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Immigrant entrepreneurship in Croatia:

Exploring its potential, (rising) barriers and integration patterns

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Abstract

This is the first study to explore immigrant entrepreneurship in Croatia in the recent years, more precisely since Croatia joined the EU and as a member state is supposed to be more open towards foreigners, EU nationals at least. Yet, only 11% of Croatian citizens see immigration more of an opportunity than a problem (EC, 2018). At the same time, Croatia is facing a large emigration wave and a growing need of work force and entrepreneurial incentives. Studies conducted globally show the immigrants to be more entrepreneurial, less risk-averse and more innovative than the local citizens. Consequently, they contribute to the competitiveness of their host country and the well-being of its entire population.

The preliminary findings based on semi-structured interviews and limited statistical data suggest growing potential of immigrant entrepreneurship in Croatia, but also persistent barriers connected both with formal and informal institutions. The formal institutions-related barriers are divided into two groups. The first one includes barriers that are equally important and harmful to domestic and foreign entrepreneurs like administrative burden, unpredictable tax regulations and overly strict employment regulations. The second group consists of the formal rules presenting obstacles specific to immigrant entrepreneurs like the lack of clear instructions and requirements for doing business for foreigners (in the public administration bodies) coupled with inadequate enforcement of the existing rules. In addition, the non-EU nationals continuously face the work permit problems. Yet, the informal institutions often present even bigger obstacle for the entrepreneurs from the less developed countries. The ignorance combined with very limited openness towards other ethnic groups discourages their entrepreneurial initiatives. This attitude mostly changes once the immigrant is accepted as an in-group member in the host society.

Besides a coherent overview of the immigrant entrepreneurship in Croatia, this study provides policy recommendations aimed at using its full potential.

1. Introduction

Despite its increasing relevance in the EU and globally, immigrant entrepreneurship in Croatia is a rather underresearched topic. That statement particularly relates to the economic perspective of it. This is quite surprising as immigrant entrepreneurship could be (at least a part of) the solution to the pressing issues in Croatian business environment: a deficit of entrepreneurial initiatives (in particular those that are opportunity, not necessity driven), workforce shortage in many sectors, a lack of innovative products and services, especially in the tourism-related services (that could be compensated by 'ethnic businesses'), etc. Yet, only 11% of Croatian citizens see immigration more of an opportunity than a problem and only 40% of Croatian citizens believe that immigrants have an overall positive impact on the national economy (EC, 2018). These data refer to the perception of non-EU immigrants. Furthermore, in Croatia only 1,3% of the population are non-nationals (Eurostat, 2019). Still, Croatian citizens are the least informed in the EU on the immigration-related issues – 81% of them consider themselves insufficiently informed on the immigration and integration related matters (EC, 2018). General public usually links the immigrant entrepreneurship with refugees solely and their need for charity (i.e. another burden to a state budget). In addition, policy makers still do not seem to recognise the importance of foreign entrepreneurs and the dominant public discourse on the migration-related issues is mostly election-driven.

Still, there are examples of decades-long success of foreign entrepreneurs in Croatia like owners of the Chinese restaurants, tourism-related services, several medical clinics owned and run by doctors from all over the World, IT companies owned and co-owned by foreigners, music festivals brought to Croatia by foreign entrepreneurs. There are also famous Croatian brands like Yassenka in the pharmaceutical industry and Image Haddad in the fashion industry that are rarely associated with foreign owners. In addition, well-known inventor and entrepreneur Slavoljub Penkala is a historic example of immigrant entrepreneurship.

The findings of this research primarily contribute to the literature researching the economic integration of immigrants, with an emphasis on public policies tackling immigrant entrepreneurship and business creation. To some extent, this article also contributes to

the research avenue focusing on migrant-specific networks with an emphasis on the cultural norms of the host country.

2. Methodology

This research is based both on primary and on secondary sources. The recent studies on economic aspects of immigrant entrepreneurship in Croatia are very scarce, almost non-existent. That fact presents an obstacle, but also a niche opportunity to investigate that topic from a socio-economic perspective. Regarding quantitative data, it is important to note that relevant statistical data for immigrant entrepreneurship are rather limited and inconsistent. By contrast, qualitative data is fairly available since the total population of immigrant entrepreneurs in Croatia is relatively small and many of them have already been interviewed in the media and for the projects underpinning integration and/or doing business in Croatia.

The primary sources consist of semi-structured interviews with immigrant entrepreneurs in Croatia and representatives of institutions dealing, or supposed to be dealing, with immigrant entrepreneurship in Croatia. The representatives of the institutions were selected according to purposive sampling. Both they and initially interviewed foreign entrepreneurs served as the informants for identifying immigrant entrepreneurs. Hence, the snowball sampling procedure was employed in addition to media sources to identify the interviewees. Different initial informants and various media sources contributed to the diversity of the sample. It is important to emphasise that due to the size of the sample and availability of recent secondary sources, they played an important role in obtaining the information. The sample included total of six (coded as IN1, IN2, IN3, IN4, IN5 and IN6) institutional representatives (NGOs, think tanks, employers' associations) and ten entrepreneurs (coded as EU or nonEU 1-10). Those interviews were conducted in the period between January and mid-August 2019 personally in Zagreb or over the phone. The interviews were carried out in English and lasted 45 minutes on average. Main topics of the interview were mostly chronologically sequenced around two distinctive stages of migration (Castles & Miller, 2009: 20-21): first, the immigration determinants and patterns; and second, the integration processes and perspectives. This necessarily leads to the analysis of interaction of macro- and micro-structures, and their intermediate mechanisms

named 'meso-structures', as any migratory movement is a result of it (Castles et al, 2014: 26-27). In line with the purpose of this research, the afore-stated (im)migration stages were focused on entrepreneurship-related issues. In sum, the research mostly relies on an 'extended' functionalist approach as it seeks to identify the push and pull factors and related issues.

Hence, the findings are contextualised since the context in migration studies today is deemed „increasingly important as migratory phenomena become more diversified, and as the statistical grasp over migration flows and stocks becomes less secure (King, 2018: 39). Furthermore, even though some factors can be quantified (such as demographic and socio-economic variables, legal status, etc.), “the complex nature of these factors as potential drivers of migration, and their interaction with each other, can only be appreciated via a more qualitative approach rooted in specific socio-economic, political, cultural and spatial settings“ (King, 2018: 39). This is in line with the notion of migration as an intrinsic part of globalisation, social transformation and development processes rather than 'a problem to be solved' issue (Castles, Haas & Miller, 2014: 25). The overview of the Croatian socio-economic context is condensed in the Section 5 and, in accordance with the purpose of this research, focused on business and entrepreneurial climate.

3. Institutional context of post-socialist economies: impact on ethnic and immigrant entrepreneurship

Having in mind the rapid contemporary development of post-socialist economies in Europe and their migrant populations in particular, one must remember about the historical context which has profoundly shaped these societies in the second half of the 21st century. Obviously, the communist ideology and the introduction of centrally-planned economy has deeply affected this part of the continent and there is a vast literature on these processes (f.i., Bunce & Csanadi, 1993; Howard, 2002; Bădescu et al., 2004; Foa & Ekiert, 2017). Yet, their impact on the ethnic and immigrant populations and their entrepreneurial activities (Zhelyazkova, 2001). remains relatively unknown area for most of the Western researchers.

