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Do networks do the works? Migration networks among Indian entrepreneurs in Poland and Belgium

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Do networks do the works?

**Migration networks among Indian
entrepreneurs in Poland and Belgium**

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Table of contents

Abstract	
Streszczenie	
1. Introduction	5
2. Conceptual framework	7
2.1. Cumulative causation	8
2.2. Middleman minority	9
2.3. Migration networks	10
2.4. Ethnic enclaves	11
2.5. Disadvantage theory	12
2.6. Mixed embeddedness	12
2.7. Formal model	13
2.8. Summary of theoretical considerations	18
3. Social and economic setting	21
3.1. Immigration policies	22
3.2. Business climate	23
3.3. Socio-cultural aspects	28
4. Trends in Indian immigration to Europe	30
5. Research methodology	32
6. Research findings	36
6.1. Source country versus country of origin	36
6.2. Reasons for migration	38
6.3. Destination country/sector determination	41
6.4. Information sources	50
6.5. Settlement process	55
6.6. Summary of empirical findings	56
7. Conclusions	60
Bibliography	
List of figures and tables	
Appendices	
Appendix 1. Interview guide	
Appendix 2. Statistical note	

**Do networks do the works?
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Abstract

The thesis deals with the notion of migration networks. The focal point of the study is on the functioning of networks among immigrant entrepreneurs. Indian businessmen operating in Poland and Belgium are taken as an exemplification of the analyzed process. Theoretical considerations reflect upon various theories of migration, which are relevant for the study. Based on this analysis, a holistic conceptual framework is developed, which defines three areas of research: the migration decision making process, endogenous business-related factors and exogenous factors affecting business establishment. Based on these three areas an interview guide is developed further in the thesis. This guide was used as a research tool in order to carry out 30 semi-structured interviews with Indian entrepreneurs in Poland and Belgium. The thesis analyzes the findings from this study, what leads to recognizing the main determinant of network functioning among immigrant businessmen.

**Sieci migracyjne wśród hinduskich przedsiębiorców
w Polsce i w Belgii**

Streszczenie

Niniejsza praca dotyczy sieci migracyjnych. Głównym zagadnieniem badawczym jest funkcjonowanie sieci wśród mobilnych przedsiębiorców. Analiza została przeprowadzona na przykładzie biznesmenów pochodzących z Indii osiadłych w Polsce oraz w Belgii. Teoretyczne rozważania odnoszą się do koncepcji migracji związanych z przedmiotem badania. W oparciu o tę analizę zbudowane zostały holistyczne ramy koncepcyjne, które definiują trzy obszary eksploracji: proces decyzyjny migranta, endogeniczne czynniki przedsiębiorczości oraz egzogeniczne czynniki procesu powstawania firmy. W dalszej części pracy, w oparciu o zdefiniowane obszary, skonstruowany został scenariusz wywiadu. Scenariusz stanowił narzędzie badawcze w 30 częściowo ustrukturyzowanych wywiadach pogłębionych przeprowadzonych z mieszkającymi w Polsce oraz w Belgii przedsiębiorcami pochodzącymi z Indii. Praca analizuje zebrane informacje, co prowadzi do określenia głównego czynnika determinującego funkcjonowanie sieci migracyjnych wśród mobilnych przedsiębiorców.

1. Introduction

Currently there are 191 million migrants worldwide. That implies that three in every 100 people are settled outside the country of their origin. With simultaneous growth of the world population, this number has been constantly increasing. In the past 50 years migration growth rates have been varying from 0.8% in the period of 1960-1965 to 6.7% between 1985 and 1990 (Population Division, 2008). This means that the number of migrants nowadays would constitute the world's sixth most populous country after China, India, United States, Indonesia and Brazil (US Census Bureau, 2008). This hypothetical entity would have more than USD 276 billion worth of outgoing money transfers yearly (World Bank, 2006). Moreover, the inhabitants would generate enough income to satisfy their own needs. Such an economy could not remain unrecognized in the global scale. That is why good understanding of migration patterns is of value in the field of economics. This research focuses on a very specific feature of these patterns.

Migrants are not a homogenous group. There is a specific category of migrants, which seems to be especially interesting in terms of economic analysis, as it plays quite an active role in creating host markets. Entrepreneurs will be therefore of focal importance to this study. Internationally mobile businessmen engage themselves in activities which require skills, knowledge and risk-taking. Moreover, they succeed. Why do they do it? How do they do it? Despite insights from numerous previous studies, these questions still rise a debate. One of the mechanisms which may be a significant factor in terms of providing answers, is the functioning of migration networks. Networks are said to facilitate international migration by decreasing the costs of mobility (Choldin, 1973).

An implicit hypothesis of this thesis is that researching migration networks is scientifically possible. Moreover, it is implied that analyzing connections among migrants can be done by means of individual, semi-structured interviews. The results of a study performed by means of the suggested research methodology could yield two possible solutions. Migration networks may be either even more significant in the case of migrant entrepreneurship (Baycanta-Levent et al., 2006), due to the need for more extensive information and support necessary for establishing a business in a foreign country, or they may be less significant, due to the notion of competition and high business specificity. This study does not neglect any of these options. Its value added lays in providing arguments for a hypothesis that the functioning of migration networks among migrant entrepreneurs is business specific. The proposition of this research is that migration networks play a significant role in those sectors, where such connections between entrepreneurs create business value added.

The structure of the hypothesis stated above is as follows:

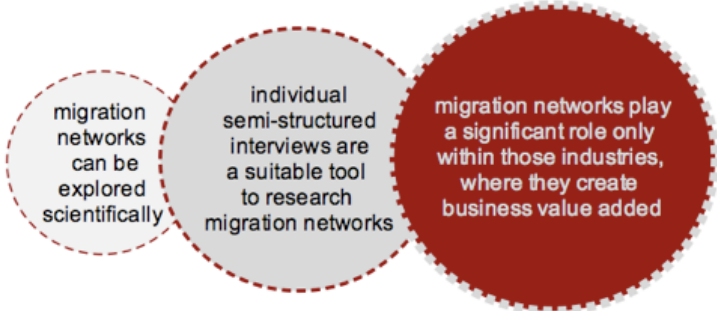


Figure 1. Research hypothesis.

As it can be seen, on the first, implicit level of hypothesis formulation, the nature of migration is considered with special emphasis on the role of networks in the process. The implications of this analysis are further operationalized within a discussion guide, which served as a tool for the planned semi-structured interviews. On the second level of hypothesis formulation it was presupposed that information gathered by means of the described research technique would support the main, explicit hypothesis of this thesis, phrased in the third circle of the scheme presented above.

On a more detailed level it is presupposed that first of all migrants function in a certain environment in the country of their origin. At a certain point in time they become active on the labor market and gain experience in a certain business sector. When deciding to migrate, they use these experiences as a base and select such a destination country, where they can maximize returns to migration. The graphic representation of these two schemes can be as follows:

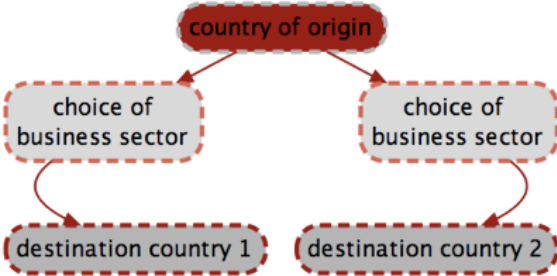


Figure 2: Decomposition of the main hypothesis.

The question brought up by this thesis is which factor determines whether entrepreneurs take advantage of networks in the migration process, or not. In order to provide an answer to this problem, the functioning of networks is evaluated against factors which may affect the performance of businessmen operating in foreign countries. For this purpose two features were controlled for in the study. One of them is the migrants’ home country, the other one is the host country. Considering solely immigrants of one origin makes it possible to determine,

whether functioning of migration networks is by any means culture specific. This would be the case if, regardless of the host country, migration networks among one ethnic group either had complete coverage, or if they were inexistent.

On the other hand studying social connections between immigrants of the same origin in two different host economies allows to deduce whether the institutional setting of the host economy affects the formation of networks. Consequently, full or inexistent coverage of networks among a community of the same origin in a certain host economy could be a signal of significant destination country characteristics, which determine such a migration pattern. If the two features mentioned above are factual, then some other factor must have impact on determining the functioning of migration networks. Business sector specificity has been presumed to be this very factor.

The specific choice of the Indian businessmen as the subject of this study comes from an empirical observation. Compared to other minorities, the Indian community is strongly involved in entrepreneurial activities (Aldrich and Waldinger, 1990; Bates 1994). Despite large differences in the cultural and business settings of the home and host countries, Indian businesspersons seem to be adapting quite successfully to new environments. This is the case in two quite distinct economies, which were chosen as the setting for the conducted research - Poland and Belgium.

In order to thoroughly prove the hypothesis stated previously, the influence of local economic, political and social conditions in the host economies is encompassed further in the study. The analysis is conducted within the context of mixed embeddedness (Kloosterman and Rath, 2000). Such an approach gives significant explanatory power to the differences of Indian business specificity in two distinct host environments.

This thesis is organized as follows: firstly, relevant theories of international labor migration are to be evaluated. Further in the section, a formal model referring to most important theoretical concepts is given consideration. Secondly, insight is given to the socioeconomic framework, within which the research was conducted. In the third section the research methodology is to be discussed. Research tools are thoroughly described. Section 4 is devoted to an analysis of the research outcome. Empirical material gathered during the study is used as a form of support for the explication of findings. The fifth section of the thesis concludes, suggesting directions for further research.

2. Conceptual framework

In order to gain deeper understanding of entrepreneurial migration this thesis will turn to various theoretical concepts, which may be underlying immigrants' decision making process in general, and then as a follow-up, their occupational choice of self-employment. The main

focus of this research will be on the role of migration networks, as stated in the thesis's hypothesis. Migration theories reflected upon in the following section will provide insights into: 1) migration processes in general and 2) the specificity of entrepreneurial mobility in this context.

2.1. Cumulative causation

Even before the migration takes place, a potential migrant is subject to numerous factors which may be classified as “pull” or “push” factors of migration, depending on whether they originate in the host or the home country. Some of them have been considered within the concept of cumulative causation of migration (Myrdal, 1957; Massey et. al., 1993). The concept highlights the fact that each subsequent act of migration alters the socioeconomic context in which further migration occurs. The theory allows for analyzing what will be the consequent events after the first migrations from a certain location take place. Out of six factors which have been analyzed within this framework, four are taken into consideration, as especially relevant for the analysis of entrepreneurial migration.

Firstly, international migrants are said to be motivated by their relatively low position in the **income distribution** of their local reference group. After the first cases of migration and consequent improvement of a household's position, further disparities are generated, encouraging more and more workers to go abroad. This effect takes place because of migrants' higher wages and modest expenses in the host country. These conditions allow them to remit savings. The income earned abroad is transferred back home and this inflow of money amends the income distribution in the local community. In the context of entrepreneurs this issue could be considered in a wider context of the distribution of returns to business investments.

The second factor brought up by the theory which is of importance to his research is the **culture of migration**. The concept states that migrants, through functioning in a migration-oriented environment, develop attitudes and cultural perception which increase the probability of migration in the future. With reference to entrepreneurial migration it may be worthwhile debating though, whether this culture originates in the migration process its self, or maybe rather in the embeddedness of migrants in a specific business, which requires international mobility. The arguments in favor of the former may lay in unobservable group characteristics such as social and cultural capital, aspirations, traditions etc. The latter reasoning gives significant attention to the business sector, in which a migrant entrepreneur is involved. If a certain sector is highly dependent on international trade, then pursuing migration may be a key feature in business development.

Fourthly, cumulative causation incorporates the notion of **human capital**. The theory states that migration is a selective process as it tends to draw rather well educated, skilled and productive people. Thus greater access to schooling in sending communities raises educational levels within the community. With higher levels of education people may expect higher returns to migration, what creates incentive to go abroad. In terms of entrepreneurs, formal education is just one way of obtaining knowledge necessary to get involved in business in a foreign country. Such skills can be also acquired through learning by doing. This, again, may take place due to embeddedness in certain traditions and social environments. Therefore in the case of entrepreneurial migration the selectivity of well skilled migrants may not necessarily arise from educational attainment, but from being within the business in a specific industry previously. This approach also gives explanatory power to the major issue tackled in this work. Once embedded in a business environment, a worker could gain incentives for turning to self-employment.

The last issue which should be considered within the cumulative causation theory is the **social labeling** of immigrants. This concept states that certain jobs which are occupied mainly by immigrants, become stigmatized. Local workers become reluctant to fill them and thus demand for immigrant labor increases. In the case of immigrant entrepreneurs the issue of stigmatization as such does not occur. Even if the market for certain good is segmented in such a way that immigrant entrepreneurs hold a significant proportion of it, it would rather suggest their high specialization in that field or some group-specific asset thanks to which they are able to generate value added. Business ownership in certain industries might thus be undesired by local entrepreneurs, but not due to negative social labeling, but rather because of high entry costs depending on the possibilities to gain industry-specific knowledge or business contacts. Nonetheless immigrant entrepreneurs, just as immigrant wage workers become an object of social reactions to their presence as an ethnic minority and market actors.

2.2. Middleman minority

The middleman minority theory (Blalock, 1967; Bonacich, 1973) deals with cases, in which immigrant entrepreneurs may have advantages over local entrepreneurs. The concept provides a good framework for the specificity of ethnic entrepreneurship. The conviction of the theory is that ethnic entrepreneurs constitute a buffer between the producers and consumers in the domestic and host economies. They can also be simply considered intermediaries between producers and consumers. The theory suggests that such communities remain alien in the destination countries. They often refer to their common cultural background. Moreover they are economically very well organized and profit-oriented. The cultural solitude and business

prosperity makes them face hostility from the local society, which may further push the minority group into isolation.

2.3. Migration networks

Another factor, which influences migrants' decision making is whether they find themselves within the scope of a migration network. Migration networks constitute of ties between migrants, non-migrants and former migrants. Relations can be of family, friendship or ethnic nature. Networks are said to facilitate migration movement because they lower the risks and costs associated with migration and at the same time they increase the potential net returns to migration (Choldin, 1973; Massey et al., 1998; Baycant-Levent et. al., 2006). Social capital gained through membership in a migration network can be utilized by migrants in order to gain support in the destination country. Networks also provide access to information prior to departure and may be influential in migrants' decision making process.

It has been noticed that migration networks strengthen the characteristic of self-perpetuation of the migration process. Every additional person involved in the network will provide a number of additional links to other individuals, increasing therefore the social capital of the network as a whole. Non-migrants within these structures form potential for subsequent movement as they can relay on the friendship, kinship and other linkages at the destination country in order to receive assistance and access to job opportunities. Following this concept Massey et al. (1998) argue that migration should be thought of as a self-sustaining diffusion process. Opposed to general equilibrium theories migration dynamics understood in such a manner yield quite different outcomes.

As stated: "Once begun, international migration tends to expand over time until network connections have diffused so widely in a sending region that all people who wish to migrate can do so without difficulty; then migration begins to decelerate." (Massey et al., 1998, pp. 449-450). Following the entrepreneurship-oriented approach though the statement above may be developed further. It seems possible that if migration is for some reason facilitated, then the threshold of a decreased momentum would be set at the level of host market saturation in terms of a given sector. The emphasis would not be on the supply side, but rather on the demand side of a migration processes.

