

Belarusian business migration

Study of the causes and consequences of migration of Belarusian business since 2020

Prepared by ZPP Belarus Business Center with the support of the Konrad Adenauer Foundation as part of a joint series of studies with BEROC





Methodology and objectives of the study

Study objectives

1

Exploring the scale, nature and impact of migration

Mass relocation from Belarus is a phenomenon poorly studied by economists and analysts. The study will enable understanding the scale and nature of migration and identifying its impact on the economies of Belarus and host countries.

2

Identifying Key Migration Challenges

Belarusian business abroad encounters numerous barriers that can significantly hamper its development. Understanding these issues can be the first step towards addressing them.

3

Informing stakeholders

The vast majority of Belarusian businesses are still located in Belarus – and the potential for continued migration is quite high. However, awareness of the existence of a significant business community abroad is low, and NGOs, the media and European governments also have limited understanding of this phenomenon, which restricts their ability to respond.

Study methods

1

Desk research

Using the expertise and experience of a team of analysts and partners, the open-source data, as well as closed data from statistical agencies, we studied the context, scale and nature of relocation.

2

In-depth interviews

We spoke with 17 representatives of several organizations supporting Belarusian business abroad and found out what Belarusian entrepreneurs think about, what they worry about and what they expect.

Terminology

Business with Belarusian capital | Companies in which one of the founders is a Belarusian individual or legal entity

Belarusian business abroad | A group that includes legal entities, entrepreneurs and start-ups operating outside of Belarus

Business migration | Includes expansion of companies, withdrawal of assets, complete transfer (relocation), and creation of new businesses abroad by Belarusians

Organizations supporting Belarusian business abroad | Commercial and non-profit organizations that provide diverse support to businesses with Belarusian capital when entering and working on international markets



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- 01** Economic context and preconditions for migration
 - 02 Study of the geography of business migration
 - 03 Identifying the issues and features of migration
 - 04 Overview of organizations supporting Belarusian business



In 2020, Belarus entered the most severe economic crisis in the last 10 years

The economy of the 2010s in Belarus was sometimes referred to as the “lost decade”. The average annual growth rate during this period was less than 1%, primarily due to the 2015-2016 crisis caused by the annexation of Crimea and the subsequent depreciation of the Russian ruble and sanctions imposed on Russia, as well as dropping global energy prices. In addition, economic growth was hampered by the ineffective operation of the public sector.

By the end of the decade, the Belarusian economy started recovering (largely due to the strengthening role of the private sector), but the COVID-19 pandemic, the presidential elections, and subsequent mass protests and political repression significantly worsened the economic climate in the country.

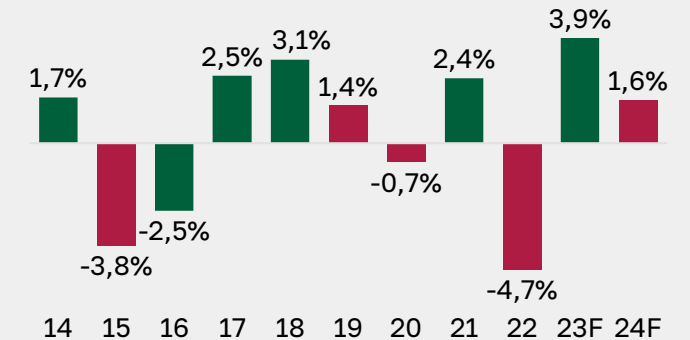
Thus, the repressions led to new economic sanctions, including a ban on the supply of certain categories of goods and restrictions on trade in petroleum, potassium and tobacco products, which constituted a significant part of Belarus’ exports. Further negative impact was caused by restriction of the access to the European capital and insurance markets.

Complicity in the aggression against Ukraine has led to a significant amplification of sanctions – and although they are aimed primarily at the public sector, private businesses have suffered significantly from their impact and damage to reputation.

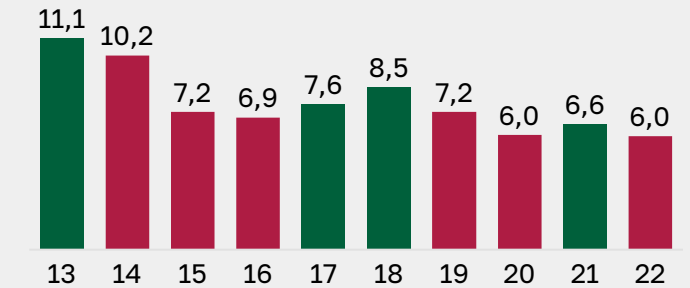
As a result, Belarus experienced all-time biggest decline in GDP in 2022, FDI fell to its lowest level in 10 years, and the Belarusian ruble/dollar exchange rate fell by 44% from the pre-crisis 2019 level.

Real GDP growth in Belarus, Belarusian rubles *

(forecast 2023-2024 – BEROC)

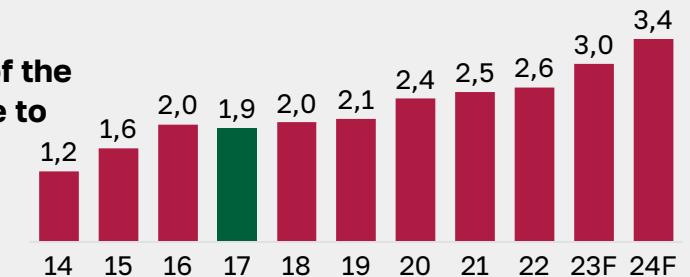


Foreign direct investment, billion US dollars



Average annual exchange rate of the Belarusian ruble to the US dollar

(forecast 2023-2024 – BEROC)





The crisis of the Belarusian economy did not go unnoticed by international institutions

Belarus' structural economic problems were also reflected in its low positions in international economic rankings. However, they also reflected the liberalization of the second half of the last decade.

Thus, in the World Bank Doing Business ranking, Belarus jumped 26 positions in just 3 years, and firmly held line 37-38 throughout 2017-2019.

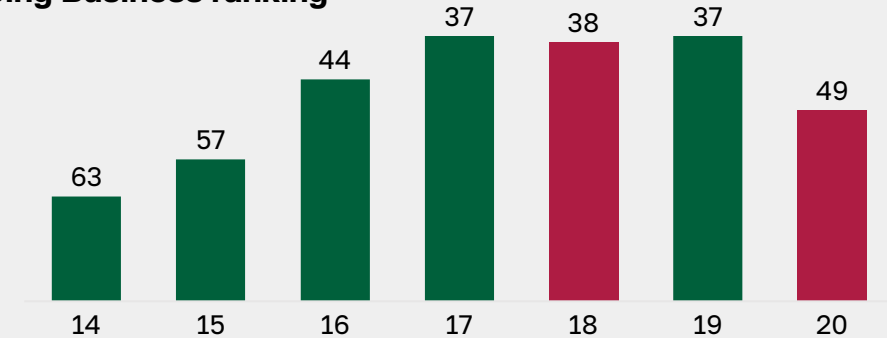
Similar dynamics were observed in the ranking of economic freedoms – by 2020, Belarus reached the 83rd place, which is 40 positions higher than in 2016. Credit ratings were also stable and ranged from B to Caa1.

The post-2020 developments have been noted by international institutions. The credit ratings of the largest agencies fell to “junk” levels, and in 2023 S&P and Fitch stopped rating due to a lack of information. The IMF, which was forced to stop regular publication of reports under Article 4, also reports Belarus’ failure to provide data.

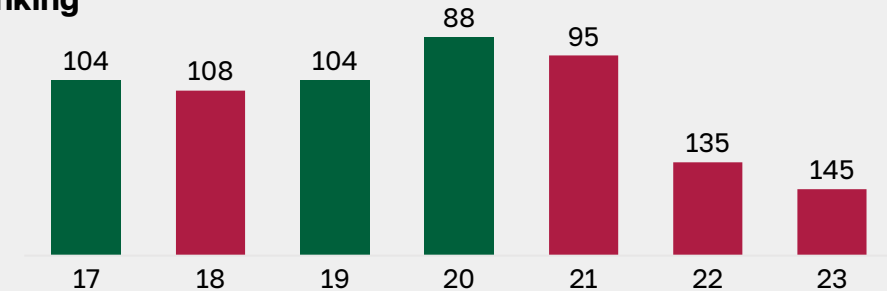
In the international Index of Economic Freedom ranking, Belarus has lost 57 positions since 2020, scoring 51 points out of 100 – only 1 point higher than the category of “repressed” economies. For the first time in many years, the Human Development Index in Belarus significantly decreased: from 0.818 in 2018 to 0.808 in 2021. In addition, the assessment of the level of corruption has sharply increased: Belarus dropped 28 positions in the Transparency International ranking from the 63 to 91 place in 2020 and 2022 respectively.

Finally, the exceptional tax burden in modern Belarus was noted at the international level – in the Tax Hell anti-rating Belarus ranked 1st out of 82 countries in Europe and Americas.

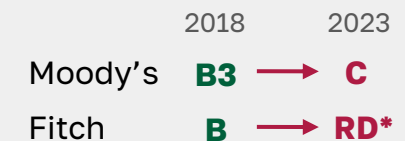
Doing Business ranking



Index of Economic Freedom ranking



Credit ratings of Belarus, long-term FX



*RD – restricted default

Despite the low level of economic freedoms, until recently the private sector was actively growing and developing

For decades, Belarus has been nurturing the myth of the dominant role of the public sector in the economy. Despite large investments in the public sector and modernization programs, this myth was finally dispelled during the 2010s.

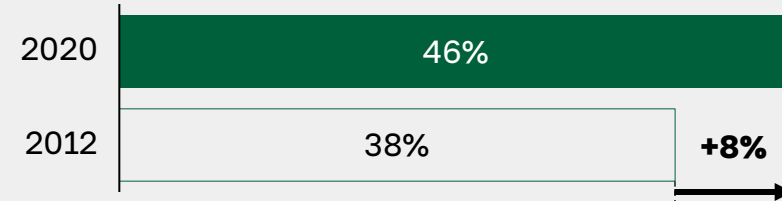
Although active government intervention in the economy, unequal competition and constant changes in legislation continued to hinder the development of the private sector, objective changes in the market contributed to its growth one way or another.

