



MIGRATION IN THE FUNCTION OF DEVELOPMENT



Ministry of Human Rights and
Refugees of Bosnia and Herzegovina



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**MIGRATION IN THE FUNCTION OF
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FOREWORD

The Almanac of Papers Migrations in the Function of Development, created as a result of activities preceding the holding of the research workshop under the same title, expresses the social need for actualization of this relevant topic.

The planned research workshop is part of a joint project by the Ministry of Human Rights and Refugees, Embassy of Switzerland, and the United Nations Development Program in Bosnia and Herzegovina, titled Migrations and Development: Streamlining of Migration into the Relevant Policies, Plans and Activities in Bosnia and Herzegovina. This project makes an effort to systematically mobilize and build the potential of migrants from Bosnia and Herzegovina in the relevant areas of transition and socio-economic development, ensuring visible effects of their contribution to the progress of the country at all institutional and social levels. In line with the above, the research workshop has an aim of awareness raising, expanding knowledge and facilitating dialogue among the stakeholders in relation to migrations and development, as well as to indicate upon the importance of migration for the development of Bosnia and Herzegovina. Also, the goal is to create the conditions for involve the emigration/diaspora from BiH into integrated development strategies at all levels of the government in Bosnia and Herzegovina.

In summary, the main objectives of the workshop Migration in the Function of Development are:

- present the comparative experiences in relation to migration as a component of the socio-economic development (primarily the research studies that pertain to Bosnia and Herzegovina, but also to the other West Balkans countries);
- discuss the challenges and opportunities of using migration in the function of development of Bosnia and Herzegovina.

The workshop is a continuation of the Research Workshop on Migration from Bosnia and Herzegovina held on September 10 and 11, 2012, in Sarajevo, organized by the Ministry of Human Rights and Refugees of BiH in cooperation with the European Commission, Swiss Embassy and the Institute for Social Research of the Faculty of Political Sciences of the University in Sarajevo. The recent activities of the Ministry involving provision of support on development of academic research in the area of migration and on strengthening of BiH's research capacities in the area of migration and development arise from the Strategy of Migration and Asylum of BiH for the period of 2012-2015.

Given the large numbers and high potential of the Bosnian-Herzegovinian diaspora but also of the diaspora in the neighborhood, the primary intention of the research workshop is to gather in one place the researchers in a number of countries who are involved in these issues. In reference with this, it is important to

underline the advantages and weaknesses of the existing environment in terms of the benefits or obstacles that need to be removed in order to successfully generate the socio-economic development of our country (through investing, transfer of human capital and technology, requalification/supplementary qualification of the unemployed, development of the education and health care systems, and the like). Thanks to this publication, the development dimension of migration creates a syntagm that has pretensions to be more present in the socio-political discourse of BiH and the regional countries. The papers that are based on the surveys conducted predominantly treat two aspects of migration in the context of development: human capital outside the homeland and/or economic effects in the country of origin. The presence or prevalence of one of those two aspects has prompted the classification and order of sequence of the papers in the Almanac. Through the macro case studies of the West Balkans countries presented, aside from the specific qualities, certain common features have also been emphasized related to the intellectual and economic potentials of the numerous diaspora members. The findings of the research studies contributed, along with theoretical and empirical backgrounds, are also exceptionally valuable because of their practical applicability on the socio-economic reality.

The holding of the workshop and publication of the Almanac have not been guided by the aspiration to completely resolve the topic assigned but on the contrary – to stimulate new research or continue the ones already started, for which there is an evident need. The members of the Editorial Board have been up to the task, which has been additionally complicated by the requirement to reach the papers submitted in a relatively short timeframe and to exchange any observations, comments or suggestions with the authors. While doing so, the principle of not encroaching into the essence of the original text was observed, given that there was absolutely no aspiration to have structurally single-patterned works. It seems important to point out that after the submitted project summaries had been selected, all the papers were admitted.

We hope that this publication will be useful for many researchers in this area, as well as that they will contribute to a broader specter of interested public (broader public), which will be facilitated by its availability on the web sites of the workshop organizers.