In terms of development and institutionalization of networks it has been recognized that with time cross-border migration becomes more and more independent of the structural and/or personal factors, which initiated the process (Massey et al., 1998, pp. 450). In case of entrepreneurial migration the main pull factor for international mobility lays in certain business opportunities. Locations which stop creating incentives to establish an enterprise will

no longer be focal destination for entrepreneurs. This effect might be in place regardless of the level of institutionalization of a migration networks to that destination.

A decrease in selectivity of migration processes and greater representativeness of the sending community was also noted in case of expanded networks (Massey et al., 1998, pp. 450). This consideration may remain debatable in case of entrepreneurial migration networks, as their expansion frontier may be placed at a relatively lower level. First of all, such a specific migration is selective by definition - it must be of entrepreneurial character. Secondly, migrants have to fulfill numerous criteria in terms of start-up capital, human capital in form of skills and knowledge needed to run a business in a foreign country (Sanders and Nee, 1996) and also certain psychological features (Javillonar and Peters, 1973).

Network limitations (strict immigration policy) or facilitation (e.g. family reunification policy) operationalized by a government vary from country to country. In case of entrepreneurial migration other obstacles to business creation would have to be controlled for in order to determine the framework for network operation in a given economy. Such measures will be given attention in the following section of this thesis.

Based on the cost-decreasing role of migration networks it should be noted that networks may also narrow the scope of options a potential migrant chooses from, leading to a suboptimal solution. Connections to a particular network may provide such a decrease in initial costs of migration, that they may leave the migrant no incentive to search for alternative destinations. At the end of the day though it might have appeared that potential returns to migration at an alternative destination would yield higher profits than profits actually generated, even when costs are controlled for. The question is though, whether this feature of the decision making process remains valid when it comes to migrants, who decide to setup their own business in the host country.

2.4. Ethnic enclaves

A factor which the emigrant is exposed to after the migration process has taken effect is the structure of his ethnic community in the host country. An ethnic enclave (or immigrant enclave) can be described as a place of residence of persons from the same ethnic background (Wilson and Portes, 1980). Creating such living environments allows immigrants to overcome language barriers in everyday life, as most of their social and economic activity is said to be carried out within the ethnic community. Enclaves may give sense of belonging, protection, facilitate transactions and communication. They may also play a role in minimizing the effect of relative deprivation. Following this concept businesses established within *ethnic enclaves* address their products and services to ethnic consumers. Thus the scope of a business is quite limited.

2.5. Disadvantage theory

A case in which it is rather the lack of opportunities, that plays a significant role in the occupational choice of newcomers is captured in the disadvantage theory. Studies have shown, that extensive representation of ethnic minorities in self-employment is due to labor market disadvantages (Aldrich and Waldinger, 1990). Labor market disadvantages have their effect in a mismatch between skills of immigrants and the labor market opportunities. In consequence migrants either have no job at all, or they take up jobs, which do not comply with the level of their human capital. The limitations in labor market participation may arise from various factors such as discrimination, immigration policy, insufficient cultural capital, non-recognition of educational and professional experience, institutional barriers, information asymmetry etc. (Kouriloff, 2000; Nee and Sanders, 2001).

Any amalgamation of the factors mentioned above may effect in choosing self-employment, and so self-dependency, over working for a wage, so depending on the employer. Such a situation may be referred to as *blocked mobility* (Bingham and Mier, 1993). Within this framework the notion of *bleak social mobility* may also be considered (Mata and Pendakur, 1999). Such a phenomenon corresponds to a situation in which the occupational choices of immigrants become limited due to lack of recognition of educational attainment. Exclusion from the primary sector and disappointment with the secondary sector of the host labor market may lead to entrepreneurial behavior.

2.6. Mixed embeddedness

What is crucial for migrants to take advantage of transnational feature of their self-employment is the concept of mixed embeddedness (Kloosterman and Rath, 2000). Within this framework immigrants' economic activities should be analyzed in a bipolar setting. On one hand they are embedded in the cultural, economic and social setting of their home country, and on the other hand the characteristics of the host environment. This approach strongly argues against taking ethno-cultural characteristics of a certain immigrant population as given. A static setup for economic opportunities is also questioned. The dynamics of markets and changes in personal preferences due to processes of cultural adaptation are considered inevitable elements of any migration analysis.

Kloosterman and Rath (2000) suggest three possible levels of feasible considerations. On the microeconomic level they suggest considering entrepreneurs as an actor in a Schumpeterian setting. The entrepreneur is considered as the main engine of innovation, having the so called *Unternehmergeist*. Such entrepreneurs are said to have an orientation towards innovation. The question in place is whether immigrant entrepreneurs are able to exert monopoly power

through innovation? How do they do it - is it through innovations in their products, logistics, marketing or otherwise?

Under the first proposed framework for mezzo-level analysis immigrant entrepreneurs are said to be embedded in various social networks, which they take advantage of in order to achieve economic objectives. The level of this *social capital* may, but does not have to, give momentum to immigrants' entrepreneurial activities.

The second mezzo-level proposal has its starting point in the theory of the firm and other frameworks for analyzing the characteristics of businesses, then their owners. The question relevant for further research from this perspective concerns the place of immigrants' companies in the economic networks of various companies. Such networks could provide immigrant entrepreneurs with complementary assets which in combination with their personal characteristics would possibly lead to innovation. As it has been mentioned in the section concerning the network theory, such networks, assuming they are used, may deprive ethnic businessmen of the whole scope of opportunities which might have been worth consideration otherwise.

The third perspective puts emphasis on more general macroeconomic features. It raises the question of how do changes in the economic setting of the host country influence business decisions of immigrant entrepreneurs. In order to follow this line of reasoning it necessary to research what place do immigrants' businesses occupy within and in between sectors. Reaching this level leaves what can be considered as pull factors for entrepreneurial migration and immigrants' occupational choices.

As a follow-up the mixed embeddedness theory considers influences on immigrant entrepreneurship coming from the institutional and political setting in the host countries. Regulatory aspects and labor market conditions surely play an important role in any analysis of enterprise setup. In the case of an immigrant population these aspects may be particularly crucial as they can significantly increase the costs of setting up a business in a specific location, and therefore lead to choosing another destination. If regulations and the institutional setting are such that they give incentive for foreigners to invest and start a business, then such a setting might become a pivotal pull-factor in terms of migration.

2.7. Formal model

To formally conceptualize the link between networks and propensity to migrate we rely on a theoretical model developed by Chau (1997). It is particularly useful, because unlike other approaches (including Kondoh (1999) and Bosco (1999)) it encompasses interactions between concepts discussed heretofore, i.e. migration intensity and the formation of migration

networks¹. Contacts with e.g. previous migrants allow to decrease the costs of mobility by providing reliable, complimentary information. Once the migration process has taken place networks may also support newcomers in fitting in.

The considerations of Chau (1997) deal with a two-region setup with full employment, thus yielding that in time (t) the number of home country workers employed in the foreign country is (m_t) and the number of workers employed in the home country is exactly ($1-m_t$), while their proportion is reflected in the income differential as well. Since all workers are oriented at wage maximization while workers abundance lowers the remuneration, wages in home and hosting country respond to migrations in opposite ways.

Chau (1997) defines the variable differentiating migrants and potential migrants as the propensity to migrate, (a), which takes values between 0 and 1. Therefore the cost of migration takes the functional form of:

$$C(a, m_{t-1}) > 0 \quad (1)$$

The cost function indicates that migrants exhibit strictly positive costs of migration irrespective of their propensity to migrate and the stock of migrants in the host economy in the previous period. The cost function is further assumed twice continuously differentiable, decreasing with the number of previous emigrants (m_{t-1}) and increasing with the individual propensity to migrate (a).

Summing up, migrants take into consideration four factors, when making their decision to migrate: 1) the discount rate (β) in $Y_t = \sum_{\tau=0}^{\infty} \beta^{\tau} y_{t+\tau}$ 2) the domestic wage (w), 3) the foreign wage (w^*) and 4) the individual propensity to migrate (a). According to what has been assumed above, the life-time income of a worker employed either abroad or at home may be specified to follow:

$$Y_t(a, m_{t-1}) = \max \left\{ \frac{1}{1-\beta} w(m_{t-1}), \frac{1}{1-\beta} [w^*(m_{t-1}) - C(a, m_{t-1})] \right\} \quad (2)$$

Considering a migrant with a given propensity to migrate of (\bar{a}), the relationship between expected income [$Y = w^*(m_{t-1}) - w(1-m_{t-1})$] and costs of migration [$C(\bar{a}, m_{t-1})$] of the two output scenarios presented above are graphed as follows:

¹ Allen (2000) presents a discussion and valuable extension of Chau (1997), but for the purpose of exposition in this paper, Chau (1997) approach is sufficient. Although, the model relies heavily on the assumptions that there are no institutional restrictions to international labor mobility and that the capital and labor markets are competitive, which may be doubtful in general, but should be more suited to the phenomenon of the entrepreneurial mobility.

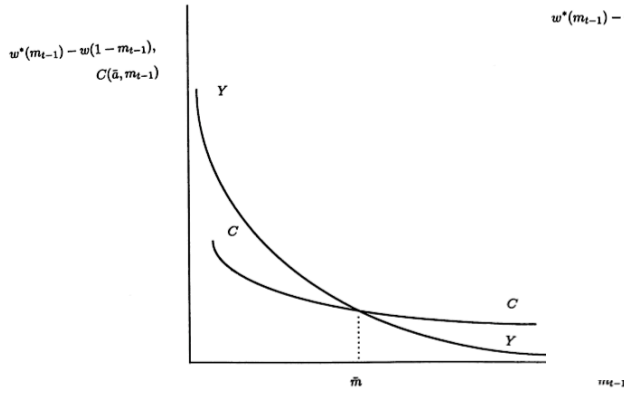


Figure 3a. Relationship between income differential and migration cost when income differential effect dominates.

Source: Chau, 1997, p.40.

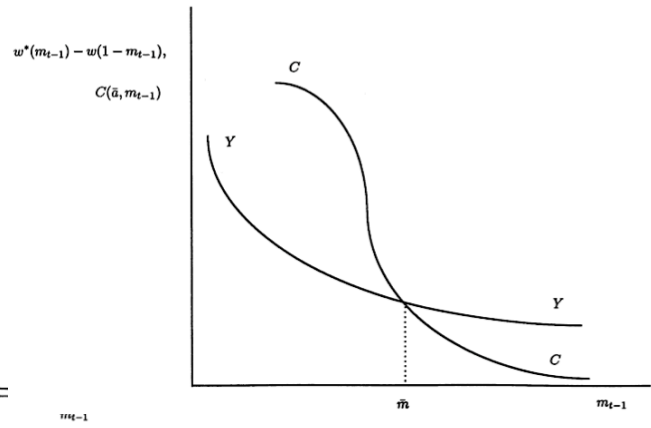


Figure 3b. Relationship between income differential and migration cost when network effect dominates.

Source: Chau, 1997, p.40.

Figure 3a represents a situation, when the income differential effect dominates. The CC curve is thus strictly flatter, than the YY curve. In this scenario migration becomes feasible for all $m \leq \bar{m}$, as only then expected income is greater than costs of migration. On the contrary, as presented in figure 3b, if the network effect dominates, migration is feasible for all levels of $m \geq \bar{m}$. In both cases (\bar{m}) indicates such a value of the stock of previous migrants (m_{t-1}), that a potential migrant with the propensity to migrate (\bar{a}) becomes indifferent whether to migrate or not. The combination of the two scenarios, in a case with a large stock of previous migrants is:

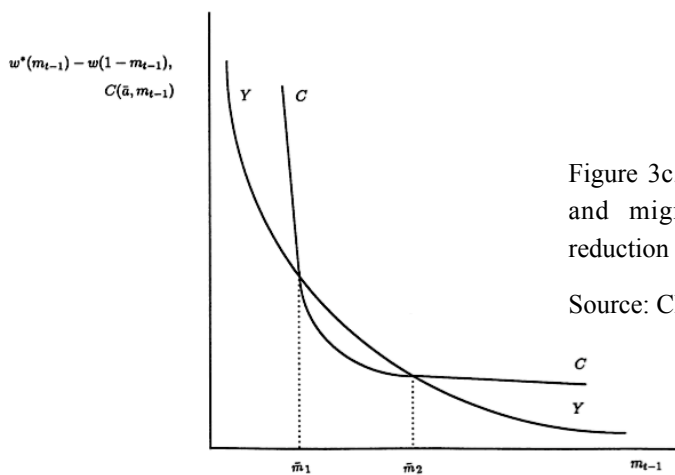


Figure 3c. Relationship between income differential and migration cost when income differential reduction effect dominates for large m_{t-1} .

Source: Chau, 1997, p.40.

In figure 3c it can be noticed that firstly, for relatively small values of (m), the network effect dominates, accordingly to what was presented in figure 3b. As the stock of migrants increases, the income differential effect overtakes the network effect and the relationship turns to the scenario as in figure 3a. The two benchmark points at (\bar{m}_1) and (\bar{m}_2) indicate the range of (m_{t-1}) such that within those numbers migration perpetuates following certain dynamics described further.

Based on the cost-benefit analysis depicted in figures 3a, 3b and 3c it is said (Chau, 1997) that for a marginal migrant mobility will take place under the condition that:

$$\frac{1}{1-\beta} w(m_{t-1}) - \frac{1}{1-\beta} \{w^*(m_{t-1}) - C[a(m_{t-1}), m_{t-1}]\} = 0 \quad (3)$$

Chau (1997) conceptualises that the degree of out-migration at time (t), taking into account the number of previous migrants (m_{t-1}), is:

$$m_t = F[A(m_{t-1})] \quad (4)$$

It should also be noticed that the degree of out-migration in time (t-1) is determined by the number of migrants in (t-2). Thus it may be considered that equation (4) reckons a self-perpetuating process of out-migration, in which migrants departing in time (t) have been affected by consequences of migration in time (t-1), which had been influenced by migrants who left in time (t-2) and so on. In the subsequent groups of emigrants we may find those people, who would not have migrated if their predecessors would not have gone abroad (Chau, 1997, p. 39).

The migration equilibrium of the dynamic process described above is a rest point of equation (4) and may be denoted as:

$$m^* = F[A(m^*)] \quad (5)$$

The condition of local stability of m^* is that:

$$|f[A(m^*)]\varphi(m^*)| < 1, \quad (6)$$

where

$$\varphi(m^*) = \{w'(m^*) + w^{*'}(1 - m^*) - C_m[A(m^*), m^*]\} / C_a[A(m^*), m^*] \quad (7)$$

Following figures depict the relationship between the stock of previous migrants and number of current migrants. The graphs show the law of motion in cases when the income differential effect dominates (Figure 4a) and when the network effect dominates (Figure 4b). The 45° line indicates the possible steady-state solutions, which may be derived from equation (4). The MM curve on the other hand shows the relationship between the number of domestic workers who have a propensity to actually migrate in time (t) and number of migrants who have left in the previous period (m_{t-1}).