First, the introduction of communist ideology resulted in massive nationalization of the Central and Eastern European economies, and this process was to a large extent

involuntary, resulting in expropriation of entrepreneurs in most of the sectors of the economy (for instance in Poland) or a total control of the industrial and commercial property in USSR (McMillan & Woodruff, 2002). For the economic history of this region, it basically means a half of the century “black hole” in the development of private initiative and entrepreneurial activity. Most of the private enterprises have been taken from their founders and nationalized, and only few successors were able to regain ownership (Blacksell & Born, 2002). of their family firms in the early 1990s, when the region has embraced democracy and free-market economy. On one hand, this resulted in underdevelopment of the business infrastructure (Aidis, 2005) and the subsequent development of the private and family firms in Central and Eastern Europe, which are on average smaller and less profitable than their counterparts in the Western and Northern Europe. On the other, the “deprivatization” of the economy in 1945-1989 period, offered a sea of possibilities for new entrepreneurs and investors in the early 1990s, when the fast expansion of free-market economies created opportunities to expand in almost all sectors. In such situation, the newcomers, including immigrants arriving to Central and Eastern Europe in the beginning of the economic transformation, were able to compete on equal terms with the natives and even in some cases they were in more privileged position due to the access to migrant and ethnic business networks This is for instance the case of Armenian or Vietnamese petty traders, who were able to achieve relative economic success opening small trading stands in open-air fairs in Poland and other countries of the region in the early 1990s (Brzozowski & Pędziwiatr, 2015).

Second, the dramatic history of the region in 1939-1945 resulted in a profound change of the ethnic composition of the country. The Nazi Holocaust has led to extinction of Jewish population in Central and Eastern Europe: this ethnic group was traditionally entrepreneurial, being very active in trade sector, craftsmanship and in services sector (financial, legal, medical etc., cf. Grosfeld et al., 2013).. The forced population deportations in Europe have moved hundreds of thousands of Poles, Ukrainians, Germans, Turks and many other ethnic groups (Stola, 1992), resulting not only in disruption of their ethnic businesses, but also leading to much more homogenous ethnic composition of Central European societies. For instance Poland before the Second World War was a multi-ethnic country, with ethnic Poles constituting less than 2/3 of the total

population, while in 1989 Poland has started economic transition and democratic reform as almost homogenous country, populated by almost 100% of ethnic Poles (Iglicka, 2000). These memories of the painful history constitute not only a burden to political relations between many countries of CEE region, but also constitute a serious impediment for the development of the immigrant and ethnic sectors of the economy in those countries. All the institutions which before 1939 were providing support for ethnic minorities were gone, but also the welcoming culture to foreigners has been eradicated: the closeness of communist states and oppressive authoritarian regimes who opposed “otherness” have left a negative heritage on CEE populations (Cervinkova, 2016). Therefore, post-communist societies were very often not ready to accept easily newcomers from different cultural backgrounds, which made a start for many immigrants (including the foundation of a business) much more difficult than in the Western Europe.

Finally, the rapid modernization, industrialization and urbanization during the communist regime (1945-1989) has led to profound social changes. One often forgets how much underdeveloped and peripheral position was occupied by Central and Eastern Europe in the interwar (1919-1939) period (Aldcroft, 2006). Most of the economies of the region of that time were predominately agricultural, with a large share of the population living in the rural areas and pursuing very traditional farming activities for own subsistence, therefore being virtually excluded from a modern free-market economy. The communist system enabled rapid social mobility and advancement to the groups who were socially marginalized before, but the socialist economies had serious limitations in the economic development. Therefore, the transition to free-market economy has created an increased competition in the sectors that in mature, highly developed economies are very often left-over to immigrant populations, like seasonal farming, construction, home-base care services or simple employment in gastronomic sector and tourism industry. In post-socialist economies, these sectors – especially in the beginning of the transformation in 1990s – have been absorbing the migrants from rural areas (the socialist modernization resulted in unfinished urbanization process, with many of the workers commuting daily from rural areas to industries in the cities, a process described in more detail by Okólski, 2012). Moreover, many of post-communist economies in the first decades of the economic transformation (1990s and 2000s) were still relatively young and have experienced a

demographic pressure on their local labour markets, being forced to accommodate growing numbers of young graduates. As the result, instead of becoming important destination for immigrants, Central and Eastern European countries have mostly exported its citizens, who migrated mostly to Western Europe looking for better employment possibilities. The peak of the migration outflow from a region was achieved in 2004-2007 period, with the accession of A8 countries to the European Union in 2004, then it was halted by the Eurozone financial crisis 2008-2009 and resumed again in late 2000s and early 2010s (McCollum & Findlay, 2011). Therefore, only recently some (but not all) CEE countries have started to experience a migration transition, moving from net exporters of migrants into important host countries for immigrants (Pytliková & Sucháček, 2017). The most notable case in this regard is Poland: in 2000s the country has lost net 1.5 million citizens, who mostly migrated to the UK, Ireland, Germany and other Western European countries. Yet, starting from 2015 Poland has become an important destination country mostly for Ukrainians: the population of foreign-born persons in the country has jumped from less than 200 thousand in 2014 to (according to different estimates) 1.3-2 million in 2019 (Rakowska, 2019; ZUS, 2019).

Concluding this section, it is important to underline that Central and Eastern Europe is becoming a “new-old” immigration region: while the dramatic history of the 1939-1989 has almost fully eradicated ethnic and immigrant populations in this area, in recent years we can observe a very intensive inflow of foreigners to Poland, Lithuania, Czech Republic, Slovakia, Hungary, Romania and Slovenia and with the continued economic development and increased political stability it is expected that also other countries, including mostly Balkan states will also turn into new important destination countries. This is the reason why the research on immigrants and immigrant entrepreneurship in this region is so important both for academic but also for the practitioners and policy-makers.

4. Immigrant entrepreneurship in Europe and CEE countries

The immigrant entrepreneurship research is clearly on the rise: in recent years the numbers of special issues and papers in most relevant journals (just to mention the most recent SI on transnational immigrant entrepreneurship on Journal of Ethnic and Migration

Studies - cf. Zapata-Barrero & Rezaei, 2019) has substantially increased. The same trend is very visible in EU countries. Originally started by sociologists and mostly within Australia, Canada and obviously the US, the studies of immigrant and ethnic entrepreneurship have been gradually adopted by economists and representatives of business studies and expanded to European contexts (Brzozowski, 2017).