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TRANSNATIONAL ENTREPRENEURS IN SERBIA: A RESOURCE FOR ECONOMIC DEVELOPMENT

Summary

There is an increasing tendency across the globe to classify transnational entrepreneurship into leading economic activities, especially in the high-tech field; however, this issue has been neglected in Serbia. Therefore, the objective of this research was to use empirical studies as a basis to determine the features of transnational entrepreneurship and of returnee entrepreneurs. This includes their contribution to the socioeconomic development of Serbia as their country of origin and the role of their mother state in the promotion of this type of entrepreneurship. The results of the research are presented in this paper.

The transnational entrepreneurs that participated in this research confirmed the claim that through its social and human capital this entrepreneurial as well as migrant group can connect countries of origin and destination into a transnational space by using opportunities in one segment of this space to overcome obstacles in the other segment of the transnational space. The research findings shown that through direct economic investment and indirectly via improved organisation in the public and private sectors this phenomenon may prove to be a significant resource for the development of agriculture in Serbia.

The work so far indicates the need to develop a stable social environment, strengthen institutions, improve the business and entrepreneurial climate and stimulate their operational environment.

Key words: *transnational, entrepreneurship, migrant returnees, Serbia, economic development.*

Introduction

Recently, there has been increased interest in the relationship between migration and development. One of the reasons for this is the limited success achieved thus

far in development practice. The hope is that migrants can turn around the current lack of success in and also stimulate development (Raghuram 2009). Therefore, it has been pointed out that the relationship between migration and development needs to contain a notion of space set forth differently and determined more precisely (Allen 2003). This is because in the age called globalisation the society of networks or the global society with the increased circulation of populations bring about far more opportunities for interaction between migration and development (Faist 2008). This circulation also causes a blurring of the clear differentiation between the space of emigration and space of admission as well as the notions of settlement and return (Skeldon 2010). As stated in Raghuram (2009: 113), it should be accepted that spaces for development and spaces of development have already been mingled, that the migrants “over here” may need development and that the migrants “over there” may be agents of development “over here”.

With a view to the increasing intensity and volume of the circulation of populations, goods, information and symbols caused by international labour migrations through so-called transnational movement, a new prism or new concept in research, dating from the early nineties of the 20th century, has been engendered. This concept applies equally to the potential benefits for development on the individual (migrant) and collective level (migration and admission environments). It has revealed that there is an increasing transnational migrant population “whose daily living depends on multiple and constant links beyond international borders and whose identity is created in relation to several national states” (Basch et al. 1994:4). The concept of transnational analysis of migration (Faist 2008), although neglecting the theoretical analysis of transnationalism in migration rules and the form of spatial power they are referring to, puts an emphasis on migrants as increasingly significant players in the global redistribution of activity (Raghuram 2009).

In this sense, opportunities involving transnational entrepreneurship are increasingly emphasised as it continues to develop. Transnational entrepreneurship is becoming one of the leading economic activities in the world, particularly in the high-tech area. According to Drori and associates, the process of transnational entrepreneurship includes those “entrepreneurship activities conducted within one state as initiated by the players based in at least two different social and economic arenas. Transnational entrepreneurship is a growing aspect of international business expansion (2009:1001). Therefore, an increasing number of studies are published on this type of migration, addressing either the topic of entrepreneurship immigrants or entrepreneurship returnees into the country of origin”.

The role of engineers and managers educated in the USA but born abroad (mainly in Asia) is emphasised as key in the process of development of entrepreneurship

and technological innovation in their countries of origin (Saxenian 2002, 2005). Relying on professional and business links in their countries, while simultaneously maintaining their US-based links, they have helped start up local entrepreneurship. In this way, they have allowed their countries to take part in the global IT revolution (Saxenian 2005: 38). In addition, a study on Latin American immigrant groups in the USA has shown that transnational entrepreneurs constitute a significant portion, and often a majority, amongst immigrant communities (Portes et al. 2002).