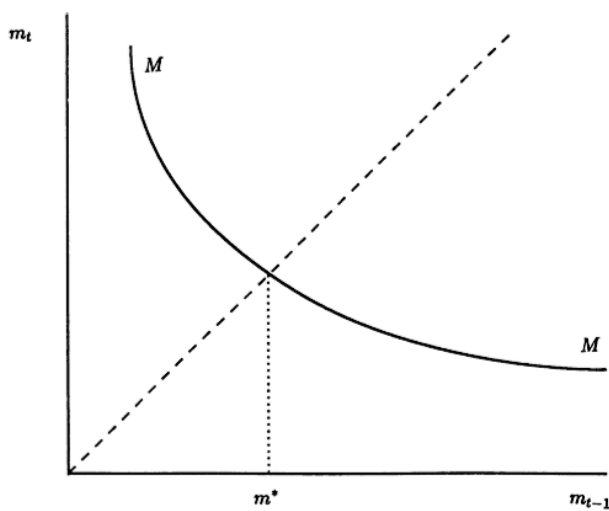


Figure 4a. The law of motion when income differential effect dominates.

Source: Chau, 1997, p.42.

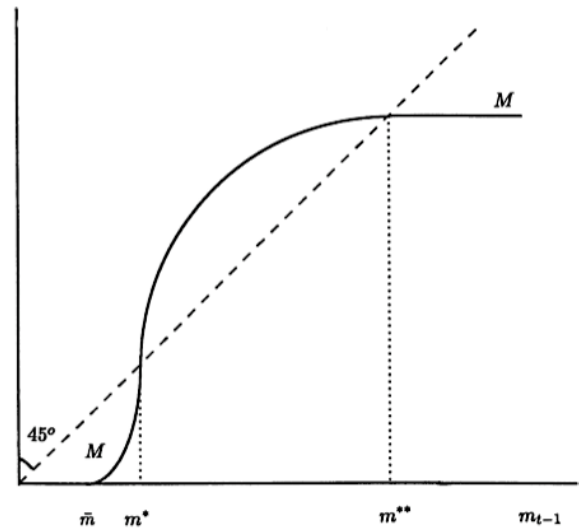


Figure 4b. The law of motion when network effect dominates.

Source: Chau, 1997, p.42.

The slope of the MM curve is given by:

$$\left. \frac{d m_t}{d m_{t-1}} \right|_{MM} = f[A(m_{t-1})\phi(m_{t-1})] \quad (8)$$

Chau (1997) demonstrates that if $\phi(\cdot) < 0$ the income differential effect will dominate while for $\phi(\cdot) > 0$, the network effect will be the driving factor.

In the case of the income differential effect domination (Figure 4a) the law of motion for out-migration defines only one equilibrium (m^*). Furthermore the curve is downward sloping. The latter is the result of income effects originating in relative scarcity and abundance of labor in both regions. The former indicates that there is only one long-run equilibrium under which income earned abroad, decreased by the opportunity cost of doing so, is larger than other costs of migration. In this setup the beneficial effect of a larger number of immigrants in the foreign country does not occur. Every subsequent migrant adds to the number of labor force, decreasing potential earnings of followers. The immigrants do not create a network, which may bring positive externalities (Chau, 1997).

As depicted on figure 4b, in case when the network effect dominates, the MM curve intersects the 45-degree line, not once as in figure 4a, but twice. The migration equilibrium at (m^*), followed by (m^{**}), indicates that such a level of out-migration can not be sustained in long-term. Above the (m^*) threshold migration would gain its own momentum. For subsequent flows of migrants, the network would generate increasing reductions in migration costs. This situation would take place until the stable equilibrium at (m^{**}) is reached (Chau, 1997)

Blending the conceptual approaches discussed earlier with the formalization of Chau (1997) we extend the framework of analysis to comprise explicitly the cost-benefit calculations of the migrants and prospective migrants. These considerations are subsequently reflected in the structure of the interviews with Indian entrepreneurs residing in two European countries. The graphical representation of the complete conceptual setup is presented on Figure 6.

2.8. Summary of theoretical considerations

The theories described above allow for a broad analysis of the considered flow of immigrants. Such a multi-polar approach creates the possibility to build a holistic framework of analysis, which can be transposed into relevant research questions.

The first category of queries deals with such issues as the push-pull factors of migration, motivations and forms of preparation for international mobility. Within the structure of the interview it is defined as the category describing the **migration decision making process**. It is embedded in the theories of cumulative causation, middleman minorities and mixed embeddedness. It also encompasses the role of migration networks, as described in the theoretical model of Chau (1997). Contrary to what has been proved when the income differential effect dominates (Figure 4a), the curve when the network effect dominates (Figure 4b), is upward sloping. This is due to the fact, that with every migrant at the destination country the number of connections grows, enabling more and more domestic workers to take advantage of the network's cost-reducing function. There also exists a situation where the law of motion indicates existence of both of the effects under consideration (Chau, 1997, p. 43). Firstly, it is then upward sloping as in the case when the networks effect dominates (Figure 4b). With time though, as the stock of immigrants increases, the income differential effect pulls the curve downward. More newcomers develop the cost-saving network on one hand, but the also create wage-reducing labor abundance at the same time.

Persons, who follow either of these two schemes can identified empirically. As it will be showed through analysis of information gathered during individual interviews, there are instances in which the network effect is nonexistent or, referring to the discussed model - the income effect dominates. Yet at the same time situations in which the role of a migration network was of crucial importance have also been identified following the conceptual model:

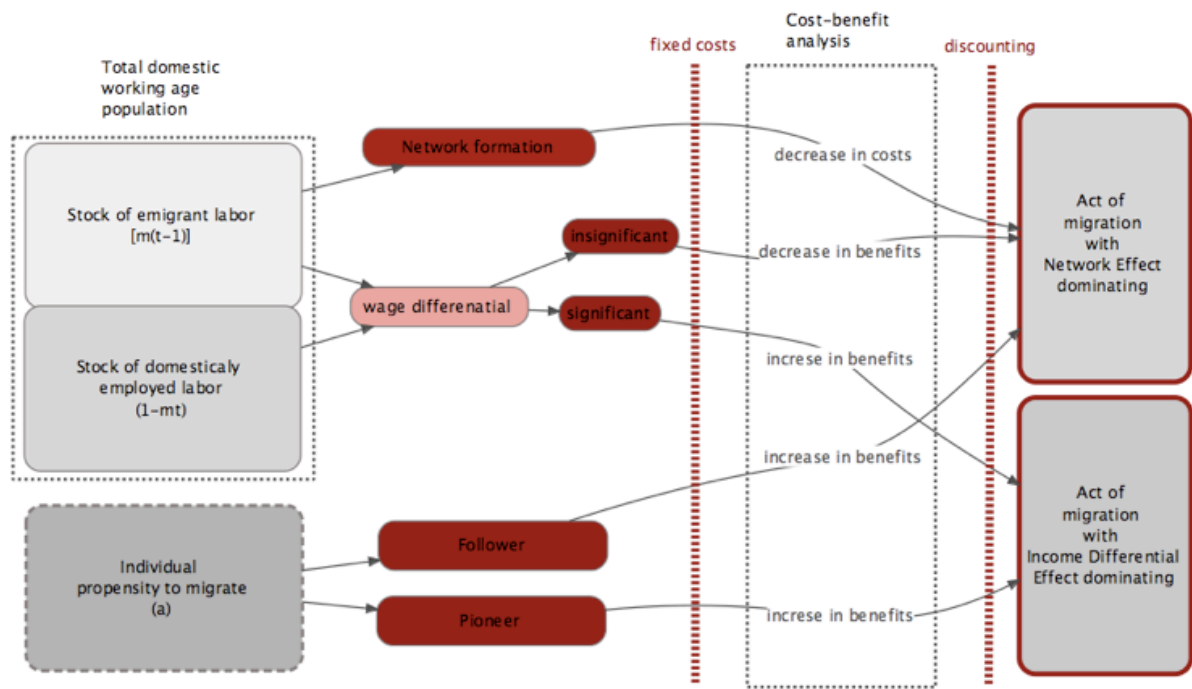


Figure 5. Setup of conceptual model.

The explanation of simultaneous existence of distinct migration patterns has been given attention in the hypothesis of this thesis. It will be argued that in case of entrepreneurial migration of businessmen of Indian origin, migration networks may be indeed utilized, but only in case of operating in an industry, where they create business value added. Otherwise they may not be even created, giving way for the income differential effect to dominate. Both cases will be elaborated upon in the following parts of this work.

The second category of questions arises from the theory of cumulative causation, the theories of middleman minorities and migration networks and it is also connected with the disadvantage theory. It researches topics connected with **endogenous, business-related issues** such as: occupational choice and strategies in business development.

The third group is connected with the theories of cumulative causation, migration networks, ethnic enclaves and mixed embeddedness. It also encompasses issues brought up by the disadvantage theory. The grouping of ideas arising from these concepts is related to **exogenous factors** affecting the analyzed migration process.

The structure described above is visualized on the figure below. White rectangles indicate issues which are on one hand related to given theories and on the other hand connected with specific arts of the interview guide:

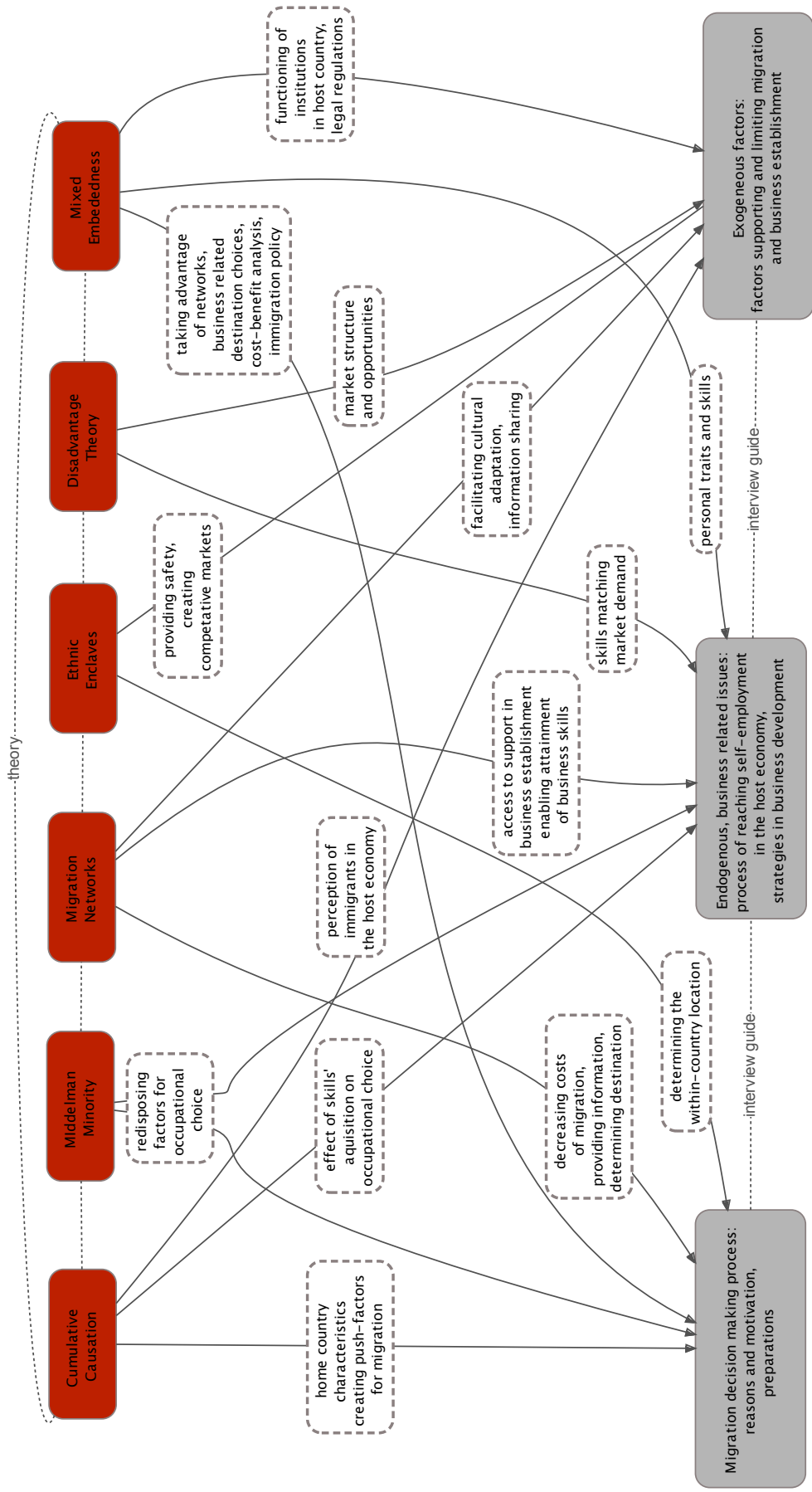


Figure 6. Summary of theoretical considerations.

3. Social and economic setting

The theory of mixed embeddedness considered in this thesis gives high importance to the socioeconomic characteristics of the host economies. The institutional setting, in terms of both - culture and market conditions, at the destination countries may affect a migration pattern in two ways: 1) by creating a significant pull-factor in the form of a familiar cultural environment and thus encouraging migration and 2) by influencing the choice of the host economy depending on the costs of starting business. The spheres of economy and culture may be either neutralizing or magnifying each other’s effects:

	strong pull factors in cultural terms	weak pull factors in cultural terms
strong pull factors in economic terms	Strong pull-factors for migration: 1) low cost of cultural adaptation 2) low opportunity cost: preferential market conditions for pursuing entrepreneurial activity. The decision to migrate is very likely, just as pursuing self-employment.	Moderate pull-factors for migration: 1) high cost of cultural adaptation 2) low opportunity cost of starting an entrepreneurial activity. If entrepreneurial migration happens, then the costs of cultural adaptation must be offset by exceptionally low costs of starting a business and/or the possibility of relating to an existing co-ethnic community through e.g. inclusion into an ethnic enclave.
weak pull factors in economic terms	Moderate pull-factors for migration: 1) low cost of cultural acceptance 2) high opportunity cost of becoming self-employed in that country. Entrepreneurial migration probable, but high costs of company establishment must be decreased by e.g. exquisite support coming from the local community, be it co-ethnic or domestic.	Minimal pull-factors for migration: 1) high cost of cultural-acceptance 2) high opportunity cost of becoming self-employed. Entrepreneurial migration doubtful. Wage-earning may be a possible outcome.

Table 1. Pull-factors for migration.

Among many institutional factors which could be considered only those relevant for proper comprehension of further findings will be considered. Thus self-employment will not be analyzed as an occupational choice, but it will be considered as a given form of labor market participation. The opportunity cost associated with pursuing entrepreneurial activities in either Poland or Belgium will be understood as a cost related to the possibility of establishing one’s own company in any other country. The first issue within the scope of this analysis will be the legal framework for immigration and settlement. Further, possibilities of entrepreneurial participation on the market will be considered. Lastly socio-cultural characteristics will be evaluated in order to complete the analysis of migration-relevant factors. Scrutiny will be given to the relatively contemporary issues, describing either the current state of affairs or the dynamics in the past few years at most. The data should therefore serve rather as a proxy for a

general business climate in terms of immigration policy and self-employment opportunities in the Poland and Belgium. Capturing precise historical developments of such policies and regulations is not the aim of this study.