State-owned enterprises, primarily export-oriented, started losing competitiveness and, accordingly, their shares in foreign markets, and the domestic market turned out to be too small for the output volumes of large post-Soviet enterprises designed for Soviet-scale production.

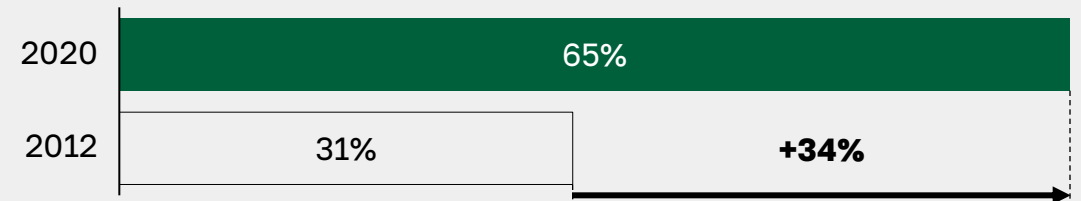
Liberalization of business conditions allowed the development of entrepreneurship and contributed to the flow of labor into the private sector from the stagnating state-owned enterprises. In addition, the private sector was carving out technological niches with high added value that were inaccessible to the state, such as IT and electronics, which brought about a flush of foreign currency and reduced the country's dependence on Russia.

On the one hand, the state was afraid of independent business, but on the other hand, it still deemed its development to be a solution to the unemployment (especially in regions with loss-making state-owned enterprises) and a certain way of strengthening the stability of the state system due to the growing standard of living.

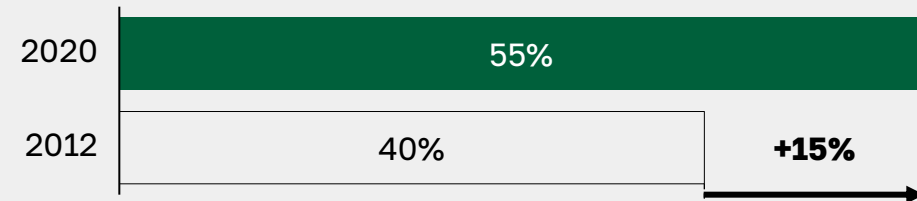
Private sector contribution to employment



Private sector contribution to export



Private sector contribution to GDP



The turning point for the private sector came after the presidential elections on August 9, 2020

The presidential elections and the resulting protests led to a revision of government policy regarding the private sector of the economy. Unlike the past elections, where Alexander Lukashenko's competition, as a rule, was the "traditional opposition," in 2020 Viktor Babariko, the former head of BelGazPromBank coming from the private sector of the economy, emerged as a prominent hopeful. His contender Viktor Tsepkalov was also not a typical politician, but rather one of the founders of the High Technology Park (HTP), which became the IT development hub in Belarus.

This was not incidental: after the 2010 elections, the state tightened supervision over political activity, as a result of which the private sector of the economy and NGOs became key to the development of initiative and horizontal connections, developing beyond the gaze of the authorities in the conditions of relative liberalization of 2015-2019.

A few months before the elections, the COVID-19 pandemic exposed the inability and unwillingness of the state to recognize and resolve even external crises beyond the control of the authorities, which was expressed, among other things, in downplaying the scale of the problem and massaging mortality figures, which led to increased activity by the private sector and NGOs at first in the social and then in the political field right before the beginning of the presidential campaign.

As a result, the "core" support for the alternative candidates – and, accordingly, protest participants – came from the "new middle class" formed in the 2010s: small and medium-sized entrepreneurs, private sector and, in particular, foreign companies employees, IT crowd, who were noticeably less politically active before the 2020 presidential campaign. In addition, during the protests, the opposition attempted to use economic pressure: for example, for the first time in decades, there were calls for strikes, which some private and state-owned enterprises heeded.

The state has previously seen the independent private sector to be a threat. To prevent the reoccurrence of the situation of the 2010s, soon after the closure of independent media and the NGO sector, the state turned its attention to business, ramping up the pressure and intensifying social "anti-bourgeois" rhetoric.



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In addition to immediate political consequences, business started experiencing increased and unpredictable economic shocks

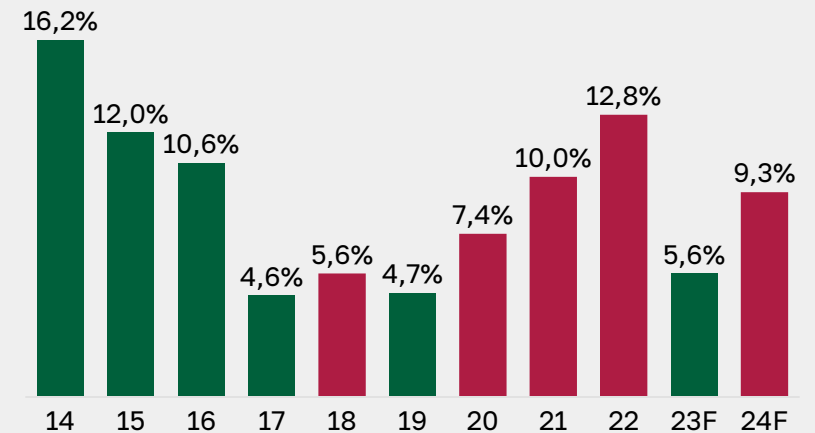
Soon after the elections, the risks for business increased exponentially. Companies whose employees or executives supported the opposition were at higher risk, but direct economic pressure soon became routine, regardless of the business' involvement in politics. In addition, previously stable companies began to experience financial difficulties, also being unable to borrow on international markets. For example, Eurotorg, the largest retailer, had previously issued Eurobonds on the Irish stock exchange in 2017.

Price regulation

The aftermath of the pandemic caused price hikes around the world. Belarus was no exception – after a stable period of 2017-2019, inflation started to rise again. In the fall of 2022, A. Lukashenko got outraged by the prices of chicken, immediately after which the government of Belarus established a new system of price regulation – price raise entailed dozens of criminal cases being opened within a few days and top managers getting arrested.

This regulation was soon relaxed by eliminating some product categories from the regulated list, but price increases for 370 product categories still need to be checked with the government. At the end of the first quarter of 2023, profitability in retail was only 0.5%: back in the third quarter of 2022 it was 3.2%.

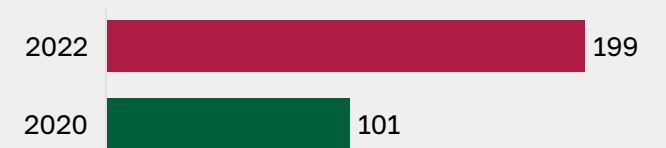
Inflation in Belarus
(forecast 2023-2024 – BEROC)



Criminal prosecution of business

Many criminal cases were opened in 2021-2023 for the so-called “business fragmentation.” Many companies used a simplified tax system to optimize tax costs by opening several legal entities. Although the procedure was legal, after 2020 it was used as a way to put pressure – criminal cases for tax evasion (the number of which has doubled in 2 years) – were accompanied by armed visits to the offices and arrests of the managers. Often the state demands “compensation for damages” in a larger amount than investigators estimate. Sometimes investigators also arrest family members of the management and find reasons to open cases on political charges.

Number of criminal cases initiated under Article 243 of the Criminal Code of the Republic of Belarus “Tax evasion”





Moreover, increased scrutiny also applied to small entrepreneurs – special measures were introduced for them

The political and economic risks of persecution for “business fragmentation” primarily apply to medium and large businesses. This does not mean that the state does not put pressure on micro-enterprises and entrepreneurs – to limit their capacity, certain measures are being introduced, specifically targeting this business segment.

Prohibition on registration of individual entrepreneurs

In mid-2021, a temporary ban was introduced on the registration of individual entrepreneurs in Minsk for “technical reasons.” The problems have not been resolved as of mid-2023, although citizens of Belarus can register as entrepreneurs outside the capital city. The ban was introduced shortly after A. Lukashenko’s speech, in which he demanded to “sort out” the activities of individual entrepreneurs.

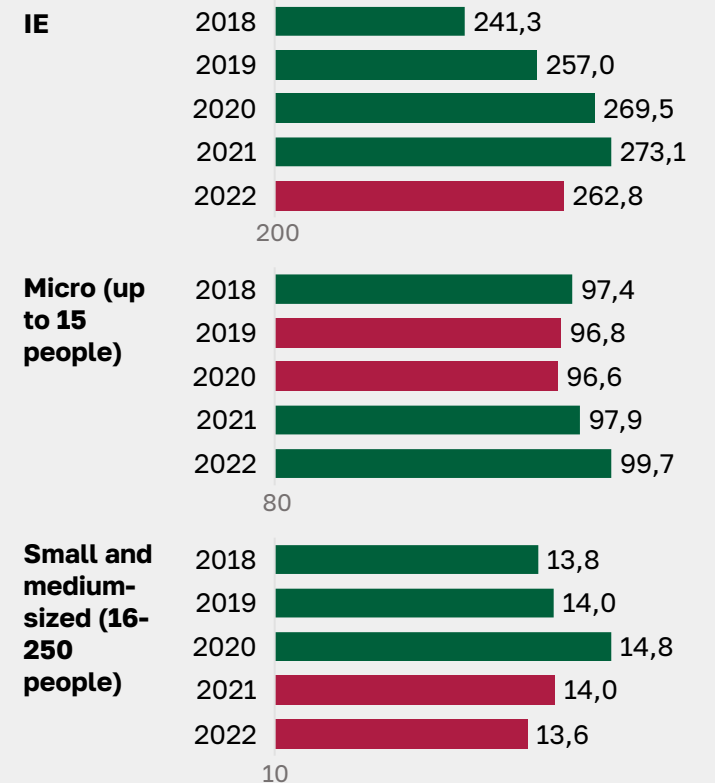
Thus, the state forces entrepreneurs in the most economically active region of the country to register legal entities, increasing the tax and bureaucratic burden. As a result, the number of entrepreneurs in 2022 decreased for the first time since 2016 – by more than 10 thousand at once. Re-registration is the reason for the growth of micro-organizations, but this growth is significantly lower than the decline in the number of individual entrepreneurs. Small and medium-sized businesses also shrunk.