Transnational Entrepreneurship amongst Returnee Entrepreneurs in Serbia

Objective and Method of the Study

The main objective of the pilot study¹, the results of which we present in this paper, was to identify and describe the ways in which migrant returnees decide to start-up and develop transnational entrepreneurship in Serbia. The Study examines the motives of the interviewed returnees in relation to the establishment of firms in Serbia as well as simultaneous operations in Serbia and abroad. This was done using macro, mezzo and micro analytical levels, viewed through the attitudes of the study participants. Macro, mezzo and micro factors were examined and identified through migration theories (Fiast 2000). The macro level includes an analysis of the political, economic and cultural structures at the state level in the countries of origin and admission. The micro level pertains to the determination of the factors that influenced individual decision making on migration, while analysing the values, desires and expectations of migrants. The mezzo level constitutes an analysis of the social and symbolic relationship between migrants and groups as well as the resources inherent to those relations. Opportunities were examined in terms of their contribution to the socioeconomic development of the country of origin, while the role of the mother country in promoting this type of entrepreneurship was also examined.

The non-existence of quantitative data led to the application of the qualitative method. One of the advantages of this approach was the narrative as a method to examine the ways in which some individuals viewed their environment and how aspects of their identity and actions were defined (Bartel and Garud, 2009). Based on a semi-structured questionnaire, 15 interviewees responded to the question of who are the nationals of Serbia. The interviews were anonymous and lasted on average for 90 minutes. The snowball method was used and the interviewees were not selected using the networks of study participants. The interviews were advertised in the period from October to December 2012. The target group were transnational migrants and returnees who are business owners and who operate in

Serbia and cooperate with foreign countries.

The socio-demographic features of the transnational entrepreneurs taking part in the study show that this was a heterogenic group, which is also in line with the findings of other research studies around the world (Terjesen and Elam 2009, Portes et al. 2002). They were mainly educated at university level, while two interviewees had graduated from secondary school. Their professions ranged from construction to the hotel and restaurant sectors to medical and artistic professions. The most numerous were IT engineers or economy and management specialists. The transnational entrepreneurs interviewed mostly lived in Belgrade (ten entrepreneurs), but there were some from other regional centres in Serbia (Novi Sad, Kraljevo and Arandjelovac). Two entrepreneurs lived in Belgrade and another place in Serbia (Uzice and Valjevo), while there were others who lived in the transnational space between two or more countries (Serbia-Slovenia, Serbia-Hungary).

Amongst the countries from which they had returned the USA was dominant followed by the economically developed Western European countries. Men dominated the sample: only two women were interviewed. They were most commonly married with two children. Seven entrepreneurs held double citizenship. The time of departure and the length of residence abroad for the entrepreneurs varied from 2 to 30 years, which was significantly conditioned by the age of the interviewees: the oldest was born in 1947 and the youngest in 1983. The majority of the interviewees had returned to Serbia after 2005.

Their transnational enterprises were also heterogenic with nine falling into the group of services and five manufacturing. Amongst the service enterprises, four were within the domain of IT and communications technology and three were involved in trade (one sold household appliances and two were in the area of oil derivatives). One company offered financial consulting services and another provided dental services. The manufacturing enterprises also differed considerably and were involved in the production of light planes, food, solar energy, artistic products, furniture and medical equipment. According to the numbers of employees, all of the enterprises fell under the classification small enterprises and to the most extent employed an educated and skilled workforce. Ten companies had their headquarters in Serbia and one entrepreneur had a company abroad and another company in Serbia, while one interviewee had a single company in the USA.

Theoretical Framework

For the purpose of analysing the research results, the authors referred to the studies on transnational entrepreneurs conducted by Terjesen and Elam (2009). They researched strategies on the internationalisation of transnational entrepreneurs through the prism of Bourdieu's Theory of Practice (1977). Following the Drori and associates (2009) theoretical framework, the authors have shown how the recognisable fashions of thought and groups of resources (economic, social and symbolic capital) brought transnational entrepreneurs to a position where they had to monitor international markets and manage the requirements of multiple institutional frameworks within certain areas of economic activity. In accordance with this, the authors believe that the Serbian transnational entrepreneur migrants relied on various groups of resources (economic, social and cultural) in order to move through different fields, namely through a number of institutional environments: legal and regulatory regimes involved in the practice of transnational entrepreneurship.

Just as Terjesen and Elam had done in their study (2009), three of the Bourdieu's main concepts were applied: habitus, field and capital. This was in order to provide an explanation for the process behind starting up and maintaining transnational entrepreneurships amongst the Serbian migrant returnees. The combination of Bourdieu's main concept of assistance will help us interconnect the processes at the individual level of migrant entrepreneurs with the structures to the structural level (Swartz 2008).