There are at least few explanations for the growing interest on immigrant entrepreneurship. The most obvious is the rapid increment of immigrant populations in Europe and demographic projections which signalize the growing migration potential of many current labor-exporting countries to Europe. In this aspect, a special attention is paid to special categories of migrants, including Muslims and Arabs (Hackett et al., 2019) pursuing business activities in Europe, but also refugee entrepreneurship. The second motivation, connected to the former is a widespread belief among policy-makers that promotion of immigrant entrepreneurship results in increased economic integration of ethnic and migrant minorities in major host countries, lessening the problems of socio-economic marginalization or exclusion of these populations (Rath & Swagerman, 2016). Finally, there is a strong wave of literature which emphasises the economic gains of the immigrant entrepreneurship. Migrants who open business activities can adopt less-conservative approach than natives, thus being more able to identify and capture business opportunities. Moreover, they can create niches in the mainstream economies, complementing rather than substituting local entrepreneurs. Finally, there might be a positive spillover effect: migrant entrepreneurial activities can be somehow contagious: also local individuals can become more entrepreneurial by observing immigrant ventures, which in turn can lead to more entrepreneurial and innovative society (Brzozowski & Lasek, 2019).

Within this fast-evolving literature on immigrant entrepreneurship one can identify at least four major strands of research. The first one is devoted to the usage of specific business networks (Kloosterman & Rath, 2001). It is very well known that foreign-born individuals arrive to the host country usually with a low financial, cultural and social capital endowment. Consequently, they might lack specific resources needed for starting a business activity, namely the knowledge of cultural norms, financial means to open a firm

and access to business partners, suppliers and clients. Yet, these local deficiencies can be to some extent overcome by migrant-specific networks (Harima et al., 2016). Migrant entrepreneurs can rely on the linkages with the diasporans (members of the same broad ethnic community dispersed from one centre to different destinations, who remain interconnected). The usage of the diaspora networks can be crucial for the survival, but also further expansion of the business (Elo et al., 2015). In the same vein, there are transnational immigrant entrepreneurs, who develop their business model with a specific aim to become mutually embedded in two socio-economic environments: the one of the host country, and the second of the home country (Drori et al., 2009). Transnational ties can contribute to superior performance of the firm as compared to domestic immigrant entrepreneurs, albeit this effect depends greatly to home-country socio-economic and institutional conditions (Brzozowski et al., 2014). Finally, there are domestic, only host-country oriented immigrant firms, whose source of competitive advantage could be reliance on ethnic ties, i.e. business linkages with the members of the same ethnic community.

In this aspect, one can name a second important strand of the literature, mainly the creation and development of the ethnic enclave economy (Light et al, 1994). This is a subsection of the economy in the host country, which is dominated by the members of the same ethnic group, and it is often connected with the geographical concentration. The ethnic economy can be a fertile ecosystem for entrepreneurship creation, but mostly to insiders: being a member of the same ethnic groups enables an individual to get a preferential access to scarce goods and services, short-term credit from co-ethnic suppliers, financing from ethnic rotational credit associations, know-how and business model diffusion through in-job training in ethnic family firms, privileged access to cheap co-ethnic labour and co-ethnic clientele. Yet, little is known what happens with immigrant entrepreneurs coming from recent ethnic communities, whose size is too low to create an effective ethnic enclave in a host country (Zubair & Brzozowski, 2018). Moreover, the ethnic enclave could also be a dead-end strategy for some business, as the possibilities of further expansion depend on a constant inflow of newcomers from a home country into a host country (Andersson et al., 2015). In the other case, the better integrated immigrants usually tend to move out of the ethnic districts, thus the ethnic market could and usually

shrinks over time. Thus, the researchers investigate what happens with immigrant businesses who break out of the ethnic enclave (Arrighetti et al., 2014): are they more successful in economic terms as compared to those who stayed?

The fourth strand of research is connected to the economic integration of immigrants and to the evaluation of the public policies that encourage the inflow of immigrant entrepreneurs and immigrant business creation (Rath & Swagerman, 2016). Many of the non-European countries have adopted immigration policies that have targeted investors, but also small-scale immigrant entrepreneurs with an aim to enhance business creation and entrepreneurial spirit among native population: this was the case of the US (Zhou and Liu, 2015), Canada (Wang & Lo, L., 2005), and Australia (Chiang, 2004). Some other European countries have followed their example, including Sweden or Switzerland (Liebermann et al., 2014). Apparently, the policies that have brought limited success in Canada have turned to be quite effective in Swedish case (Kazlou, & Klinthall, 2018).

Finally, the newest focus of research is driven to the refugee entrepreneurship (Wauters & Lambrecht, 2008). The motivations to study this phenomenon are obvious: the European migration crisis of 2015-2017 has driven hundreds of thousands of refugees from Middle East and North Africa countries to the Western Europe. Many of these destination countries were hoping that those individuals would also engage in business creation. Moreover, refugees themselves very often opted to switch from waged employment to first self-employment and then to the development of small family businesses, which would accommodate also new members of family which are yet to arrive from a home country (Bizri, 2017; Freiling & Harima, 2019). The public support to such enterprises is crucial for the social cohesion in the host countries in Europe, but also because they form the most important source of income (through remittances) for the families of refugees who stayed in the home countries.

5. Croatian macroeconomic and business environment with an emphasis on entrepreneurship and migration perspective

Despite its currently stable GDP growth, Croatia has only now reached its 2008 GDP level (period before the crisis). In addition, despite some improvements, the reform implementation is still rather slow. Since the start of the European Semester in 2014, 51 % of all country-specific recommendations for reform implementation in Croatia have reached at least some progress. Yet, only 7% of all country-specific recommendations have been fully implemented and 12% have recorded substantial progress (EC, 2019: Ch 2). External influences remain very important for Croatia. In that regard, unlike the last year's forecast (WIIW, 2018) when external conditions were considered highly supportive of growth in Central, East and Southeast Europe (CESEE) and the benefits for CESEE countries were expected to be stable in the coming years, more recent forecast (WIIW, 2019) stresses less supportive external circumstances in the next period. These include weaker global growth, US protectionism, Brexit and Eurozone problems.

As in other national economies, entrepreneurship and the small and medium enterprise sector play an important role in Croatia. Thus, small and medium enterprises account for 99.7% of the total number of enterprises in Croatia, have an employment share of almost 70%, and achieve a 54% share in total exports (Alpeza, Oberman & Has, 2018: 10).

Results of the GEM – Global Entrepreneurship Monitor survey, in which Croatia has been involved since 2002, provide a deeper insight into characteristics of entrepreneurial activity in Croatia (Singer et al, 2019: 27). According to intensity of new business start-ups, with 9.6 new ventures per 100 adults, Croatia is positioned above the average of EU countries included in the GEM survey in 2018. However, entrepreneurial activity in Croatia at this early stage is characterised by a high share of new ventures started out of necessity. In 2018, on average in the EU there were 5.3 times more new ventures started because of perceived opportunity than those started out of necessity, while in Croatia there were only 1.9 times more entrepreneurs because of opportunity, which positions Croatia at the rear of EU countries involved in the GEM survey.

Furthermore, Croatia's entrepreneurial capacity is characterised by a low share of "established" businesses (older than 42 months), indicating a low survival rate and lack of growth capacity of established entrepreneurial ventures. According to this criterion, the GEM survey in 2018 again positions Croatia at the rear of EU countries.

Entrepreneurial activity in Croatia is characterised by good technological readiness, but also by absence of new products, which is reflected in the low competitiveness of the economy as a whole (68th place in the World Economic Forum's Global Competitiveness Report ranking in 2018). In 2018, 30% of newly started entrepreneurial ventures in Croatia (compared to 13.6% in the EU) and 28.3% of "established" businesses (compared to 7.9% in the EU) have the latest technology, but at the same time, as many as 70% of newly started and more than 75% of "established" businesses have products that are not new to anyone in the market.