Tax pressure

The state has previously tried to force individual entrepreneurs to re-register as legal entities. Back in 2008, individual entrepreneurs were prohibited from employing persons who were not close relatives or family members. Now the government has taken stricter measures.

From 2023, entrepreneurs can no longer use the simplified taxation system – it has been retained only for small businesses, and the income tax rate has been increased from 16% to 20%. Moreover, most types of business: from cleaning to tutoring, were excluded from the list according to which individual entrepreneurs could pay a “single tax,” that is, a fixed payment that replaced a number of taxes, including income tax. For those few entrepreneurs who can still use the single tax, rates were also increased 1.5-3-fold, depending on the type of activity.

Number of individual entrepreneurs and entities at the end of the year, thousand.

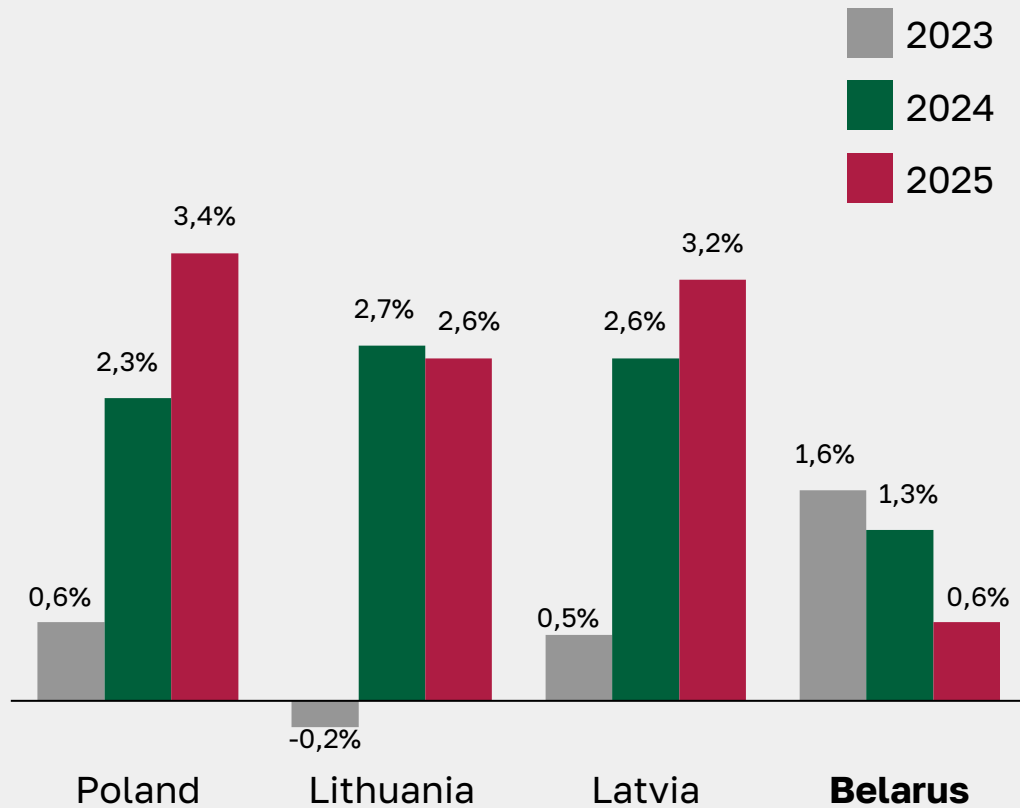




The result of the current crisis with no prompt liberalization will be an even greater gap between Belarus and other countries

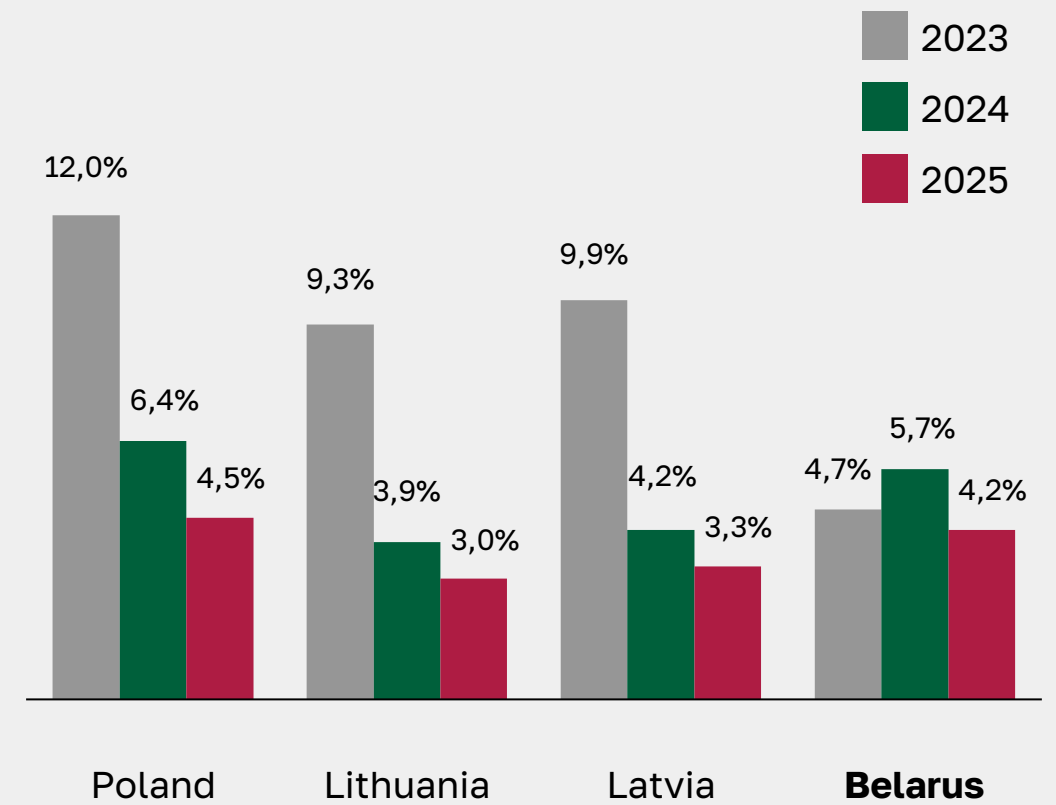
GDP growth forecast for 2023-2025

(World Economic Outlook, November 2023)



Inflation forecast for 2023-2025

(World Economic Outlook, November 2023)





An telling example of the effect of economic and political shocks was the IT industry of Belarus.

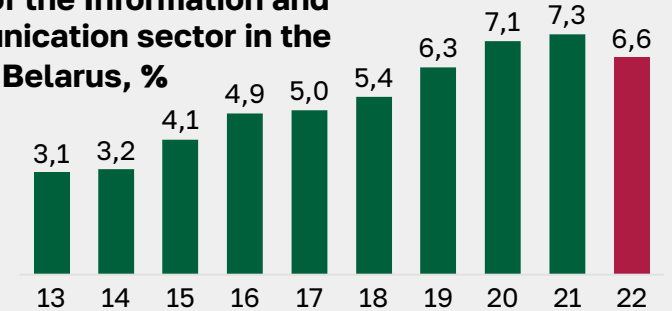
In the second half of the 2010s, the IT industry became one of the rare success stories of the Belarusian economy. A qualified workforce and relatively low labor costs have proved a winning combination for the development of the outsourcing services market. An important contribution to the development of the industry was made by the HTP, founded in 2005 and significantly strengthened by the decree “On the development of the digital economy” of 2017. The decree introduced a special legal regime, which included a 0% VAT and revenue tax rate, reduced income tax and many other benefits. Thanks to the HTP, the IT sector began to grow rapidly, exceeding 7% of GDP in 2020.

The first shock for the sector was the Internet blocking during the 2020 protests. Economic losses from the shutdown were estimated at \$56 million per day. IT industry employees were active during the protests. In an open letter, the founders of Belarusian IT companies stated that “The emerging conditions are detrimental to the ability of the technology businesses to function,” which led to persecution, including the arrest of the founders of PandaDoc, the first Belarusian unicorn. Because of the high wages in the industry, IT specialists became the target of persecution for donations to opposition funds: instead of initiating a criminal case, they were offered to pay the tenfold “compensation” to the state.

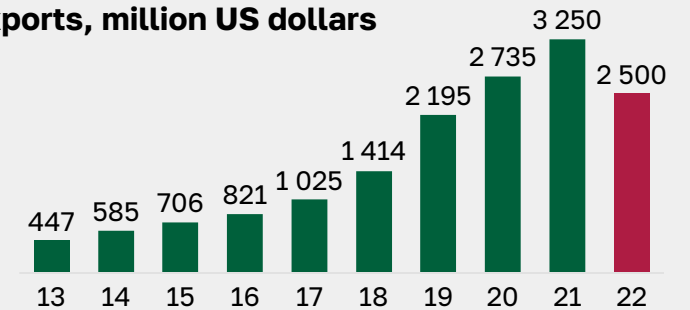
However, the main factor was the invasion of Ukraine. Before this, Belarusian companies were often treated with sympathy, but after 2022, foreign partners started refusing to work with companies registered in Belarus. Under the pressure of war, sanctions and repression, IT professionals and companies began to increasingly relocate and even conceal their “Belarusian origin”. In 2022, the share of the IT sector in GDP decreased for the first time ever, HTP exports collapsed by \$700 million, and the number of people leaving the HTP exceeded the number of new residents. In 2023, the head of the HTP was replaced by a former KGB officer.