The habitus, popularly called "a view of the world", denotes the acquired and transferrable affiliations and capacities that lead our thoughts and actions in a certain field (Terjesen and Elam 2009:1104). It consists of individual but also collective experience, perceptions and norms by individuals that send him into action (Drori et al. 2010).

The field, as interpreted by Drori et al. (2006), pertains to institutional structures in the macro environment. The focus of this Study is on the legal and regulatory regimes in which the migrant returnees have to operate. The field describes the social structures within which the actions run, while forms of capital (economic, social, cultural and symbolic) define the position from which players react (Bourdieu 1993). Although Bourdieu did not analyse migrants, the application of this theory defines various forms of capital through the study of migrations. This was applied in the following manner: economic capital is monetary and other tangible assets with direct economic value; social capital denotes relations or networks that make connections; cultural capital refers to education and learned

experience, while symbolic capital represents the legitimacy and credibility possessed by the migrant (Terjesen et al. 2009).

Transnational entrepreneurship can therefore be defined as a practice that is the “establishment of new business activities formed by the dual and complementary sum of habitus and field structuring the entrepreneurship activity” (Drori et al. 2010: 4). Entrepreneurship can thus be interpreted as a practice or action strategy through which decisions are made based on an individual’s response to his/her context, given an individual’s habitus and capital resource, as the determinants of someone’s social position in an area of activity. Using the interaction between human capital and specific knowledge and skills transnational entrepreneurs establish transnational networks and have the potential to expand the transnational space of their business operations.

Analysis of Results

The various experiences in different phases of the life cycle have also created the various habitus of transnational entrepreneurs and their human capital, connected largely with the decisions to return and to establish an enterprise. A deeper analysis reveals that national identity expressed through the private and family sphere of life does not include non-integration into the business and public spheres, that is to say, in the labour markets of the admission countries. In spite of the fact that the majority of interviewees had maintained strong patriotism in their private sphere, in the business sphere they had managed to develop transnational identities and integrated themselves into the methods and standards of business operations in the admission countries. According to the distinction offered by Levitt (2001), we can say that they had developed “essential transnationalism” in the business sphere or “extended transnationalism” in their private spheres of life; this includes periodic transnational practices.

The cultural capital supplemented by transnational entrepreneurs while doing business in the destination countries includes the values of a proactive and entrepreneurial spirit, such as valuation of work, systematic quality, legality, the significance of quality, loyalty to clients, the importance of long-term investment and planning. This is without the expectation of gaining quick income. The entrepreneurs in Serbia formed the cultural capital of family values and the significance of social life and leisure time even before they went abroad.

This capital connects closely to social capital, which allows for high quality family and social lives where children grow up of in a family environment and families spend leisure time with close friends. It is from such networks of family and

friends that the entrepreneurs recruit their labour force. Recruiting people they can trust indicates an intrinsic relationship between cultural and social capital or rather the micro and macro level. One needs to emphasise the significance of the social capital derived from professional networks. It ensures credibility, legitimacy and a good image by constituting symbolic capital and the symbolic capital together with the social capital ensures jobs abroad. This kind of capital also constitutes information relevant for business operations and life in the transnational space as well as the emotional support relevant for adaptation to various environments. The economic capital of transnational entrepreneurs consists mainly of savings acquired abroad. They rarely used loans to start-up business operations: only one entrepreneur took a loan abroad. The social networks of friends, relatives and family (the so-called angel investors) also contributed to the economic capital of the transnational entrepreneurs.

The Study also analyses the ways in which the transnational entrepreneurs used their resources in order to develop transnational entrepreneurship and strategies to utilise opportunities and to overcome obstacles in the transnational space. The participants of the Study identified three different methods or courses towards entrepreneurship.

The first course involved those entrepreneurs who were born abroad or who had left Serbia during the course of their education. Some developed the entrepreneurial spirit during their education, while others even tried to conduct business during their studies.

“I became involved in this business while I was a student. I started up a company with two of my partners just for sports, without any serious considerations. And this is how we played this business game for three years while I was studying, and of course nothing was created from it.”

