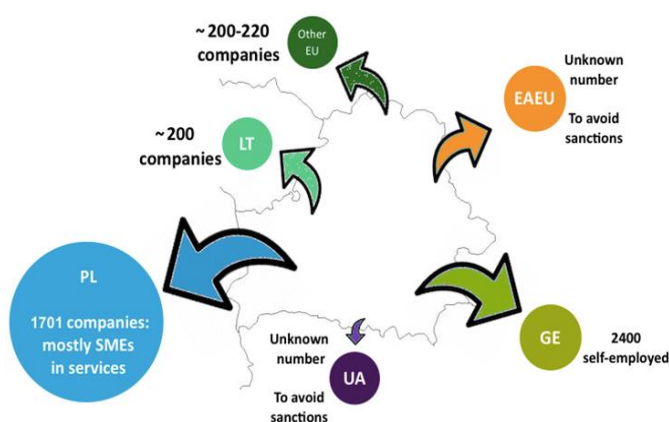
The Global Entrepreneurship Monitor showed that more than a half of the migrant entrepreneurs indicated that they sell products and services outside their host economy, while this was the case for only a third of non-migrant entrepreneurs³¹ (GEM, 2012). This fact supports the practical observation that most of the Belarusian businesses transferred from Belarus deal with third countries rather than with local services provision or trade. Such business behaviour pattern means that choosing a destination country to transfer business from Belarus is often not a matter of taxes and business climate in general, but a choice of:

- » company size and the number of employees to relocate, and
- » easiness and cost of country/visa access for owners and employees.

For instance, relocation to the neighbouring Poland and Lithuania are dominantly chosen by small services companies; medium and bigger companies relocate fully or partially to a country where they can minimize the costs of relocation, while self-employment is often the case for non-visa countries, like Georgia, Armenia or Turkey.

We estimate that in total at least 2,100 companies were fully or partially transferred from Belarus to the EU after August 2020. The majority of them are registered in Poland (80%), while Poland together with Lithuania make up to 90% of total business transfers from Belarus (see Figure 3). This estimation is in line with the research of M. Murawa in mid-2021 revealing that the total number of Belarusian companies relocated to and registered in all target countries in September 2020 – May 2021 was close to 1,000.

Figure 3: Estimated business transfer from Belarus after August 2020



Source: own elaboration based on the open public information

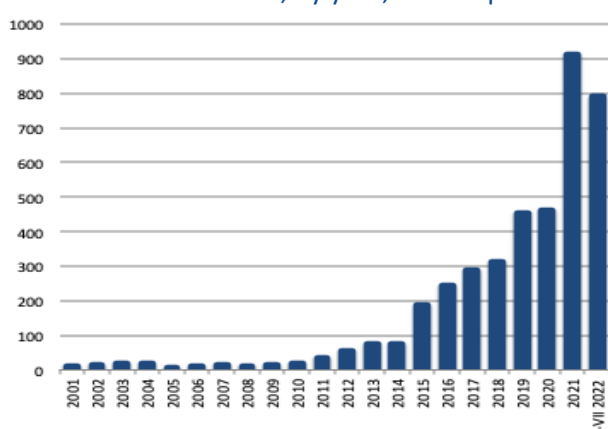
³¹ According to the Global Entrepreneurship Monitor 2012, the share of migrants selling products and services outside the hosting country comparing to the non-migrants increases together with the level of economic development of the hosting country.

Poland is the key destination point for Belarusian business transfer. According to Polish official data, 42% (1,701) of the companies were registered in 2021 and 2022³² (Figure 4). As of beginning of September 2022, there were 4,025³³ companies in Poland, one of the shareholders of which is a Belarusian company or a natural person with Belarusian citizenship (or is a real beneficiary). As noticed above, we believe that the two key reasons for choosing Poland as a destination country are:

- » most of the transferring companies are rather small and belong to the SME sector;
- » low cost of visa access for business owners and employees.

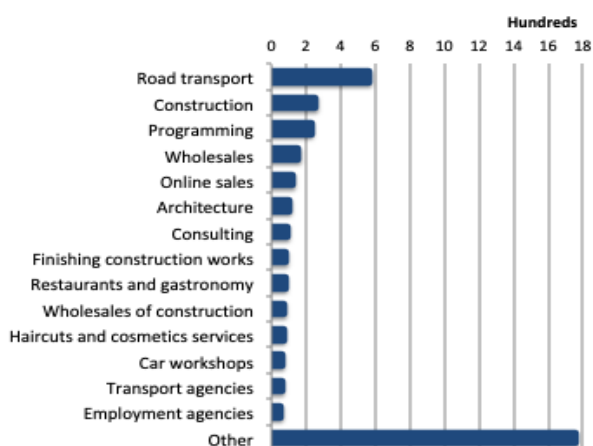
The sector allocation of Belarusian companies in Poland indicates that most of them are in services and confirms that they mostly belong to SMEs (Figure 5).

