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POLICY RECOMMENDATIONS:

TRANSNATIONAL  
ENTREPRENEURSHIP  
AND THE ROLE OF  
THE STATE

**Group 484 Centre for Migration  
Institute of Social Sciences**





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# POLICY RECOMMENDATIONS: TRANSNATIONAL ENTREPRENEURSHIP AND THE ROLE OF THE STATE

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## Introduction

At the time of global economic and social crisis, when on the one hand, there is a need to develop competitiveness and economy based on knowledge and innovation and on the other hand we are faced with aging population and the decreasing number of working-age people, it is necessary to gather all the existing resources in order to meet these challenges. Population and labour force projections in Serbia for the period 2011-2041 are pretty bleak and indicate that there is a possibility that the population in 2041 falls to 5.5 million (23% less than in 2011), that the extent of labour falls by 21% and the number of people over 65 increases by 14% (Kupiszewski et al. 2012). Depopulation is primarily attributed to negative natural increase, which in the period 2006-2010 ranged between 31.9 and 34.7 thousand per year. However, the negative net migration, which was about - 15,000 annually in the period 2008-2010, has also contributed to this situation. Migration in Serbia is usually perceived from the demographic point of view, as population loss, and it is difficult to recognise its potential for development. However, it should be emphasised that by going abroad migrants acquire new knowledge, skills and contacts. They become part of the global labour market, global network of knowledge, research and innovation and become familiar with the global trends in the areas of their expertise. Better business opportunities are opened to them and they have a better living standard than they could have in Serbia. At the same time they remain connected with Serbia through social networks, both personal and professional, and it is possible that through them they transfer their human and other resources and thus accelerate the development of Serbia and its approach to global trends.

Migrants have a number of resources – human (education, skills, and knowledge), financial and entrepreneurial (remittances, foreign direct investment, trade, savings, business investment, purchase of real estate, humanitarian aid), social (networks among diaspora members, networks which connect the country of origin and reception; friends and family ties, relationships with local communities and institutions, professional relationships), emotional (commitment, nostalgia, goodwill) and local (familiarity with the local context and special ties with the place of origin). All the mentioned resources provide a competitive advantage and greater competitiveness of migrants in developing entrepreneurship over other entrepreneurs. On the one hand, since they know the situation in the country of origin and have a developed social network, they are more willing to start businesses there and get engaged in risky business ventures and new markets than other entrepreneurs from abroad. Knowledge of social and cultural norms, business culture and local languages facilitate their business in the country of origin. On the other hand, knowledge of global trends in certain production and the networks built abroad facilitate their success in conceiving and implementing business ventures compared to domestic entrepreneurs. Investing in entrepreneurship is more acceptable than other types of investments because in this case they have more direct control over their resources. The study of Indian and Chinese entrepreneurs in Silicon Valley (Wadhwa et al, 2009) shows that the company founded by immigrants employed 45,000 people and generated revenues of \$ 52 billion in 2006.

Encouraging entrepreneurship, including entrepreneurship of migrants is also the objective of the European Commission. Entrepreneurship 2020 Action Plan (EC 2013) is one of the European Commission's responses to the devastating effects of the most serious economic crisis in the last fifty years in Europe – increase in unemployment of over 25 million and the inability of SMEs to recover to the pre-crisis situation. Entrepreneurship is an important driver of economic growth and job creation. It makes the economy more competitive and innovative. New companies, especially small and medium-sized businesses in Europe open 4 million new jobs every year<sup>1</sup>. The Action Plan is based on three key groups of action: 1) development of education and training for entrepreneurship, 2) creation of an adequate business environment, and 3) creation of good entrepreneurial models and support to entrepreneurship of specific groups – women, senior citizens, migrants and the unemployed, especially youth. Migrants are recognised as more entrepreneurial than the domestic population (OECD 2010). Researching returnees in the Maghreb countries has shown the growth of entrepreneurship among migrant returnees. Before leaving the country, there were only 3% of entrepreneurs-employers among them and abroad the number rose to 9% and upon the return to the country of origin to 51% (Cassarino 2008). Furthermore, the number of entrepreneurs among returnees ranged from 26.5% in Algeria to 32% in Tunisia and

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1 The Commission's calculation is based on the Eurostat data (2009), Action Plan "Entrepreneurship 2020" (2013).

33% in Morocco. This finding is explained by saving funds abroad, which allow them to overcome difficulties in the capital markets in the country of origin, as well as by acquiring new skills and ideas abroad.

The importance of migrant entrepreneurship is also recognised in the Global Entrepreneurship Monitor<sup>2</sup> – GEM, the biggest and survey-based study on entrepreneurship in the world. The high level of entrepreneurship of migrants is explained by four factors: 1) selectivity of migrants as those who migrate have the human and financial resources, 2) personal characteristics of migrants: internal, locus of control, self-efficiency, and risk orientation, 3) cultural heritage of the country of origin, and 4) overcoming employment difficulties in the destination country through self-employment. Migrants also contribute to the economies of countries of origin since they maintain their social networks, transfer business and technological know-how, information, and send remittances. Returnee entrepreneurs are better equipped to overcome obstacles and start business in the country of origin. A 2012 study examines the level of entrepreneurial activity of immigrants and their impact on the economy of the destination country. It turned out that migrant entrepreneurs influence the development of the economy of the destination country through job creation<sup>3</sup>, innovation of service and products and export orientation<sup>4</sup>.

Realising the importance of migrants, their entrepreneurial ventures and the resources they have, our intention was to investigate the presence and characteristics of migrant entrepreneurship in Serbia, either of those who are still abroad and are part of diaspora or those who have returned to the country after the migrant experience or those who live between two or more countries. Since the success of their business operations and contribution to development of the community of origin depends largely on the socio-economic situation in Serbia and the support they receive from local and national governments, we wanted to find out what kind of support these entrepreneurs receive and how the existing support could be improved.

This document is primarily intended for creators of migration and development policies so that during the policy-making they could have in mind the huge development potential of migration and migrant entrepreneurs. Our goal is for the recommenda-

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2 <http://www.gemconsortium.org/>, assessed on May 15, 2013

3 The proportion of migrant entrepreneurs expected to open 10 or more jobs is 25% (while in non-migrants it is 16%) in efficiency-driven economies, 23% (9% non-migrants) in factor-driven economies and 20% (14% non-migrants) in innovation-driven economies. The survey was conducted in 69 countries, in USA, Western Europe (and Israel), Eastern Europe, Russia; South and Central America, the Middle East and North Africa, Sub-Saharan Africa (GEM 2012)

4 Export orientation increases the chances for growth and sustainability as it allows operation in a wider and diverse market and reduces dependence on one market demands. Successful involvement in other economies indicates the international competitiveness of the company. (GEM 2012)

tions in this document to help develop and implement measures to support entrepreneurship of migrants and facilitate transfer of knowledge, skills and contacts in the areas important for the development of economy and society in Serbia. We also want to attract the academic community to research transnational entrepreneurship and generally the link between migration and development, and to contribute to the development of policies based on facts and knowledge. We also want to encourage the transnational entrepreneurs and other important actors in society – representatives of business sector and civil society to engage in dialogue with decision-makers and policy-makers and help improve the business climate in Serbia.

In addition to this introductory section, the document consists of six sections. The first section briefly describes the theoretical framework based on which the research was conducted and which seeks to highlight the characteristics of transnational entrepreneurship and entrepreneurs in Serbia. The second section describes the research methodology. The third section provides an analysis of the existing institutional framework – both strategic and incentives for the development of transnational entrepreneurship. The fourth section presents the characteristics of transnational entrepreneurs and enterprises from Serbia. The fifth section presents the possibilities and obstacles to transnational business in Serbia. The sixth part contains conclusions and recommendations.

## **Theoretical framework**

In recent years, transnationalism has been developed as one of the main theoretical frameworks for understanding contemporary international migration. Taking into account the increasing globalisation of the political, economic, social and cultural life, the speed and low cost of communication and transportation, the concept of transnationalism highlights the diverse demographic, political, economic, cultural, family networks and connections that exist between two or more locations. From this perspective, migration is not a single, isolated move from one geographic and socially limited location to another. On the contrary, transnational communities embody and share interests, relationships, resources, needs and people involved in multiple frameworks (Light, Gold 2000:149).

Although the term transnationalism is relatively new, migration sociologists have long recognised the need to examine various forms of contacts that migrants maintain with family and other people in the countries of origin, particularly through correspondence and remittances. From the twenties of the last century until recently, most research was focused on how immigrants adapt in the reception countries, rather than on how they continue to maintain contacts in their places of origin. However, the “transnational turn” in research in the early nineties of the 20th century has brought a new insight into the greater intensity and extent of circulation of people, goods, information and symbols caused by international labour migration.

By showing that there is a growing population whose social and political behaviour cannot be explained by the traditional bipolar terminology, researchers agree that the conventional focus based on nation states is no longer sufficient, and that the theory of migration needs to be revised. The new definition describes migrants as “transmigrants whose daily lives depend on multiple and constant contacts beyond international borders and whose identity is formed in relation to several nation states” (Glick Shiller et al 1994:4). However, one should be cautious since many studies show that transnational practices are not developed among all migrants (Faist 2000).

Transnational practices can be political, economic and socio-cultural. Transnational entrepreneurship is a form of economic practices. A stereotypical image describes migrants as cheap and low-skilled workers in developed economies, coming from less developed countries. Nowadays, attention is increasingly focused on those who run their own businesses and enterprises. Researchers have so far been generally focused on immigrant entrepreneurs and their ethnic groups, as well as on the issue of social networks and embeddedness (Granovetter 1995). However, these approaches do not fully consider the importance of economic and political environment in which migrants live and work. Transnational migrants can be very innovative by introducing new products and ways of doing business in the countries of reception and origin. Through loans, assets, management techniques, consumption standards, and workers crossing borders of countries of reception and origin, migrants can take advantage of the economic, political and cultural differences between nation states (Light, Gold 2000:152). By providing information and lowering migration prices, through such networks migrants are able to avoid restrictions imposed by regional or national economic conditions. Transnational entrepreneurs are “social actors who enact networks, ideas, information, and practices for the purpose of seeking business opportunities or maintaining businesses within dual social fields, which in turn force them to engage in varied strategies of action to promote multiple social fields, which in turn force them to employ a variety of strategies to promote entrepreneurial activities and the social changes” (Drori et al 2010:4).

A review of ethnographic case studies in the United States shows the following types of transnational companies (Zhou 2007:233): a) those that provide financial services for informal remittances; investment banks, b) import-export companies for raw materials, semi-processed products, consumer durables, exotic and local products, which involve both informal couriers and official freight forwarders, c) companies involved in various cultural activities – trade related to music and film CDs, reproduction of the print and video media from the country of origin, organisation of musical, sporting and tourism activities in the countries of reception and origin, d) manufacturing firms operating either as subsidiaries of larger firms or as organisers of production across national borders, e) return migrant microenterprise opened by migrants mostly in their places of origin out of personal savings earned in the United States. Some studies show that many migrants in the United States establish contacts abroad rather than plan to return permanently, and for that reason they buy houses, open bank accounts and es-

establish business contacts through which they create new economic opportunities and organise transnational life.

Transnational entrepreneurs, along with the interaction of human capital and specific knowledge and skills, establish transnational networks and have the potential to expand the business transnational space. However, it should be noted that the development is not equally contributed by all forms of entrepreneurship. Recent research shows that it is necessary to distinguish between “necessity entrepreneurs” and “opportunity entrepreneurs” because of their different effects on the economic development (Newland, Tanaka 2010).

“Necessity entrepreneurs” start small businesses because they cannot find other opportunities in the labour market, and thus have small impact on economic development. They generally sustain themselves and reduce unemployment, have a lower level of social capital and opportunity for starting a business. Business operations that do not require high level of education and start-up costs are usually realised in the sectors saturated with competition and with low profits. Therefore, the development of social capital becomes extremely important for survival. This kind of self-employment brings value to the entrepreneur and their employees, but does not affect the broader economic development. It is much more likely that “opportunity entrepreneurs” will have a positive impact on the economic growth of the country of origin because they recognise and use advantages of new market opportunities. In particular, highly skilled migrants (not necessarily always with college education), specialised in demanded and new sectors can take best advantage of new markets and generate profits in the countries of origin.

Transnationalism has greatly contributed to the perception of contemporary migrant entrepreneurship (Zhou 2007). Potential migrants entrepreneurs, both low and high-qualified, not only respond to the structural barriers they face in countries of reception, but also actively seek opportunities and niches in the markets beyond national borders of these countries, thus using their dual cultural skills and dual ethnic networks. Regardless of the prism through which migrant entrepreneurship is perceived, researchers agree that at the very top of the motivations for starting businesses, especially those beyond national borders, is the opportunity structure. Aldrich and Waldinger (1990:114) offered a three-part framework for understanding ethnic migrant entrepreneurship. According to them, the development of ethnic business operations should be viewed through the following: 1) opportunity structure, 2) group characteristics, 3) strategies that arise through the interaction of the first two components as a result of adjustment of migrants to the new environment. According to this framework, opportunity structures consist of market conditions and access to business opportunities.

This three-component framework was applied to research transnational entrepreneurs from Serbia. On the one hand we determined the opportunity structure – the business environment and institutional framework in Serbia, and on the other the characteristics

of transnational entrepreneurs, and finally strategies that arise through the interaction of these two components, and the consequences on the success of transnational entrepreneurship.

## Methodology

Four methods were used : 1) analysis of documents, laws and literature, 2) semi-structured interviews with 11 stakeholders in the government and non-government sector, 3) semi-structured interviews with 15 transnational entrepreneurs, and 4) electronic survey with 47 transnational entrepreneurs.

*Analysis of documents, laws and literature* included an analysis of development and migration policies and their implementation, legal framework for entrepreneurship and scientific literature in the area of transnational entrepreneurship. The aim of this analysis was to determine the theoretical framework of the research, the research results, and the institutional frameworks for transnational business in Serbia.

*Semi-structured interviews with stakeholders in government and non-government sector* included representatives from the following institutions/organisations: Ministry of Foreign Affairs, Serbia Investment and Export Promotion Agency (SIEPA), Office for Cooperation with the Diaspora and Serbs in the Region, Centre for the Promotion of Science, Fund for Young Talents, Commissariat for Refugees and Migration, National Alliance for Local Economic Development (NALED), Business Technology Incubator of Technical Faculties in Belgrade, and diaspora offices – in Arilje, Kladovo and Paracin. The aim of the interviews was to determine the existing institutional framework for transnational business and recommendations for its improvement.

*Semi-structured interviews with transnational entrepreneurs.* Based on semi-structured questionnaires, 15 entrepreneurs were interviewed. Transnational entrepreneurs are defined as citizens of Serbia who have studied or worked abroad for more than a year and then came back and founded the company in Serbia or expand the business, which started abroad, and the success of their business depends on regular cooperation with foreign countries. The interviews were anonymous and lasted on average 90 minutes. The purpose of these interviews was to get to know the characteristics of transnational entrepreneurs and their companies, the ways in which they develop transnational business and resources help them in this, as well as the opportunities and obstacles for their business in Serbia. These interviews were used for the electronic survey creation.

*Electronic survey* consisted of 35 questions mostly closed, with "other" as an offered answer and the possibility to explain what "other" is. The main objective of the survey was to further highlight the characteristics of transnational entrepreneurs and enter-

prises, network characteristics important for the initiation and operation of transnational business and comparative business conditions in Serbia and abroad. For this survey, transnational entrepreneurs were more widely defined: in addition to citizens of Serbia who studied or worked abroad for more than a year and then returned and established a company in Serbia, we included those who were still abroad, but operated with Serbia, as well as employees in transnational companies. The sample included 47 respondents – 15 business owners in Serbia, 10 business owners abroad, 14 employees in transnational companies in Serbia and eight employees in transnational companies abroad.

The methodology limitations lie in the non-representativeness of the sample of transnational entrepreneurs. Therefore, the quantitative data will be complemented by the results of other research and the analysis of the existing policies and practices in Serbia. This study should be viewed as a pilot study that raises many questions for further research and highlights important issues that policymakers need to keep in mind when developing public policies.

## **Institutional framework**

### **Strategic framework**

The attitude of Serbia towards migration and migrants has changed throughout history, consequently changing its migration policies. Interestingly, in the mid-19th century, Serbia had a strategy for the creation of educational elite and sent young people abroad for education according to the needs of government services, who during their stay abroad were supposed to report on their achievements, and upon their return to apply lessons learned by working in the civil service and developing certain faculties (Trgovčević, 2003). After the Second World War several stages of the Yugoslav migration policy could be distinguished: 1) repressive phase from the mid-50s to 1962; 2) regulation of working abroad from 1962 to 1965; 3) maximisation phase in the period 1965-1972; and 4) phase that began in 1972 with efforts to establish control over migration flows according to the needs of the Yugoslav state (Ivanović, 2012). In the fourth stage, through the 1971 population census it became evident that the number of citizens abroad had increased significantly, that people went abroad without the assistance of employment services (only 44% went abroad through the state mediation), more than 50% of workers left developed areas, a large number of workers was highly qualified and already employed and their departure was not exactly “temporary” as expected. Such a state of affairs led to the economic, demographic, social and security problems. For that reason, state leaders decided to use migration policies to prevent a mass exodus of workers, especially departure of professionals and skilled workers, and encourage their return by the introduction of tax and customs exemptions. The oil crisis in October 1973 led to the fact that the countries of Western Europe to cease their

programme of recruitment of workers from abroad and introduce restrictive migration policies. During this period, these countries have accepted an increasing number of spouses, children and other family members of migrant workers who had decided to stay abroad permanently. Organised employment of our workers in these countries decreased again in 1992 due to sanctions imposed by the UN Security Council on Serbia and the interruption or suspension of bilateral agreements on employment with the main countries of destination (Kupiszewski et al, 2012). Consequently, overseas migration flows from Serbia increased, under the influence of migration policies of destination countries and beyond the control of the Serbian government.

Today, migration, diaspora and returnees are recognised as a resource for development in a number of strategies. The former Ministry of Religion and Diaspora, now the Office for Cooperation with the Diaspora and Serbs in the Region, developed *the Strategy to Preserve and Strengthen the Relationship between Homeland and Diaspora*, as well as *Homeland and the Serbs in the Region* (2011) with the main goals of “restoring the trust of diaspora in the homeland; improving the position of diaspora and Serbs in the region, the foreign countries in which they live; raising awareness in the local public about the importance of diaspora and Serbs in the region; networking”(p. 9). The intention is to encourage the development of the country through the economic, scientific, technological, cultural, educational and sports cooperation with diaspora, but that diaspora also assist in the EU integration processes and promotion of reputation of the Republic of Serbia in the world. For this purpose, the plan is to carry out the geographical, structural and organisational diaspora mapping. The *Migration Management Strategy and Action Plan* (Commissariat for Refugees and Migration<sup>5</sup>) has integrated measures of other strategies as this is the umbrella strategy for migration management. It emphasises the need to develop programmes and projects in cooperation with international organisations for “temporary return of highly-educated labour force that has left the Republic of Serbia”, “the use their knowledge and skills at a distance”, but also for their return and active involvement in the labour market.

The *Strategy of Scientific and Technological Development of Republic of Serbia 2010-2015* (Ministry of Education, Science and Technological Development), plans to “better use” scientific diaspora – first by identifying its members and their potentials (database creation), and then by developing various forms of cooperation such as their involvement in the project review processes, in national projects and employment in institutes and universities. The intention is also to develop return programmes – short and long study visits and provide the necessary resources for bringing together research teams

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5 In November 2012, the Law on Migration Management was adopted (“Official Gazette of RS”, No. 107/12), whose provisions identify new expanded jurisdiction of the Commissariat for Refugees in the field of migration management. The Commissioner for Refugees, established by the Law on Refugees (“Official Gazette”, No. 42/2002, “Official Gazette of RS”, No. 45/2002 and No. 18/92) continues its work as the Commissioner for Refugees and Migration.

and purchasing necessary equipment for research. The *National Strategy and Action Plan for Youth* should also be mentioned here (Ministry of Youth and Sports), developed in 2008 which seeks to prevent permanent departure of youth and encourage mobility and international cooperation of young people.

It is important to note that development strategies also include measures aimed at encouraging mobility, cooperation with diaspora and their return. The *National Economic Development Strategy of the Republic of Serbia 2006-2012* and the action plan emphasise the importance of mobility, incorporation in the single European higher education space and investment in efficient scientific research structure. The *National Sustainable Development Strategy 2007-2017* and the action plan stress the need to develop programmes for the most talented young scientists in the country, to encourage the movement of our researchers at home and abroad, to establish links with the academic diaspora, as well as "the development of appropriate policies of return and employment". The *Strategy of Regional Development of the Republic of Serbia 2007-2012 and the action plan* set out the measures aimed at the inclusion of professional and financial resources of diaspora in the country's economic development, but also the creation of conditions for employment of returnees. Since to the lack of data has always been emphasised as a barrier to the development of appropriate measures and policies it is important to note that the *Strategy of the Development of Official Statistics in the Republic of Serbia 2009-2012* foresees regular annual research on internal and external migration. The external migration research will be based on the results of the Census of Population, Households and Dwellings 2011 and the databases provided by the Ministry of Interior.

However, the challenge still remains related to the implementation and coordination of these measures included in the various strategies. Coordinating body for monitoring and management of migration could assist in overcoming these challenges. The coordinating body was established in 2009 and comprised of almost all the ministers<sup>6</sup> whose ministries were responsible for a certain part of migration flows. It was then planned that the work of the Coordinating Body should be led by Dr Jovan Krkobabić, Deputy Prime Minister in that period. The Commissioner of the Commissariat for Refugees and Migration of RS also participates in the work of the Coordination Body. The Commissioner for Refugees is assigned to provide administrative, operational and

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6 1) Jovan Krkobabić PhD, Deputy Prime Minister; 2) Ivica Dačić, First Deputy Prime Minister – Deputy Prime Minister and Minister of Interior; 3) Božidar Đelić MA, Deputy Prime Minister for European Integration; 4) Nebojša Čirić, Minister of Economy and Regional Development; 5) Vuk Jeremić MA, Minister of Foreign Affairs; 6) Rasim Ljajić, Minister of Labour and Social Policy; 7) Srđan Srećković MA, Minister of Religion and Diaspora; 8) Milan Marković, Minister of Human and Minority Rights, Public Administration and Local Self-Government; 9) Goran Bogdanović, Minister for Kosovo and Metohija. Representatives of the Ministry of Education, Science and Technological Development and the Ministry of Youth and Sports are not included in the coordination body.

technical support to the body. Therefore, he formed a working group comprised of middle managers of all these ministries, along with a representative of the National Bureau of Statistics. At the suggestion of Commissioner for Refugees and Migration, the Government of RS has adopted a number of laws and documents relevant to the field of migration: in addition to the above-mentioned Strategy and Action Plan for Migration Management, the Law on Migration Management and Migration Profile of the Republic of Serbia for 2010 and 2011. Furthermore, relying on the provisions of the Law on Migration Management, the Commissioner plans to develop a single system for collecting, organising and exchanging data, as well as to extend competences and strengthen capacities of local councils for migration, which should facilitate better monitoring of migration at the local level and coordinating activities with the activities at the national level.

### **Incentives for transnational entrepreneurship**

In 2012 in an interview called indicatively *Why our Diaspora does not Invest in Serbia*, the former Minister of Religion and Diaspora<sup>7</sup> stressed the achievements in the development of cooperation with diaspora. According to the data of the National Bank of Serbia, there was 27.6 billion euro of foreign exchange remittances to Serbia in the period 2000-2010. During the same period, the World Bank recorded that 42.96 billion dollars of foreign remittances entered Serbia. According to the minister, in the period 2000-2012, diaspora directly invested \$ 550 million in the Serbian economy and by establishing small and medium-sized enterprises employed around 25,000 people. The efforts made in developing cooperation with diaspora have been mainly aimed at developing an institutional mechanism that would facilitate such cooperation. The Law on Diaspora and Serbs in the Region has been enacted. The first Assembly of the Diaspora and Serbs in the Region has been founded as the highest representative body that represents delegates from all continents and regions, as well as the Committee for the Serbs in the Region, chaired by the Serbian President, which promotes regional cooperation with the support to our compatriots.

The Ministry of Religion and Diaspora has tried to promote economic cooperation with diaspora through the presentation of investment projects to diaspora. Electronic catalogue has been created and distributed, with an offer of 193 concrete investment projects in 68 municipalities and towns. Most projects are focused on tourism (40.6%), followed by industrial zones (20.3%), infrastructure (18.7%), area of agriculture and food production (10.3%) and ecology (9, 3%). The promotion is realised in cooperation with the Centre for Diaspora in the Serbian Chamber of Commerce, 16 diaspora centres at the local level (within regional chambers) and 12 diaspora offices established by local governments. These bodies should promote and support the investors from diaspora and returnees from abroad in business development. The Chamber of Com-

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<sup>7</sup> Interview: *Why our Diaspora does not Invest in Serbia*, Srđan Srećković, ex Minister of Religion and Diaspora, September 28, 2012.

merce also has the Business Council for Diaspora, an operational body composed of representatives from diaspora and representatives of ministries and other bodies and organisations in the country. It is appointed by the Governing Board of the Serbian Chamber of Commerce. President of the Business Council is the President of the Serbian Chamber of Commerce. The Business Council has a four-year mandate. The first session was held in 2001. It is composed of 49 members, including 32 from diaspora and 17 from the country and its mandate lasts until 2014. Diaspora Club has also been organised – a network that virtually connects business people from Serbia and diaspora, helping them share their knowledge and business contacts. The Chamber of Commerce publishes factsheet for diaspora – Diaspora Info. The Ministry of Religion and Diaspora has organised practices for students from diaspora in the state administration and local governments, as well as in well-known companies in cooperation with the Chamber of Commerce, in order to transfer and acquire knowledge, learn about conditions in the country and encourage their possible return to Serbia.

Ministry of Education, Science and Technological Development has tried to improve the cooperation with scientific diaspora through the creation of a database of 586 scientists. Their participation in research projects has also been encouraged. According to the “Act on the Selection, Evaluation and Funding of Programmes for the Research Cycle 2010 – 2014” , participation of one researcher from abroad is valued with one point, and two or more researchers with two points, out of 110 points that can be awarded for the project. The inclusion of two international reviewers is planned. The Ministry in collaboration with the Chamber of Commerce organises a national competition for the best technological innovation, where representatives from diaspora are invited to participate as reviewers and competitors, to motivate others to participate, to help with the prize fund and the competition organisation. The prize fund ranges from 20,000 to 180,000 dinars.

There are no special incentives for transnational entrepreneurs, but they can use the incentives provided by the state for local and foreign entrepreneurs. In 2013, the Ministry of Finance and Economy<sup>8</sup> has realised the following programmes: 1) Programme of support for small businesses and entrepreneurs for the purchase of equipment (100 million RSD), 2) programme of support innovative high-growth SMEs (40 million RSD), 3) programme of standardised set of services for SMEs (50 million RSD), and 4) programme of subsidised loans for liquidity and current assets (600 million RSD). A significant number of programmes is implemented through the network of support institutions: Development Fund (through which favourable credit lines are realised for small and medium enterprises and entrepreneurs), Export Credit and Insurance

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8 Taken from the presentation “Migration and Entrepreneurship: public policy presentation and analysis” by Nina Samardžić, Assistant Minister in the Department for the Development of Entrepreneurship and Competitiveness, Ministry of Finance and Economy, Republic of Serbia, at the conference Migration and Entrepreneurship: Resource for Development, June 14, 2013, Belgrade.

Agency (AOFI) through which export credit and insurance are provided for SMEs, Serbia Investment and Export Promotion Agency (SIEPA), National Agency for Regional Development with the network of regional development agencies (own programmes and programmes of the Ministry of Regional Development and Local Government), National Employment Service. SMEs can also receive support through the project "Integrated Support for Innovation", implemented from the EU funds.

On one hand, SIEPA helps Serbian companies to export their products and services and become more competitive in foreign markets, and on the other it promotes investment opportunities and assists foreign investors to start business in Serbia. SIEPA also provides financial support to investors. It has announced 16 open calls, within which 252 million euro have been allocated for 40.046 jobs in Serbia. Grants may be awarded to domestic and international companies for financing investment projects in the manufacturing sector, services sector that can be subject to international trade and for strategic projects in the field of tourism. 4.000 to 10.000 euro is given to direct investments for a new job within three years from the date of the grant contract is signed. In the manufacturing sector, it is necessary to create 50 new jobs and invest from 0.5 to 1 million euro, depending on the location of investment. In the services sector it is necessary to create 10 jobs and invest 0.5 million euro. In the area of tourism – 50 jobs and 5 million euro of investment. For the projects of special importance (200 million euro, 1,000 jobs within 10 years from the day the grant contract is signed), large (50 million euro, 300 jobs) and medium investment projects (50 million euro, 150 jobs) grant funds are awarded in the amount of 17%, 17-20% and 10% of the total investment value.

The Ministry of Labour, Employment and Social Policy, through active employment measures, former "First Chance" programme for trainee recruitment and now professional practice allow employers to hire young people for a period of one year in which their payroll costs are covered through the National Employment Service. The First Chance programme used to involve an internship for a period of three months and employment as a trainee for a period of next 12 months. Professional internship offers same opportunities but without employment period. Since 2009<sup>9</sup>, when the "First Chance" programme was launched, it has been attended by about 45,000 young people, and 80 percent of them have remained to work in the companies in which they gained their first work experience. The National Employment Service provides subsidies for self-employment, subsidies for job creation and offers different training courses for potential entrepreneurs.

The National Agency for Regional Development, through its second course of action (out of three) provides various forms of direct and indirect support to businesses,

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9 Professional internship – instead of "First Chance", Tanjug, March 9, 2013, accessed on May 15, 2013, [http://www.b92.net/biz/vesti/srbija.php?yyyy=2013&mm=03&dd=09&nav\\_id=693721](http://www.b92.net/biz/vesti/srbija.php?yyyy=2013&mm=03&dd=09&nav_id=693721)

especially small and medium-sized enterprises and entrepreneurs, from practical support for launching businesses to financial support.

The Innovation Fund was established by the Law on Innovation with the aim of encouraging and financing innovation in priority areas of science and technology. It supports private, micro and small businesses through two programmes: Early Development Programme and Innovation Co-Funding Programme. *The Early Development Programme* encourages the creation of innovative companies by supporting the *start-up* or *spin-off* companies with the grant up to 80,000 euro for up to 12 months (up to 85% of the total approved project budget). *The Innovation Co-Funding Programme* encourages the commercialisation of research and development, further development of innovative companies and their preparation for new investment opportunities, as well as cooperation with international companies and organisations. It gives grants up to 300,000 euro for the project up to 24 months (up to 70% of the total approved project budget, conditional grant for a percentage of sales). The project of support to innovation in Serbia in the amount of € 8.4 million is financed through the EU pre-accession funds (IPA) in Serbia for 2011 and is being implemented in collaboration with the World Bank.