(IT - returnee from Canada)

The networks with colleagues from university could expand into business networks and this allowed for successful transnational business operations.

Entrepreneurs may also have relatives who on their own side represent a significant factor when opting for migration or in terms of facilitating adaptation to a new environment.

„O“I left [Serbia, note by the authors] under an exchange program in high school, during my fourth year. I have a cousin in the US, and he encouraged me to apply. After the college I tried entering the university ... Then I was scared because the tuition was exceptionally high, but

my cousin guaranteed for me.”

(IT - returnee from USA)

Contact with relatives can also be helpful in the successful start-up of businesses on various continents.

“My cousin from Australia is an expert in web optimisation and he gradually started finding clients outside of the company. He had in mind to quit the job and to start his own company, recruiting cheap workforce here. I have returned from the US, I can speak English. I can communicate with clients so we undertook this job and started it up here... Several of us got together, his [the cousin’s - note by the authors] buddies, me and my neighbours from India. And we started working from home.”

(IT - returnee from USA)

The second course involves those who studied and worked in Serbia (two interviewees had their own companies) but who had decided to emigrate due to the hard political and economic situation. These chose to improve their professional standing whilst waiting for the situation to become better in Serbia.

“...as there is nothing of this project [family company - note by the authors], something is obviously going to happen here, and I cannot swim in muddy waters, I am going off somewhere... to learn English better, to learn how to do business, how business is done in another country, to become professionally improved...”

(IT, - returnee from Great Britain)

Some of the interviewees used their professional networks to go abroad, enter postgraduate study or find employment. Some started businesses abroad through professional networks together with foreign nationals or their countrymen. In three cases, a married couple started a business with the help of professional networks.

“We sought business contacts. We had a general idea that we would like to enter some kind of a monopoly business where we would be involved with a specific product, trade or services. We would be tied with a certain contract and we would try to gain as many agency rights or some kind of monopoly, so that we would have the least competition possible.”

(Trade - a married couple returning from the USA)

Professional networks abroad were also used for advertising, image creation, gaining trust and securing foreign contracts.

The third course involves those who left Serbia due to poverty and passed a thorny road to successful entrepreneurship in Serbia and abroad. We had two such

interviewees: one was a manufacturer of light planes of world renowned quality and the other was the owner of food production and solar energy companies.

“...I did not have enough money. I wanted to study, but I come from a very poor family. ... I had to leave school and look for a job. I have been working since I was 16. When I finished my army service, I went to Italy, to Europe, and I also worked in Germany and in some other countries. I started out as a truck driver and ended with the post of a certified court interpreter in Italy.”

(Avionic industry - returnee from Italy)

“It happened so that I understood early that I was not able to resolve my housing problem or to receive a social apartment in any way. Therefore, in order to organise my life, I had to earn quite a lot of money and to find an environment where I could establish myself. You see, I have never had anyone in my life to help me and be a jumping board for me to start business.”

(Manufacturing - transnational migrant in Serbia and Slovenia)

Unlike the other interviewees, who had higher education, these two entrepreneurs had only graduated from secondary school. They struggled for success, doing various jobs in many countries. In this way, they developed broad professional networks and friend networks in various sectors. This helped them to do business in various areas and overcome obstacles to business operations.

“Those are friendships created through construction jobs, through contacts with friends and the people I cooperate with in Serbia. Otherwise, everything that I have learned has been somehow along the way. I recognised Serbia as a country providing the most manoeuvring space for ad hoc operations, for potential profit through food production, because Serbia is untapped vast and yet untapped.”

(Production - transnational migrant in Serbia and Slovenia)

If an entrepreneurship is to be successful at both ends of the transnational space the new undertaking must respond to the double challenge involving acquisition of global and local legitimacy, securing of funding and seeking of opportunities in more than one cultural, social and economic context (Wakkee et al. 2010).

When examining the structural opportunities that exist in the transnational space the interviewed entrepreneurs pointed out significant differences. These applied to the business climate, development levels and the opportunities to develop business activities between Serbia and the developed countries of the West. They singled out institutional stability that offers broad opportunities for business planning, simple procedures for opening and operating an enterprise as well as incentives on the part of the state, including subventions, tax benefits, opportunities to buy

off commodities and for their market placement, as the main advantages of the Western countries.