The hardware industry also suffered: only a third of the members of the Innovative Instrument Making association focused on the CIS markets, the rest had to either go out of business or take it abroad.

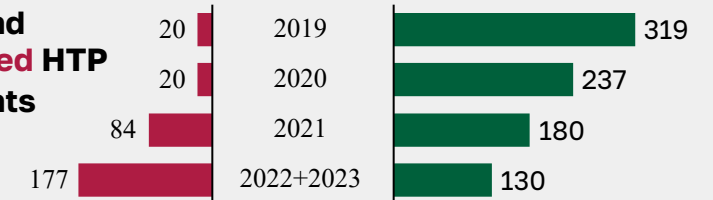
Share of the Information and Communication sector in the GDP of Belarus, %



HTP exports, million US dollars



New and excluded HTP residents



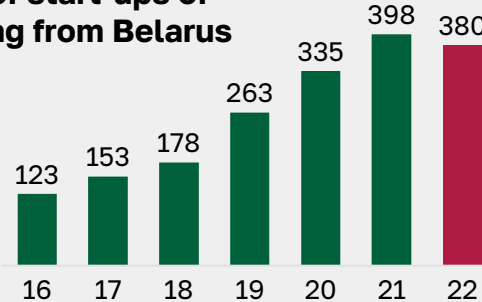
The youngest and most mobile part of IT - the start-up community - was hit the hardest.

The Belarusian start-up community has previously been characterized by a lack of strong integration with other countries due to its relatively small size and the greater attractiveness of foreign start-up hubs, and the ecosystem has been developing noticeably slower than in neighbouring countries, which is reflected, for example, in the number of start-ups per capita. The already fragile position of the industry began to deteriorate sharply in 2020.

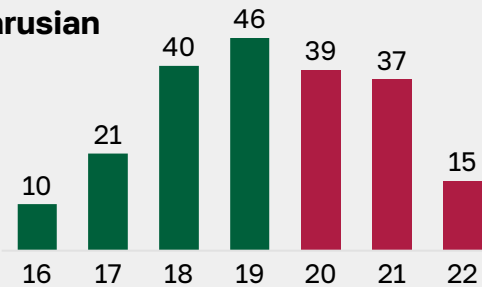
Economic and political upheavals have caused a major shock: today, 85% of start-ups call the political situation one of the main problems for the ecosystem. This was manifested in a decrease in the number of visible Belarusian start-ups for the first time in several years and a drop in the number of investment deals to almost the level of seven years ago. The stagnation of the start-up environment is confirmed by the anti-record of survivability. In 2022, for the first time ever, there were as many start-ups closing down as those opening: 53 versus 53.

Naturally, this significantly accelerated the relocation of a fairly mobile industry. 56% of start-ups of Belarusian origin are officially registered in other countries – compared to just 24% in 2020. Over the past three years, more than 150 start-ups have completely emigrated from Belarus with the aim of developing in other countries.

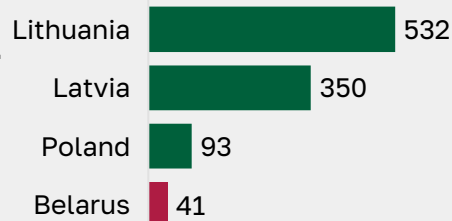
Number of start-ups of originating from Belarus



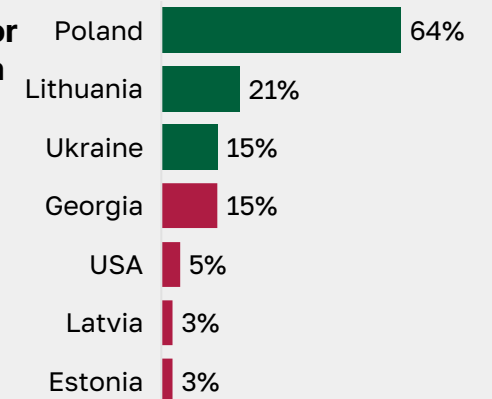
Number of deals with Belarusian start-ups



Number of start-ups per 1M people, 2022



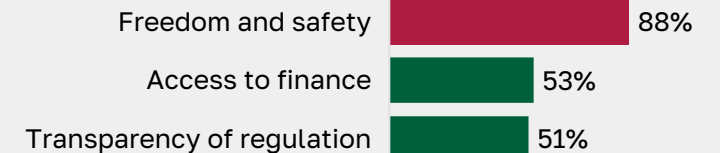
Destination for the relocation of Belarusian start-ups in 2020-2022.



Top 3 reasons to relocate



Top 3 benefits of relocation





- 01 Economic context and preconditions for migration
- 02 Study of the geography of business migration
- 03 Identifying the issues and features of migration
- 04 Overview of organizations supporting Belarusian business

Under conditions of economic and political pressure, many Belarusians and businesses prefer to leave the country

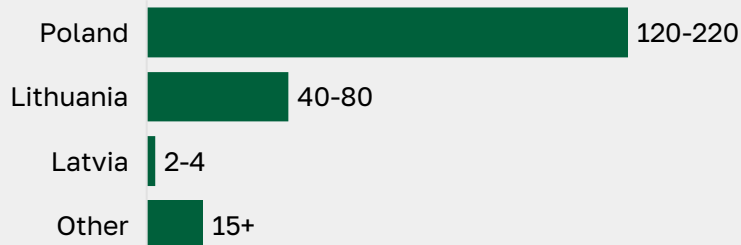
The relocation of business is inextricably linked with the general outflow of the Belarusians. People leave the country for both economic and political reasons, while there is no clear distinction between political migration from Belarus and its other types.

On the one hand, few apply for international protection or refugee status, while emigrating on regular visas or residence permits, which makes it impossible to accurately assess migration using primary data.

On the other hand, the risks of staying and working in Belarus are quite high that even without the threat of direct persecution, for example, because of participation in protests, many prefer to leave for safer countries, which blurs the boundaries between political and economic migration.

In total, over the last 3 years, emigration from Belarus is estimated to amount to at least 170-200 thousand people, which is also recognized by the authorities: Nikolai Karpenkov, commander of the Internal Troops of the Republic of Belarus, said that 350 thousand of “those who are against us” left the country.

Estimated number of people who left Belarus in 2020-2023, thousand people.



In this study, we examined the features of migration to three neighbouring countries of Belarus that are members of the EU.



Poland: the largest flow of migrants and a significant Belarusian diaspora. In addition to standard tools for issuing residence permits, Poland uses the Polish Business Harbor program to simplify the migration of IT professionals, provides a special type of humanitarian visas, and actively uses the international protection tool.



Lithuania: the largest share of Belarusians relative to the local population – more than 2%. Lithuania recently made migration significantly more difficult by suspending the issuance of short-term and national visas to Belarusians. Citizens of the Republic of Belarus can still obtain a residence permit, including a residence permit under the European Union Blue Card program, which simplifies the legalization of high-skilled professionals.



Latvia: The smallest flow of migration, but the most significant presence of the Russian language, facilitating business migration. Like Lithuania, Latvia no longer issues short-term visas to Belarusians - only national (category D) and ad hoc visas.



The primary flow of migration from Belarus is towards Poland: more than 120 thousand employed people and almost 6 thousand companies



Neighbouring Poland, with its open large market, developed infrastructure and good conditions for relocation, has become a natural choice for many Belarusians. By mid-2023, 122 thousand Belarusians were already registered with ZUS, the social insurance office. Belarusians are the second largest group of foreigners registered with ZUS – 10.2%. Ukrainians are first by a wide margin – 70.2%.

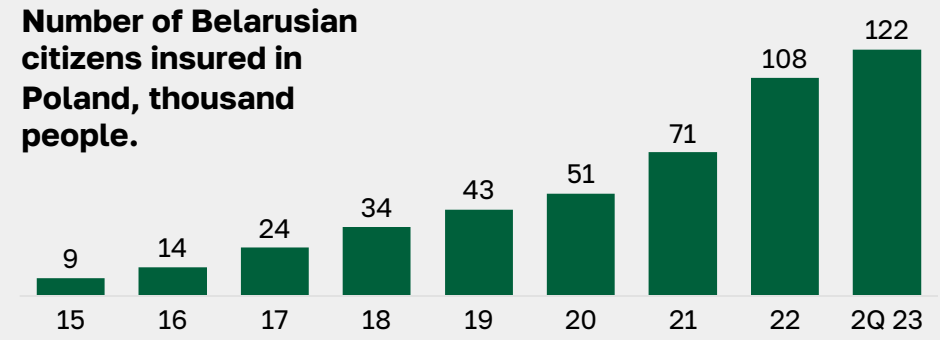
Registration with ZUS is necessary for official employment and entrepreneurship, which means that the majority of Belarusians are employed as of today. Back in 2019, there were 4 times fewer such cases. However, rapid growth stated earlier – in 2016-2017, probably against the backdrop of the 2014-2015 economic crisis in Belarus.

In total, as of September 2023, there were 5,988 companies with Belarusian capital operating in Poland, 98% of them were limited liability companies.