In civil society, there is support from the Association of Small and Medium Enterprises and Entrepreneurs of Serbia (APPS)<sup>10</sup> and the Serbian Business Angels Network<sup>11</sup>. APPS is an association of employers of all professions in the territory of the Republic of Serbia. It gathers 141,000 legal entities and craft shops (employing 231,000 workers) organised in 68 professional and local associations. They want to encourage social dialogue of trade unions and entrepreneurs which should contribute to creating favourable conditions for business and job creation, as well as to reducing the "grey" economy. Serbian Business Angels Network is an organisation comprised of natural or legal persons that invest their capital, knowledge and business contacts in the development of business ideas, most often with the potential for rapid growth.

Support to small and medium-sized enterprises is also provided by business incubators, which cover part of the costs (rental of office and research space, technology and telecommunications infrastructure), provide administrative support (legal regulations, accounting) and business consulting (business plan, management, marketing). A good example of this practice is the Business Technology Incubator of Technical Faculties in Belgrade. It was established as a partnership of four technical faculties of the University of Belgrade (Civil, Mechanical, Electrical Engineering and Technology Metallurgy), Palilula Municipality and Democratic Transition Initiative, and supported by the Organisation for Security and Cooperation in Europe (OSCE). The incubator was established precisely at universities from which most potential professionals have gone abroad, but also the place that produces educated and creative young people

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10 <http://www.poslodavci-apps.org/>, assessed on May 15, 2013

11 <http://www.sban.eu/>, assessed on May 15, 2013

are full of enthusiasm, so that their combination gives excellent results. This incubator has also encompassed diaspora representatives, many of whom have received awards for their business operations, while 15 have returned to Serbia. A successful example is that of Sava Marinkovic, who has graduated from the Harvard Business School. He lived in Chicago, Italy and France, and with the support of the incubator in 2007 established "TeleSkin" Company, which produces hardware and software for early detection of melanoma. It is an export company and employs 20 people.

Support to SMEs is also provided by scientific and technological parks that provide infrastructure and services to help innovative companies in achieving business success in the market, particularly in the area of high technology. They have been established in Belgrade (Zvezdara, Mihajlo Pupin Institute, Zemun), Novi Sad, Nis, Kragujevac and Leskovac.

There are also efforts of migrants themselves, while they are abroad or upon their return, to link the country of destination and the country of origin and facilitate business cooperation and exchange of knowledge. One of the examples abroad is the Serbian City Club<sup>12</sup>. It is an association based in London, which gathers 1,500 members – Serbian professionals in the UK, with the aim to exchange professional, business and social information; support the integration of new citizens of Serbia who come to the UK and transfer the knowledge and experience in Serbia, which would contribute to strengthening the European identity of Serbia and its role in the Balkans. In Serbia, there are also examples of good practice. Informal association of returnees Repats<sup>13</sup> has gathered 629 members and is a network of support to reintegration in Serbia through informal gatherings, as well as exchange of information including business information. iSrbija<sup>14</sup> movement has been conceived by young highly skilled returnees in order to help "young people accept and adapt to new business requirements and market conditions". One of their projects is to provide youth with virtual mentoring of professionals from diaspora. Another interesting initiative is Back2Serbia<sup>15</sup> which organises job fairs for our citizens abroad and returnees from abroad.

## **Characteristics of transnational entrepreneurs and enterprises**

Socio-demographic characteristics of transnational entrepreneurs who participated in the study show that it is a heterogeneous group, which are also the findings of other

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12 <http://www.serbiancityclub.org/>, assessed on May 15, 2013

13 <http://www.facebook.com/groups/233323559417/>, assessed on May 15, 2013

14 <http://www.iserbia.rs/>, assessed on May 15, 2013

15 <http://www.back2serbia.com/>, assessed on May 15, 2013

studies in the world (Terjesen, Elam 2009; Portes, Haller, Guarnizo 2002). Regarding their age, most respondents are aged between 31 and 41 (39%), and between 42 and 52 (37%) – a total of 76%, followed by 15% aged between 20 and 30 and 9% between 53 and 63. The survey was filled out mostly by men (63%), compared to women (37%). However, we interviewed only two women and 13 men. With regard to their marital status, out of 15 interviewed entrepreneurs, four entrepreneurs are not married, eight are married and two are divorced. Three entrepreneurs have one child, six have two children and one has three children. They are mostly highly educated, but there are also high school graduates. They are of different professions – from catering and construction, through engineering, programming, economic and management, to arts and health.

The surveyed entrepreneurs who live in Serbia (28 people or 60%) mainly live in Belgrade – 24 (86%). Few entrepreneurs from other towns in Serbia participated in the survey (4 persons or 14%) Arandjelovac, Cacak, Kragujevac and Novi Sad (we also interviewed people from Kraljevo, Valjevo and Uzice). Entrepreneurs who are still living abroad (19 people or 40%) live in the UK (6 persons), Australia (3) India (2) and one respectively in the United States, Austria, Switzerland, Italy, India, Cyprus, France , Norway and Hungary.

The surveyed entrepreneurs went abroad in the period 1989-1999 - 43% in 2000-2010 - 37%. Destination countries of the surveyed entrepreneurs are: United Kingdom (16 persons), USA (10), Australia (5), France (5) Germany (5), Austria (3), Switzerland (3) Greece (3), Scandinavian countries (3) India (3) Italy (2) Cyprus (2) Kazakhstan (2), and one person – Belgium, Luxembourg, Croatia, Hungary, Czech Republic, Estonia, Spain, Turkey, Iraq. Seventeen people (37%) changed the country of destination, and some more than one country. The highest percentage of the entrepreneur-returnees (28 persons) has returned since 2005 – 12 people or 43%, and in the period 2000-2005 7 people returned – 25%. Forty-one respondents (87%) have Serbian citizenship, and 19 (41%) (also) have citizenship of a foreign country – United Kingdom (6 persons), Australia (5) United States (3) Canada (3), Austria (1) , Germany (1), Italy (1) and Croatia (1). Eight entrepreneurs (17%) do not have Serbian citizenship.

Transnational companies are heterogeneous, just like transnational entrepreneurs. In relation to the sector (Table 1), the highest percentage of the surveyed entrepreneurs has started business in the field of information and communication technologies – 25%, followed by trade (11%) and financial activities (11%), construction (8%) and education (6 %), but in other activities as well: mining and processing of building materials, manufacturing, electricity, gas and water supply; real-estate, lease and rent; health and social care; other social and personal service activities. 57% of the entrepreneurs have been engaged in other activities besides the mentioned one. The interview also

included entrepreneurs involved, along with the mentioned sectors, in other sectors, e.g. agriculture, production of small aircrafts, furniture design, manufacture and sale of works of art. In the area of trade, entrepreneurs who traded oil products and home appliances were interviewed.

TABLE 1: SECTORS OF TRANSNATIONAL COMPANIES

SECTORS	NUMBER AND PERCENTAGE OF TRANSNATIONAL COMPANIES
Information and Communication Technology	12 (25%)
Wholesale and retail	5 (11%)
Financial and insurance activities	5 (11%)
Construction	4 (8%)
Education	3 (6%)
Mining and building material processing	2 (4%)
Processing industry	2 (4%)
Electricity, gas and water supply	2 (4%)
Real estate, rental and leasing	1 (2%)
Health and social care	1 (2%)
Other social and personal service activities	1 (2%)
Hospitality and catering	/
Transportation and storage	/
Agriculture, forestry and fisheries	/
Other, what?: Human resources, product design, NGO, website design and development, publishing, media; consulting, research and training, 3D architectural visualisations (2).	9 (19%)
<b>Total</b>	<b>47</b>

Information and communication technologies are becoming increasingly interesting for business and in a very short time have gained a status of one of the most important drivers of economic progress in the world. United Nations, during the past year, defined the development of information and communication technologies – access to Internet and the new knowledge and technologies, as one of eight development goals to improve the standard of living of all people on the planet in the new millennium. An example of good development of the information and communication technologies sector is India, which is the leader in this area, followed by Ireland, China, Brazil, and Romania, from our region. The mentioned countries have focused their potential to the development of information and communication technologies as a separate industry. According to SIEPA reports, this sector is developing rapidly in the Republic of Serbia

as well, and as much as 95% of the products are exported, and there is great demand for this labour. The *Strategy for Information Society Development in the Republic of Serbia until 2020*<sup>16</sup> has been developed, which defines challenges of development of modern Serbian information society. Business in Serbia does not bring profit to IT professionals, as the market is small and most of them are turned to foreign markets. When it comes to doing business abroad, cooperation is achieved with a number of countries, especially countries in the region. There are high-quality human resources, a high level of technology that does not lag behind the world, a high level of knowledge and skills to use information and communication technologies as well as the fact that personnel in Serbia is creative, flexible and very susceptible to the latest trends in information technology.

The Republic of Serbia has adopted a series of regulations governing the specific aspects of information and communication technology: *Law on Telecommunications* ("Official Gazette of RS", No. 44/2003), *Law on Copyright and Related Rights* ("Official Gazette of RS", No. 104/09, 99/2011 i 119/2012), *Law on Electronic Documents* ("Official Gazette of RS", No. 51/09), *Law on Electronic Trade* ("Official Gazette of RS", No. 41/09), *Regulations on the Conditions for the Provision of Internet Services and other Data Transferring Services* ("Official Gazette of RS", No. 38/2011 and 44/2011-corr.), *Regulations on the Conditions for the Provision of Services of Voice Transfer via the Internet* ("Official Gazette of RS", No. 94/08) and many others.

Given their size, they are small businesses that employ up to 25 people. They were established in the period 1986 to 2012, most of them between 2007 and 2012 – 60%. 44% of the companies is based abroad – in Australia (3) USA (2) UK (2), Canada, India, Hungary, Switzerland and Cyprus. A limited liability company is the most common legal form of the companies, regardless of their size – 68%. A percentage of the entrepreneurs indicate family owned businesses – 16% are family-owned, 8% are companies in the process of being established, while 8% of the respondents opt for "other" – agency and nongovernmental organisation.

Although the Law on Business Companies ("Official Gazette of the RS", No. 46/2006, 111/2009) does not recognise the concept of enterprises, according to the provisions of the Law on Accounting and Auditing classification of enterprises is done into small, medium and large based on 3 main criteria: number of employees, annual revenue and asset value established on the date the financial statement is prepared for the fiscal year. According to the criteria for classification of enterprises by size:\*

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16 [http://www.paragraf.rs/propisi/strategija\\_razvoja\\_informacionog\\_drustva\\_u\\_republici\\_srbiji.html](http://www.paragraf.rs/propisi/strategija_razvoja_informacionog_drustva_u_republici_srbiji.html)

- Small enterprises are enterprises with up to 50 employees (while enterprises with 0-9 employees belong to micro-enterprises). Small enterprises have an annual income of up to € 2.5 million and the average value of the property is up to € 1 million;
- Medium-sized enterprises have between 50 and 250 employees, annual income is from 2.5 to 10 million euro, while the average property value ranges from 1 to 5 million euro;
- Large enterprises have more than 250 employees, annual turnover is over 10 million euro and the average value of property is over 5 million euro.

\* [www.apr.gov.rs/Регистри/Финансијскиизвештајиибонитет/Критеријумизаразврставањеиза2012.aspx](http://www.apr.gov.rs/Регистри/Финансијскиизвештајиибонитет/Критеријумизаразврставањеиза2012.aspx), assessed on May 15, 2013.

TABLE 2: INITIAL SOURCE OF FINANCING OF OWNERS OF TRANSNATIONAL COMPANIES NECESSARY TO START A BUSINESS

INITIAL SOURCE OF FINANCING	NUMBER AND PERCENTAGE OF RESPONSES OF TRANSNATIONAL ENTREPRENEURS
Personal savings	19 (76%)
Loans from friends and family members	6 (24%)
Joint venture of investors / investment funds	4 (16%)
<i>Venture capital</i>	2 (8%)
State – government funding of any kind	1 (4%)
Bank loans abroad	1 (4%)
Bank loans in Serbia	/
Other, what? Loans from the partner company abroad	1 (4%)

The initial source of funding for starting business (Table 2) is mainly personal savings (76%), followed by loan of friends and family (24%) and joint venture of investors (8%). Banks and state funds are rarely seen as a source of funding. This finding is consistent with other studies. In the Maghreb countries, 68-71% of returnees have used personal savings to start a business, and only 6-10% has used bank loans (Cassarino 2008: 16).

TABLE 3: CHARACTERISTICS OF EMPLOYEES IN TRANSNATIONAL COMPANIES

CHARACTERISTICS OF EMPLOYEES	NUMBER AND PERCENTAGE OF TRANSNATIONAL ENTREPRENEURS
<b>Gender</b>	
<b>Percentage of employed women</b>	
0%	6 (24%)
Under 40%	8 (32%)
40-60%	7 (28%)
Over 60%	4 (16%)
<b>Percentage of employed men</b>	
0%	3 (12%)
Under 40%	1 (4%)
40-60%	10 (40%)
Over 60%	11 (44%)
<b>Migration experience</b>	
<b>Percentage of the employed who stayed abroad more than a year</b>	
0%	7 (28%)
Under 40%	10 (40%)
40-60%	3 (12%)
Over 60%	5 (20%)
<b>Percentage of foreigners</b>	
0%	13 (52%)
Under 40%	6 (24%)
40-60%	1 (4%)
Over 60%	5 (20%)
<b>Educational status</b>	
<b>Elementary school</b>	
0%	22 (88%)
Under 40%	1 (4%)
40-60%	-
Over 60%	2 (8%)
<b>High school</b>	
0%	14 (56%)
Under 40%	7 (28%)
40-60%	1 (4%)
Over 60%	3 (12%)
<b>College</b>	
0%	8 (32%)

Under 40%	6 (24%)
40-60%	4 (16%)
Over 60%	7 (28%)
<b>Master</b>	
0%	6 (24%)
Under 40%	8 (32%)
40-60%	3 (12%)
Over 60%	8 (32%)
<b>Doctorate</b>	
0%	17 (68%)
Under 40%	6 (24%)
40-60%	1 (4%)
Over 60%	1 (4%)

Socio-demographic characteristics of employees in transnational enterprises show that employees are mostly men – in 44% of the enterprises there are over 60% of men, but there are also women. In 44% of the enterprises, there are more than 40% of women, and in as much as 12% of the enterprises only women are employed. However, in 24% of the enterprises only men are employed. Transnational entrepreneurs employ foreigners (48% of the companies) and those with migration experience (72% of the companies) because of the knowledge of foreign languages, but also because of the work culture adopted in the destination country.

“I prefer candidates who speak English well and who have spent some time abroad (e.g. worked on a ship during summer), and who have a bit of professional attitude...” (returnee from the USA)

Regarding education, the highest percentage of entrepreneurs employ the highly educated – 68% of the companies employ those with university degree, 76% with master degree and as much as 32% with doctorate. During the interview, the transnational entrepreneurs emphasised the importance of having contacts with professionals in their fields of expertise. Professionals assist them in the realisation of ideas but also in achieving credibility. They also pointed to the importance of professional diversity of team members and teamwork. These findings suggest that this type of companies can be innovative and contribute to economic development as “opportunity enterprises”, unlike “necessity enterprises”. The following are examples of such companies:

“Our plane has been recognised as a type, it is the first in the world. It is registered in civil registers across the EU, EASA members. And that’s the brand. Serbian aircrafts in Europe. We did it with 6 times less money - my commitment, experience, persistence, acquaintances ... professors, faculties, directorates, inspectors, workers, mechanics, by working

day and night ... and owing to already acquired knowledge and know-how technology and the product that has proven to fly in foreign countries as well. We took something that already worked, improved all the identified deficiencies and constructed a new plane absolutely made in Serbia.” (returnee from Italy)

“We have made a small device that can make a diagnosis of melanoma, skin cancer, with excellent accuracy. Nowadays, with their naked eye, doctors can predict with 65% accuracy, which is slightly better than tossing a coin. What we have done is cheap technology that can be seen under the skin and estimate with very high accuracy.” The success of this patent is confirmed by the European Commission that has decided that Teleskin represents Serbia at the opening of the European Week of Small and Medium Enterprises and the European Enterprise Awards ceremony which was held in Brussels on May 25 this year.” (transnational entrepreneur, USA<sup>17</sup>)

Transnational entrepreneurs also possess cultural capital, the values adopted in the countries of destination – entrepreneurial spirit and proactivity, performance evaluation, legalism, importance of quality, loyalty to customers, importance of the image that provides credibility; importance of long-term investments and thinking, without expecting quick profits; progression based on performance, etc.

“I prefer when I get a buyer after two years of negotiations, because I know that the next time they leave me, if they ever leave, after two years of negotiations with somebody else. The worst buyers, those that I don’t like, when I get a buyer overnight, because they will leave me overnight for one dinar price differences or because of something else, and you invest much more than what they see directly.” (returnee from the USA)

The importance of transnational enterprises and entrepreneurs lies in the fact that they have developed transnational networks and effectively sell their products and services on the international market. Foreign markets include Australia, America, Canada, European countries, Asia, the former Soviet market countries from the Western Balkans. Generally, the findings have shown that by opening small enterprises in different sectors, transnational entrepreneurs can contribute to different areas of economic development. These small enterprises have advantages that generally relate to small businesses – they are a source of innovation, can achieve flexibility, human resources are easier to manage, there is a higher level of motivation of employees and owners, because they identify with the company much easier and the level of control is high. The specific importance of transnational companies is that they can bring the *know-how* and innovation from abroad, as well as work culture that values work results, legalism, strategic thinking and planning. Moreover, these entrepreneurs have managed

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17 Taken from the article *Sava Marinković, suvlasnik firme Teleskin – Šumadijski japi*, June 26, 2010. <http://www.ekapija.com/website/sr/page/325048>, assessed on May 15, 2013.

to develop transnational networks and through them to place goods on the market and create image and realise credibility and legitimacy. These are all good practices that our country can use for better placement of products and services on foreign markets and improvement of the image of Serbia, its economy and entrepreneurs. Therefore, incentives for transnational entrepreneurship should become an integral part of migration policies, but also development policies should involve cooperation with transnational entrepreneurs and with their resources and networks to achieve specific economic goals, such as placement on a foreign market and image promotion. Encouragement of transnational entrepreneurship and cooperation with transnational entrepreneurs can stimulate the development of economy based on knowledge and innovation, strengthen competitiveness in the global market, develop the economy and change the image of Serbia. They can be the link between migration and development, and turn the currently predominant brain drain into an influx and circulation.

## **Opportunities and obstacles for transnational business in Serbia**

In an attempt to understand the conditions in which transnational entrepreneurship takes place, we first started from structural opportunities in the transnational space from the perspective of entrepreneurs – through interviews with them. The majority of respondents emphasise a great structural advantage in foreign countries when compared with the conditions in which they do transnational business. In Serbia, they highlight the uncertain and unpredictable socio-economic environment:

“How can you plan the next year when you don’t know whether the foreign exchange losses [in Serbia] will be 5,000 euro or 500,000 euro? How can you plan the next year when you don’t know whether the state will impose new costs and whether they will be imposed by mistake? A month ago, nobody knew how to classify heading numbers, an error occurred, they classified fat as fuel oil, and the excise tax was 64 dinars per kilo ... Who is going to reimburse us that cost?” (returnee from the USA)

“Canada is an extremely boring country. If something is to be changed, VAT for example, it is planned for years in advance. They don’t say: “Ok, we are in crisis, let’s change VAT! We are thinking of increasing VAT by 1% in 2017 and decreasing something else by 2%.” Even if it changes, it changes slightly so that any problems are avoided, plus you have one, two, three, five years of warning. So, there is a system, a plan, nothing is done randomly. Practically, there is a policy and a plan, and these [politicians] are only the executors. It is a regulated system”. (returnee from Canada)

The uncertainty and unpredictability of doing business in Serbia, according to the respondents, lie in the legal and regulatory fields. Laws are enacted ad hoc, without understanding business operations on the field and the consequences the passed

laws have on businesses, as well as without the period for preparing and informing on legislative changes. The respondents also point to the complicated administrative procedures and difficulties in obtaining building permits, long and costly customs procedures and validation of diplomas.

Way of doing business often involves political connections, corruption, monopoly, grey economy, counterfeiting of products is widespread, all of which create unfair competition. Entrepreneurs talk about the “country of debtors” where it is impossible to charge services, as well as about the state and large firms as the largest generators of non-liquidity. General lack of liquidity in the economy has led to a prolonged period of debt collection. Average period of debt collection in Serbia is 128 days, which is even 110 days longer than in Germany, 94 days longer than in Croatia, and 24 days longer than in BiH.<sup>18</sup>

“What I’ve noticed as typical for our society [Serbia] is that this is a society of debtors. Debtors are better off than those who pay everything on time. Why? You and I, we could, for example, avoid paying utility bills for six year and let’s invest that money in the stock exchange and earn some money.” (returnee from the USA)

Due to the aggravated liquidity, which is partly caused by irregular settlement of financial obligations, or delays of settlement of financial obligations, among all the subjects in economy, legal regulations of this field has been initiated and the *Law on Deadlines for Enforcement of Financial Obligations in Commercial Transactions* (Official Gazette of RS, No. 119/2012 ) has been adopted and has been in use since March 31, 2013.

The law provides that a contract among business entities, as well as between the public sector and business entities cannot predict the date for payment of liabilities longer than 60 days, except in the situation where the public sector, in a contractual relationship with a business entity, is a debtor, deadline cannot be longer than 45 days. Under certain conditions, the law provide for exceptions to the above strict deadlines (payment in instalments for delivered goods or provided services, business activities in economy, etc.).

Even the advice of legal bodies, e.g. accounting agencies, are moving in this direction – that the company is not registered, that it does not enter the system of value added tax (VAT), that the bonus with which workers should be rewarded is not reported, etc. Business operations are aggravated by the existing labour contracts that involve high contributions and fewer rights for employers. The state is insufficiently encourages entrepreneurship, especially small and medium enterprises. International companies – banks and insurance companies, hamper their business operation by making profits in Serbia which could not be made in their countries.

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18 Current Economic Developments in Serbia, Serbian Economic Forum, available at: <http://www.sef.rs/makroekonomija/tekuca-ekonomska-kretanja-srbiji.html>, assessed on May 23, 2013.

The *Strategy for the Development of Competitive and Innovative Small and Medium Enterprises* for the period 2008-2013 states that the most important principle which should be followed consistently in the creation and implementation of legislation is – Think Small First (A “Small Business Act” for Europe, June 2008). It implies that the legislator, in the process of drafting the regulations, must first analyse their effects on SMEs and monitor changes resulted from the regulations implementation. When defining instruments of policy implementation it is necessary to pay special attention to the costs for SMEs, which may arise from their implementation. It is also useful to establish a transition period in which micro and small enterprises could adjust their business to new regulations.

It is often believed in Serbia that among a number of factors that affect the business operations of small and medium-sized enterprises (SMEs), inadequate tax policies, which results in a less favourable tax treatment of SMEs compared to large companies, are a key barrier to the development of the SME sector.\* The basic tax rate (income, corporate income, property, value added, mandatory social insurance, etc.) in Serbia are uniform for all taxpayers, regardless of their size or other characteristics. In addition, in the area of corporate tax, investment tax credits, as the most common form of tax relief, is biased in favour of small businesses, because for them the tax credit is 40% of the investment made, and for medium and large enterprises 20% of the investment. It can be therefore concluded that, normatively speaking, the tax system in Serbia is largely neutral, or even slightly on the side of small businesses. However, since 2009, when due to the economic crisis there was a decline in public revenues many local governments in Serbia have started introducing and/or expanding various fiscal and para-fiscal levies (taxes and various fees).\*\* NALED has identified 370 non-tax contributions paid by the economy, while in Croatia the figure is 245 non-tax revenues. Among the 370 non-tax levies, “at least 179 para-fiscal levies were identified including all the forms, regardless of their name, that to a degree, financially and/or administratively burden businesses, and for which they do not receive any right, service or goods or for which they receive some right, service or goods, but whose fair value (i.e. the cost of a public body that provides the service) is significantly less than the amount of payment on that basis. The remaining 191 levies are the combination of contributions – from those absolutely legitimate, such as the fees for the use of public spaces (e.g. fee for use of the coast for business purposes) to many levies related to entries in the various registries, where not only the amount of compensation is problematic, but also the very need for such registries.”\*\*\* These are charges that are not directly related to the economic strength of the taxpayer and often create a disproportionately high tax burden for SMEs, and indirectly represent a significant obstacle to the survival and growth of SMEs.

\* More on: Improving Performance of Small and Medium Enterprises in Serbia by Reforming the Taxation System, the European Movement, 2013.

\*\* Taken from: Improving Performance of Small and Medium Enterprises in Serbia by Reforming the Taxation System, the European Movement, 2013.

\*\*\* Mostovi i ćuprije – system of non-tax and para-fiscal forms in Serbia, NALED

In addition to this social and business environment, small market and purchasing power of citizens in Serbia are emphasised. There is also a lack of specific personnel. The lack of young motivated and reliable staff was mentioned, as well as the personnel in the field of marketing as opposed to well-educated technical staff. Such a business climate is closely linked with the general negative attitude about entrepreneurship and the lack of entrepreneurial spirit in Serbia.

“One of the main problems is that businessmen in Serbia are perceived as mobsters. In Germany, or elsewhere in the world, a director, owner of a factory, an employer, he is a gentleman, capable of providing jobs for people...Everybody, and I mean literary everybody told me I was crazy, no one believed I could make it...” (returnee from Italy)

However, as much as the picture of business climate in Serbia is negative, it also has its positive side. Serbia offers opportunities as well. Primarily, business operations from Serbia ensure competitiveness in quality and price. Compared to developed Western countries, to start and do business in Serbia requires less financial resources.

The establishment, organisation and registration of companies and other forms of organisation are regulated by the *Law on Companies* (“Official Gazette of RS”, No. 36/11 and 99/11), *Law on the Registration Procedure in the Business Registers Agency* (“Official Gazette of RS”, No. 99/11), *Regulations on the Contents of Company Registers and the Documentation Necessary for Registration* (“Official Gazette of RS”, No. 6/12) and *Decision on Fees for Registration and other Services provided by the Business Registers Agency* (“Official Gazette of RS”, No. 5/12). Provisions of the Law on Companies are also applied to the forms of business activities established and operating in accordance with special laws.

Starting a business company in Serbia requires: registration at the Business Registers Agency, single sign-on employee social insurance and an open account with a commercial bank.\* When it comes to the time necessary to complete registration, 30 days deadline was a problem, especially regarding the people who do not live in Serbia. With the adopted amendments, within five days, the Business Registers Agency issues a decision on the registration of the company, along with the personal and tax identification number (TIN), report to the Pension and Disability Insurance, receipt and registration number of insurance holder for the Republic Fund of Health Insurance.

If they fail to establish a legal entity in the Republic of Serbia, they opt for the possibility of establishing a branch with certain competences in the legal system, where they only sell goods/services at the territory of RS within the activities of a legal person based abroad. Establishment and operation of representative offices of foreign entities is regulated by the Regulations on Registration of Representative Offices of Foreign Persons in the Register of Companies, which is also managed by the Business Registers Agency (“Official Gazette of RS”, No. 114 / 05).

The common feature is that a branch and a representative office do not have a separate legal subjectivity. A branch is established for regular business operations of a business company, while a representative office carries out only preliminary and preparatory activities in order to finalise the legal affairs of the establishing company.

In addition to foreign individuals and foreign legal entities based abroad, the *Law on Foreign Investments* ("Official Gazette of SRY", No. 3/2002 and 5/2003 and "Official Gazette of SCG", No. 1/2003 – Constitutional Charter ) foresees domestic nationals with permanent or temporary residence abroad longer than one year as foreign investors. Regarding their investment, foreign investors enjoy equal status, rights and obligations as domestic natural and legal persons, unless the Law on Foreign Investment prescribes otherwise. It guarantees the freedom of foreign investment, national treatment, legal certainty, the conversion and the freedom of payments, the right to keep business records in accordance with internationally accepted accounting and auditing standards, the right to transfer profits and property. Foreign investors enjoy full legal security and legal protection of their rights gained by investment, which cannot be curtailed by subsequent changes of laws and regulations. Foreign legal and natural persons

\* The website of the Business Registers Agency (<http://www.apr.gov.rs/>) contains all the necessary information regarding the procedures for establishing business companies. Additionally, the Serbian Chamber of Commerce has developed a "Guide to the Establishment of Companies", which provides an overview of the legal framework, necessary sectoral permits and procedures.

There is educated and professional, but cheaper labour force in many areas compared to Western countries (e.g. IT sector, agriculture). There is a possibility of doing business with foreign countries, particularly two major markets are open – Russia and China. There are also natural resources suitable for the development of agriculture and tourism. The lack of rules has led to the fact that the market share has not been defined. The state incentives for business were also mentioned – hiring trainees through the "First Chance" programme and incentives of the Serbia Investment and Export Promotion Agency (SIEPA), as well as the support of business incubators.

Some of the advantages of doing business in Serbia mentioned by the Serbia Investment and Export Promotion Agency (SIEPA) :

1. The tax system in the country is characterised by low tax rates. Profit tax is one of the most favourable in Europe, and the value-added tax and income tax are lower than in most countries of Central and Eastern Europe. In addition, companies are exempt from Corporate Income Tax for a period of 10 years starting from the first year in which they report taxable profit if they invest in fixed

assets an amount exceeding approximately €8 million, and throughout the investment period they employ at least 100 additional employees. The amount of tax payable can be reduced by 20% or 80% of the amount invested in fixed assets for the respective tax period. This reduction cannot exceed 50% of the total tax liability for a single year. If not used entirely in the course of one year, this tax credit can be carried forward for a maximum period of 10 years.

2. Utilities, operating costs in Serbia are among the lowest in Europe. Prices of electricity, gas and other fuel, postal services, landline telephony and maintenance of motor vehicles are the lowest compared to prices in 37 European countries.
3. Customs-Free imports of raw materials, semi-finished products, machinery and equipment-foreign investors can enjoy the benefits of free import of raw materials and semi-finished products if they do business in one of the free zones in Serbia or by obtaining permission from customs offices for outward processing production. In both cases, the final products must be 100% intended for export. When it comes to machinery and equipment, they are exempt from customs duties on imported equipment and machines that represents the share of foreign investors in the capital of Serbia.
4. Duty-free access to the market of one billion people-Serbia has signed the Central European Free Trade Agreement (CEFTA), which consists of a free trade area with 29 million people. This region is one of those that have the highest growth rate in Europe. Serbia is the only country outside the Commonwealth of Independent States, which has a free trade agreement with Russia. The free trade agreements with Turkey, with the EFTA States (Norway, Switzerland, Iceland, and Liechtenstein), Belarus and Kazakhstan foresee mutual abolition of tariffs and their non-existence in trading among the countries. In addition, exports to the European Union and the United States are tax-free for most goods and services. Finally, with a population of 7.5 million people, the Serbian market is among the largest region.
5. Intellectual capital – skilled and capable workforce combines exceptional operational efficiency with a significant supply of labour, i.e. high quality offered with low cost. The cost of highly qualified personnel is much lower than in Western Europe. Cost of net salaries range from 350 euro to 850 euro per month for qualified personnel with professional experience.
6. Owing to its location at the geographical crossroads between East and West, Serbia is often seen as the gateway of Europe. Two important European corridors, the Danube and the international roads and railways, intersect the territory of Serbia, and provide an excellent link between Western Europe and the Middle East.\*

\* More on: Doing Business in Serbia, SIEPA, 2013. Available on: [http://siepa.gov.rs/sr/files/pdf2010/SIEPA\\_DBIS2013\\_Brochure.pdf](http://siepa.gov.rs/sr/files/pdf2010/SIEPA_DBIS2013_Brochure.pdf), assessed on May 24, 2013.

We further investigated opportunities and obstacles for transnational business in Serbia through the electronic survey with transnational entrepreneurs, asking them about: 1) their reasons for starting a business in Serbia, 2) perceived barriers to doing business in Serbia, and 3) perceived advantages of doing business in Serbia compared to doing business abroad.

TABLE 4: REASONS IMPORTANT FOR STARTING BUSINESS IN SERBIA (COMPANY OWNERS, N=28)

REASONS FOR STARTING BUSINESS IN SERBIA	UNIM- PORTANT	IMPORT- ANT	VERY IM- PORTANT	IMPORT- ANT + VERY IM- PORTANT
Desire to contribute to the economic development of Serbia	7	7	<b>14</b>	21 (75%)
Family reasons	8	11	9	20 (71%)
Lower costs of business operations in Serbia	9	10	9	19 (68%)
Availability of qualified labour / outsourcing opportunities for foreign clients or companies in Serbia	10	8	<b>10</b>	18 (64%)
Quality of social life in Serbia / more humane environment for family life	12	12	4	16 (57%)
Favourable business conditions in Serbia	13	14	1	15 (54%)
Nostalgia	14	11	3	14 (50%)
Patriotism	14	8	6	14 (50%)
Less competition in Serbia	19	7	2	9 (32%)
I did not feel as equal citizen abroad	21	2	5	7 (25%)
Availability of local Serbian market / regional markets / preferential markets	22	5	1	6 (21%)
Economic crisis abroad	22	3	3	6 (21%)
Incentives offered by the state of Serbia	22	5	1	6 (21%)
Inability to achieve legal status abroad (e.g. visa expiry)	24	4	/	4 (14%)
Unfavourable business conditions abroad	24	4	/	4 (14%)

Table 4 shows that the reason for starting business in Serbia is a combination of social factors, but also the business opportunities in the country, as shown in interviews with entrepreneurs:

“The job that I’m doing now and the way I’m doing it, firstly suits me perfectly and secondly, all my colleagues abroad envy me because we were all in the same business. Now, all of a sudden I am not there anymore, I live and work in Serbia, have decent working

hours, my colleagues abroad are largely envious of the fact that I have managed to return, that I live with my family and many of them there are separated from their families.” (returnee from the USA)

The desire to contribute to the economic development of the country and family reasons, and the quality of social life is one of the social factors that are important pull factors. The business opportunities as pull factors include lower business costs and availability of skilled labour in Serbia. This finding suggests that these entrepreneurs have started businesses in Serbia more because of the pull factors in Serbia than because of the push factors in the destination country, such as for example economic crisis and the inability to exercise legal status. This is consistent with the assumptions and findings of Cassarino (2004, 2008) that the success of return and development of entrepreneurship upon return to the country depends on the willingness and preparedness of the returnees for return and resources they have mobilised. Entrepreneurs who participated in our survey had returned and/or established companies willingly, motivated by opportunities and not forced by difficulties. Many of them had started and developed businesses in a safe, predictable and stimulating business climate in the country of destination, and then carefully, with less investment and less employees began their business operations in Serbia.

“Since mid-2007 we have had an office in Belgrade, and we started with just two employees because we were not certain how it would go ... We were not afraid of what we knew, but there are always unknown things, and I said, maybe a year should pass with some symbolic profits ... I was not sure how everything would turn out.” (returnee from Canada)

Findings of the research by Wadwa et al. (2011) on returnee entrepreneurs in China and India from the United States have shown three basic factors that influenced their return: business opportunities, family ties and the quality of life in the country of origin.

TABLE 5: THREE BIGGEST OBSTACLES FOR DOING BUSINESS IN SERBIA (ALL, N=47)

TYPE OF OBSTACLES	FIRST OBSTACLE	SECOND OBSTACLE	THIRD OBSTACLE
Corruption	<b>27%</b>	4%	8%
Complicated administrative procedures	<b>24%</b>	<b>14%</b>	4%
Political or economic instability	9%	8%	<b>19%</b>
Inadequate business culture	9%	10%	10%
Unfair competition (working in grey economy and thus reducing the cost of services)	8%	<b>16%</b>	6%
Lack of state support	5%	2%	10%

Immature market conditions	5%	4%	<b>15%</b>
Lack of bank support / access to capital	4%	2%	/
Frequent changes /unpredictability of business conditions	2%	10%	6%
Lack of qualified / adequate labour	2%	12%	/
Poor infrastructure	/	2%	6%
Poor business services (banks, accounting, legal services)	/	4%	/
Inadequate legal system	/	10%	4%
Other, specify	5%	2%	6%

Table 5 shows that 50% of entrepreneurs see corruption or complicated administrative procedures as the major obstacle to doing business in Serbia (despite the decreasing number of para-fiscal laws in Serbia).

In February 2009, the Government of the Republic of Serbia initiated a Comprehensive Regulatory Reform (CRR), with the aim of abolishing or amending obsolete and inefficient regulations and procedures that hinder the development of the local economy. Unit for CRR implementation, based on proposals submitted by entrepreneurs and citizens, prepared and forwarded a number of recommendations to the government.\*

NALED, through the Grey Book editions and other projects continuously monitors reform steps implemented by relevant ministries and institutions in order to create a favourable business climate simplify and/or terminate administrative procedures that are specifically relevant to business operations of small and medium enterprises. Administrative problems of the economy are systematised by the institutions responsible for addressing them in order to encourage the responsible operations. In addition, reports of the World Bank and the World Economic Forum are analysed, with the aim of establishing accountability and contributions of particular ministries for the results Serbia has achieved in the global competitiveness rankings.\*\*

\* More on: <http://www.srp.gov.rs/srp/K0/Statistika.aspx>

\*\* More on: <http://www.naled-serbia.org/download>

The second obstacle, along with the complicated administrative procedures, is the unfair competition that works in grey economy and thus reduces the cost of services. Most often, political or economic uncertainty and immature market conditions are emphasised as the third obstacle. These findings also indicate the heterogeneity of entrepreneurs who participated in the study, because their answers are dispersed to various factors likely determined by their various sectors of work.

TABLE 6: ADVANTAGES OF DOING BUSINESS IN SERBIA COMPARED TO DOING BUSINESS ABROAD  
(ALL, N=47)

BUSINESS CONDITIONS	LOWER IN SERBIA THAN ABROAD	SAME IN SERBIA AND ABROAD	HIGHER IN SERBIA THAN ABROAD
Operating costs	80.77%	9.61%	9.61%
Availability of capital to start business and during business operations	73.08%	21.15%	7.69%
Speed of professional growth	63.46%	26.92%	9.61%
Professional recognition and acknowledgment of the society	63.46%	28.85%	7.69%
Size and strength of healthy competition	63.46%	30.77%	5.77%
State support	57.69%	34.61%	7.69%
Access to local and international markets	55.77%	32.69%	11.54%
Availability of skilled labour	40.38%	40.38%	19.23%
Possibilities of achieving legal status for you and your family	36.54%	44.23%	19.23%
Knowledge of the culture, language, mentality and customs of the local population	34.61%	32.69%	32.69%
Quality of life and free time	32.69%	26.92%	40.38%
Degree of bureaucratisation of procedures for starting and running business	26.92%	21.15%	51.92%
Size and strength of unfair competition	21.15%	28.85%	50.00%
Negative effects of economic crisis	19.23%	59.61%	21.15%
Degree of friendships and relationships relevant to business	13.46%	46.15%	46.15%

In line with the previous findings, the benefits of doing business in Serbia compared to abroad (Table 6) are reflected in lower operating costs and quality of life and leisure time. The majority of transnational entrepreneurs (60%) believe that the economic crisis has equally hit both Serbia and foreign countries. Unfortunately, there are still a lot of business conditions that are worse in Serbia than abroad: availability of financial capital for starting businesses and during business operations, speed of career advancement, professional recognition and acknowledgment of society, size and strength of healthy competition, state support, access to local and foreign markets.

This assessment of the business climate in Serbia is in line with the assessment of the World Economic Forum (2012), according to which Serbia Global Competitiveness Index of 3.87 on a scale of 1 to 7, is on the 95th place out of 144 countries

The most problematic factors for doing business in Serbia (Global Competitiveness Report 2012-2013, World Economic Forum):

- Inefficient government bureaucracy 13.1
- Corruption 12.5
- Access to financing 11.1
- Foreign currency regulations 8,5
- Tax rates 7.5
- Government instability/coups 6.4
- Tax regulations 6.3
- Inadequate supply of infrastructure 5.9
- Crime and theft 5.6
- Policy instability 5.4
- Inflation 5.3
- Poor work ethic in national labour force 4.4
- Restrictive labour regulations 3.1
- Inadequately educated workforce 2.9
- Inadequate innovation capacity 1,6
- Poor public health 0.5

Transnational entrepreneurs have made recommendations to decision-makers on how to create a more favourable climate and encourage entrepreneurship among migrants and returnees in Serbia. The largest number of responses is related to the **need to develop safer and more secure society and business environment**: "combating corruption and unfair competition", "solving the safety problem (football fans, arrogant criminals, racketeering, etc.)", "solving the problem of political party influence in society", "changes in the economic, legal and other systemic laws and the creation of conditions for entrepreneurship", but also improving health and education as they return with their families. There are also recommendations for reducing administration and taxes and fees and providing cheaper and easily available loans. They propose that financial support is provided for successful business ventures (start-up and long-term), business incubators and the introduction of quality standards. They propose free recognition of foreign diplomas and reduction of cost for obtaining documents. They point to the need to specifically support small businesses (instead of "preferential treatment of the state-owned companies and institutions") and exporters. They suggest that Serbia should re-enter the study "Global Entrepreneurship Monitor", so that the needs could be identified and monitored from the perspective of entrepreneurs and migrants. They advocate for "motivating culture and making connections between Serbia and the whole world (not just the EU, but Asia, Latin America and Africa)".

The second group of recommendations is related to the **improvement of information and cooperation with migrants and returnees**. The following is proposed:

opening the "Office for Attracting Migrants in Serbia", "transparent communications with emigrants on business needs and conditions and benefits for transferring businesses in Serbia", greater "engagement of the embassy (for example, our embassy in Italy lacks the information about all of us who live and work here, they do not respond to calls / e-mails and it is even impossible to get to them)", organising "conferences and seminars both in Serbia and abroad". Better organisation of entrepreneurs is proposed: "strengthening associations and organisations through professional defining the criteria for their operation and the creation of the quality-selective attitude towards companies interested for cooperation", "that there are associations to help young entrepreneurs". There are also suggestions for the improvement of dialogue with decision-makers:

- "Open Doors" public meetings with "decision makers";
- "Recognising the quality and advantages of knowledge and experience from abroad through the special status of successful and promising returnees through engagement as advisors and consultants at senior positions in the public sector. I do not see that it is possible to make special concessions to the private sector only for returnees. It is necessary to improve the general business conditions, which will positively affect all entrepreneurs, where returnees could contribute with their experience (include them in the working groups and projects to improve the business climate at all levels in the country)."

The third group of recommendations can be categorised as recommendations for **developing work culture and positive image of entrepreneurship**. They propose the formation of "an environment where it would be clear that only hard work brings money" and "to raise awareness that doing business in Serbia after a long stay abroad is still possible".

## Conclusions and recommendations

1. Transnational entrepreneurs are a heterogeneous group that may contribute to the development of various economic sectors. Their importance is reflected in the knowledge of global trends in their area of work, social networks that connect transnational environment, job creation, successful placement of products and services in the international market, often innovative approach to business, as well as business culture, which includes the value of legalism and meritocracy. **It is therefore important to support transnational entrepreneurs through migration and development strategies, but also to engage them in the development and implementation of development goals.** For example, many transnational entrepreneurs who participated in the study were successful IT sector and could contribute to the development of the sector, which has been designated as one of the priorities in Serbia.

2. There are migration and development strategies which include measures for encouraging cooperation with diaspora, transfer of knowledge and skills to Serbia for their temporary or permanent return. There is also a good coordination mechanism for migration management. However, the coordination mechanism has so far been more active in the collection of the existing data on migrants than in the joint development of measures aimed at them. There is a problem in the lack of operationalisation and implementation of measures. **Therefore, it is necessary for the measures to be better operationalised in cooperation of all stakeholders in the field of migration and development through the coordination mechanism. Strategic document for migration management should be developed through the strategic planning of all stakeholders involved in the coordination mechanism. It is important that the coordination mechanism and its planning involve migrants, civil society and academia representatives. Migrants – experts in certain fields can significantly contribute to the process of development strategies and measures in their area of expertise, helping the understanding of global trends.**
3. Data and research on migration flows to and from Serbia are scarce, especially on transnational entrepreneurs. The success of operationalisation, and consequently the implementation of measures in strategies depend on data and knowledge, i.e. research findings. **It is therefore necessary to encourage monitoring and researching these migration flows, but also monitoring the development of entrepreneurship, including transnational entrepreneurship through participation and funding of the Global Entrepreneurship Monitor – GEM and other internationally spread tools by which the situation in the country is monitored from the perspective of entrepreneurs.**
4. The mechanisms for encouraging cooperation with diaspora, their investment and entrepreneurship have been established at the national and local levels: Office for Cooperation with the Diaspora and Serbs in the region, 16 centres and 12 offices for diaspora throughout Serbia, Centre for Diaspora and Business Council for Diaspora in the Serbian Chamber of Commerce. However, transnational entrepreneurs still emphasise as obstacle the lack of information and propose “the establishment of Office for Attracting Migrants in Serbia”. **Therefore, it is necessary to strengthen the existing mechanisms and better connect them with the existing mechanisms to encourage entrepreneurship.** The existing mechanisms for encouraging entrepreneurship transnational entrepreneurs are not recognised as a separate category. **Transnational entrepreneurs need to be recognised as a separate category so that they could have the information and services available to local and foreign entrepreneurs and that their specific potentials could be identified that could contribute to the improvement of entrepreneurship and economy in Serbia. Diplomatic and consular offices of Serbia abroad should also contribute to their identification and better information exchange. It is particularly important to inform them**

**about the benefits of doing business, incentive mechanisms and good practices in Serbia.**

5. In developing the measures and services for transnational entrepreneurs it should be taken into account their heterogeneity and different needs. For example, our study identified transnational entrepreneurs pensioners. Measures to support entrepreneurship of the elderly can be found in the Action Plan of the European Commission Entrepreneurship in 2020 (EC 2013). **It is necessary to recognise and support the older part of the migrant population most motivated to return to the country, with human (knowledge and experience) and financial resources to expand and start a business in Serbia. Improving services for this population, especially health care, would encourage their return and investment. Moreover, different measures are required for different activities pursued by transnational entrepreneurs. The support needs of entrepreneurs who operate virtually are certainly different from that of those who have to take their raw materials and products through customs.**
  
6. Transnational entrepreneurs who participated in the survey were unanimous in stressing the need to develop a stable social environment and strengthen institutions, improving the business climate and culture of entrepreneurship, as well as an enabling environment for entrepreneurship. Barriers to entrepreneurship that are most often mentioned are: unpredictability of the business and often changes of regulations without the involvement of businesspeople, excessive administration, high taxes, lack of affordable loans and financial support for the implementation of quality standards, unfair competition of those who work in grey economy, lack of information especially on the legal and economic issues, inability to charge services and lack of accountability of debtors, party connections and corruption, negative attitude towards entrepreneurs. They also mentioned expensive and/or complicated procedures for obtaining building permits and customs procedures, and what affects them is a process of validation of diplomas and high costs for documents (e.g. driving licence). At all of these factors were pointed out by both local and foreign entrepreneurs. **Therefore, it is necessary to implement the recommendations of key stakeholders in the field. For example, the Chamber of Commerce has prepared a "Proposal for New Economic Policy for the period 2012-2016." (2012). The National Alliance for Local Economic Development (NALED) has made recommendations in the following documents (2012): "The Grey Book V - Recommendations for the removal of administrative barriers to doing business in Serbia 2012/2013", "Vision 2016", What should be done for the Serbian economy during the new government mandate, Mostovi i ćuprije – a system of non-tax and para-fiscal forms in the Republic of Serbia". It is also necessary to encourage culture of entrepreneurship and represent good models of successful entrepreneurs, including transnational entrepreneurs.**

7. Transnational entrepreneurs have pointed to the need for **stronger incentives for small and medium enterprises** that make up 99.8% of the enterprises (of which 95.6% are micro enterprises) and 65.5% of employees in Serbia, including transnational companies. The implementation of the “Strategy for the Development of Competitive and Innovative **Small and Medium Enterprises in Serbia in the period 2008-2013**” and the operational plan should be evaluated and the new strategy and action plan prepared. Transnational migrants should participate in the development of this strategy and action plan. They can considerably contribute to the realisation of the objective of strengthening the competitiveness of SMEs in export markets.
  
8. Transnational entrepreneurs should in turn be more active, form associations and/or engage in the existing ones and participate in the dialogue with decision-makers in improving the business environment in Serbia.

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## **Documents:**

National Sustainable Development Strategy 2007-2017 and Action Plan  
National Economic Development Strategy of the Republic of Serbia since 2006. to 2012 and Action Plan  
Strategy of Scientific and Technological Development of Serbia 2010-2015  
Strategy for Information Society Development in the Republic of Serbia to the 2020th the  
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Strategy for Development of Competitive and Innovative SMEs in Serbia in the period since 2008. the 2013th The "operational plan and  
Strategy for the Development of Official Statistics in the Republic of Serbia in the period since 2009. by 2012. the  
The Regional Development Strategy of the Republic of Serbia for the period since 2007. to 2012 and Action Plan  
Migration Management Strategy and Action Plan  
Law on Diaspora and Serbs in the region (2009)

## **Companies Act**

Law on the Procedure of Registration Agency for Commercial register  
The Foreign Investment Law  
The Accounting and Auditing  
The law limits the performance of financial obligations in commercial transactions  
Ordinance on the content of the companies register and the documentation needed for registration  
Decision on fees for registration and other services provided by the Agency for Business Registers

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## Group 484 Centre for Migration

Group 484 Centre for Migration (CEMI) is the research and advocacy unit of Group 484. By representing the key research results and advocating for changes in public policies, Centre contributes to the understanding of migration in the context of social development and contributes to the inclusion of vulnerable migrants' groups in to the community. Centre organises public and scientific events to address stakeholders, expert and wider public and participates in conferences and round tables dealing with similar issues.

### Goals of the CEMI:

- To increase knowledge and understanding of different migration flows in Serbia in the context of regional and global migration.
- To encourage academic community to be engaged in researching migration and participating in the creation of migration policies.
- To influence stakeholders to create migration policies that enable full realisation of human rights of migrants and their inclusion in social and economic development of the community.
- To improve regional and international cooperation in the area of migration research, creation of migration policies and development of good practices.

**Centre for Migration (CEMI)** was established in 2011 as a result of 17 years long organisational experience in migration as a social phenomenon. Group 484 started with the research and advocacy activities in 2001 within its Policy Unit. Over time, the scope and diversity of the activities increased, which led to the establishment of the Centre for Migration. The first research areas were related to the status of forced migrants and their integration into the new environment, followed by the research of economic migration in the WB region, especially migration of youth and of highly qualified professionals. Based on the research results CEMI is working on fostering development of public policies that enable full realisation of migrants' rights and potentials.

### Publications:

**Forced migration:** *Deca pred zakonom – u međunarodnom tranzitu i kao tražioci azila* (2013); *Challenges of Forced Migration in Serbia: a second look at the issue of asylum and readmission* (2013); *Challenges of Forced Migration in Serbia: The State of Human Rights of Asylum Seekers and Returnees Based on the Readmission Agreement* (2012); *Irregular can be Regular –migration from the South of Serbia* (2012); *Položaj interno raseljenih lica na tržištu rada u Srbiji: predlog smernica za novu politiku podsticanja aktivnog traženja posla i zapošljavanja* (2011); *Underage Asylum Seekers in Serbia: on the verge of dignity* (2011); *Challenges of Forced Migration in Serbia: position of refugees, internally displaced persons, returnees and asylum seekers* (2011).

**Voluntary migration:** *Priznavanje stranih visokoškolskih isprava u Srbiji i Hrvatskoj: naučene lekcije i predlog za unapređenje postojeće prakse u Srbiji* (2012); *Return of Highly Qualified Migrants to the Western Balkans, Compendium of policy papers* (2011); *Mobility and Emigration of Professionals: personal and social gains and losses* (2011).

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