Contrary to this, what they emphasised about Serbia was the precarious and volatile socioeconomic environment, inadequate legal framework and the complicated procedures for starting-up companies.

“What differs here from the regulated markets is that our system is not standardised, which bothers me very much. I like standardised things, because that way you can spot an error more easily, and then you can then correct it more easily, you can work on making sure that you never repeat it again, that is, you change the standard. Here there are no standards and our business environment in the region is at a disappointing level.”

(Trade - returnee from the USA)

The interviewees also highlighted the complex administrative system, difficulties related to securing construction permits, the long and expensive customs procedures and procedures for the certification of diplomas/degrees. They stated that the manner of doing business often includes political connections, corruption, monopolies and illegal labour as well as the widespread presence of counterfeit products creating unfair competition.

“In the first years from the fall of Milosevic the business in Serbia starts developing more seriously, and in this transitional period ... a lot of place was created for new people to accomplish something on this market. But those from the previous regime pulled themselves together very quickly after that. Games with tenders began: to position some members, to set up something in the text, to eliminate the unfamiliar...”

(Trade - returnee from Hungary)

The main advantage of doing business in Serbia compared to the Western countries relates to lower costs for business operations. The interviewees pointed out the significance of the availability of an educated highly skilled yet significantly cheaper workforce in many areas compared to the Western countries. They also referred to the growing possibilities for business with foreign countries, in two big markets in particular: Russia and China.

Final Considerations

Although it is still early, research into how migrant entrepreneurs contribute to economic progress in their countries (Newland and Tanaka 2010:3) does provide grounds to conclude that direct investment by these migrants can promote development in their country of origin. They can improve business operations,

create new jobs, introduce innovations and create economic, social and political capital through global networks. They can use the advantages of this social capital and understanding of foreign languages to establish a positive link between entrepreneurship and economic development. The examples of the Serbian transnational migrants corroborates this. The habitus of transnational entrepreneurs forms in two or more social fields. Embedding themselves into multiple settings and actively forming, modifying and strengthening their position in the field they provide a catalyst for social processes that can support their entrepreneurship activities (Levitt and Glick Schiller 2004, Morawska 2005).

They addressed the difficulties in the destination country related to the legalisation of status and attitudes towards immigrants by starting their business operations in Serbia. They overcame the small market, weak purchasing power and bad business climate in Serbia by placing services and products on foreign markets. Dual citizenship facilitated their movement in both the Eastern and Western markets. Transnational entrepreneurs used social, symbolic and cultural capital to modify the field, overcome the previous norms and cultural borders and modify the previous fields in order to accomplish their global goals (Drori and associates 2008).

The knowledge, values and social networks they develop in the countries of origin and destination helped them to make advantages out of obstacles. This allowed them to build specific working niches and thus reduce competition. They accomplished competitiveness through high-quality services, low prices, loyalty, a presence on large foreign markets and good transnational business networks. They achieved competitive prices through the low cost of business start-up, operations and the workforce in Serbia. They utilised their private and professional networks to find their workforce. In addition to securing the profitability of their own businesses, almost without any support from their mother country, they also constitute a significant resource for the development of the economy in Serbia.

By importing the entrepreneurial spirit and values of legalism and meritocracy they contribute to the creation of a good business climate. As indicated in Bourdieu's Theory of Practice, social structures "instil" mental structures into personalities and then those mental structures reproduce or change social structures (Drori and associates 2008).

The research mainly covers the transnational "entrepreneurs from opportunity" because they possess significant potential for the expansion of business operations within the transnational space and in this way can contribute to the development of the country. They can contribute both directly through economic investment and

indirectly through their ability to stimulate improvement in the organisation of the public and private sector in various ways.

During the research, the main recommendations that the interviewees made to the decision makers in order to stimulate entrepreneurship related to three areas. The first was the need to develop a more secure and safer society and business environment. The second was to improve information exchange and cooperation with migrants and returnees. The third was to develop a culture of work and a positive image of entrepreneurship. They believed that this would significantly contribute towards building the awareness that development of business operations in Serbia after prolonged residence abroad is possible.

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