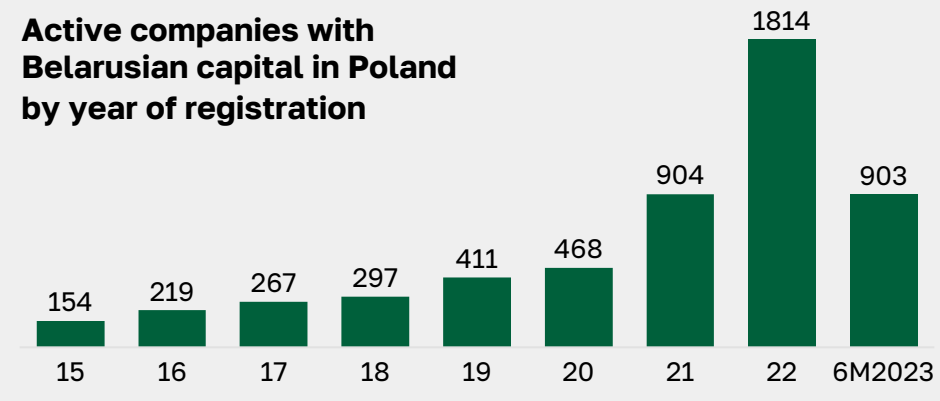
The growth in the number of Belarusian companies noticeably outpaces the growth in registrations of individuals with ZUS. The number of active companies registered in 2021 was twice as high as those registered in 2020, and in 2022 – yet another twofold increase.

One can assume that the majority of companies that wanted and could make a move have already done so, and the wave of relocation has peaked or will start dropping off soon: the number of active companies registered in the first half of 2023 is 50% of the 2022 figure – furthermore, some companies opened in 2022 have already shut down.

Number of Belarusian citizens insured in Poland, thousand people.



Active companies with Belarusian capital in Poland by year of registration



It should be noted that the analysis of statistics on legal entities in the countries reviewed is imperfect. On the one hand, inactive legal entities may feature in the statistics, thus inflating the figures. Their exact number cannot be estimated, but ZPP estimates it at no less than 20% for Poland. On the other hand, the actual number of Belarusian businesses abroad is underestimated, since some Belarusians receive local passports and their businesses are not visible as Belarusian ones.



Key regions for relocation are Warsaw, the voivodeships bordering Belarus, as well as Wroclaw and Gdansk



More than half (55%) of the companies are registered by Belarusians in Warsaw and the Masovian Voivodeship. Next comes the border region of Podlasie, where the centres of Belarusian business are Białystok and Białą Podlaska. Popular destinations also include Wrocław, which has one of the largest Belarusian diasporas in the country and a high percentage of Russian speakers, and the seaside city of Gdansk.

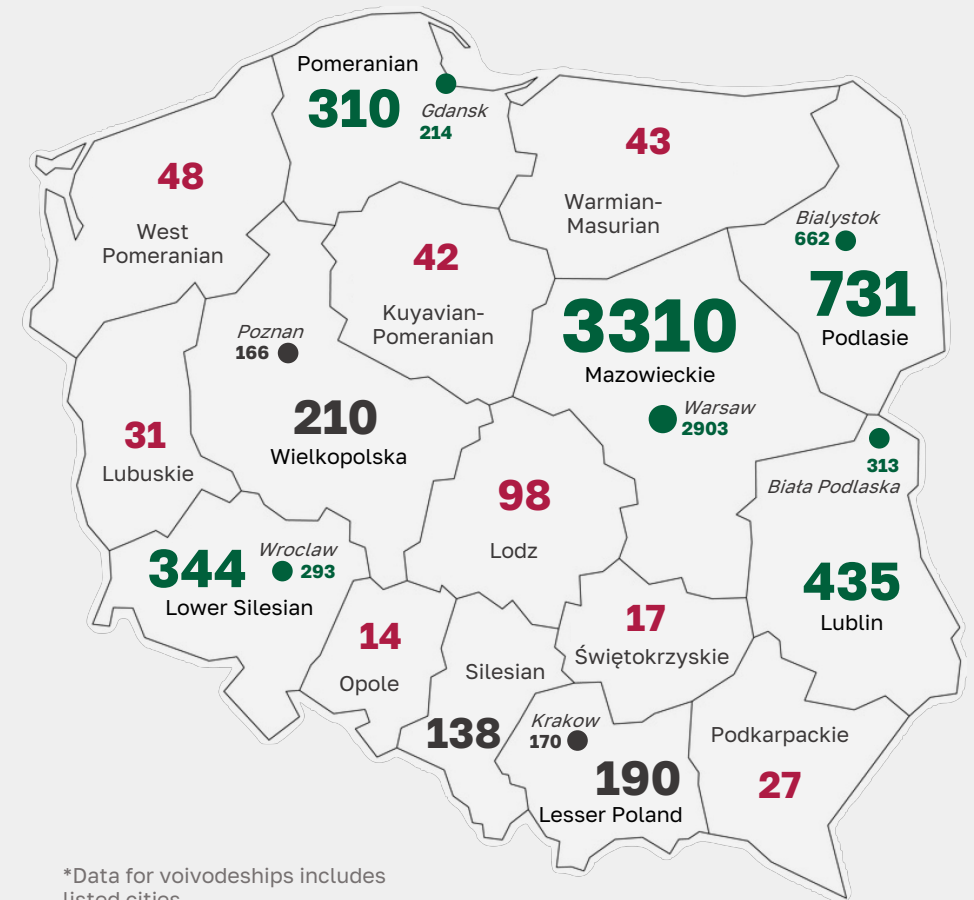
Industry-specific differences are also visible across the regions. Thus, in Warsaw, Wrocław and Poznań, trade enterprises are registered more often than in other regions, in Białą Podlaska and Białystok – transport and logistics companies, in Gdansk – construction companies, and in Krakow - IT companies.

Belarusian companies in Poland by industry, 09.2023

% - share of all enterprises in the voivodeship (horizontal)
 Colour serves to compare the voivodeships (vertical)

	Retail and wholesale	Transport and logistics	Construction	Information and communication
Mazowieckie	29%	16%	15%	11%
Podlasie	27%	40%	13%	3%
Lublin	20%	53%	15%	2%
Lower Silesian	28%	10%	20%	10%
Pomeranian	14%	12%	26%	12%
Wielkopolska	28%	22%	15%	9%
Lesser Poland	23%	11%	17%	18%
Silesian	17%	41%	17%	1%

Belarusian companies in Poland by voivodeship, 09.2023



*Data for voivodeships includes listed cities



Trade, logistics, construction and IT make up 3/4 of all Belarusian companies in Poland



An analysis of the number of companies registered by Belarusians shows that trading and logistics companies together make up almost half of them, while the well-known IT sector makes up only 9% of all companies.

This is explained by the fact that statistics do not reflect the size and nature of companies: among trade companies there are hundreds of micro-enterprises, while logistics companies are often registered as shell companies.

Features of the dynamics of business migration of key industries

Transport and logistic

After February 2022, Belarusian business began to actively register logistics companies in Poland – but already at the end of summer there was a sharp decline. This is explained not only by the limited number of companies, but also by the Polish policy. After a surge in registrations, Polish authorities conducted massive inspections of the industry, appealed to the EU, and even planned to ban all Belarusian logistics altogether.

Information and communication

There is a slowdown in the number of IT company registrations. This is primarily due to the fact that the technology sector was forced to quickly respond to the crisis, and most companies have already moved. However, this is also due to the global crisis in the industry: a drop in demand for IT services and trimming of headcount and budgets of IT companies.

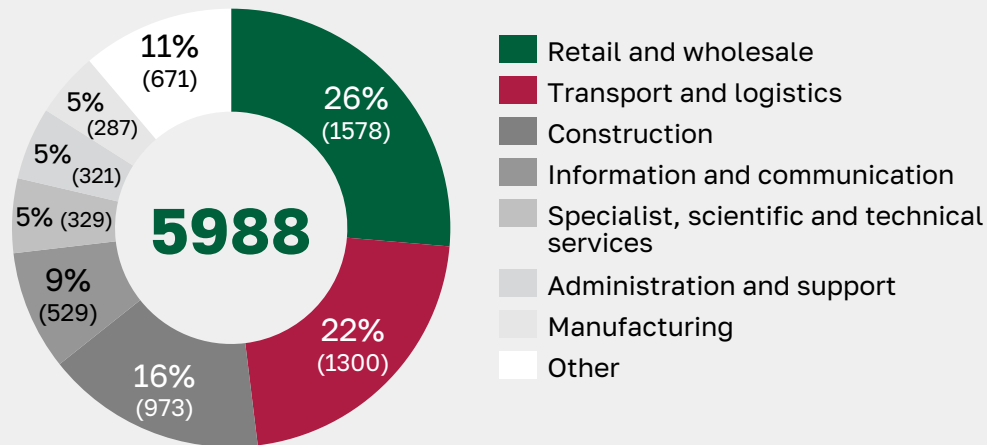
Construction

The construction industry is getting hollowed out primarily due to declining domestic demand in Belarus and the Russian Federation, so the emigration of the construction business occurs with a time lag relative to other industries.

Trade

The situation is similar to construction: the peak of registrations of trade companies occurred at the end of 2022 - beginning of 2023.

Companies with Belarusian capital in Poland by economic sector, 09.2023





Poland also stands out for its sharp increase in the number of self-employed Belarusians



By the end of mid-2023, 11,716 Belarusian individual entrepreneurs were registered in Poland. Also, Poland at that time had 122 thousand employed Belarusians. This means that one out of ten Belarusians working in Poland is self-employed. Belarusian individual entrepreneurs accounted for almost a quarter – 24% – of all foreign individual entrepreneurs.

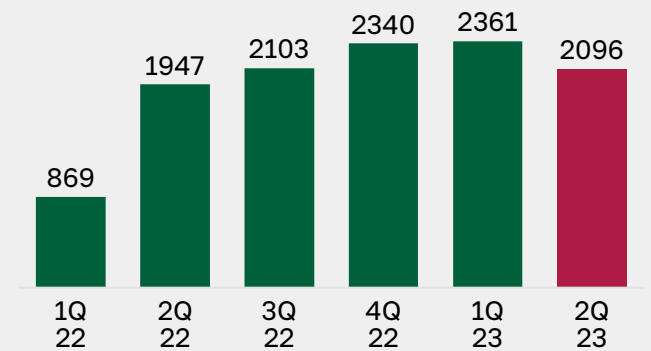
It should be noted that many Belarusians do not have enough grounds to open an individual entrepreneur in Poland – this cannot be done with a regular residence permit, humanitarian visa or Blue Card. In turn, an individual entrepreneurship can be opened if one has permanent residence permit or refugee status, while under international protection, or when relocating under the Polish Business Harbor program aimed at the IT industry.