3.1. Immigration policies

In the case of both countries - Poland and Belgium - current visa requirements are identical, as both countries share rules in force in the Schengen Zone. Previously the regulations did not differ significantly as well. A business trip is very often the first stage of any further entrepreneurial migration of permanent character. For such visits immigration services require Indian nationals who fall into the category of persons with independent means to present documentation concerning their (sending) company. Furthermore a reference letter from the company must be provided. It must also be clear who will cover travel expenses for the journey. Moreover, the applicant must present an invitation letter from a local business partner. In a country where migration networks, including immigrant entrepreneurs, are well established, obtaining such documents should be possible at a relatively low cost. Salaried persons traveling for business purposes have to also attach their salary slips and tax clearance documents. Travel documents confirming a reservation for an outbound journey are also necessary. If there are no formal flaws, processing a business visa takes three working days. Otherwise it may be prolonged even to 30 days. The above requirements have to be calculated as costs for a potential entrepreneur. As it can be seen they leave little place for an ill-prepared migration. Creating a prerequisite of having a significant number of previously established contacts and the necessity to present well-grounded reasons for a business trip are factors which affect the selectivity of immigrant entrepreneurs. Undertaking a business study visit is also possible on the basis of a regular visa. Then business-related references are not necessary, but an invitation letter and proof of possessing financial means for the duration of the stay are essential. As a consequence of less information disclosure, obtaining such a visa may be more difficult though, thus giving incentive to follow the business-oriented procedure.

After obtaining a visa non-EU citizens must go through further legal procedures in order to obtain a settlement permit if they want to have full rights to undertake entrepreneurial activity. In the case of Poland starting a business while being granted solely an entry visa is also possible, as it can be done during a stay on a regular entry visa. No further permits are required. In such a case though, foreigners only have the possibility to operate in a limited number of types of companies. If an Indian national wishes to eventually settle in Belgium and start his/her own business, three general steps must be made according to Belgian law. The first is to apply for a permission to work in the form of a professional card. Later one has to obtain an appropriate visa and finally report to the local authorities in Belgium in order to

receive a residence permit. The issuing of a professional card may last for a few months (Rysselinck, 2008). That being the case it might be easier to establish a company in Poland than in Belgium. The Polish officials do not require obtaining anything similar to the Belgian professional card.

3.2. Business climate

The permission to enter and stay in the country with intention to get involved in self-employment is just one part of what is required to set up one's own business. The second bundle of procedures deals with establishing the company its self. Though Poland and Belgium do not differ much in terms of the former, the latter is much more divergent. In order to have a good comparison of the regulations affecting business² establishment and development in both countries, data gathered by the World Bank will be the subject of the following analysis (World Bank, 2008).

The first measure under consideration deals with the establishment of a company. The World Bank "Doing Business 2008" report (World Bank, 2008) considers four variables which describe the easiness of starting business³:

	Starting a business			
	Belgium		Poland	
	2008	change	2008	change
No. of procedures	3	+4	10	0
Time in days	4	+52	31	0
Cost (% of income per capita)	5.3	+5.8	21.2	0
Min. capital (% of income per capita)	20.1	+4	196.8	+50.6
Overall rank	19		74	

Table 2. Easiness of starting a business in Poland and Belgium.

Source: World Bank, "Doing Business 2008. Belgium", "Doing Business 2008. Poland".

Belgium clearly scores higher as far as this measure is concerned. Though Poland has shown significant improvement by decreasing the minimal amount of initial capital needed for a bank deposit, with respect to all the variables it presents a much worse situation for starting entrepreneurs. The two procedural measures, which do not depend on the average income level, are highly correlated, as limiting the number of places to which a potential businessman has to go (number of procedures) affects the time different agencies need to issue specific documents (time in days). In Belgium the three procedures include: a visit to the bank, a visit

² The report defines a business as a limited liability company.

³ "Change" indicates change in given variable between the first year of analysis (with 2004 as the earliest possible date) to present (2008). A (-) follows variables which were considered only in the latest study and therefore recognizing the dynamics was not possible. A positive change (+) means a shift leading to a higher rank in the study. A negative change (-) means that the development of the relevant variable has led to a less advantageous situation for business.

to the notary and finally a sojourn at a “Business One-Stop-Shop” which is a gateway to the Cross-roads Bank for Enterprises and at the same time enables to register for social security taxes and provide VAT registration (Ernst & Young, 2007). The joint representations of the time, cost and procedural factors relevant for business start-up in Belgium may be presented as follows:

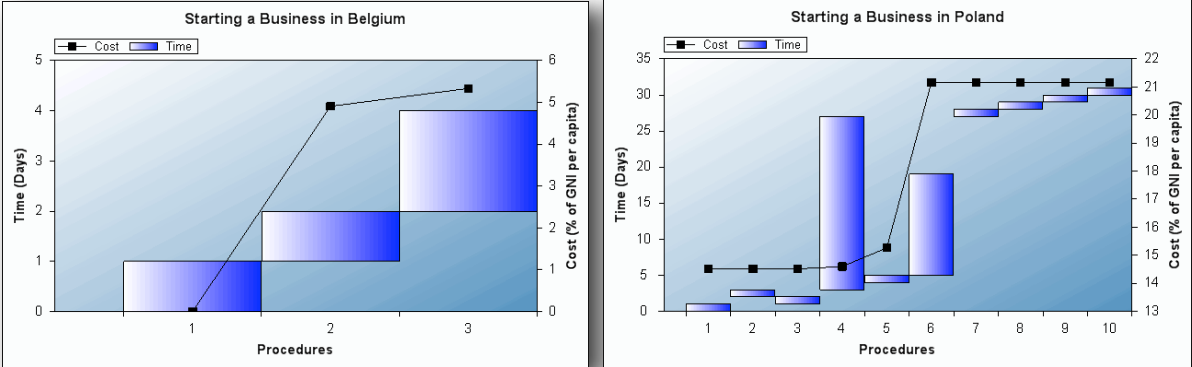


Figure 7. Procedures of business establishment in Poland and Belgium.

Source: World Bank, “Doing Business 2008. Belgium”, p. 10; “Doing Business 2008. Poland”, p. 10.

In Poland establishment of a company is much more time consuming and relatively more costly as well. Establishing a company in Poland requires completing 10 procedures. The process lasts 31 days. Compared to the most recent regulation in Belgium that is seven additional procedures and eight times longer. The costs of starting a business also work to the disadvantage of Poland. The required minimum start-up capital relative to income per capita is 10 times higher than in Belgium. The administrative costs of establishing a limited liability enterprise are four times higher. In terms of setting up business Poland’s rank has fallen by 11 positions. This is mainly due to improving situations in other countries, as the recalled numbers have been quite the same (with a slight decrease in costs) since 2004. The graphic representation of the process is given by the graph⁴ above.

The next significant aspect of the business climate, which will be relevant for the analysis of this research is the issue of employing workers. In the beginning entrepreneurs may choose self-exploitation in order to decrease the costs of doing business and allowing themselves for greater investments which would bring higher returns in the future. Yet at a certain point in time, and at a certain level of the company’s business activity it may become necessary to employ domestic, or foreign, workers. In the most general terms economies such as Belgium or Poland tend to protect their markets from foreign labor force. Therefore hiring a worker,

⁴ The consequent numbers indicate the type of procedure: 1) Notarize company agreement, 2) Apply for REGON number, 3) Deposit capital in the bank, 4) Register for tax number, 5) Register for VAT, 6) Register at Register of Entrepreneurs, 7) File amended application for REGON number, 8) Register for National Work Inspection, 9) Register for national sanitary inspection, 10) Register for social security.

e.g. form India, requires obtaining a working permit for him. This can be done only if the potential position can not be filled by domestic employees. For Belgium exemptions concern only highly qualified staff, researchers trainees or au-pairs⁵. When it comes to employment in Poland exemptions concern mainly language teachers, lecturers, interns and workers conducting very specific tasks on a short-term basis.⁶ Exemptions in both countries do not mean though, that such an employee does not need to obtain a visa with right for employment. Once an immigrant falls under the standard regulations applicable to the domestic force as well, then the employer has to face the following issues concerning labor market regulations:

	Labor market regulations			
	Belgium		Poland	
	2008	change	2008	change
Difficulty of hiring (index) ⁷	11	0	11	0
Rigidity of hours (index) ⁸	40	+20	60	0
Difficulty of firing (index) ⁹	10	0	40	0
Rigidity of employment (index)	20	+7	37	0
Non-wage labor cost (%of salary)	55	0	21	0
Firing costs (weeks of wages)	16	0	13	0
Overall rank	36		78	

Table 3. Labor market regulation in Poland and Belgium.

Source: World Bank, “Doing Business 2008. Belgium”, “Doing Business 2008. Poland”.

In terms of the regulations concerning the labor market Poland is listed as 78th, as compared to the 36th position of Belgium. Poland loses mainly due to higher labor market rigidities when it comes to working hours and other regulations on employment. Difficulty of firing an employee is also larger. Areas in which Poland creates a positive environment for entrepreneurs deal with the costs of firing and costs incorporated into the non-wage labor

⁵ Belgian Federal Public Service Foreign Affairs, Foreign Trade and Development Cooperation, “Visa to work in Belgium”. Source: <http://www.diplomatie.be>. Retrieved: 27.04.2008.

⁶ Source: Department of migration, Polish Ministry of Labor and Social policy, <http://www.polacy.gov.pl>. Retrieved: 28.04.2008.

⁷ “The difficulty of hiring index measures (i) whether fixed-term contracts are prohibited for permanent tasks; (ii) the maximum cumulative duration of fixed-term contracts; and (iii) the ratio of the minimum wage for a trainee or first-time employee to the average value added per worker.” Source: World Bank, “Doing Business 2008. Poland”.

⁸ “The rigidity of hours index has 5 components: (i) whether night work is unrestricted; (ii) whether weekend work is un-restricted; (iii) whether the workweek can consist of 5.5 days; (iv) whether the workweek can extend to 50 hours (including overtime) for 2 months a year to respond to a seasonal increase in production; and (v) whether paid annual vacation is 21 working days or fewer.” Source: World Bank, “Doing Business 2008. Poland”.

⁹ “The difficulty of firing index has 8 components: (i) whether redundancy is disallowed as a basis for terminating workers; (ii) whether the employer needs to notify a third party (such as a government agency) to terminate 1 redundant worker; (iii) whether the employer needs to notify a third party to terminate a group of 25 redundant workers; (iv) whether the employer needs approval from a third party to terminate 1 redundant worker; (v) whether the employer needs approval from a third party to terminate a group of 25 redundant workers; (vi) whether the law requires the employer to consider reassignment or retraining options before redundancy termination; (vii) whether priority rules apply for redundancies; and (viii) whether priority rules apply for reemployment.”

Source: World Bank, “Doing Business 2008. Poland”.

costs. With respect to the former Poland overtakes Belgium by three weeks of wages. Non-labor costs are over one half lower amounting to 21% of the salary. Despite it's lower overall rank, Poland could be therefore a preferential location if one considers employing staff, as it impels lower real costs associated with hiring a worker. In case of any changes in the company's development strategy, Belgium creates a slightly more flexible situation in terms of managing one's employees.

An economy requires actors operating on it's market to generate a certain amount revenue. For this set up to be a win-win game the government should most probably have a moderate level of taxation and simple procedures allowing to report and transfer the money. For the purpose of exploring how this obligation affects business the following three measures were developed:

	Tax payments			
	Belgium		Poland	
	2008	change	2008	change
Number of payments	11	0	41	0
Time	156	0	418	0
Profit tax (%)	5.4	-	12.7	-
Labor tax and contributions (%)	57.1	-	23.6	-
Other taxes (%)	1.8	-	2.1	-
Total tax rate (% of profit)	64.3	0	38.4	-0.3
Overall rank	65		125	

Table 4. Tax payments in Poland and Belgium.

Source: World Bank, "Doing Business 2008. Belgium", "Doing Business 2008. Poland".

The number of payments is takes into consideration the frequency of collecting tax revenues or at last tax reports from a company. The time measured in days, needed to prepare and process all relevant documents is denoted by the second variable. The third measure indicates the total tax rate which a company must pay in the second year of operation, controlling for possible deductions and exemptions. The fourth variable describes taxes connected with hiring labor. The final category includes all payments not included in the previous two. The total tax rate is a sum of the three measures preceding it. When it comes to paying taxes by companies in Poland, it is required to make 41 payments during a year. That is only under the circumstances that an entrepreneur pays not only the CIT (12 payments yearly), but also e.g. property tax (another 12 payments) or transport tax (two payments). Nonetheless when capturing the full scope of taxables, Belgium it is ranked only 11. Moreover in Poland the process of preparing and submitting appropriate documents takes on average 418 hours per year. That is over 2.5 times longer then in the Western European country. The overall tax rate in Poland is lower though amounting to 38% of profit, while in Belgium it bites almost 65% of the profit a company makes. Therefore, just as in the case of labor market regulations, it is

less costly in money terms to pay one's corporate taxes in Poland, but it involves greater costs in terms of complying with governmental regulations.

Opportunities for trade are the next, highly relevant factor for the conducted research:

	Trading regulations			
	Belgium		Poland	
	2008	change	2008	change
Number of documents for export	4	0	5	0
Number of documents for import	5	0	5	0
Time for export	8	0	17	0
Time for import	9	0	27	0
Cost of export	1600	0	834	0
Cost of import	1600	0	834	0
Overall rank	48		40	

Table 5. Trade regulations in Poland and Belgium.

Source: World Bank, "Doing Business 2008. Belgium", "Doing Business 2008. Poland".

Belgium was ranked 48th in world. It's rank has decreased by 2 in comparison with year 2007, though values of proxies remained the same, indicating that Belgium's climate for trade has worsened relative to other economies. Conclusions in the case of international trade are quite straightforward with respect to the Polish regulations. Though the times required to export and import goods is longer than in Belgium (by 9 and 18 days respectively), the costs of exports and imports are significantly lower. The measures do have certain drawbacks though. They do not account for trade taxes or tariffs, which in case of some tradable goods may be crucial in deciding whether one wants to start a business in one sector or another. Referring solely to the above characteristics though, Poland outscores Belgium in terms of the costs related to international trade.

Enforcing contracts indicators are the last measures considered for the purpose of this analysis.:

	Contract enforcement			
	Belgium		Poland	
	2008	change	2008	change
Number of procedures	27	+1	38	0
Time in days	505	0	830	+170
Costs (% of debt)	16.6	0	10	0
Overall rank	22		68	

Table 6. Contract enforcement in Poland and Belgium.

Source: World Bank, "Doing Business 2008. Belgium", "Doing Business 2008. Poland".