Within Croatia, it is possible to discern regions where entrepreneurial activity intensifies in recent years, namely Dalmatia, Istria, Primorje and Gorski Kotar, while lower levels of entrepreneurial activity are recorded in Lika and Banovina, and Slavonia and Baranja.

With regard to distribution of entrepreneurial activity by gender, Croatia is a significantly more "male" country, with almost twice as many entrepreneurial ventures started by men than by women, which is the average of EU countries. Although the share of women entrepreneurs in Croatia has been slightly increasing over the 2010-2018 period, the still present gap in activity of women and men indicates the consistency of obstacles and insufficient efficiency of programmes and measures for the development and strengthening women entrepreneurship in Croatia.

Despite many challenges to the development of entrepreneurial activity in Croatia, according to the GEM survey, the majority of people in Croatia believe that being an entrepreneur is a good career choice, which positions Croatia among the top EU countries in terms of intentions to start an entrepreneurial venture. Nevertheless, Croatia is ranked last in the EU in terms of perception of high social status of entrepreneurs, with a decline in perception and widening gap with the EU average (in 2018, 43% of respondents in Croatia had perception of high social status of entrepreneurs, compared to an average of 62% of respondents in EU countries).

Considering its historical migration patterns, i.e. prevailing emigration country status, Croatia has only recently initiated its integration policies. Since the number of immigrants is rather small, the integration policies in Croatia mainly focus on the refugees (Giljević & Lalić Novak, 2018). Still, Croatia is considered 'a showcase of *ad hoc* policy-making and

absence of viable concept of crisis management for vast and uncontrolled immigrant influx that happened in 2015' (Knezović & Grošinić, 2017: 13). Moreover, Croatian migration data have continuously indicated rising negative migration saldo in the recent years; the net migration only diminished in the last year, but still remained negative (Table 1). With 3.8 immigrants per 1000 inhabitants, Croatia is below EU-28 average and among the countries with the lowest immigrant/inhabitant ratio in the EU (Eurostat, 2019). Less than 1% of Croatian population are third country nationals. They have mostly immigrated because of family reunification, work, education and humanitarian reasons. Their most common countries of origin are Bosnia and Herzegovina, Serbia, Kosovo, North Macedonia; as well as Russia, Ukraine and USA (CPS/IHZ, 2019). As an illustration of the structure of immigrants to Croatia by their citizenship, the most recent analysis (Eurostat, 2019) indicates that in 2017 half of the immigrants had Croatian citizenship, only 14% were from other EU member countries, and the rest (35%) were from non-EU countries. Croatia belongs to the leading group of EU countries based on the the most immigrants being the country nationals (Eurostat, 2019). These are not necessarily the return migrants, but most likely the residents of countries in the region, Bosnia and Herzegovina in particular, owning dual citizenship. In total, in Croatia only 1,3% of the population does not have a Croatian citizenship, out of which 0,4% are EU citizens (Eurostat, 2019).

Table 1. International migration of population of Republic of Croatia

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---------------|--------|--------|--------|---------|---------|--------|--------|--------|
| Immigrants | 8.534 | 8.959 | 10.378 | 10.638 | 11.706 | 13.985 | 15.553 | 26.029 |
| Emigrants | 12.699 | 12.877 | 15.262 | 20.858 | 29.651 | 36.436 | 47.352 | 39.515 |
| Net migration | -4.165 | -3.918 | -4.884 | -10.220 | -17.945 | - | - | - |
| | | | | | | 22.451 | 31.799 | 13.486 |

Source: CBS (2019) – International Migration https://www.dzs.hr/Hrv_Eng/Pokazatelji/Stanovnistvo%20-%20migracije.xlsx Note: In order to harmonise the international migration statistics with international standards and the *acquis communautaire*, since 2011 data have been processed according to a new methodology.

The public discourse usually emphasizes (and antagonizes) the influx of the asylum seekers in Croatia. The data show that in Croatia in the last 13 years (since the first protection), the total of 749 international protections has been granted. This figure consists of 600 asylums and 149 subsidiary protections (CPS/IHZ, 2019). The only major immigration-related increase happened in the national quota for migrant workers for 2019 that counts the total of 65 100 work permits (50 100 new and 15 000 prolonged). That makes more than double compared to 2018, and in 2014 there were only 231 work permits (CPS/IHZ, 2019). The major reason for that significant increase lies in the insurmountable lack of workforce.

The most recent Integration Scoreboard (OECD/EU, 2018b) indicates negative change for the immigrants in Croatia according to several labour market indicators: share of the of the foreign-born working-age population in employment, share of unemployed immigrants in the labour force, share of foreign-born population in the long-term unemployment, economically active foreign-born population as a share of the working age population. The only favourable change in the labour market happened for the overqualified immigrant workers. Other positive changes include host country language proficiency, acquisition of nationality and perceived discrimination (OECD/EU, 2018b).

The latest business executives survey done by The World Economic Forum for The Global Competitiveness Report places Croatia among the most unsuccessful countries in the World according to several immigration and business climate related indicators. These include Ease of hiring foreign labour (139th out of 140), Hiring and firing practices (135th out of 140), Attitudes toward entrepreneurial risk (137th out of 140) and Burden of government regulation (138th out of 140). Full list of the indicators mostly related to migrant businesses is to be found in the Table 2. These indicate Croatia as a rather unfavourable business climate. There are also indicators that place us among top 20 countries in the World, these mostly tackle infrastructure, trade openness and low terrorism risk. Overall, current Croatian global ranking according to twelve competitiveness pillars can be seen in Figure 1.

Figure 1. Performance Overview: Croatia



Source: WEF GCR 2018

Table 2. Immigrant entrepreneurship-related indicators

| | |
|---|---|
| <p>Ease of hiring foreign labour (139)</p> <p>International labour mobility (134)</p> <p>Labour tax rate (88)</p> <p>Hiring and firing practices (135)</p> <p>Attitudes toward entrepreneurial risk (137)</p> <p>Burden of government regulation (138)</p> <p>Judicial independence (120)</p> <p>Efficiency of legal framework in challenging regulations (135)</p> | <p>Efficiency of legal framework in settling disputes (139)</p> <p>Property rights (122)</p> <p>Incidence of corruption (50)</p> <p>Active labour policies (75)</p> <p>Financing of SMEs (105)</p> <p>Cost of starting a business (69)</p> <p>Time to start a business (41)</p> <p>Diversity of workforce (133)</p> <p>Infrastructure pillar – set of indicators (36)</p> |
|---|---|

Source: WEF GCR 2018

At the same time, Croatia is experiencing a negative migration saldo with rising 'brain drain' being a threat for a society as a whole (Troskot et al, forthcoming). In addition, Croatia is rather unattractive for economic immigrants (Knezović, & Grošinić, 2017). Since joining the EU Croatia has lost approximately 5% of its entire population, and that is estimated to result in 13% of GDP loss. It is estimated that, among the CESEE countries, Croatia is among the countries with the largest emigration wave (Troskot et al, forthcoming). Several studies (HUP, 2019; Troskot et al, forthcoming) show Croatian push

factors to be rather persistent in the long-run and not expected to be eradicated in the near future. These include the unfavourable values in the society such as clientelism, nepotism and prevalence of corruption. In addition, people leaving Croatia are very unsatisfied with the quality of public services (doing business, health care, education system). As shown in the next Section of the article, these push factors are also recognised by foreign entrepreneurs residing in Croatia.