Figure 4: Number of new companies in Poland with Belarusian beneficiaries, by year, as of September 2022



Source: Centralny Ośrodek Informacji Gospodarczej

Figure 5: Business sectors of Polish companies with Belarusian beneficiaries, as of May 2022



Source: Centralny Ośrodek Informacji Gospodarczej

³² Centre of Economic Information, Data for companies, without self-employment (in Polish), https://www.coig.com.pl/wykaz_lista_firm-z-bialoruskim-kapitalem_w_polsce.php

³³ Centre of Economic Information, Data for companies, without self-employment as of September 2, 2022 (in Polish), https://www.coig.com.pl/files/pliki/Raporty/coig_inwestorzy_zagraniczni_2022_sierpien_all.pdf

The exact number of Belarusian businesses transferred to Lithuania remains unknown; the estimated number is about 200 companies. The Lithuanian government does not provide official data on the number of Belarusian firms registered in 2021-2022. The Belarusian embassy in Vilnius reported 250 companies with Belarusian investments in Lithuania as of 1 January 2021³⁴. Different estimations show that there are over 300 Belarusian companies operating in Lithuania³⁵. However, this number may relate to those with at least one employee and/or operating in fact, while actual number of businesses where the final beneficiary is a Belarusian or Belarusian company may be much higher. For instance, as the open-data fintech Okredo claims, in Lithuania there were 1,182 companies with Belarusian capital as of end of March 2022³⁶. The report of M. Murawa in September 2021 indicated that about 50 companies had relocated and registered in Lithuania since the presidential election, with 30 more relocation projects being implemented and over 100 Belarusian companies having declared interest in relocation to Lithuania. Assuming the similar trend of relocating of Belarusian companies to Lithuania and Poland in 2022 due to increasing sanctions towards Belarus after 24 February 2022, we expect that in 2022 the number of Belarusian relocates will be equal to 2021, i.e. the total relocates will sum up to around 200. Like in Poland, most of them operate in the service sector - retail and wholesale trade, transport and construction, hotel and restaurant business, and in the finance sector³⁷.

For the Lithuanian government and business circles it is important to double-check if a sanctioned Belarusian citizen is not the final beneficiary of a Lithuanian company. According to the President of the Lithuanian Confederation of Industrialists Vidmantas Janulevicius, an ordinary Lithuanian company cannot check in the database whether its partner has Belarusian capital, and who is the final beneficiary of that capital³⁸. This information becomes crucial in relation to the new sanctions that have been introduced towards Belarus after Lukashenka openly supported Russian military invasion into Ukraine to exclude sanctioned individuals and Belarusian capital from public procurement tenders and capital support in Lithuania. The demand for final beneficiary verification comes from Polish, Lithuanian, Latvian, and Estonian business circles and associations during Belarusian business events in the EU³⁹.

In case of Latvia and Estonia, the cumulative number of relocations to those countries does not overcome the number of transfers to Lithuania, i.e. no more than 200 in total. The estimations based on unofficial data from Latvian and Estonian business associations, as well as on open data from the Belarusian MFA, imply that number of businesses of

³⁴ Embassy of the Republic of Belarus to the Republic of Lithuania, On investment cooperation, https://lithuania.mfa.gov.by/en/bilateral_relations/trade_economic_cooperation/investment_cooperation/

³⁵ A similar number of companies was mentioned in 2021 M. Murawa report (320 companies), by Creditinfo Lietuva economists (around 300 companies), as well as confirmed by the Lithuanian Confederation of Industrialists (around 300 companies).

³⁶ Delfi.lt, „More than 300 Russian and Belarusian companies operate in Lithuania, their future is uncertain” (in Russian), <https://www.delfi.lt/ru/news/economy/v-litve-dejstvet-bolshe-300-rossijskih-i-beloruskih-kompanij-ih-budushee-tumanno.d?id=89826147>

³⁷ Ibid.

³⁸ Ibid.

³⁹ For example, during the Belarus Business Forum in Warsaw in September 2022 and October 2021 as well as Belarus Business Forum in Vilnius in February 2022 (www.abbacaseforum.com).

Belarusian origin in each country is around 300-350, or 600-700 in total⁴⁰. Latvia and Estonia competed with Lithuania for relocating Belarusian business in late 2020 and 2021 with at least 25 reported cases of relocation known to Latvia until May 2021⁴¹. According to the information obtained from Estonian official sources, in 2021, 128 Belarusian citizens (111 residents) created a company in Estonia and in total there are 364 companies started by Belarusian e-residents, with 26% of them being IT companies⁴². However, less attractive migration aspects with relatively high visa costs comparing to Lithuania and specially Poland, resulted in moderate interest from Belarusian companies to relocate to Latvia and Estonia⁴³. Moreover, since April 2022 Estonia stopped issuing visas and residence permits for Belarusian citizens, and in fact stopped the process of Belarusian capital attraction. Latvia did not terminate, but significantly restricted the number of visas and residence permits for Belarusians since April 2022⁴⁴.