The variables give information about business-sensitive institutional quality with respect to the judicial system. In Belgium they have not shown significant variation over the recent years. In comparison the e.g. the situation in The Netherlands it scores relatively high. In case of Poland though, the measure may be discouraging for entrepreneurs, who potentially may

be seeking conflict resolution in court. Under the Polish legislation the process is encompassed of 38 procedures (27 in Belgium) and may take up to 830 days. In Belgium the case should reach a resolution in a much shorter period of 1.5 years. Again, the only positive feature of the Polish economy in this aspect are the low costs of contract enforcement, amounting only to 10% of the value of the claim.

All in all, as far as the above described variables are taken into consideration, Poland appears to have a much less business-friendly setting. The only advantages for entrepreneurs choosing Poland as their host economy may lay in lower costs mainly connected with employment of labor, but also as far as international trade is concerned. At the same time though, they would have to face high costs related to bureaucracy. The Polish Economic Freedom Act of 2004 is projected to make some of the procedures analyzed by the World Bank report easier¹⁰. Applications for registering a business entity will be simplified and standardized. The services are said to be available after 1st of October 2008. The so called “one stop shops”, already functioning in Belgium, should also be established by then. For the time being entrepreneurs in Poland still face many more difficulties, than businessmen in Belgium. It is therefore even more interesting to explore why, despite other possibilities, Indian migrant entrepreneurs chose the former country as their destination. Is it due to migration networks? What other economical factors could have offset the bureaucratic costs of operating a business? The further parts of this thesis will make an attempt to answer these questions.

3.3. Socio-cultural aspects

Apart from legal and formal aspects of the country's functioning certain social and cultural features also may be significant for immigrant entrepreneurs. Below three measures of multiculturalism will be considered: lingual, ethnic and religious pluralism.

Belgium, though officially bilingual, is geographically divided into francophone Walloon and Flemish-speaking Flanders. Nonetheless, the use of English is widespread. This factor is very significant in terms of doing business. It may even become a major criterion for choosing a business-friendly destination country. Poland is a monolingual state with Polish as its official language. Though foreign languages are taught in schools and universities, the possibilities of communicating e.g. in English are much smaller than in Belgium in general. These statements have been supported by gathered data.

The other social factor which may create a significant pull-factor may be the size of the international community, which can serve as a proxy for the level of intercultural awareness among the society. Since 1980 Belgium's foreign population has stayed at a rather similar

¹⁰ Source: Polish Information and Foreign Investment Agency
<http://www.paiz.gov.pl>. Retrieved: 15.07.2008.

level and amounted to 9-10% of the population of around 10 million. In 2004 9.02% of people living in Belgium were considered as foreigners. (Barker, 2007). Poland's registered immigrant population amounts to 64,000 people according to data gathered in 2004. That means foreigners constitute less than 0.2% of the Polish society. This number does not account for immigrants of irregular status, which may number up to 900,000 persons even, what would account for over 2% of the population (CBOS, 2004). Though even when accounting for irregular residents and permanent immigrant workers, the discrepancy with Belgium is enormous. Moreover, according to the report by CBOS, Poles perceive the role of foreigners in the country mainly through the prism of their impact on the labor market - on one hand they are keen to see foreign investment, but on the other they are afraid of competition. In quantitative terms 73% of respondents in the research performed by CBOS (2004) declared that they accept foreigners on the labor market, just 42% of these people suggested that their labor market participation should be limited to certain sectors. Over one fifth of the respondents does not accept employment of foreigners at all. Despite this significant proportion, the tendency is reported to be developing for the benefit of foreign workers though.

The last, but not least aspect, which may be considered within this section is religious fractionalization in the country. With more religions present, thus greater religious pluralism, we may assume that there is also a greater level of acceptance for alternative beliefs. According to the findings of EU's Eurasisnet Project¹¹, the Belgian constitution, similarly to the Polish one, guarantees freedom of religious practices. The Polish legal act precisely states the exemptions from this rule; these include being a threat to the security of the state, morale, health, public order or the rights and freedoms of other people. In Belgium on the other hand further restrictions to the state law may be in the competencies of local governments, as the role of regions becomes more and more significant in the country. The Kingdom of Belgium recognizes officially six religions: Catholicism, Protestantism, Judaism, Anglicanism, Islam and the (Greek and Russian) Orthodox Church. Roman Catholicism, with 8 million followers, plays the most important role though. Poland, on the other hand is said to be known as a Catholic State within the EU. Among 38 million inhabitants 34 million are said to be Catholics. The second and third biggest churches unite Orthodox Christians (over 500,000 persons) and Lutherans (nearly 100,000 persons). Due to the large discrepancies in numbers though, Roman Catholicism plays a leading role covering. Despite this being similar to the situation in Belgium, the number calculated as percentage of the total population yields a 70% coverage of the leading religion in Belgium and a 90% coverage in Poland. Furthermore, the second largest religion in Belgium (Islam) has 400,000 members which gives 4% of the

¹¹ Source: European Commission, European Studies on Religion and State Interaction, <http://www.eurasisnet.eu>. Retrieved: 15.07.2008.

society¹². In Poland the second largest religious group are Polish Orthodox who represent 1.42% of the population¹³. These numbers clearly indicate that Poland is a less pluralistic country in religious terms.

Considering the three measures described above, it is clear that settling in Poland may appear to foreigners more costly than settling in Belgium. It may be concluded that Poland has less preferential socioeconomic characteristics for foreigners in general. The issue of English language coverage is less measurable in case of both countries, yet certain premises allow to believe that familiarity with English is more widespread in Belgium, than in Poland. In terms of openness towards newcomers, measured by the number of the international community in the host country, Poland scores far behind Belgium. Religious pluralism as a proxy for being able to cultivate one's own beliefs without being commonly perceived as an alien, is also higher in the Western European state. Despite these factors Indian migration to Poland has been observed.

3.4. Trends in Indian immigration to Europe

The last part of this section will describe the forms in which the Indian community is present in Belgium, Poland and Europe in general.

Though Indian traces in Europe have been recognized several centuries BC, Indian labor and entrepreneurial migration is mostly a phenomenon of the 20th century. Its origin lays in the days of European colonialism. Indians were hired by the British, French, Dutch and Portuguese as teachers, clerks or traders in European settlements overseas. After the period of decolonization many Indians, instead of returning to their homeland, left for Europe. There they put down roots in the states of their former proprietors. Later, the period of two World Wars forced more Indians, who fought in the British Army, to scatter around the world. The result was that, again, many of them chose Europe as the place settlement. Especially that at that time war-torn Europe was had an increased demand for labor. Since then various countries have interchangeably restricted and relaxed their immigration policies towards Indian citizens¹⁴.

In 2001 it was estimated that nearly three in every 100 European residents is Indian. This includes both NRIs (Non-Resident Indians, who possess Indian citizenship, but permanently live abroad) and PIOs (Persons of Indian Origin, who have acquired the citizenship of some other country) (Lal, 2008). Gaining degrees in higher education, accumulating financial,

¹² Source: European Commission, European Studies on Religion and State Interaction, <http://www.euresisnet.eu>. Retrieved: 15.07.2008.

¹³ Source: Polish Ministry of Foreign Affairs, <http://www.poland.gov.pl>. Retrieved: 20.07.2008.

¹⁴ Paragraph based on the "Report of the High Level Committee of the Indian Diaspora", 2001.

physical and human capital allowed Indians to achieve a well-recognized position in their host communities¹⁵.

As far as the Indian community in Poland is concerned, the Indian Ministry of Overseas Indian Affairs projected in 2001 that the number of Indians in Poland amounted to 825 persons¹⁶. In the following years (2002-2004) significant Indian activity has been noted though¹⁷:

	2002	2003	2004
applications for settlement permit	28	47	59
granted settlement permits	19	30	40
applications for residence permits	570	643	666
granted residence permits	517	585	641
issued visas with work permit/visas	73/186	10/79	1/181
applications for citizenship	10	9	26
granted citizenship	3	7	9
deportation	423	482	124

Table 7. Indian immigration to Poland 2002-2004.

This data places the Indian community as the seventh largest group in terms of visa issuance in years 2002-2004. In 2005 the Indian Ministry of External Affairs estimated the Indian population in Poland to reach about 1000 persons¹⁸. Many Indian entrepreneurs in Poland found their place in the textile industry or other tradable goods. Besides that they are desired IT and computer software specialists. Indians in Poland may unite in the Indian Association of Poland or the The Indo-Polish Cultural Committee, just to name two.

In Belgium, a four times smaller country in terms of population, the Indian community in 2001 was estimated to be seven times larger than in Poland (High Level Committee on the Indian Diaspora, 2001). The main areas in which Indians in Belgium are active are software and diamonds. In terms of self-employment they also manage night shops or provide services as drivers. Individual persons operating in other industries are present as well. Entrepreneurs involved in the diamond industry have settled in Antwerp, one of the world diamond centers. They have started by cooperating with the Jewish community and eventually began to work on their own. They are a very strongly connected group, most of them come from the same region of Gujarat. Antwerp Indians may choose to be members of the Antwerp Indian Association, or one of other Indian organizations in Belgium, such as Bhartiya Samaj, Shanti Darshan or the Global Organization of People of Indian Origin with its headquarters in Brussels.

¹⁶ Source: Indian Ministry of Overseas Indian Affairs, <http://moia.gov.in>. Retrieved: 8.05.2008.

¹⁷ Source: Polish Main Statistical Office, <http://www.gus.gov.pl>. Retrieved: 13.03.2008.

¹⁸ Source: Indian Ministry of External Affairs, <http://mea.gov.in>. Retrieved: 8.05.2008.

4. Research methodology

For the purpose of this study, following the approach of Greenfield et al. (1979; cited in Aldrich and Waldinger, 1990) entrepreneurs are defined operationally as owners (co-owners) and, in the same time, managers of a business.

The main research method used is an individual structured interview. The composition of the interview was carefully designed in correspondence to the main research questions laid in the introduction, namely, under what conditions do Indian entrepreneurs in Belgium and Poland exert the functions of migration networks. The interview guide was divided into three sections, which were developed from the synthesis of theoretical concepts described in one of the preceding sections.

The first component dealt with reasons for migration and explored the decision-making process concerning the choice of the destination country. Within this part of the interview guide¹⁹ we can find queries which gave information about: 1) the socioeconomic situation in India at the time of departure (potential push-factors), 2) the purpose of arrival - whether it was establishing one's own company from the very beginning, or rather it was primarily wage-earning or some other purpose (potential pull-factors and motivation for migration), 3) why was a specific city/country chosen - whether it was the type of information possessed, contacts, coincidence (advantages of a specific location), 4) whether the migrant found himself/herself in a channel of migration which limited his/her opportunities. Further questions dealt with the notion of information gathering before the migration process took place: 1) how was the migrant prepared for migration, 2) did the information come from a personal, private contact, family, friends or maybe from some institution, 3) whether the migrant's decision was affected by functioning in a migration network. The last portion of inquiries within the scope of this research area was aimed at researching whether information providers, e.g. migration networks, may deliver misleading information or create channeling effects by limiting the scope of a migrant's possibilities. Further answers also gave insight into: 1) the strategies of dealing with lack of information, invalid or false information, 2) whether there exist institutions which help in dealing with disinformation.

The second research area deals with endogenous, business-related issues. The first questions in this part focused on the internal factors, which affected migrant's settlement for business purposes in the host country. The concepts explored were: 1) the circumstances of business establishment, 2) the origin of an idea for a business, 3) whether the network/channel supported entrepreneurship, or was reaching self-employment based solely on internal motivation and one's own idea.

¹⁹ For full interview guide see Appendix 1.

In the next phase the interview switched to external factors affecting entrepreneurial migration. Provided answers gave further information about: 1) external factors supporting self-employment in the host country, 2) whether the host market was rather open or closed for immigrant entrepreneurs. As a follow-up of the previous question the next inquiry aimed at finding out about factors which create obstacles for self-employment and their sources.

Having explored issues related to business establishment from two different perspectives, the talk shifted back to the endogenous issues, but now associated with business development such as individual strategies of dealing with threats and taking advantage of opportunities on the local market.

Lastly, external influences were brought up again in order to wind up the conversation. The final question concerned a hypothetical situation in which the interviewee was made responsible for facilitating immigrant entrepreneurship in Poland (Belgium). Such an inquiry gave further feedback concerning factors requiring further development, which currently have a negative effect on immigrants' entrepreneurial performance. It also allowed to prioritize the information received previously. Due to difficulties with explicating the question, it was later changed and asked about potential differences between being a local and an ethnic entrepreneur. Responses to a concern formulated in such a manner gave information about the specificity of being an immigrant entrepreneur, as opposed to being a native businessman.

Using a qualitative method to understand the processes under question gave much greater possibilities, than searching for answers solely by means of e.g. a questionnaire or other form of quantitative study. Among these advantages there is the notion of being able to control for any additional factors, which could have remained unrecognized in the process of constructing a fixed questionnaire. This was especially important due to the nature of the immigrant community under question. In the case of Poland the Indian business community has not been given attention within the discipline of migration studies. Therefore it was hard to initially predict what would be the characteristics of this group. Being able to amend the interview guide after conducting the first few interviews allowed to meaningfully capture the notions, which were the subject of the study. As presented in the previous sections of this thesis, the empirical studies have been also supplemented with statistical and theoretical information, as suggested by the methodology of an ethnosurvey (Górny, 1998).

The approach of Babbie (1997) has been followed when designing the construct of the interview guide. Conducting the interviews according to a standardized guide with rather open questions allowed to introduce a certain level of comparability between the provided answers. On the other hand it enabled the conversations to flow naturally, without the necessity to follow very strict rules. Such a set-up had a desirable effect on the interviewees allowing them to forget about the scientific character of the interview or the fact that they are

being recorded and thus enabling more free and open speech. These circumstances allowed to obtain answers which with high probability were unaffected by the interviewers presence.

The interviewees were purposefully selected and therefore one cannot assume the properties of large scale representative studies (e.g. based on labor force survey data or dedicated CATI-type studies). Subjects were mainly found through contacts provided by the Indian Embassies and Indian associations in Poland and Belgium. Contacts with some respondents have been established by means of personal relations with third persons. Further links were generated by means of a snow-ball sampling technique. In order to prevent a situation, in which all the contacts came from a single source, different starting points have been used. This way the probability of omitting some, maybe very interesting, information was diminished (Antoniewski et. al, 2000). An approach has been made to maintain at least some level of “soft representativeness” of the analyzed group. The final sample quite well represents the weight of at least the major industries of economic activity of the selected group. All together, the research encompasses 30 interviews. 15 of them were conducted in Poland, 15 took place in Belgium. The results were analyzed in the search for common characteristics, but also without prejudice for traits not falling into the scheme.