To underline, here is a view of the immigrant entrepreneur on entrepreneurship in Croatia:

'The lack of entrepreneurial prowess and risk-taking has provided many foreigners with the chance to find their own niche in the sector. Although I see a slight shift in this when it comes to younger people as they seem more open to potentially starting a business despite what their *baba* (Grandma) and *dida* (Grandpa) say. I know one guy who, despite running a successful company that has seen growth year on year, had his mum tell him to stop with it and get a government job.' (EU8)

6. The immigrant entrepreneurs: Croatia is perfect for living, but difficult for doing business

Recent research on immigrant entrepreneurship in Croatia is rather scarce and has mostly focused on migrant social entrepreneurship (Jurković & Rajković Iveta, 2016; Bužinkić, 2017), entrepreneurship of ethnic minorities (Kuti & Božić, 2011; Lekaj et al, 2015), family businesses and female entrepreneurship of ethnic minorities (Nreca & Gregov, 2018). The closest research to the purpose of this study is done by Čapo and Kelemen (2018a, b) and Čapo (2019) on the entrepreneurial activities of foreigners in the Croatian capital and it mostly investigates the ethnological aspects. Several formal and informal networks and initiatives have been very resourceful in disentangling the current picture of immigrant entrepreneurship and seeking to underpin its further development. The institutional representatives (IN1, IN2, IN3, IN4, IN5, IN6) dealing, or expected to be dealing, with immigrant entrepreneurship consider it to be treated as a marginal topic both in society and among policy makers. Another obstacle is the lack and/or inexistence of statistics or any kind of useful data on foreign entrepreneurs in Croatia and a deficit of state strategies and public policies. The absence of the reliable and comparable migration statistics in

Southeast European countries contributes to the 'imaginary migration statistics' and, consequently, to populist approaches to migration (Cukut Krilić et al, 2019).

Similar to the non-entrepreneurs, the immigrant entrepreneurs moved to Croatia because of family reunification, work, education and humanitarian reasons. Box 1 presents an overview of the (potential) assests and strenghts of the immigrant entrepreneurship in Croatia. Yet, the weaknesses of the macroclimate appear to be decisive for their private and professional progress. After their initial integration stage, most of their experiences are succintly summarised in the quote of an Ukrainian entrepreneur in Zagreb (based on her own impression and the inputs of her expat friends):

“the country is ideal for living. It’s ecological, clean, quiet, and safe. The air, the water... beautiful, wonderful. A little tough for business.” (Čapo & Kelemen, 2018b: 38)

Moreover, many foreigners consider lack of cultural, racial, and ethnic diversity coupled with rare public activities in English to be an issue for integration. Those deficits are mostly compensated through socialising in online and offline networks of foreigners (nonEU1, non EU2, EU3, nonEU5, Čapo & Kelemen, 2018b: 8-9). Čapo and Kelemen (2018b: 8-9) also stress that, unlike non-entrepreneurs, the migrant entrepreneurs are

‘extremely critical of the possibilities and conditions for doing business and how closed the system is to foreign investment. Sometimes their lives in Zagreb are dominated by unsuccessful attempts to find employment or recognition of their expertise and international experience, so some migrants end up leaving the city and the country as a result.’

Box 1. (Potential) Assets/Strenghts of the Migrant Entrepreneurship in Croatia

- ▮ **migrants bring ideas**
- ▮ strong network of willing volunteers and entrepreneurs
- ▮ **migrant and refugee communities are more flexible**
- ▮ **creating opportunities (jobs) for all**
- ▮ breaking down stereotypes and creating intercultural space
- wide social space and economic area for development of different ideas
- political will and positive rhetoric
- local authorities empowerment
- open-minded workers in institutions
- media positive coverage of entrepreneurial activities of migrants
- 'crisis' brought to community - community building opportunities
- | open minded and innovative ideas respond to intergenerational cohabitation
- | refugees have opportunity to enrich the market (they do not 'take' jobs)
- | supporting public mobility
- | **'over'qualified individual eager to work / contribute**
- ▮ free or affordable language classes
- ▮ free legal help
- ▮ training programs for migrants combined with mentorship
- ▮ municipal support and funds for skills development in business
- ▮ accessible funding
- ▮ tax break
- ▮ vacant spaces
- ▮ **entrepreneurship hubs**
- > interconnectivity
- > **networking opportunities**
- > domestic support groups and entrepreneurial networks
- > integration facilitated through encounters of locals and newcomers
- > **rise of initiatives that support each other**

Source: Bužinkić (2017: 85-86), selected bullets emphasised by the authors

In addition, the integration into local community is very slow due to relative closeness of the locals when accepting out-groups, particularly the ones with different origin. An African entrepreneur states

- 'At the beginning, Croats are quite reserved when interacting with foreigners. They seem to have many prejudices. Most of them rarely meet any foreigners, let alone black people. Plus, there are only about 80 Africans in Croatia. But, once Croatian people accept you, you'll be their lifelong community member and a friend... I am happy in the hospitality business as people get more easily connected over food and get the chance to meet our culture. When I came to Croatia, I had to explain that we do not eat elephants nor giraffes in Africa!' (nonEU1)

The experience of another African entrepreneur in Zagreb very similar:

'He felt inadequate and projected that feeling onto the "cold and arrogant" locals, ... after a year, those feelings gave way to ones of satisfaction, acceptance, familiarity with the place and its people, and acceptance of his surroundings. ...today, two years after his arrival, he is 'completely transparent' to the locals, meaning he is invisible despite belonging to a visible and very small group of immigrants due to his african origin.' (Čapo and Kelemen, 2018b: 14)

The findings from EU countries (EC, 2018) indicate that people living in urban areas are more more likely to interact with immigrants and comfortably build social relations with them. In Croatia, that finding does not seem to fully match all urban areas, i.e. regional differences are obvious, particularly when researching the strong ties possibly built with foreigners of different ethnic and religious origin. Most interviewees (IN2, nonEU1, nonEU2, EU3, EU4) claim that Zagreb and Istria are on average more open for business and social interactions. Nevertheless, the most surprising finding is that, despite tourism, most people in Dalmatia, cities included, are rather refrained from social interactions with the foreigners. They mostly rely on superficial, usually one-off, interactions necessary for doing business. The difference may be noticed among younger people (EU8, EU9). Still, the most recent survey on the integration of refugees (Ajduković et al, 2019) provides some optimism linked with the implementation of appropriate public policies:

'...the Croatian citizens' attitudes are such that they could potentially turn in either direction, positive or negative, which makes it important to rely on positive attitudes with well-designed, targeted and coordinated policies, to guide those attitudes and provide citizens with opportunities to take part in the integration of persons granted asylum. The results indicate that, in many local communities, the interlocutors believe that the foundations of citizens' positive attitudes lie in the fact that they have themselves been through the experience of being refugees during the Croatian War, or in their experience citizens are not ready to engage in closer relationships, but they are ready for neighbourly relations and collaborating at work. The integration policies should exploit this fact as a potential advantage, because those kinds of relationships – among neighbours and encounters in the work environment – will actually be the basic contacts between Croatian citizens and persons granted asylum. Bearing in mind that the cultural pattern of life in relatively well-connected neighbourhood social networks is still present in Croatia, especially in smaller communities, the readiness of Croats to engage in neighbourly relationships with their new fellow citizens can be put to good and beneficial use, and activities can be implemented at the level of neighbourhoods to prepare micro-communities to which persons granted asylum will come for their arrival.'

Nevertheless, foreign entrepreneurs also bear in mind the need to adapt and remain flexible and open to the new environment:

- '...people expect things to work like they do at home, and when they don't, they get frustrated. Language, the extra bureaucracy etc. Understandable but a lot of people hide behind that... My best advice for foreigners coming to do business in Dalmatia is contained in one sentence, and if they can accept it and implement it, they will do fine, but most won't. Do not try and change Dalmatia, but expect Dalmatia to change you.... I think it is also true that entrepreneurial expectations differ a lot depending on country of origin...Romanian people, for instance, see only opportunity here, while Brits see only problems.' (EU9)

The influence of entrepreneurs' origin on the perception of the problem is often reflected in the corruption prevalence. Whereas Romanian and Ukrainian entrepreneurs have been positively surprised by lower levels of corruption compared to their home countries (EU3, Čapo & Kelemen, 2018b), an entrepreneur from New Zealand, the least corrupt country in the world, has remained fully shocked by the corrupt practices in Croatia (Slobodna Dalmacija, 2019).

7. Barriers: 'one more paper, please'

The formal institutions-related barriers are divided into two groups. As presented in the Table 3, the first group includes barriers that are equally important and harmful to domestic and foreign entrepreneurs like administrative burden, unpredictable tax regulations and overly strict employment regulations. The second group consists of the formal rules presenting obstacles specific to immigrant entrepreneurs like the lack of clear instructions and requirements for doing business for foreigners (in the public administration bodies) coupled with inadequate enforcement of the existing rules. In addition, the non-EU nationals continuously face the work permit problems. Moreover, the requirements for non-EU nationals for establishing a business in Croatia are rather burdensome (Appendix 1). Yet, the informal institutions often present even bigger obstacle for the entrepreneurs from the less developed countries. The ignorance combined with very limited openness towards other ethnic and religious groups, LGBT groups in particular, discourages their entrepreneurial initiatives. As previously stated, this attitude mostly changes once the immigrant is accepted as an in-group member in the host society. In a nutshell:

'Immigrant entrepreneurs keep emphasising that most of their problems are literally the ones bothering Croatian entrepreneurs, too: labour shortages, quasi-fiscal burden in addition to high tax burden, ambiguous regulation, etc. As local entrepreneurs keep warning about the same issues for decades, some of them are even more pessimistic about the future changes for their own business.' (IN6)

Table 3. Immigrant entrepreneurs: the most problematic factors for doing business in Croatia

| | Key formal barriers | Key informal barriers |
|----------------------------------|--|--|
| Non-EU, less developed countries | <ul style="list-style-type: none"> lengthy asylum-seeking procedure (if applicable) | <ul style="list-style-type: none"> considered to be a security threat perceived to expect social contributions only ignorance |
| Non-EU, developed countries | <ul style="list-style-type: none"> a work/business permit procedure mandatory financial capital (10x or 200x higher than for the EU / native entrepreneurs – depending on the legal form) obligation to employ 3 Croatian citizens ambiguous/double procedures | |
| EU entrepreneurs | <ul style="list-style-type: none"> absence of any written instructions in English front office employees not speaking English | <ul style="list-style-type: none"> discrimination (ethnic and racial origin, LGBT, gender, age) limited openness towards other nationalities and religions |
| Native entrepreneurs | <ul style="list-style-type: none"> administrative burden inefficient public administration unpredictable tax regulations high tax rates and parafiscal charges (including mandatory memberships) overly strict employment regulations labour shortages corruption prevalence weaknesses of the education and health system | <ul style="list-style-type: none"> lack of entrepreneurial spirit lack of understanding for entrepreneurship |

Sources: interviews with institutional representatives, and migrant entrepreneurs from EU and non-EU countries, WEF (2018), WB (2019), CPS/IHZ (2019), Čapo & Kelemen (2018a,b), Čapo (2019), Bužinkić (2017), media sources – all references to be added

Table 3 clearly demonstrates that both formal and informal barriers faced by immigrant entrepreneurs overlap to a large extent with the barriers faced by native entrepreneurs. However, on top of it, depending on their origin, their list of obstacles keeps enlarging. The EU nationals suggest being in the most favourable position among their expat peers as their additional list of doing business obstacles solely includes the language barrier both in written and spoken form, and discrimination on various levels if applicable. The EU nationals are then followed by the non-EU nationals from developed countries whose list of doing business barriers appears to double compared to native and EU entrepreneurs. It mainly consists of lengthy and often uncertain work permit procedures, mandatory financial capital requirement that is substantially higher than the one requested for EU nationals and obligation to employ at least three Croatian citizens since its

company start. Finally, the third country nationals from less developed countries and/or conflict-affected areas are in the most unfavourable position for starting an enterprise in Croatia. Their settlement dynamics is, besides all the afore-listed issues, discouraged by the informal barriers mainly created by ignorance and misperception of the public and policymakers. On the formal side, many of them are faced with lengthy asylum-seeking procedure.

Bureaucracy issues coupled with language barrier are the most often identified obstacles by the foreign entrepreneurs:

- “Paperwork is the most horrible thing in Croatia! All the procedures are unclear and even double or triple. The officers keep sending you back and forth. And their instructions are different! Oh my God!” (nonEU5)
- “If you don’t speak Croatian when visiting various offices, better go away!” (nonEU1)
- “I’m dragging myself from office to office to arrange all the papers. That’s already inconvenient time spending but I was warned by many Croatian people that the bureaucracy in Croatia takes a while...The internet and email is allegedly not invented in government society yet. What concerns me the most is that in every official government building where I have to go to arrange all necessary papers according to my company nobody speaks one word of English. ... So, for every office I have to go to I need to bring a Croatian speaking person to translate for me. And all people look at me like how can you be so stupid to open a company in Croatia.” (EU6)
- ‘During one meeting on immigrant entrepreneurship, the representative of one of the ministries told us that the front officers dealing with foreigners are not supposed to speak English?!?’ (IN5)

Uncertainty and unpredictability makes doing business very difficult and results in rather quantifiable, unnecessary burden:

- ‘...this informal taxation system of inspections. They really come from all directions and they always find something wrong. Usually a couple times a year we dish out a few thousand kuna because of some pretty ridiculous things. You can’t know the

entire tax code or the entire *gospodarstvo* (economy) laws....they know that and take advantage of it. I believe this comes from the times before fiscalization when the government was informally recouping stolen PDV. However the practice continues. For me, getting a business started has never been overly burdensome or full of red tape. However, once you get it open then staying open can be problematic. Even when you solve the problem du jour, next year they find something else. It never ends and it's frustrating.' (nonEU7)

- „I am on the edge of giving up... The “you need one paper more” policy is nerve wrecking. Every step I have to take to make my company work as a legal business is becoming a marathon. Go here, call this, bla bla bla. Finally I get somebody on the phone that I needed to call according to the people in the office that I visited the 2nd time and she just hang up the phone, twice...How many steps to I have to concur before I can finally start? How much Kunas will it cost me more to start? My opinion? No more steps. No more Kunas. Welcome black market! No tax payments. No 100 different papers needed. No 50 different (tax)stamps needed. How can it possibly be. Black market is the answer. I don't need all benefits while working. That all can be arranged privately. Okey thats not my intention but the public administration is pushing me towards it. Step by step I am getting closer. Step by step I'm getting closer to the point my switch will flip.“ (EU6)

The problems are recognised at the local level as well, ambiguous *modus operandi* of the local authorities is commonly emphasised by the foreign entrepreneurs:

- ‘The mayor in Split is on a kick to get bars to close earlier than what the law requires. Even though you can stay open until 2, and you have all your A-tests saying you meet the sound requirements, the police can come and charge you with Disturbing the Public Order. You get fined and you have to close. The fine goes to the person and the business....so you then have a temporary record at the misdemeanor court. So even if you follow the law, something different can be enforced through some legal loophole. It's these sort of things that you don't know until you're already invested.’ (nonEU7)

- 'Why do I pay the Chamber of Commerce membership? I have never ever received one single email from them, let alone some locally specific advice on request or available at their website. When I opened my first shop in Istria, nobody told me that all the official information should be bilingual: in Croatian and in Italian. When we decided to open a shop in Dubrovnik, we could not find anybody to advise us on the tables in the Old town – what is allowed, where it is allowed to put them, etc. When we finally got the rules, they were changed in the next summer season.' (EU3)

Moreover, usually work – life balance is additionally challenging for the immigrant entrepreneurs as illustrated by one of the interviewees:

- "...my little one is still not in kindergarten....I do try and grow my own little brand ...I just go one step back everytime we move or get a baby or a puppy...." (EU4)

Overall, most of the foreign entrepreneurs stay in Croatia for private reasons. That makes them easier to emigrate further in case of spotting a better opportunity and more favourable circumstances in some other country – that may be highly likely considering all the afore-presented barriers. They justify the possibility of leaving by the observation of the increasing emigration wave from Croatia:

- "...the taxes are among the highest in Europe. And of course that is a logical consequence when all your taxpayers are leaving the country. ...Instead of creating work and keep the taxpayers in the country it is way easier to higher the taxes to all the people that are still staying in the country. They also call this short time policy." (EU6)
- 'After all the problems we witnessed, we know why Croatian people are leaving their own country!' (Slobodna Dalmacija, 2019)

For the entrepreneurs who consider immigrating to Croatia, the key messages include:

- 'Do find a good lawyer and a good accountant and...above all, prepare lots of patience and optimism!' (nonEU2)

- ‚Start learning Croatian! Get connected with the local community! Once they consider you a community member, both your private and professional life will be much simpler and more comfortable.‘ (nonEU1)
- ‚Is doing business as a foreigner hard? Yes. Is it impossible? No. Like anywhere else in the world, you need good and trustworthy local partners. They are hard to find here, but they do exist.‘ (EU9)

8. Institutional support provided by the non-state actors

The most prominent social enterprises (like Taste of home) have appeared to be unsustainable due to various barriers. Besides already elaborated external barriers, the internal ones should be easier to learn from and hence, easier to tackle in the future. These include some aspects of poor management. In addition, as a self-critique, several institutional representatives claim not all immigrant entrepreneurship projects to be well targeted, or as one institutional representative stressed:

‘Several immigrant entrepreneurs told me that they do not have time to talk to me because they need to run their businesses and find clients instead of devoting their energy to some consultants and researchers writing their fancy projects. They would like to benefit from those projects but they were often offered the trainings that they do not need like project management, for instance, instead of Croatian language course. So, no support from state institutions nor from the NGOs – that makes their frustration double. Moreover, the colonial attitude of the public makes the integration into Croatian society rather difficult.’ (IN6)

Centre for Peace Studies is mentioned in several interviewees as a ‘one-stop-shop’ (for the third country nationals in particular) that offered the support the migrants needed at their initial integration stage. These included Croatian language course, asylum seekers’ support, but also guidance in circumventing and resolving bureaucratic obstacles when setting up their businesses. Still, despite a lack of state support, immigrant entrepreneurship appears to be a growing fundraising *mecca*:

'Some of those consultants have never seen a migrant entrepreneur in their life. But, they recognise immigrant entrepreneurship as a 'hot' fundraising topic. In the end, you are not familiar with most people who have really helped migrants and immigrant entrepreneurs surmount the barriers faced in Croatia, but you mostly know about the ones who had time to advertise their involvement.' (IN2)

Several immigrant entrepreneurship support initiatives are focused either on the asylum seekers or on the citizens from less developed countries. These groups are considered vulnerable and funding may be obtained from the EU sources (IN2). Furthermore, the right-wing rhetoric in current pre-election period makes it more difficult to implement both public and private (corporate social responsibility) integration endeavours (IN2). The entrepreneurs from the EU as well as from the non-EU developed countries remain in the gap. No initiative is identified that would systemically tackle their issues and represent their interests.

9. Concluding remarks and policy recommendations

This is the first research investigating economic aspects of immigrant entrepreneurship in Croatia since its EU accession. Surveys in the EU member states indicate Croatian citizens to be among the least informed on the immigration issues and mostly perceiving immigration to be a negative issue. At the same time, Croatia is facing a large emigration wave and a growing need for work force and entrepreneurial initiatives. Numerous studies conducted globally show the immigrants to be more entrepreneurial, less risk-averse and more innovative than the local citizens. Consequently, they contribute to the competitiveness of their host country and the well-being of its entire population.

This research shows rather limited understanding of the importance and potential of the immigrant entrepreneurship in Croatia. Despite rather small ratio of immigration population in Croatia, the public perception (dominantly based on the uninformed opinion) is usually negative, the immigrants are mostly considered a threat for a society and/or a burden for a public budget. The immigrants, refugees in particular, are mostly rejected or patronised. That mostly tackles the third country nationals from conflict-affected areas and

foreigners with different racial background but is also reflected in the preference for Croatian over EU residents' ownership of the companies, for instance. When predominantly negative attitude towards entrepreneurship and inefficient public administration is added to afore-stated somewhat xenophobic fabric of the Croatian society, the fertile soil for expat entrepreneurs seem to be missing or to be 'wobbly' at least.

Nevertheless, there are foreign entrepreneurs who have successfully established and developed their businesses in Croatia. It needs to be stressed that both formal and informal barriers they unceasingly face overlap to a large extent with the barriers faced by native entrepreneurs. However, on top of it, depending on their origin, their list of obstacles keeps enlarging. The EU nationals suggest being in the most favourable position among their expat peers as their additional list of doing business obstacles solely includes the language barrier both in written and spoken form, and discrimination on various levels if applicable. The EU nationals are then followed by the non-EU nationals from developed countries whose list of doing business barriers appears to double compared to native and EU entrepreneurs. It mainly consists of lengthy and often uncertain work permit procedures, mandatory financial capital requirement that is substantially higher than the one requested for EU nationals and obligation to employ at least three Croatian citizens since its company start. Finally, the third country nationals from less developed countries and/or conflict-affected areas are in the most unfavourable position for starting an enterprise in Croatia. Their settlement dynamics is, besides all the afore-listed issues, discouraged by the informal barriers mainly created by ignorance and misperception of the public and policy makers. On the formal side, many of them are faced with lengthy asylum-seeking procedure. Still, most of the foreign entrepreneurs stay in Croatia for private reasons. That makes them easier to emigrate further in case of spotting a better opportunity and more favourable circumstances in some other country – that may be highly likely considering all the afore-presented barriers.

There have been several valuable initiatives and research projects tackling the migrant or refugee entrepreneurship in Croatia. Those initiatives have mostly raised the visibility of immigrant entrepreneurs by organising events and helping to establish 'ethnic business'-

like social enterprises. Some of them have enabled better overall integration of asylum-seekers who became entrepreneurs. Yet, the mismatch of trainings offered and labour market needs for migrant entrepreneurs as well as overlapping, not coordinated, project purposes are also recognised. Overall, those initiatives have had some impact on the immigrant entrepreneurship so far and their synergy effects should be explored in more detail and seem to present a niche for improvement. More involvement of the employers' associations would be helpful as well. But, the major room for improvement is to be found in the functioning of state institutions towards immigrant entrepreneurs. The expat entrepreneurs do not perceive to receive any help from public administration in the process of establishing and developing their businesses, it is rather perceived as a 'barrier-generator' in charge of very ambiguous actions.

This study contributes to the growing literature on immigrant entrepreneurship with an emphasis on post-socialist countries as it is a context-dependent phenomenon. Limitations include rather small investigated population and hence, somewhat overexplored sample (from other perspectives). Future research should be more focused on deepening the most relevant findings as well exploring the potential of translocal and/or return entrepreneurs. However, the afore-stated findings and below-presented policy recommendations should have broader resonance for other Eastern European countries as well.

Key policy recommendations

- a) Policy recommendations possibly implemented in the short- and medium-run:
 1. All instructions necessary for establishing an enterprise and entrepreneurship-related issues at the national and local level should be easily available in English language.
 2. Make sure front officers at key information points (tax authorities, municipalities, Financial agency, etc.) speak English. Provide additional training if necessary.
 3. Ensure that the procedure of issuing work permits and other required documents is fast and transparent.
 4. Collect and monitor statistical data on immigrant entrepreneurship in Croatia.

- b) Policy recommendations possibly implemented in the long-run:
5. Raise the awareness of wider public and policy makers on the relevance of and benefits provided by the immigrant entrepreneurs. Influence the public opinion in an unbiased, informed way.
 6. Ensure that continuous and coordinated integration support is provided by the relevant institutions (Croatian Chamber of Commerce, Croatian agency for small enterprises, civil society organisations, departments of selected ministries, etc.)
 7. Better coordination of all the initiatives targeting immigrant entrepreneurs aimed at ensuring synergy effects.

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Appendix 1. Establishing a business in Croatia – rules and regulations for foreigners

A basic prerequisite for a foreigner to be able to work in Croatia is the residence of foreigners. Article 42 of the Foreigners Act distinguishes between three types of residence:

- short-term residence (residence of up to 90 days on the basis of which a foreigner cannot work in the Republic of Croatia);
- temporary residence;
- permanent residence.

Therefore, the precondition for a foreigner to be able to work in Croatia is temporary residence, but in certain cases, it can be a permanent residence. Pursuant to Article 52 of the Foreigners Act, in order to be granted temporary residence, the foreigner must comply with the following conditions:

- to have sufficient means of sustenance
- to have ensured housing
- to have health insurance
- not to fall under the obstacles provided in Art. 34 of the Foreigners Act (i.e. 6 cases when a foreigner will be denied entry into the Republic of Croatia)
- to have justified the purpose of temporary residence

Articles 54 and 55 of the Foreigners Act provide for the reasons for cessation and rescindment of temporary residence. A foreigner's temporary residence will be rescinded if he/she resides in Croatia notwithstanding the purpose for which he/she was granted temporary residence, and if he/she has no means of sustenance during the residence in Croatia.

In order for a foreigner to be granted temporary residence for work purposes, apart from the stated 5 preconditions, a foreigner must possess a work or business permit, except in cases when said permits are not required by law. Grant of temporary residence for work purposes is issued for the period of validity of the work or business permit, but not exceeding the period of one year.

The new Act amended the conditions for obtaining permanent residence and was thus harmonized with the Council directive no. 2003/109/EC dated December 25th, 2003, concerning the status of third-country nationals who are long term residents. Permanent residence will be granted to a foreigner who has been granted a temporary stay for five consecutive years prior to the application for permanent residence.

As opposed to the old Foreigners Act, a marriage of 3 years' duration with a Croatian citizen or a foreigner with permanent residence no longer constitutes grounds for obtaining permanent residence. The main criterion is lawful and continuous temporary residence (5 years). General conditions for granting permanent residence are also stipulated, the novelty being the knowledge of the Croatian language and the Latin script. Third-country citizens who are to be self-employed in their own company or in a company in which they hold a share of more than 51%, or in their own trade, except for citizens of the EU may be issued a stay and work permit if they meet the criteria and if:

- they have invested at least HRK 200,000.00 in the establishment of a company or trade,
- at least 3 Croatian citizens are employed,
- the third-country citizen's gross salary is at least in the amount of an average gross salary paid in the Republic of Croatia, according to the latest officially published data of the competent statistical body, while a third-country national who is self-employed in his own craft must prove that the amount earned by the self-employed is at least the average monthly paid net wage in the Republic of Croatia according to the latest officially published data of the competent statistical body.
- the company or trade does not do business at a loss,
- they provide proof of having settled the tax obligations and contributions in the Republic of Croatia.

Third-country citizens – providers of services may be issued a stay and work permit if they meet the criteria referred to above and if the service provider is employed with a foreign employer and has adequate qualifications, and the foreign employer has concluded a contract with a company or trade in the Republic of Croatia, provided that the services concerned involve specific services in the area of high technology and that the provision of such services is in the interest of the Republic of Croatia.

Work permit outside the annual quota may be granted to third-country citizens who meet the prerequisites for a temporary stay and:

- who perform key activities in a company that is a beneficiary of incentive measures in accordance with the regulation on investment incentives, or who hold an ownership share in such company of at least 51%, and the company
- who perform jobs or carry out projects in the Republic of Croatia pursuant to international treaties on professional and technical assistance that the Republic of Croatia has concluded with the European Union, some other state or an international organisation.

Source: CPS/IHZ (2019)