The latter is the main reason why IT specialists make up 2/3 of all Belarusian entrepreneurs in Poland. Often, individual entrepreneurs in this industry are just a form of employment to optimize taxation: such individual entrepreneurs do not represent a separate business unit and usually do not have more than one contractor and employee.

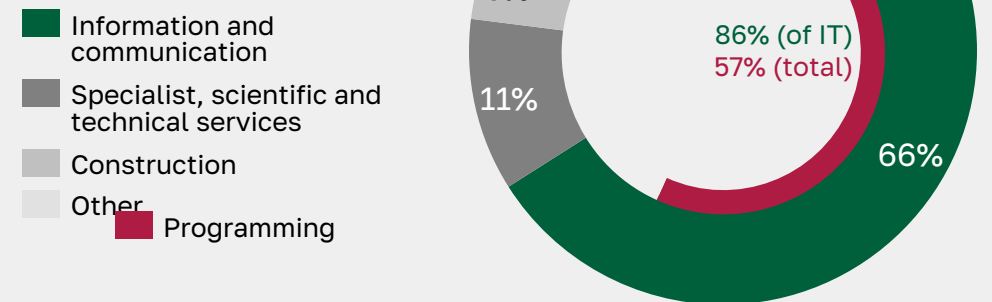
In the specialist and technical services sector, the situation is usually the opposite, but in construction there are both self-employment as a form of employment and as a full-fledged business. In addition, services is a popular sector, in particular, beauty services are common.

At the same time, although not all registered individual entrepreneurs are actual entrepreneurs, small businesses in Poland are also managed by those Belarusians who do not have legal grounds for doing this (in Poland one can perform unregistered economic activity with low turnover), and also, to a lesser extent, by those – who moved earlier and received citizenship.

Number of individual entrepreneurs in Poland registered by Belarusians, by registration period



Structure of Belarusian individual entrepreneurs in Poland by industry
(registered from 01.01.22 to 30.06.23)





Latvia is a rare choice for relocation, and the overwhelming number of Belarusian companies are concentrated in and around Riga



Despite sharing a border, for many Belarusians Latvia remains terra incognita in cultural and economic terms. This is also due to the fact that Latvia is the least developed of the three Baltic countries, and the Belarusian diaspora there is invisible, despite the fact that many ethnic Belarusians live there – 60 thousand, or 3.5%. At the same time, Belarusian business has been present in Latvia for a long time: both because of the convenience of transit through Latvian ports, and because Latvia has the highest proportion of Russian speakers in the EU.

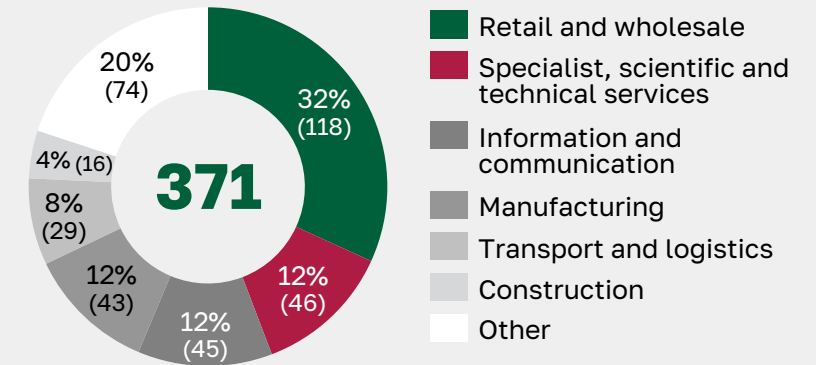
In 2020, Latvia quickly responded to the situation in Belarus by creating a special group to help IT companies with relocation. Already in October, the government announced that 17 Belarusian companies were ready to move, and 3 of them were already operating. In addition, in 2021 the size of Belarusian investments in Latvian business increased by 80% – from 10.5 to 18.7 million euros – after 8 years of continuous decline.

However, enthusiasm gave way to scepticism after Belarus’ complicity in military aggression against Ukraine. Latvian partners began to scrutinize the Belarusian counterparties for credit and reputational risks, and the media starting publishing lists of companies that continue trading operations with Belarus.

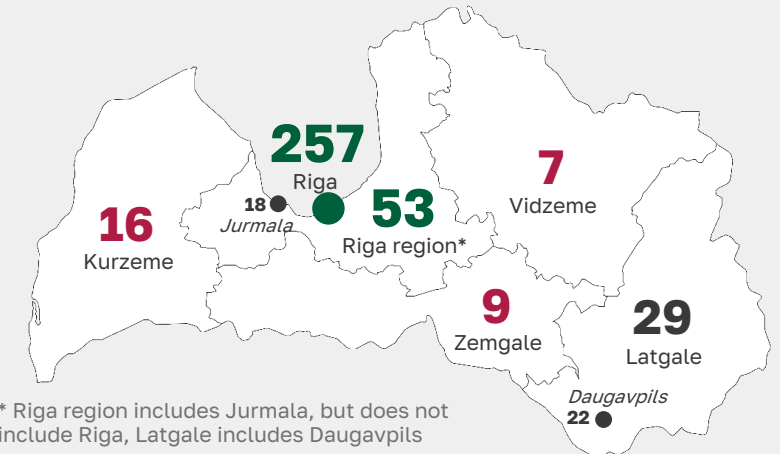
In total, as of November 2023, there were 371 active companies on the register (492 including inactive and closed ones) with beneficiaries-citizens of Belarus. In addition, in the first half of 2023 there were 104 Belarusian individual entrepreneurs in the country. The sectoral structure of Belarusian business in Latvia is noticeably different from that in Poland and Lithuania: logistics and construction are less prominent here, but the share of manufacturing is higher.

The number of active companies is declining – a year ago there were 403 of those. However, the total revenue of companies with Belarusian capital increased by 14% in 2022 – from 263 to 299 million euros. The reduction in the number of companies may be caused by tighter control over Belarusian business, but in fact its activity in the country is growing. Thus, the average monthly number of Belarusian employees in the 8 months of 2023 was 4,148 people, which is 11% more than in 2022 (3,734).

Companies with Belarusian capital in Latvia by economic sector, 11.2023



Belarusian companies in Latvia by region, 11.2023





Lithuania is a key destination for Belarusian migration, but recently there has been a slow-down



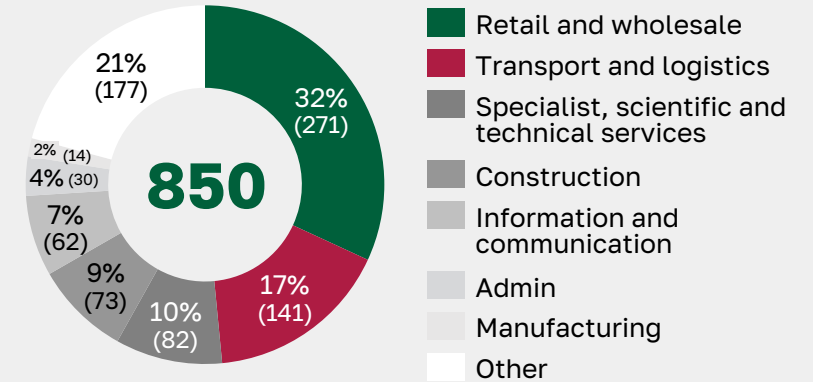
For centuries, Lithuania has been closely connected with Belarus culturally, politically and economically. Vilnius is located 180 km from Minsk – closer than any regional city in Belarus – and until 2020 served as an important business and tourist destination for Belarusians, and the number of Belarusians in Lithuania is estimated at more than 2% (60-80 thousand).

After 2020, Lithuania did not lose its importance for Belarusians: Vilnius became the capital of the Belarusian democratic forces in exile, and major IT businesses moved assets and thousands of their employees there. Outside of Vilnius, Lithuania remains poorly explored by Belarusian business – 80% of all enterprises are registered in the capital, and the majority of the rest are in the neighbouring south-eastern regions. Regional differences by industry lie in the fact that almost all IT companies are registered in Vilnius, and many logistics companies are located in the regions.

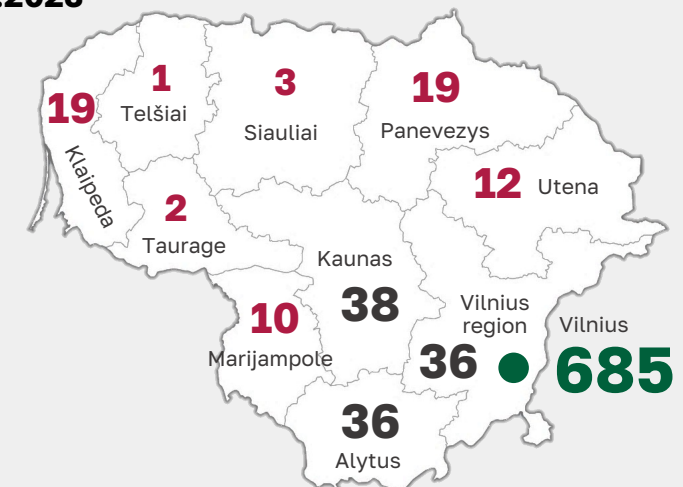
In total, 850 Belarusian companies are active in Lithuania as of November 2023. Of these, 656 (77%) are limited liability companies. Another 85 (10%) are “small partnerships,” a form of LLC designed for small businesses. Unlike Poland, the dynamics of the number of companies is extremely negative. Over the year, the number of Belarusian companies in the country has decreased by more than a third. In 2022, 109 active companies were registered – only 10 more than in 2021. In Poland, these values differ by a factor of two: Belarusian business has become noticeably less enthusiastic about Lithuania as a relocation destination. In addition, its revenues are also declining: 278 companies whose revenues are available for 2021 and 2022 earned 483.4 million euros in 2022 versus 487.5 in 2021, which is especially significant given that the Baltics became the leader in inflation in 2022 – in Lithuania it was 18.9%.