All interviews were recorded. Interviewees were informed about the recording and have expressed no objections to the procedure. Everyone was assured that the information gathered by means of the interview will serve purely academic purposes and that the audio recording will not be published. Snow-ball sampling yielded the following map of interrelationships between all institutions, interviewees and third persons involved in the process. The form of establishing the first contact with interviewees has also been noted:

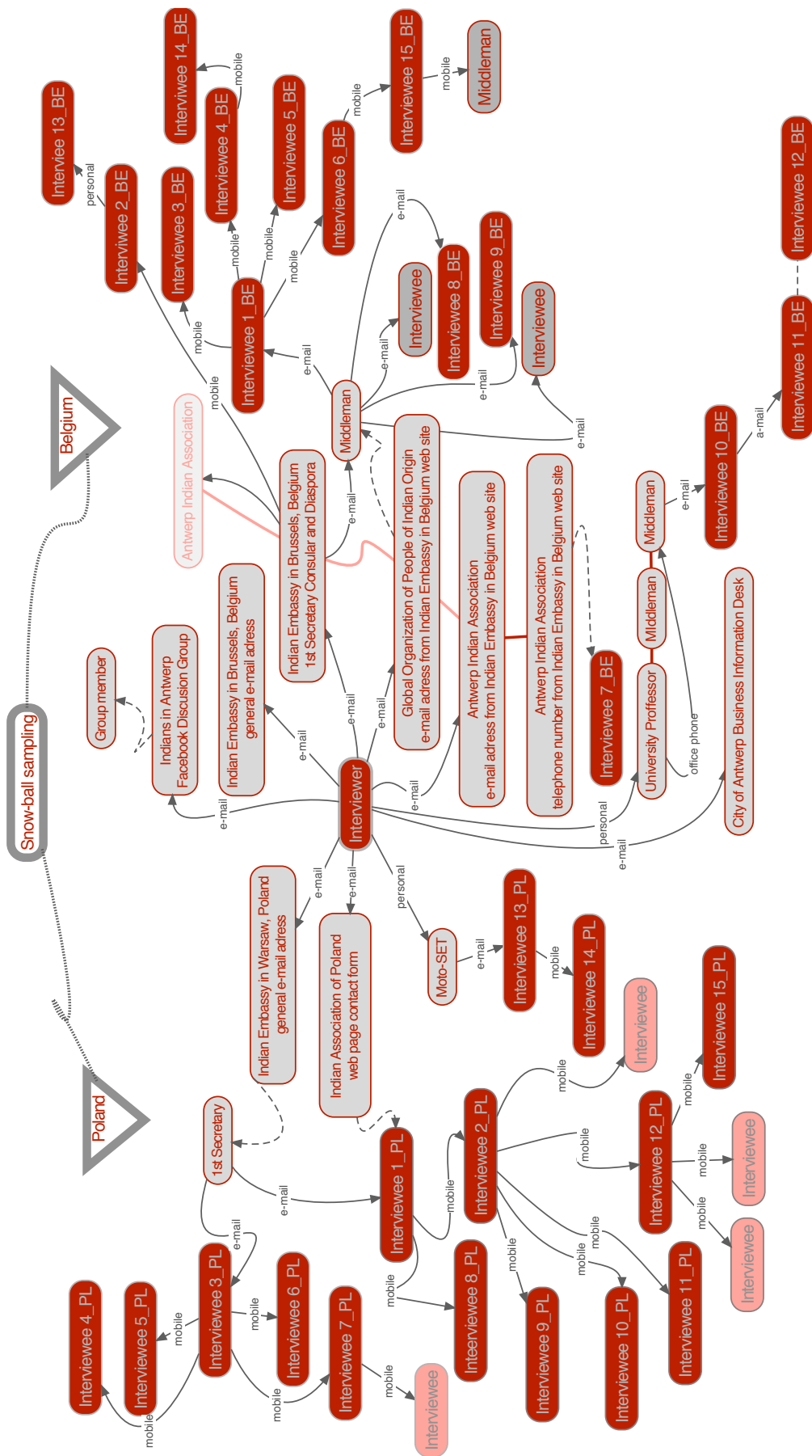


Figure 8. Snow-ball sampling.

As it can be seen in Belgium it took a greater effort to establish any contacts. The number of first-contact institutions and people (grey nodes) is much larger and therefore technically the distance to the first interviewee (red nodes) was much larger as well. This fact might be quite surprising due to the scale of Indian immigration to Belgium, which is far greater than in the case of Poland. A possible explanation of this feature may lay exactly within itself. In a larger community, where the Indian minority has a well established position in terms of the economy and social relations, researching such a topic, may be considered not of high importance. The effect of dilution of responsibility may also take over. Members of the group may have thought that due to the large number of members of the Indian diaspora in Belgium, establishing contact by means of another channel would not be difficult. Within the relatively small Polish community of Indian entrepreneurs providing support may have seemed more important, as there were not many alternative sources of information available. In both countries though there were people (either interviewees or middlemen, with whom an interview was not carried out), who were most helpful and were able to provide a number of further contacts. Such persons can be identified by holding rather central positions (with most out-going nodes) on the map.

5. Research findings

The findings of this research will give insight into the migration process of Indian entrepreneurs, who decide to settle in Poland and Belgium. The following sections will summarize feedback obtained by means of semi-structured interviews. After analyzing subsequent stages of the migration process, the role of migration networks on that specific level will be also evaluated.

5.1. Source country versus country of origin

This section deals with the issue of the source country for the interviewed migrants. It is usually considered that immigrants of a certain ethnic origin come to a foreign country from their homeland. The latter therefore is considered the “country of origin” and the former “the host country”. In this case the “country of origin” is purposefully named the “source country”, as this term better reflects the research findings. In a vast majority of analyzed cases the interviewees had previous international experience of working or leading a business in a

foreign country. These included such locations such as Thailand, Bahrain, Dubai, Singapore, Indonesia or Latin American locations.

This notion creates a very specific setting for analysis as these migrants start constituting a community of transnational character. This situation also alters the consequences of migration as proposed by the theory of cumulative causation. Immigrants in a third country, who further emigrate to a given destination have only an intermediate effect on their ethnic societies. They rather influence the host community of primary destination. Furthermore, once the first decision to migrate has been made, subsequent acts of migration are choices with not only the home country as an alternative, but also preferences against staying in the primary destination. Despite this complexity of the decision making process, the bottom line in all cases is that no matter whether the migrants move from their home country or some third location, their aim is to maximize profits. The reason for excluding risk diversification from the set of possible reasons for migration will be discussed later.

The differentiation between the two is important to be acknowledged as it affects the push-pull factors, the possibilities of information gathering and the coverage of migration networks as well. The costs of migration may be also considered different depending on whether one has already had international experiences or not:

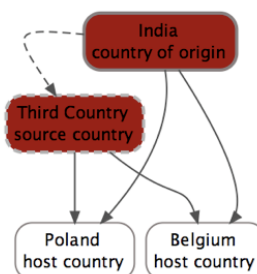


Figure 9. Migration scheme.

The notion of more complex mixed embeddedness works for the benefit of migrants in this case. It has been found, that entrepreneurs for whom the source country was a third country, so who have had previous experiences in finding their way in a country other than India, have declared less incredulity in terms of cultural adaptation:

“You know, I am more international, than Indian[...] There has been a lot of movement like from Dubai. They would not like to come to Poland strictly from India. Language-wise it is a serious problem.”

Interviewee 10_PL

“If I first came to Belgium straight form India there would be things that shock me, but before I spent some time in the United States.”

Interviewee 8_BE

Imposing the notion of migration networks on this level of analysis may indicate some correlation with coming to the destination country directly from India. The results of this evaluation should not be considered as concluding the topic though. The following stages of analysis will bring more insight into the determinants of network functioning.

5.2. Reasons for migration

Once it is clear where an entrepreneur came from it is possible to full analyze his reasons for migration considering both pull and push factors of migration. The economic analysis presented in the previous section, will now look as follows:

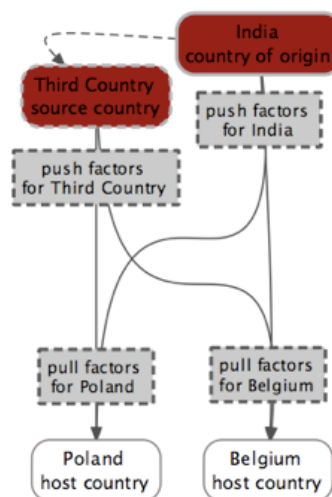


Figure 10. Migration scheme with push-pull factors.

When analyzing the push factors for migration, we can find the embeddedness of migrants in business activities connected with migrating in search for better business opportunities:

“There are parts of India, where people do more business - like Sindhi or Punjabi. Maybe this is on our blood. When there was partition of Pakistan and they migrated to India from Pakistan.”

Interviewee 2_PL

“I come from the north of India - Rajasthan, and there people are business oriented [...]. This is because the roots where I come from - it is all desert, it is extreme, nothing grows, so someone has to go out of Rajasthan. There is no mineral resources, so we go out.”

Interviewee 15_BE

Such testimonies are a good exemplification of a culture of migration, as predicted by the theory of cumulative causation. Having all family members and the surrounding community involved in international and entrepreneurial migration, an individual has greater incentive to go abroad as well. Moreover, at this point we can predict that being embedded in such an environment a potential migrant has significant social capital which he can use as a migration network in order to decrease the costs of international mobility. In that way such networks established in given destinations can at the same time create strong pull factors for migration.

Apart from being embedded in a culture of migration, other push factors were also recognized. They originated in the macroeconomic situation in India in case of direct migration, or in some other source country:

“In India there was much more competition.”

Interviewee 4_BE

“I was in Indonesia. There was a big devaluation, fall of president Suharto, so this affected business. Then I decided to move. I thought of going back to India, but then I came here, that is why I came for the visit in 1998. India is a very competitive place.”

Interviewee 7_PL

The decision to migrate could have been also the effect of personal preferences and dissatisfaction with the economic situation on household level:

“100% of job satisfaction was there [in India]. But when I had my first son I wanted to give him the best [...]. Even after working 14 years my bank balance was 0. I was not in a position to save any money [...]. I had not enough funds to save for the future. Somebody in mind was saying: do something!”

Interviewee 9_PL

The response to the conditions mentioned above could be twofold. The simplest differentiation can be made between migrating with an objective to start one's own business

or not. Within the latter set of possibilities there may be educational purposes or employment. In Poland and Belgium the proportion of interviews who have declared business objectives of migration as opposed to non-business objectives was quite the same - 10 to 5. Although in Belgium interviewees who did not come with the main reason to start their own business were those, who traveled in order to gain higher education. In Poland on the other hand the primary non-business objective was working for a wage.

As far as the general trend of migrating with the objective to establish a company is considered, it diminishes the meaning of risk diversification or expanding the scope of income sources. In case of the interviewed Indian businessmen, it should be rather understood as a pure form of income maximization:

“I had to be close to the customer, to have a bigger turnover.”

Interviewee 8_PL

“I came here for business and the only reason why I could move out would be for business as well - for bigger money.”

Interviewee 15_PL

“That was the main reason why I came to Belgium - no family, nothing, just business.”

Interviewee 9_BE

Another argument which supports the income maximizing character of the analyzed migration process is that in all but one cases, establishing one's own business was considered with a rather long term perspective:

“I knew that if I want to do it well and in a proper way, then [...] I have to settle here. Then, in '95 '96 I decided that I want spend all my energy on my business.”

Interviewee 9_BE

As it has been mentioned, most of interviewees came to their destination country pushed by worsening economic situation at the place of their residence. Yet this situation may not necessarily mean worsening conditions in general, but rather a worsening economic position of the migrant, relative to his reference group. Considering this and the major goal of all interviewees, which was business establishment does not allow to distinguish a clear trend in terms of network functioning. Among the interviewed entrepreneurs who came to Poland or Belgium with a business objective there were some who clearly did take advantage of

network support. Yet there were also those, who declared that they did not participate in any migration network prior to arrival. On this level of analysis it is impossible to provide a clear explanation of why this is the case.

5.3. Destination country/sector determination

After an analysis of the country of origin and migrants’ motivations for migration, the next stage will deal with the determinants of destination country and sector selection. The interviewees represented several business sectors. The distribution with respect to the two host economies is as follows:



Figure 11. Sectoral embeddedness of interviewees.

As it can be seen the types of industries dominant in both economies are quite different. In Poland most of the interviewees were involved in the textile sector. This feature seems to represent the main area of Indian entrepreneurial activity in Poland quite well. In terms of endogenous factors which were responsible for selecting this sector in case of Indian businessmen in Poland are those of personal nature:

“I have no idea about any other business, so I have to be in this branch [...]. My father taught me textile doing. We are four brothers, we are all in textiles.”

Interviewee 12_PL

This again is consistent with the concept of being embedded in a culture of migration. On the other hand there are reasons for choosing Poland as the destination country for locating business within this sector:

“There are very few countries in the world which are popular for stitching. Poland is popular.”

Interviewee 8_PL

“It was after 1989. Everywhere in the world you had to give credit for textiles, but Poland was the only country where they bribed traders just to give them some goods.”

Interviewee 2_PL

This industry-specific preference for a given location is quite an interesting finding, as it implies that most often migrants do not make choices from a wide variety of potential destinations. They are rather highly limited to those destinations, where they can make use of a comparative advantage. In case of Poland it was sewing and stitching which gave the economy a preferential position for entrepreneurs dealing with textiles and garments. The interviewed businessmen made conscious choices with respect to the comparative advantages of a given location. In terms of network functioning this further suggests that even if in such cases migration networks did work, their channeling role is not dominant. Any possible channeling rather takes place due to location specific advantages for certain businesses.

Apart from the preferential conditions for locating specifically textiles on the Polish market, there were also other general reasons, which created rather beneficial conditions:

“You have seven borders, good transport conditions, it is comfortable here.”

Interviewee 8_PL

“People from such places like Tajikistan, Serbia, Yugoslavia, Russia come here and buy from our customers, whom we supply. We wanted to extend to Germany or Russia, but the business conditions are best here. In Germany there are not as many customers and there are higher expenses. Poland is a very suitable place for us.”

Interviewee 8_PL

These were also considered a feasible pull-factor for other businesses such as trade in household appliances - the second most frequently researched area of business operation in Poland:

“Goods are sold in good quantity, like common items, the demand was there, and the market was a cash market, and this is very important.”

Interviewee 3_PL

Arriving at a given point in time was considered of high importance as well:

“If you go to a developed country it is more difficult to start. You require more capital and more professionalism. But if you go to a developing country then your prospects are more, that is why I came to Poland.”

Interviewee 5_PL

“Now there was democracy, naturally such countries start developing very fast. A lot of businessmen, that made me decide to come to Poland and see what I can do here.”

Interviewee 7_PL

As we can see in the statements presented above, in business terms, Poland creates strong pull factors for Indian businessmen. The effect was especially powerful when the market just started to develop in the early ‘90s. Poland’s locational advantages for the textile sector gave strong incentives to migrate for Indian entrepreneurs embedded especially in this industry.

As far as Belgium is concerned the diamond industry was the major business sector under examination. This situation, just as in case of the textile industry in Poland, also reflects the global sectoral distribution of Indian entrepreneurs in Belgium quite well. And similarly to the Polish textile business, the representatives of this sector have most often chosen it due to embeddedness in family traditions:

“Diamonds [...] it is our family tradition.”

Interviewee 10_BE

The specificity of the sector implies that if anyone wants to develop their business and go international, their aim would be to establish business in Antwerp sooner or later:

“Antwerp is the source of rough supply. All the diamonds from Africa come and are sold here. On the other hand there is business for polished diamonds, so the ones which are used by jewelers in Europe.”