There is no evidence that any significant number of Belarusian companies were relocated to any other EU country. For calculations of total business transfer to the EU we assume that the share of other EU countries among total relocations to the EU is insignificant, being around 1-2%. This estimation is based on practical observation, discussions with Belarusian diaspora in the EU, as well as proxy of maximum capacity of other EU countries as much as 5% equal to the share of countries other than Poland and Lithuania in issuing first residence permits in the EU in 2021⁴⁵.

5. Conclusions

Conclusion 1. Between August 2020 and June 2022, the cumulative number of Belarusian businesses community in the EU increased by around 4,100 private businesses of different scale and legal form including self-employment. This number is made of both full and partial company transfers, together with all kinds of legal entities of entrepreneurship migration in the EU after August 2020. Some of those companies and self-employment entities are fully operational, some of them have just been opened, while some of them will be registered soon.

Conclusion 2. There is a need for increased knowledge about the number of relocating companies and entrepreneurship migration from Belarus as well as for their qualitative analysis to reveal the scale, volume, and nature of the relocation. This knowledge will allow understanding the benefits of business migration flow from Belarus for the

⁴⁰ Information from correspondence with business associations in Latvia and Estonia as well as from open sources.

⁴¹ Murawa, M., In-depth Analysis of the Belarusian Companies Relocation Process Following the Presidential Elections' Aftermath. *Contract reference ENI/2021/423-667*. September, 2021.

⁴² Information obtained by email correspondence from e-Residency of Estonia (<https://www.e-resident.gov.ee/>).

⁴³ See, for example, the interview with a Latvian law firm partner here: <https://www.bdo.lv/ru-ru/insights/2022/andrei-surmach-we-need-a-national-economic-idea!%E2%80%9D>

⁴⁴ Ministry of Foreign Affairs of the Republic of Latvia, Consular information, <https://www2.mfa.gov.lv/ru/vitebsk/konsulskaya-informaciya>

⁴⁵ We assume that the share of a country in hosting relocating companies should be no more than a country's share in total number of Belarusian immigrants to the EU. In 2021 the share of countries apart from Poland and Lithuania in first residence permits was 5.6%. Another evidence is that both public information and observations tell that the number of Belarusian companies in other EU countries is mentioned in tens, not hundreds.

destination countries and allow determining policies that are needed in response. Further, smoother policies towards relocation from Belarus will lead to the improvement of relocation process and its better management, thus enabling a win-win solution for relocating companies and their new hosting countries.

Conclusion 3. Easiness and cost of country/visa access for owners and employees seem to be the key obstacle and the main decision factor when choosing a destination country to transfer business from Belarus. This said, visa mechanism is a powerful instrument for relocation control to the EU. Visa facilitation programs, like the PHB, will lead to further growth in relocation volume, while on the contrary, visa obstacles like in Czechia or Estonia, will make Belarus business preferring relocating to non-visa or non-Schengen countries. A perfect solution would be to enhance existence of programs like the PHB to other EU countries to compete for relocating Belarusian companies and creating new jobs in the EU. A recent CASE Belarus research identified construction, transport, and ICT services as sectors with the highest untapped export potential for Belarusian services in the EU⁴⁶, what suggests the need of launch of PBH-like programs in other sectors, apart from IT.

Conclusion 4. With the expanding sanction policy of the EU towards Belarus, it is crucial to institutionalise the process of fair business verification. Access to credit resources and investments for Belarusian investors abroad is often a serious problem as EU financial institutions try to minimize the risk of getting under secondary sanctions for dealing with sanctioned Belarusian companies. The same risk complicates access for Belarus-origin businesses to other services in the EU, like services that facilitate doing business, legal advice, public procurement, general public or specific governmental services. Belarusian business facilitating institutions should play key role in minimising this risk by signing a set of cooperation agreements with potential investigators and guarantors of a business history and relation to sanctioned sectors/products/companies/citizens. A pilot project of formal cooperation between an institution facilitating Belarusian businesses and Polish and/or Lithuanian banks could be launched to set up the framework of guarantees that would enable banks and public institutions to deal with Belarusian investments in the EU.

Conclusion 5. EU countries' public policy could support fair entrepreneurs among Belarusian migrants by providing funding, training, access to work spaces, and navigating the administrative processes associated with starting a business as an immigrant. As the number of Belarusian migrants in the EU is growing, their cumulative entrepreneurship potential increases and brings economic benefits to the hosting EU countries. A structured policy response from the EU countries could multiply potential benefits. For instance, easier access to the EU labour market for Belarusian specialists like medical personnel or engineers, would allow filling the qualified labour gaps in the EU countries in the longer run. In the short run, much remains to be done to facilitate and speed up the integration of Belarusian migrants in local labour markets. The recent example of facilitation of Ukrainian citizens' integration in the EU countries can become a benchmark for public policy towards treatment of Belarusian entrepreneurs in the EU.

⁴⁶ Naurodski S., EU's Unilateral Trade Liberalisation For Belarusian Services. Belarus Insights No. 1/2021. Joint CASE and CASE Belarus publication, September 2021, <https://case-belarus.eu/wp-content/uploads/2021/09/2021-trade-liberalization-between-belarus-and-the-eu-by-case-belarus.pdf>

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