This is partly due to the cooling of attitudes towards Belarusian migrants. Against the background of the war, the outrage about the Ostrovet nuclear power plant and the migration crisis at the border, the influx of expensive qualified labour from Belarus (the average salary of a Belarusian IT professional in Lithuania in 2022 was 2.7 times higher than the national average) which also affected the spiking housing prices could be perceived as one of the factors in the deterioration of living standards – and caused a political reaction and increased discrimination.

Companies with Belarusian capital in Lithuania by economic sector, 11.2023



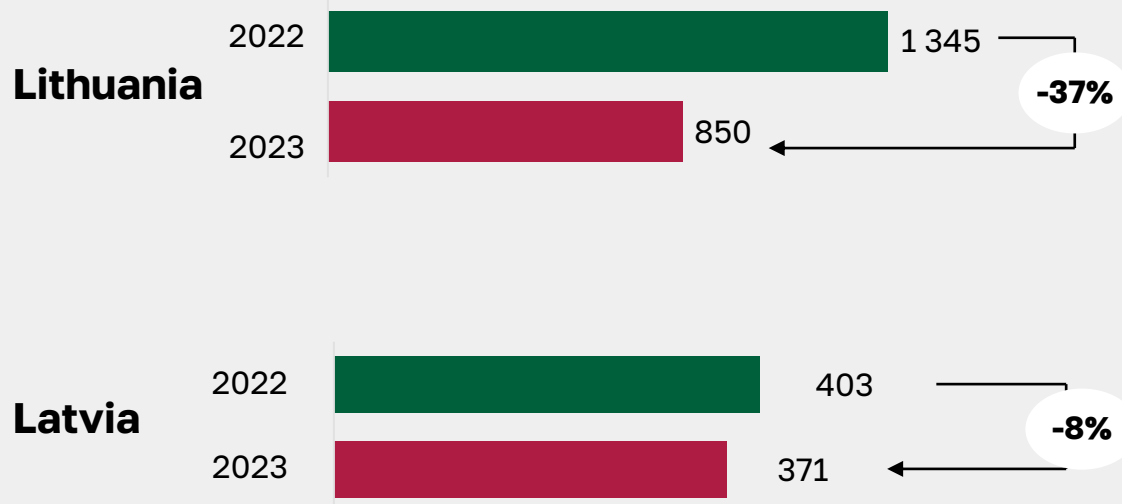
Belarusian companies in Lithuania by county, 11.2023





The drop in the number of Belarusian companies may be due to more significant discrimination against Belarusian businesses

Number of active companies with Belarusian capital in the Baltic countries, November 2022-2023



Key problems of Belarusian business in Lithuania

- Complicated interaction with banks and financial institutions: refusals to open accounts, extend loans, frozen payments
- Refusal of counterparties, partners and suppliers to cooperate due to reputational risks
- Impossible to get visas, difficult to secure residence permits and permanent residence
- Difficulties in dealing with authorities
- Increased scrutiny
- High congestion of the few functioning border crossing points

In general, the economies of neighbouring countries have already started feeling the impact of business migration taking root



Poland

Positive migration trends

120-220 thousand Belarusians have moved since 2020

55% of companies are in Warsaw

5988 companies with Belarusian capital

1+ billion EUR total revenue

- Influx of skilled and young labour
- High presence in less developed eastern regions
- Growth of the share of Belarusian individual entrepreneurs and companies in the total number of new registrations
- Emergence of a number of new large employers
- Influx of a large number of start-ups with high potential
- Influx of students
- Influx of new technologies through the IT sector
- Strengthening the diaspora and the emergence of diaspora-oriented businesses



Lithuania

Negative migration trends

40-80 thousand Belarusians have moved since 2020

80% of companies are in Vilnius

850 companies with Belarusian capital

490+ million EUR total revenue

- Influx of skilled, expensive and young labour
- Significant impact on total taxes paid
- Emergence of a number of new large employers
- Influx of new technologies through the IT sector
- Influx of students
- Higher demand for real estate
- Growing cost of living
- Strengthening the diaspora and the emergence of diaspora-oriented businesses



Latvia

Neutral migration trends

2-4 thousand Belarusians have moved since 2020

69% of companies are in Riga

371 companies with Belarusian capital

299 million EUR total revenue

- Influx of skilled and young labour
- Emergence of a number of new large employers
- Strengthening the local hardware industry



- 01 Economic context and preconditions for migration
- 02 Study of the geography of business migration

- 03 Identifying the issues and features of migration
- 04 Overview of organizations supporting Belarusian business



We asked business support organizations to rate the significance and addressability of the issues

Key issues for the Belarusian business abroad

- 1 Business registration
- 2 Personal and employee legalization
- 3 Sanctions (less applicable to IT)
- 4 Access to finance (less applicable to IT)
- 5 Finding employees
- 6 Finding partners
- 7 Finding office and production premises
- 8 Sales
- 9 Finding B2B service providers
- 10 Language barrier

Addressability
(from 1 to 10)

- General sample
- IT and start-up infrastructure
- Other companies



Lack of knowledge, legalization and obstacles in dealing with the banks are the main non-industry-specific issues, as per experts

Non-industry-specific issues

- Language barrier
- Legal movement of capital is impossible
- Inaccessibility of certain forms of business, for example, individual entrepreneurs
- Issues with legalization: difficult to get visas
- Obstacles in opening current accounts for founders from Belarus
- Lack of knowledge of the local market



We also interviewed experts about industry-specific issues and idiosyncrasies of doing business abroad for Belarusians

Industry issues

Trade



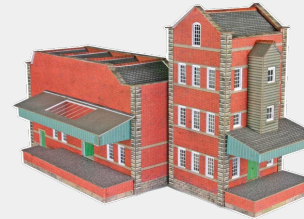
- Sanction restrictions and concerns when working with Belarusian products and suppliers
- Consolidated saturated market with a large presence of chain operators and reluctance to work with new foreign counterparties
- Expensive retail space, working with brokers
- Complicated logistics when trading with Belarus

Logistics



- Sanction restrictions, concerns when working with Belarusian counterparties
- General decline in industry in the region
- Increased tax burden
- Protests from local competitors

Manufacturing



- Equipment impossible to relocate
- More expensive and scarcer skilled labor
- Little experience in manufacturing business in Belarus and lack of knowledge
- No access to debt

IT



- Complicated work with labor from Belarus and Ukraine, rising costs
- Discrimination and toxicity of working with Belarusians
- Global industry slump and declining demand
- Problems in working with banks and finance institutions
- Difficulties in retaining relocated personnel



In addition to external problems, the relocation revealed a certain business mentality that reflects the experience of working in Belarus

Specific Belarusian business mentality

- Commitment to product quality and customer focus
- Efficiency underpinned by being used to force majeure and frequent changes in legislation
- Law-abiding nature and willingness for maximum alignment with the legislation
- Being accustomed of high digitalization and quality of digital services
- Commitment to working with Belarusian employees and clients





- 01 Identifying the issues and features of migration
- 02 Study of the geography of business migration
- 03 Identifying the issues and features of migration
- 04** Overview of organizations supporting Belarusian business

Support organizations help Belarusian businesses address relocation-related issues

The latest migration wave has been met by a modest number of business support organizations. Most of them, and there are already more than 10 of them, appeared as a product of the culture of self-organization and entrepreneurial initiative. An important role in the formation and development of many of them was played by international partners and private sector support organizations from the United States, the European Union, and its individual countries – primarily Germany and Poland.

We have divided organizations supporting Belarusian business into 5 categories:

- International and European agencies
- Associations and communities - bringing business together using a commercial and non-profit model, offering expert advice, networking and training
- Start-up and IT infrastructure can take the form of both full-fledged hubs and social-media communities
- Business clubs are commercial organizations with paid memberships that offer business events and networking
- Research organizations

Some of these organizations migrated from Belarus (Imaguru) and Ukraine (Belarusian Community of Businessmen). Others, such as U Hub or ABBA, were founded in Poland. They are represented both by highly specialized groups, like AIST, and by projects that are not limited to a specific audience, like ZPP Belarus Business Center.

Over the past 2 years, many projects have undergone a major transformation and achieved active growth and high levels of recognition. Most organizations demonstrate high cohesion and often work together, complementing each other. The analysis was prepared based on open sources.

International and European agencies



Associations and communities



Start-up and IT infrastructure



Business clubs

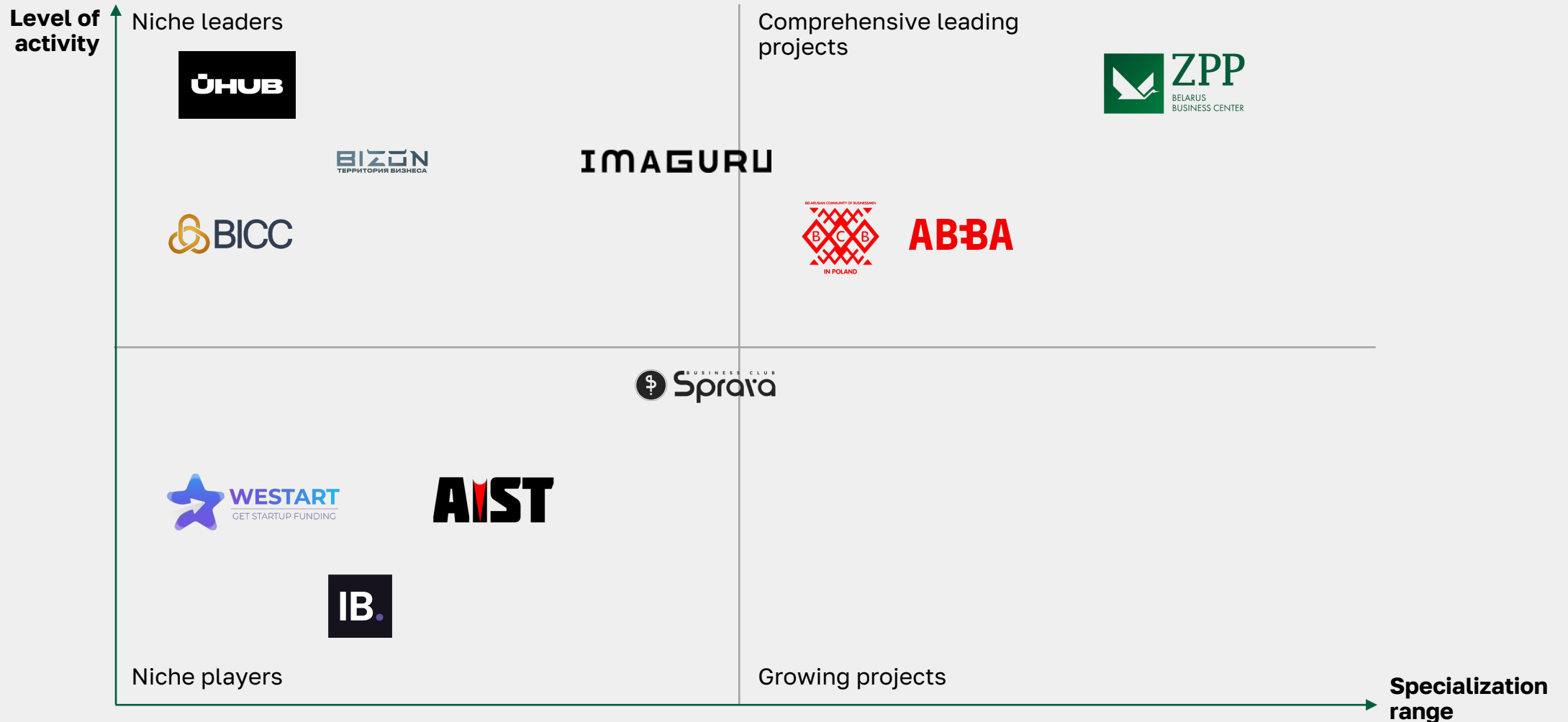


Research organizations





Most players in the market tend to have a more narrow focus *



Source: analysis of public data on the number of events, activity on social media, growth of social networks, information on financing
*Except of EBRD and BEROC due to the specific nature of activities

Social media are a must for the entities built on networking

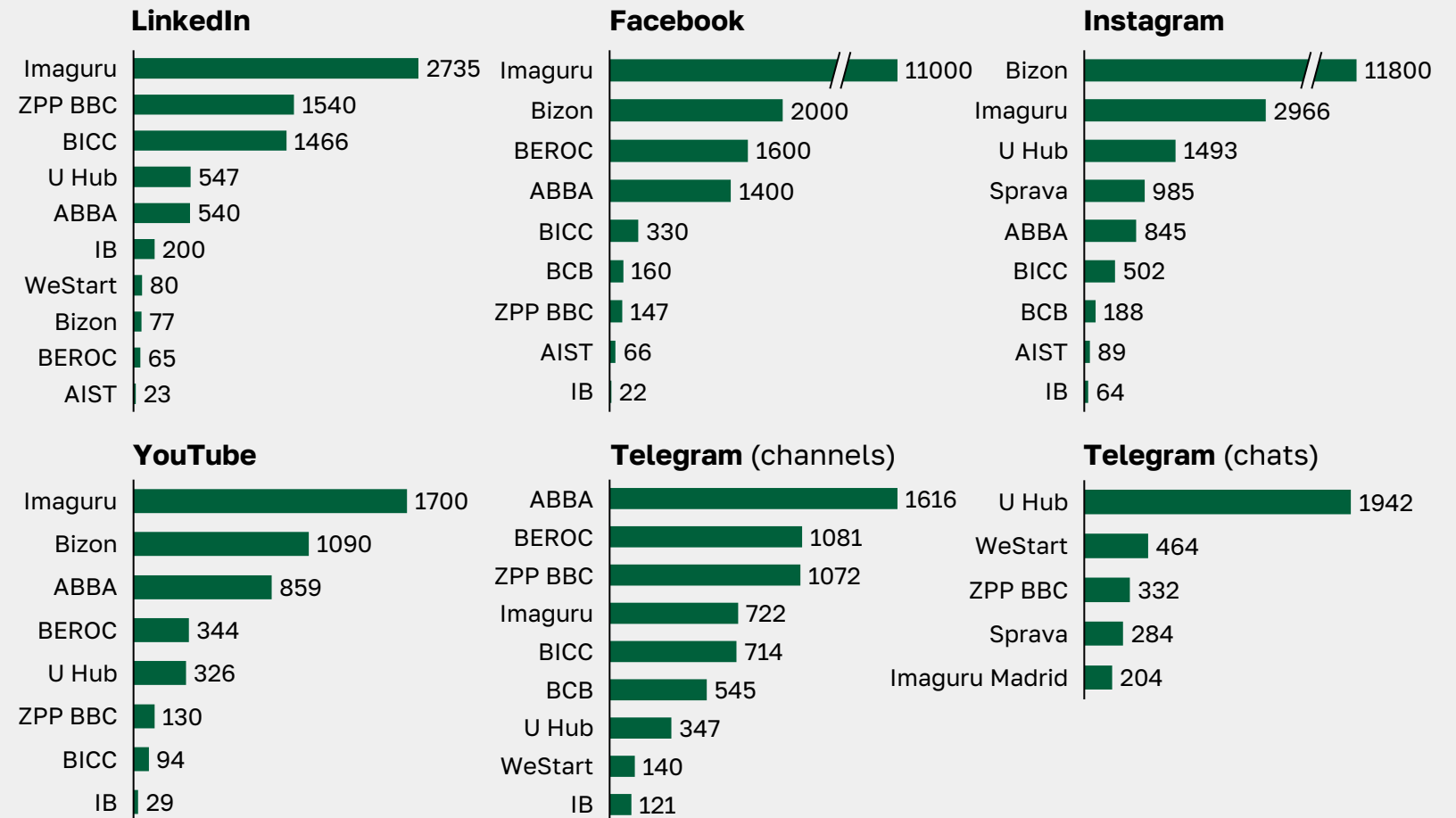
Organizations' assistance to businesses is often based on personal contacts and networking. Naturally, most communities are active on social media.

Imaguru is an organization with a long track record. Due to its history of activity in Belarus, it has the largest number of subscribers on social media. Among others, ZPP Belarus Business Center and BICC are leaders on LinkedIn, while Bizon, Beroc and ABBA are leaders on Facebook. Bizon is also popular on Instagram, where it has 4 regional profiles, the main one with almost 12 thousand followers.

Some new organizations were created on the basis of telegram communities. This primarily concerns start-up organizations: U Hub and WeStart. U Hub is the absolute leader in developing their telegram chat.

Telegram channels are also common, with the biggest ones managed by ABBA, BEROC and ZPP BBC.

Number of subscribers on major social media, 10.11.2023



In addition to dedicated initiatives, there are local institutions, Belarusian B2B businesses and grassroots communities, who help with relocation

- Institutions for attracting foreign business: in Poland – PAIH, in Lithuania – Invest in Lithuania, and in Latvia – LIAA – Latvian Investment and Development Agency
- Local authorities and their support mechanisms: Invest in Lodz in Poland and ALTOP in Latvia
- Belarusian B2B service providers played an important role in relocation: leading creative agencies, recruitment agencies, legal and accounting firms and others expanded significantly
- A large number of open and closed telegram chats and LinkedIn communities of entrepreneurs also appeared



Findings

1

Context

In the 2010s, the role of the private sector in the Belarusian economy grew, but after 2020, the sanctions, tightening of the legislation, repressions and the war in Ukraine led to mass emigration of people and businesses. Migration has a significant impact on the development of the Belarusian economy, particularly in the high-tech sectors, and reduces the already weak economic growth prospects.

While being a negative trend, the migration of a number of sectors, such as logistics and wholesale, is an element of maintaining trade relations with the EU. Some companies use Western offices as “sales departments,” supporting exports from Belarus and preserving jobs in the country.

2

Geography

Poland is the undisputed leader in attracting Belarusian business. This was achieved thanks to both the prospects in the internal market and favourable migration policies and the absence of discriminatory practices.

Lithuania, which received the first waves of Belarusian migration, is losing Belarusian business at a significant rate, which is also due to the actions of the Lithuanian government. Latvia experiences little migration flow compared to the other two countries.

7.2 thousand Belarusian companies have a significant impact on recipient economies, generating at least €2 billion in revenue and creating thousands of jobs.

3

Issues

Belarusian business abroad is experiencing a number of general and industry-specific issues. The key factors are access to financing, legalization of business owners and employees, sanction restrictions, as well as lack of experience in working in European markets.

Discrimination is a separate prominent issue, which may manifest itself in reluctance to cooperate with Belarusian companies and problems when dealing with financial institutions.

4

Organizations

Organizations supporting Belarusian businesses abroad are a new phenomenon, common only after 2020. More than 10 organizations help entrepreneurs develop their businesses in Poland and other EU countries.

Those include business clubs, start-up communities, non-profit and research associations. Many organizations tend to have a more narrow focus: for example, supporting a specific industry (most often, IT).



Project leader:

Dmitry Danilchuk

Head of Belarus Business Center

Economist

d.danilchuk@zpp.net.pl

+48 507 466 921

[Telegram](#) | [WhatsApp](#)



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When using research data, reference must be made to **ZPP Belarus Business Center**.



ul. Nowy Świat 32
05-800 Warszawa
belarus@zpp.net.pl
belarus.zpp.net.pl