Interviewee 4_BE

“The good thing is that all of them [diamond traders] are located here.”

Interviewee 4_BE

Other characteristics of Belgium as a good business location have also been recognized, not only by the diamond traders:

“When I decided to branch out on my own I chose this location because it is central, the petrochemical industry is very well developed here and within a 600 km range of Belgium you have a huge market. There was a big potential in being here [...]. The port is here, which is also very convenient.”

Interviewee 3_BE

“I came here and I found that people are very trade oriented, international, linguistic, receptive to new ideas, hard working so I thought that this the place where I should start, and it is the center of Europe.”

Interviewee 15_BE

“Here in Antwerp the competition was not so much. In India there was much more competition.”

Interviewee 4_BE

Income maximization in the analyzed cases was considered with respect to comparative advantages of the migration destination, just as in the case of Poland. This notion seems to be a visible characteristic of entrepreneurial migration:

“In England I heard there are a lot of people, who are doing different kind of business to India. My value addition may not be as substantial as it would be here in Belgium. My business is recyclables. [...] I knew that if I settle here, I can add value.”

Interviewee 15_BE

Apart from all the benefits of locating business in Poland or Belgium, interviewees in both countries recognized certain issues which increased the costs of establishing a business:

“There was no banking system in those times. When you wanted to withdraw money you had to write a check in Polish and there could be no mistake. ”

Interviewee 11_PL

“I am self-employed, but I now from others that it was hard to find an employee because of the business we are in - it is high value, a lot of diamonds. It is hard to trust.”

Interviewee 4_BE

Despite the fact that difficulties connected with business establishment occurred in both countries, only in Belgium Indian entrepreneurs took advantage of migration networks in order to decrease the costs of establishing a business:

“I think it was only the first pioneer who had the problem to settle here, but the next people had someone to guide them.”

Interviewee 6_BE

In Poland entrepreneurs rather followed a do-it-alone strategy, just as in the situation quoted above:

“...so I went to the guard, gave him 1000 PLZ, wrote the figure and asked him to write it for me and I copied it.”

Interviewee 11_PL

The selection of the destination country was not only of business nature though. The decision process also captured migrants' cultural preferences:

“And the people... for some reason I really liked the people, they were friendly to me.”

Interviewee 10_PL

“Here it is a country where one can stay and live and also do business.”

Interviewee 9_PL

“The European school is here, very close.”

Interviewee 1_BE

In both countries migrants faced problems with regard to cultural adaptation though:

“When you come to Europe, the problem is the language. We spoke Indian languages, but basically we were English speaking, so a natural choice was UK and Ireland, but

they are islands and there are too many Indians there. We decided to be in mainland. So in the mainland it was Holland or Belgium. In Holland we could open a business, but we did not like it per se. It is a very very open society [...]. I saw people selling drugs [...]. So we did not want to raise our children in such an environment. Belgium is a bit more conservative. there you see sex shops open in the middle of the street. For us it was a shock when we came from India or the Middle East.”

Interviewee 1_BE

“We make bread at home every day and the quality of the flower here made it impossible. And we still don’t get as many vegetables as we get in India, but it was still better then in New York.”

Interviewee 6_BE

“Everything was in Flemish, we are vegetarians, we did not know what to buy.”

Interviewee 4_BE

“It was easy because people spoke English I tried in Spain and in Germany later, but it was not so easy.”

Interviewee 4_BE

Interestingly though, the businessmen interviewed in Poland of course also recognized the difficulties connected with language, yet despite that they decided to start business in the country:

“Language was a big problem, I never knew this Polish language [...] as I said - I hired a translator. Slowly he arranged everything. I hired two girls who could speak English.”

Interviewee 2_PL

“I had no translator. I had to pick up on my own. It was a bit hard in the beginning, but I bought books with pictures and translations. So interest helped me. Younger people knew English.”

Interviewee 6_PL

The fact that migrants of the same ethnic origin chose to migrate to both destinations makes it clear that business-wise culture or institution related issues are of secondary importance. If business opportunities are satisfactory enough, they may cover up for any costs of cultural adaptation such as e.g. the need to learn the local language or changing one’s lifestyle in

certain aspects. The opposite was never the case. We may believe that Indian businessmen had greater challenges in a Polish-speaking country, which had major gaps in the legal and banking system, then their colleagues in English-speaking, institutionally developed Belgium. If cultural and institutional issues played a major role and were not offset by high potential returns to business establishment Indian businessmen would lack incentives to migrate to Poland.

Another level of the destination selection deals with within country locations. Both in Poland and Belgium businessmen belonging to the two major groups involved in textiles and diamonds respectively, showed a tendency to cluster in specific locations. According to the theory of ethnic enclaves we should think that such a strategy serves the purpose of facilitating communication and transactions within one ethnic group. The findings of this research point to very different determinants though. The Indian “textile enclave” in Poland is located in Janki, on the outskirts of Warsaw. For the residing entrepreneurs the location selection was done on the basis of economic objectives - proximity to the road to Łódź (textile industry center), on one hand, and a location near the country’s capital for purpose of contacting any central agencies on the other. The presence of other textile traders has also been found beneficial due to the creation of strong pull factors for the clients, who can find a range of products in one location. Such an approach is consistent with some concepts of industrial organization, which state that clustering in a given location are integral to a firm’s success (Clark, Feldman, Gertler, 2003).

The Belgian, and global, center for the diamond business is located around two streets in the city of Antwerp. Locating an office there was lead by business objectives as well - access to other traders, accountants, shipping agencies, banks etc. Just as stated in the following quotation:

“It made life easier, all you have to do is knock on doors.”

Interviewee 4_BE

Thus as it can be seen, locating a business in the same place is not a culture-oriented strategy for Indian businessmen, as suggested by the theory of ethnic enclaves. They rather focus on business objectives when making this decision. Thus we can conclude that not only the destination selection, but also the within country location are chosen based on a preference for operating in a given business sector.

This, furthermore, depends on the migrants’ previous job experiences. In such an intermediate manner, the destination country and the industry choice for establishing business are clearly correlated. Due to the previous investments in one’s own human capital, as described by the

theory of cumulative causation, migrant entrepreneurs would rather continue to operate in the field, in which they have expertise: a professional embedded in the textile or diamond industry will aim for locations, where he can get the most out of his branch of industry. Others, who have knowledge on certain markets or products not through family traditions, but by working within a given sector previously, will also search for locations where they can benefit from the potential income differential.

When analyzing the role of migration networks on this stage a differentiation should be made between the country selection criteria and industry specificity. On the country level, again, no clear pattern of network functioning was observed. Both in Poland and Belgium there were entrepreneurs, who took advantage of migration networks and there were those who did not. Thus we can say that country-specific macroeconomic features do not have large explanatory power in terms of the analyzed migration process. Yet we must remember about the destination country-industry correlation mentioned above. On this level of analysis it appeared that when operating in certain business industries one might be more susceptible to functioning within a migration network:

“I was somebody, whose father they knew[...]. The diamond business is all about trust - you need a family member here. If I go with you to all the offices to buy goods, they know you, so they buy from me. If after 20 years they know you, then you can stop with the middleman.”

Interviewee 10_BE

“The diamond business is closely held. It is probably people who are related to each other, or who know each other. If you came here to sell or buy, no one would work with you, because I know nothing about you. [...] You convince people with your connections. Diamonds is more about relationship than anything else. Products do sell, but the product is not as important as the person. Say - gold. Gold is simple. 24 carat gold is the same all over the world so you can buy from anyone without even having to think. But with diamonds it is different. The value you perceive can be different between individuals. It is not standardized.”

Interviewee 4_BE

If entrepreneurs were lacking such social connection, they knew that they had to look for opportunities in other sectors:

“I did not want to do diamonds, there was no way I could add value to it. I have no knowledge in diamonds, it is too personalized.”

On the other hand there were sectors, in which the value added from being in a certain network was not recognized and migrant entrepreneurs could well manage on their own. Such an industry were textiles:

“They were not helpful. They thought that I am a new guy and I will compete with them. That was what I expected. The same was in Moscow, it was the same response.”

Interviewee 5_PL

Once having to face such circumstances Indian entrepreneurs found ways to overcome any difficulties connected with business establishment. This process was linked with higher costs of gathering information though:

“As I came here I hired a good translator and a car and went to places where they sell garments [...]. I also got information from some big customers - what they are buying, what they would like to buy for next season.”

Interviewee 2_PL

Other business, involved in more general trade also proved to be purely demand driven, with disregard of personal recommendations:

“Did I do market study? No - it was basically intuition. You feel what might sell good. You have people who say that if you bring it in, then we will buy from you.”

Interviewee 11_PL

“My type of business is not one in which you need contacts, at least not in those days.”

Interviewee 8_BE

The analysis presented heretofore clearly signals that in the case of some industries migration networks have full coverage, and in others their role is clearly marginal. In order to provide evidentiary support for this statement, the next section will deal with the issue of acquiring job-specific human capital. Following the theoretical concepts presented in the beginning of this work, we may assume that taking advantage of migration networks would be mentioned specifically in this context.

5.4. Information sources

This element can be further divided into two distinct parts: 1) knowledge and job-specific skills acquisition and 2) country-specific information gathering. As far as the former is concerned Indian businessmen in Poland and Belgium seemed well prepared for the activity they decided to pursue. Their knowledge came from 1) formal education or 2) previous job experience either as an entrepreneur or employee. In most instances though, the latter was the case:

“If somebody’s parents are in business, they drop out of school and join the business.”

Interviewee 6_BE

“My family, my father and uncle were all in this business. I started helping them since I was 15 years old. I had good background.”

Interviewee 8_PL

“I worked for a big diamond company in India and they wanted to move me here, there was no sales of polished diamonds and that I came to do here.”

Interviewee 6_BE

The scheme of the second category of interest to this section, combined with the risk it yields for a potential emigrant may be presented in the following way:

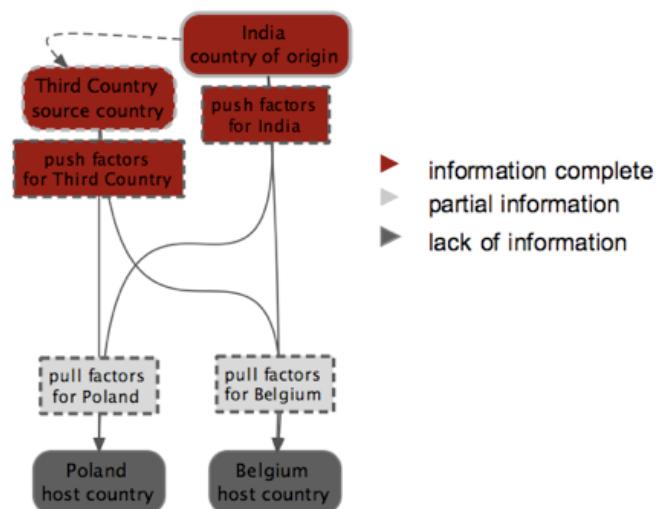


Figure 12. Information imperfections.

The elements in burgundy indicate areas, in which the information possessed by the migrant is rather complete. It comes from his experience on the market in the source country. Further, in light grey, there are issues, concerning which a migrant has limited information. These constitute e.g. pull factors to the potential destination:

“There were people from Poland visiting our country, I was actually living in Hong Kong. It was a new market and they were looking for everything - from small products, to very big products, and this contact brought us here.”

Interviewee 3_PL

“My head office was in Dubai and if you have good contacts with the shipping agent [...] who is a mediator, he needs more business so he would come and say that someone is exporting a few containers a month, why don't you? It is the information we got from agents in Dubai, from suppliers in Korea - they knew they are hot sale in Poland and that they are making money there.”

Interviewee 2_PL

“I had information, but only from spedition companies. They gave you information such as this and this importer is doing very good business in Poland [...]. It is not that I knew everything when I came here.”

Interviewee 6_PL

“I had really poor information about Poland because my French and my American friends did not give me good information. There were like: wow, Poland? What are you going to do there? Be careful!”

Interviewee 10_PL

In case of emigrants to Belgium, knowledge about the country was on a moderate level as well:

“In India many people know about Antwerp that many people come and do business here, but other than that...?”

Interviewee 6_BE

“I had this general, cliché view of Belgium - diamonds, close to the Netherlands.”

Interviewee 8_BE

“[Knowledge about Belgium was] not much, except that it is a small country and that there are a lot Indians here doing diamond business.”

Interviewee 15_BE

“I did not know much about Belgium.”

Interviewee 10_BE

As it can be seen the interviewed businessmen did not have complete knowledge about their future host markets. Out of 15 Indian entrepreneurs interviewed in Belgium only two of them declared they did know sufficiently enough about the country and its business environment in order to be able to settle. In the case of Poland there was one such person. The information gap present in decision making process of others had to be filled by other means. In this aspect we find further support for the hypothesis of this thesis.

Means by which migrants gather information in order to cover up for any imperfections range from those which reflect a rather do-it-alone strategy to those which are highly dependent on others. In the first category we find such cases:

“I gather information from Panorama Firm. It has information in English. And it is common sense what you need to see who you have to see. And the embassy was helpful.”

Interviewee 6_PL

“I went around Eastern Europe to pick a country for my base. I went to Czech, Slovakia, Ukraine, Austria and Poland. I spent one week in each of these countries [...]. Then I stayed here another few weeks - I contacted a lawyer, a customs agent. ”

Interviewee 6_PL

“Lawyers, Polish lawyers - they know the regulations, they are the people who help you.”

Interviewee 2_PL

“We surveyed from India - we studied the map, we had news from our customers and our suppliers.”

Interviewee 8_PL

Among the strategies in which information gathering was done without the utilization of migration networks, we can also find those, which encompassed working for a wage in the destination country at first. After acquiring sufficient skills and knowledge a wage-worker would opt for establishing his own business:

“I worked for them [an Indian textile company] from 1994 until 1998. It was a nice way - you have ideas, you now sources of textiles. Then I started my own in 1998.”

Interviewee 2_PL

When asked specifically about the support of other migrants the responses in Poland gave quite a clear picture:

“There were no Indians here before me. I was the first in 1988. I only had information from Polish people.”

Interviewee 11_PL

“No, the Indian community never helped me, they treat me as a competitor [...]. If you spoke to Indians at that time, they were discouraging.”

Interviewee 2_PL

“I do not see the Indians here in that way [helping]. They rather told me that I came too late. I preferred not to do it that way. I thought they are misleading me.”

Interviewee 6_PL

“Let’s put it this way - they will never throw you out. But they will help only so that you don’t get into trouble. The thing is that he was there and he wants to protect his piece of pie. Trade secrets is not to let go. They may try to discourage, but they will not put someone into problems.”

Interviewee 14_PL

The statements quoted above all come from Poland, mostly from the dominant industry of trade in textiles. As it can be seen, these strategies were mostly the effect of thinking in competitive terms. Despite this ungenerous support, all the interviewees who provided these answers were currently prosperous businessmen. Thus we may say, that the specificity of their

business did not require them to participate in an extensive network in order to achieve success.

On the contrary evidence from Belgium and the diamond industry shows that networks were crucial in providing support for newcomers to the market:

“When I came here there were already some Indian families here, so I had some friends who helped me out with business. We had a lot of contacts before I came, it was not that difficult to get around. They were also in diamonds. Through these Indian families I got acquainted with other business [...]. Whenever a problem came up we used the help of the professionals and the diamond community. The diamond community in Antwerp is a tightly knit community.”

Interviewee 7_BE

“I knew a few friends here. Some of them who came before and were quite well settled. This motivated me also. Because for sure one has to have links with some people.”

Interviewee 3_BE

“I think it was only the first pioneer who had the problem to settle here, but the next people had someone to guide them.”

Interviewee 6_BE

The do-it-alone cases in Belgium were also recognized, but they all came from outside of the diamond industry:

“Interestingly it [a source of information] was my bank. The bank manager became my friend and they put us in touch with an accountant, who gave us other ideas. The other knowledge I knew about like making a business plan, but I did not know how to get a VAT registration etc. and this accountant helped us, charged us for it.”

Interviewee 8_BE

“With things like accounting I like to go with companies like KPMG. The first thing I did was that I went there. I did not have personal contacts [with the Indian community] at that time.”

Interviewee 15_BE

As it can be recognized the utilization of migration networks among the Indian community is much stronger in Belgium, then in Poland. This is not an effect of the destination country characteristics though. The main determinant of network functioning, with respect to which it was possible to make a clear distinction between immigrant businessmen who took advantage of networks and those, who did not, was the type of business industry they were involved in. We can come to a conclusion, that the business specificity of diamond trade imposes taking advantage of migration networks. Otherwise we can learn that networks are not inevitable for achieving success in business.

5.5. Settlement process

In spite of all the evidence presented above, it would be misleading to say that Indian immigrant businessmen, who did not take advantage of existing migration networks while settling in do not have the sense of community. When problematic issues in terms of settlement and business development were discussed, the interviewees declared the following:

“It is a small community, so you can go complain and they can back you up.”

Interviewee 10_BE

“We did not know what to choose in the supermarket, but there were people, who were here before, so we went once with them. That is how the community helps each other. Even now, when a newcomer comes in, then my wife can go and help him shop.”

Interviewee 4_BE

“We only had a starting problem - a mafia problem you could say. There was many many attacks. I had a problem, seven people came with guns, they took money, so it was scary. But [...] we have the Indian Association of Poland. So we had a meeting, we talked to the police and now there is no problem.”

Interviewee 12_PL

“We are a community, we help each other, but only after office hours. If it is my business, then it is my problem and I will tackle it. After work we are friends.”

Interviewee 8_PL

Based on the statements quoted above we can see that as far as settlement in the destination country is considered, immigrant businessmen do take advantage of migration networks.

What should be noted though, is that networks are utilized only in case of an external threat to the whole community, or concerning issues not related to business operations.

This sense of belonging is also visible in the way Indian entrepreneurs often perceived their role in the host society. Just as predicted by the middleman minority theory they manage to find a way to maximize the value added they generate from their business activity by taking advantage of their cultural background and ethnic connections:

“I tried to take advantage of my Indian origin and my European nationality to build a bridge between them.”

Interviewee 3_BE

“They knew we were from a different set up. [...]. This has been a blessing for me and my team. It had to be an outsider, to do it.”

Interviewee 10_PL

“The advantage [of being Indian] is much more than the disadvantage for sure.”

Interviewee 6_BE

Such attitudes were present even if the migrant did not take advantage of networks as such during his migration process.

5.6. Summary of empirical findings

Based on these testimonies, and accordingly to what has been assumed in the hypothesis of this thesis, we can conclude that industry selection for purposes of business establishment imposes the exploitation (or disregard) of migration networks. Just as depicted below the neither the source country, nor the country of origin determined the exploitation of migration networks. The destination economy characteristics were also a poor determinant of network functioning. The crucial aspect which dictated whether migration networks actually worked in case of an individual migrant was his embeddedness in a given industrial sector, as denoted by the rectangular frame.



Figure 13. Summary of empirical findings.

As it can be seen in the yellow squares, the conducted research found three clear cases in which the functioning of networks depended on whether they create business value added or not. Indians who migrated to Belgium and were embedded in the diamond industry clearly took advantage of network functioning. Others, who were involved in e.g. IT services did not find such social capital useful. In Poland the textile sector was found to be one, which does not exhibit positive externalities from the functioning of migration networks. The conducted research provides support for the main hypothesis of this thesis, which states that migration networks are utilized among the representatives of those industries, in which such social connections allow to generate business value added.

Concluding we can say that a typical Indian entrepreneur in Poland:

- came from a third source country,
- came to Poland for the reason of starting his own business,
- is involved in the textile/garment industry as the main field of his economic activity.

A typical Indian entrepreneur in Belgium:

- came directly from India,
- wanted to develop his family business,
- is involved in the diamond industry.

Referring to the theories used to build the structure of this research we may say that all were found relevant, though neither one of them manages to explain the specificity of the analyzed process completely.

The concept of **cumulative causation** managed to explain the motivation for migration. The primary reason why the interviewed businessmen decided to migrate was that economic conditions in their source country/country of origin were worse, than an achievable alternative. As a person's position in the income distribution was falling, the incentives to move were becoming stronger. In a community of ethnic entrepreneurs involved in e.g. trade, the reference group for such comparisons could have been traders located in another country of any origin. Growing disparities were a factor pulling immigrants to the location with the best conditions for business development and profit maximizing. Furthermore, the migration decision of most of the interviewees, regardless whether they came to the destination directly from India or from some third country, was embedded in a culture of migration cultivated by the family.

The **middleman minority theory** proved to be highly relevant for the interviewed group of businessmen. For some of them this was explicitly their occupational choice. This conclusion is not surprising though, due to the specificity of sample selection. Self-employed entrepreneurs in a foreign country are very likely to play the role of intermediaries in a transnational economic space. Otherwise they would not have any advantages over the local population in providing certain services or goods. There were also cases of businessmen who, thanks to being acquainted with knowledge on goods or services unfamiliar to the host market at a given point in time, could fill in a market niche.

As far as **ethnic enclaves** are concerned, this research is able to shed new light on this notion. Ethnic clustering was indeed found in this research. Yet the reasons for clustering have been different to the ones assumed by theory. In case of both - textile traders in Poland or diamond traders in Belgium clustering served purely business objectives. Locating a number of companies representing the same industry in one location proved to be beneficial for customers and for entrepreneurs as well. Customers, who value variety, prefer to go to one location and have a wide choice of certain goods, instead of traveling to distant places in order to be able to make a comparison. From the point of view of business owners establishing offices in one location was a result of good transportation infrastructure as in the case of Janki, or the presence of complimentary services such as banks, logistics, accounting, as in the case of Hovenierstraat and Schupstraat in Antwerp.

Taking up self-employment by Indian immigrants was further researched within the scope of **disadvantage theory**. It appears that such an occupational choice was assumed to be advantageous. Having the appropriate skills and knowledge the opportunity cost of choosing

to become an entrepreneur rather than working for a wage was relatively smaller. Returns to an entrepreneurial activity carried out on the level presented by the interviewees are much higher than achievable earnings from employment. Thus none of the interviewees presented an opinion that they would rather work for a wage. Any social or administrative barriers to business establishment did increase the costs of migration, yet they were fully accounted for in a migration plan. This suggests that entrepreneurial migration as carried out by the interviewees is on average better planned than wage-earning migration, even that of highly skilled migrants. The opportunity cost of choosing a certain location for a business is set optimal with respect to expected profits. None of the entrepreneurs considered this particular relocation decision to be wrong.

The concept of **mixed embeddedness** gave the most general framework for the conducted study. It has been found that truly, just as predicted by the middleman minority theory as well, Indian entrepreneurs in Poland and Belgium take advantage of their embeddedness in two, or even more, cultural and economic environments. Such positioning enables them to create value added which under other circumstances would be costly to generate. This was the case in both dominant sectors of textile and diamond trade, but also in all the other analyzed businesses. Interviewed entrepreneurs managed to play on global comparative advantages in order to maximize returns achievable in the industry in which they had expertise.

After controlling for within-group heterogeneity it was found that functioning of **migration networks** is not determined by the migrants' source country, nor by their cultural embeddedness. As far as destination countries are considered, analyzing their differences and similarities provided support for the statement that functioning of migration networks is not destination-country specific as well. The most robust conclusions could be driven from the finding that functioning of networks is business specific. Out of the researched business sectors they functioned perfectly among diamond traders in Belgium. This was due to business specificity. Diamonds were found to be an unstandardized good. This imposed the need to gain trust through functioning in a tightly knit networks. Any weak correlations between the functioning of networks and the destination country or the region of a migrant's origin was due to the optimization of destination selection with respect to the location's comparative advantages. In this aspect the channeling role of a network can not bring suboptimal solutions, at least not at the declarative level. Neither of the interviewees has signaled any regrets, nor have they come up with a better alternative location for their business. At a certain point in time they chose the best possible location, where they could generate the highest returns. Such thinking, in purely economic categories, allows to think that the solution was optimal with respect to a cost-benefit analysis. Despite having higher social capital in other countries, or less barriers to establishing a business, the destination country was chosen in a cost-effective manner.

6. Conclusions

The aim of this thesis was to explore whether migration networks actually work in case of international entrepreneurial mobility. Furthermore, the research had the objective of finding the main determinant of network functioning.

The theoretical setup for the conducted research was based on six theories of migration which were found relevant for the topic. The research questions developed from these theories were then encompassed in an interview guide, which was used as the main research tool. The study was performed on Indian businessmen in Poland and Belgium by means of semi-structured interviews. 30 entrepreneurs were asked to elaborate on the same set of issues. The main research areas developed in the study were connected with the migration decision making process, endogenous factors related to business establishment and occupational choice and exogenous factors supporting or limiting migration and business development.

The findings of the empirical study have shown that indeed migration networks are an observable feature. The applied methodology allowed to capture relevant evidentiary facts, thus proving right the implicit hypothesis of this thesis, which claimed that migration networks can be explored scientifically, despite their qualitative and intangible character.

An analysis of the findings lead to the conclusion that the role of migration networks is clearly not determined by the characteristics of the home country or cultural background of migrants. Within the sample there were Indians who were involved in migration networks and there were those, who were not. The role of migration networks also was not determined by the destination country characteristics, as in both Poland and Belgium there were such entrepreneurs who took advantage of networks, and there were ones, who managed on their own.

Further analysis focused on the type industry in which the entrepreneur was operating. This factor indeed, as stated in the main hypothesis of this thesis, proved to be a significant determinant of network functioning. It was found that migration networks are utilized in those industries, in which they generate business value added. Such a business sector was clearly the diamond industry in Belgium. Diamonds, as an unstandardized good require people who are involved in this business to be trustworthy. A form of gaining this trust is by being recommended by someone else. Due to this mechanism being involved in a migration network is inevitable for newcomers to the market. Otherwise the costs of gaining trust are too high.

On the contrary, businessmen involved in the textile industry in Poland did not use networks in the process of migration. This was the case despite high costs of cultural adaptation and

poor institutional quality in the early '90s. Incoming entrepreneurs followed a do-it-alone strategy in this setting due to the notion of high competition and no significant benefits from functioning within a migration network.

Possible developments of this study may go in a few directions. One of them may concern the divergent patterns of snow-ball sampling in the two economies. In the case of Poland the communication scheme was much more efficient than in Belgium. Establishing subsequent contacts was easier and faster, less nodes remained dead ends. Exploring what this means in terms of the quality and quantity of social capital of immigrant entrepreneurs is a possible direction for future research. Another possible extension may be inspired by the observation that a majority of entrepreneurs came to their destination country from a third source country. It might be worthwhile exploring how such migration processes, which affect not two, but three or even more economies, develop. Supplementary insights into the topic as the ones mentioned above, or any other possible extensions, will hopefully lead to the development of such a framework, in which networks would truly do the works - not only for the migrants themselves, but also for their home and host societies.

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List of figures and tables

Figure 1. Thesis hypothesis.	6
Figure 2. Decomposition of the main hypothesis.	6
Figure 3a. Relationship between income differential and migration cost when income differential effect dominates.	15
Figure 3b. Relationship between income differential and migration cost when network effect dominates.	15
Figure 3c. Relationship between income differential and migration cost when income differential reduction effect dominates for large m_{t-1} .	15
Figure 4a. The law of motion when income differential effect dominates.	17
Figure 4b. The law of motion when network effect dominates.	17
Figure 5. Setup of theoretical model.	19
Figure 6. Summary of theoretical considerations.	20
Figure 7. Procedures of business establishment in Poland and Belgium.	24
Figure 8. Snow-ball sampling.	35
Figure 9. Migration scheme.	37
Figure 10. Migration scheme with push-pull factors.	38
Figure 11. Sectoral embeddedness of interviewees.	41
Figure 12. Information imperfections.	50
Figure 13. Summary of empirical findings.	57
Table 1. Pull-factors for migration.	21
Table 2. Easiness of starting a business in Poland and Belgium.	23
Table 3. Labor market regulation in Poland and Belgium.	25
Table 4. Tax payments in Poland and Belgium.	26
Table 5. Trade regulations in Poland and Belgium.	27
Table 6. Contract enforcement in Poland and Belgium.	27
Table 7. Indian immigration to Poland 2002-2004.	31

Appendices

Appendix 1. Interview guide

Why did you come to Poland/Belgium? Why did you come to Warsaw/Antwerp?
 Did you consider any alternative destinations? What were they?
 Why didn't you choose them?

 Did the information you received actually reflect what you saw after arriving in Warsaw?
 What were the differences?
 How did you deal with the unexpected situations?

How did you start your own business?
 Where did the idea come from? Did anyone help you?
 Did the information you had when coming here help in starting your business? How?

What (other) factors, people, institutions helped you in establishing your business?
 Did they come from within the Indian community in India or in Poland?
 Or maybe you rather received support from the Polish/Belgian institutions?

 What were the obstacles? Who created them?

How did the factors mentioned above influence the way you develop your business?



Appendix 2. Statistical note

The research sample consists of 30 interviewees, all of whom were men. One interview was carried out in Polish, the rest were all conducted in the English language. All the interviewees were males.

Interviews conducted in Poland took place in the following locations:

	Poznań	Warsaw	Janki	Piaseczno	Pruszków	Total
private house	0	1	0	0	0	1
coffee bar/public place	1	2	0	0	0	3
office/working place	0	1	8	1	1	11
Total	1	4	8	1	1	15

In the case of Belgium the setting was the following:

	Antwerp	Mol	Aalter	St Niklaas	Brussels	Overpelt	Total
private house	0	2	0	0	0	1	3
coffee bar/public place	0	0	0	0	2	0	2
office/working place	7	0	1	2	0	0	9
Total	7	2	1	2	2	1	15

The length of the interviews in Poland, as recorded, ranged from 17 minutes to 1h 11 minutes, with an average of 30 minutes per interview. All in all the interviews lasted nearly 8 hours. In Belgium interviews took from 14 minutes to 67 minutes in the most extreme cases. On average length of the interviews was similar to the ones carried out in Poland - 27 minutes. All in all nearly 7 hours of conversations were recorded in Belgium: