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Diaspora FDI: Why do Returning Migrants Invest in Their Home Countries and What are the Main Difficulties They Face? The Case of Romania

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Abstract

Migrants play a significant role in increasing economic links between their home and adoptive countries. They contribute to increasing trade and increasing capital flows between the respective countries in the form of remittances and direct investment. In the context of Romania, only a trickle of this capital flow is in the form of direct investment, although diaspora direct investment (DDI) may represent a more desirable form for the state than remittances. The purpose of this study is two-fold. On one hand, it aims at investigating why Romanians from the diaspora invest in their homeland and, on the other hand, it seeks to understand why the number of diaspora investors is still so low. The study is based on qualitative content analysis of newspaper articles featuring interviews with diaspora entrepreneurs. We found that decisions to return and invest in Romania were motivated by both push (homesickness, lack of economic opportunities in the adoptive countries, the need for a new challenge, and patriotism) and pull factors (business opportunities and beautiful, attractive places in Romania). The main constraining factors were found to be excessive bureaucracy, people's mentality, shortage of labor, and other adverse economic conditions. While the findings of this study confirm some of the results posted by previous studies, they also propose some motivations for DDI that were not captured by other works on the subject.

Keywords

Diaspora Direct Investment, Foreign Direct Investment, Diaspora, Romania

Introduction

Since the 1990s, relations between states and immigrants have undergone important transformations (Délano & Gamlen, 2014). Migrants play a significant role in increasing economic links between their home and adoptive countries (Bahar, 2020). They contribute to increasing trade (Bahar, 2020) and increasing capital flows between the respective countries in the form of remittances and foreign direct investment (FDI). Javorcik et al., (2011) argued that there is a clear link between FDI, remittances, and migrant networks.

Most studies dealing with economic links between the diaspora and the country of origin

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focus on remittances, which they consider to be the main economic contribution of diaspora to the country of origin (Topxhiu & Xhelili, 2016; Vaaler, 2013). Remittances could help with economic growth in the home countries (Ceesay et al., 2019; Mansoor & Quillin, 2007) and can significantly increase income, consumption, and investment, especially among households with lower incomes (Bahar, 2020). Remittances can also reduce the level of poverty (Ceesay et al., 2019; Mansoor & Quillin, 2007) and could play a significant role in the economic, political, and social development of developing countries (Topxhiu & Xhelili, 2016). Finally, immigrant remittances enhance access to capital for entrepreneurs in the home country (Vaaler, 2013) and provide an important source of external financing (Topxhiu & Xhelili, 2016).

However, in the long-term, reliance on remittances could have negative effects. For example, very often, remittances are used to buy imported goods (Constantin et al., 2011). Topxhiu and Xhelili (2016) also argued that the dependence of national economies on remittances could contribute to inflation. For these reasons, Ceesay et al. (2019) recommend that recipients of remittances invest the money to start their own businesses. In fact, Nielsen and Riddle (2010) have argued that diaspora investments go beyond remittances. Similarly, Saxenian (2005) and Khanna (2007) urged diaspora members to invest in a business in their home country rather than send remittances.

There are very few studies that investigate Diaspora Direct Investment (DDI) as a special type of FDI, although this may represent a more desirable form for the state than remittances. Much of the extant literature on DDI refers to, what we could call, “old diasporas”, such as the Jewish (Aharoni, 1966), the Chinese (Gao, 2005; Yeung, 2000), the Indian (Wei & Balasubramanyam, 2006) and the Armenian (Hergnyan & Makaryan, 2006) diasporas. There are much fewer studies about “newer diasporas” such as the ones that resulted following the fall of Communism in Eastern Europe and the former Soviet Union and, to our knowledge, so far, no study has investigated the motivations of Romanians living in the diaspora to invest in their home country, even though the Romanian diaspora is one of the largest when compared to the population of the home country.

After the fall of communism, Romania entered the global competition to attract FDI. Foreign direct investments were encouraged for their promise to stimulate economic growth (Neuhaus, 2005; cited in Egresi, 2010), and, in the case of Central and Eastern Europe, for their role in the economic, political, and social transformation of the region by “creating deep systemic changes in the fabric of post-socialist lives and geographies” (Pickles & Smith, 2005, p. 28). Authorities assumed that FDI would play a positive role in the country’s development by bringing in investment capital and jobs (Dicken, 2011).

According to the definition put forward by the International Monetary Fund (IMF, 2003), FDI refers to the situation in which an investor residing in a country acquires at least ten percent of the ordinary shares or voting powers of an enterprise situated in a different country. Unlike foreign portfolio investment, in the case of foreign direct investment, the investor has total control of the business even when he does not own the entire company (Jermakowicz, 1995).

Until 2004, FDI flows to Romania remained low, especially when compared to other countries in Central Europe. FDI flows started to pick up once it became clear that Romania would join the European Union. Thus, in 2004, Romania received US$3 billion in FDI (130%

over the 2003 level). Annual FDI inflow continued to grow until 2008 (almost US$6 billion, a 100% increase over 2003) after which, due to the world economic crisis, it started to decrease, declining to US$2.4 billion in 2014 (Anghel, 2020). After this year, they started to grow again, reaching US$5.3 billion in 2019 (Anghel, 2020).

There are no official statistics showing what percentage of total FDI inflows in Romania is, in fact, DDI. Based on anecdotal evidence, we argue that it is very small. Therefore, the purpose of this study is two-fold. On one hand, it aims to investigate why Romanians from the diaspora invest in their home country ("What motivates Romanians to return and start a business?") and, on the other hand, it seeks to understand why the number of diaspora investors is still so low ("What are the main challenges diaspora investors are facing when opening a business in Romania?"). While there is no scarcity of studies on what motivates foreign direct investments, very few studies approached this subject from the perspective of diaspora investments (Honig et al., 2010). Moreover, most of these studies are descriptive (Nkongolo-Bakenda & Chrysostome, 2013) and tend to focus on only one factor (Minoian & Freinkman, 2005). Thus, we believe, a study on this subject is necessary to fill in the gap.

This study is structured as follows. In the next section, we will shortly review the extant literature on diaspora, FDI, DDI as well as on the motivation for international investment, focusing on those theories which, we believe, are more relevant for the particular situation discussed in this study. Following this, we will discuss the methods we used to gather data and information. In the fourth section we will present our findings. Finally, in the last section, we will summarize the main findings emphasizing the main contributions of this research and its theoretical implications.

Literature Review

Diaspora

Often related to Jews, Irish, or Armenians, diaspora is a generic term that refers to a certain identity category, whose geographical connotation is separate from the place of origin. Most of the time, the labels associated with it had a tendency to homogenize (Kenny, 2013) and were correlated with negative events, which triggered the traumatic separation between homeland and expatriates and between them at destination. The factors that caused emigration and the formation of diasporas have varied over time, and there are multiple theories, from Revenstein's Laws of Migration (1885) or Lee's Push and Pull model (1966) to that of contemporary social media.

If the traditional definitions of the diaspora focused on the idea of building new identity communities based on the connection with homeland (Mavroudi, 2019) or on the common geographical origin, since the 1980s they have acquired a different connotation in the social sciences. In most cases, they included the immigrant category or that of different ethnic communities in foreign countries, while others imposed diaspora membership criteria such as solidarity, collective memory, and the connections with the country of origin.

Geographers, along with other social scientists, have tried to study how those involved in migration communicate and adapt with both the destination society and the original country. Immigrants often cultivate a special relationship with the community they come from, in the form of "hometown transnationalism" (Lacroix, 2019). Besides the emotional nature of this transnationalism, this process is based also on the transfer of remittances, not only economically, but also socially, culturally, or politically. They send, in addition to money, ideas, identities, behaviors, social capital, i.e., what Levitt (1998) called social remittances and political remittances (Müller-Funk, 2020).

This process of movement influenced the level and the manner of communication with the country of origin and with other communities in the country of destination in a nuanced way. Communication was difficult in the past; however, it became very efficient in the conditions of social media, creating new possibilities for developing the consciousness and engagement of the "digital diaspora" (Nedelcu, 2020) and even "extra-territorial nation-building" (Shin, 2019) or long-distance nationalism (Mavroudi, 2020). The level of communication with homeland communities and social relations in the diaspora may influence the level of remittances.

In the case of Romania, the Romanian diaspora had a poor intra-community communication during the communist period due to the political police. If in the past, the Romanian diaspora from Western Europe and North America was mobilized and coagulated around various organizations, such as the World Union of Free Romanians, now this task was claimed by the consular offices and governmental agencies, such as "Departamentul pentru Românii de Pretutindeni" ("The Department for Diaspora Romanians").

Foreign Direct Investment Motivation

It is beyond the scope of this study to include an exhaustive review on FDI motivation (for an extensive literature review on FDI, see Egresi, 2010). Instead, we believe that it is more useful to review only those theories and those studies that could be connected to Diaspora FDI. Already by the 1970s, it was established that companies have to overcome many problems when deciding to expand outside their country of origin. They have to compete with domestic companies and, when operating in unknown markets, they are at a disadvantage because they are not familiar with local traditions and customs or with the country's legislative and regulatory conditions (Hymer, 1976; among many others). In order to outweigh these costs, these companies must possess certain advantages, such as large size, the capacity to generate economies of scale, important market power and marketing skills, technical expertise or access to cheaper sources of finance (Hymer, 1976).

Buckley and Casson (1976) also noted that not only geographical distance but also the existence of dissimilar environments (for example, different social and economic conditions and/or different languages) can lead to an increase in communication costs. Thus, it is not surprising that, in order to reduce risks, most foreign direct investors prefer those countries and those locations that are characterized by very similar environments to the one they know.

Investment environments in Central and Eastern Europe were considered particularly challenging, especially in the 1990s, due to their unpredictability (Marinov et al., 2003). Given the risk perception, most investors were guided by non-economic factors (such as the human and cultural similarity factor between their country and the host country) rather than by economic factors (the company's ownership advantages) when searching for a location for their investment (Altzinger, 1998; Bandelj, 2002; Gao, 2005; Johansen et al., 2000; Lu, 2012; Meyer, 1998; Paas & Scannell, 2001; and others).

This trend confirms the validity of the internationalization theory, which stated that foreign direct investments are often motivated by historical and cultural ties between home and host countries rather than by economic efficiency (Johanson & Vahlne, 1977). For example, Egresi and Kara (2015b) have shown that, in the Balkan Peninsula, those countries that are, culturally, the most similar to Turkey received the most investments from this country. These were the three states with Muslim majorities (Kosovo, Albania, and Bosnia and Herzegovina) and two countries with significant Muslim and Turkish minorities (Macedonia and Bulgaria). Egresi and Kara (2015a) have also pointed out that, within Romania, Turkish investments are concentrated in the counties situated east and south of the Carpathian Mountains, which, historically, were part of the Principalities of Moldova and Wallachia and were strongly connected to the Ottoman Empire until the 19th century. Similarly, Hungarian investments in Romania are heavily concentrated in counties with a significant Hungarian population (Egresi, 2010).

Diaspora and FDI

The literature on Diaspora FDI is very scarce. Flisi & Murat (2011) argued that social, cultural, and institutional differences between countries could act as barriers to FDI. However, the existence of migrant communities could smooth international economic transactions by building links between their home and adoptive countries (Bahar, 2020; Gao, 2003; Tong, 2005; Buch et al., 2006; Murat & Pistoresi, 2009; Nkongolo-Bakenda & Chrysostome, 2013) and by influencing politics and economic policies in both countries (Bahar, 2020; Constant & Zimmermann, 2016). Constant & Zimmermann (2016) and Nielsen & Riddle (2007) also suggest that, should members of the diaspora decide to invest in their home country they would benefit from the advantage of having better information about the local market. Indeed, most direct investors in China are actually ethnic Chinese residing abroad (Yeung, 2000; Gao, 2005). They decided to investment in China not only because of the shared culture but also because of the existence of historically developed social and business networks (guangxi) (Lu, 2012).

The study by Roman and Strat (2018) shows that Romanian migrants to EU countries can act as "ambassadors" of the Romanian economy and contribute to the flow of FDI from their adoptive country to Romania. The findings of the study have shown that there was a positive and statistically significant relationship between the number of Romanian immigrants in a certain country and the number of FDI firms from that country in Romania, even when controlling for several variables (similar results were reported by Mihi-Ramirez et al. (2019)). These findings confirm Constant and Zimmermann's (2016) observation that members of the Diaspora can play an important role in the promotion of host country investments in their home countries.

DDI could be very beneficial for the home country for several reasons, among which we could mention (Debass & Ardovino, 2009):

- The diaspora entrepreneur brings his skills and experience;
- Technology and knowhow transfer;
- Diaspora investors are less averse to political risks and economic shocks than other foreign

investors

- By their very presence, diaspora investors can attract non-resident FDI (see also Nkongolo-Bakenda & Chrysostome, 2013);
- DDI can smooth out issues between countries.

Motivations for DDI

In terms of motivations for DDI, most theories do not distinguish between DDI and other types of FDI and assume that investments are largely driven by financial motivations. However, as we have seen earlier, some theories on FDI also included cultural similarity as a factor that could guide the direction of FDI. Besides financial motivations, a few studies have argued that emotions should also be included among the factors that motivate FDI (Van de Laar & de Neubourg, 2006). Indeed, already in the 1960s, Aharoni (1966) showed that members of the Jewish diaspora who invest in Israel are motivated not only by profit but also by the psychological ties they have with Israel, their homeland. Similarly, Beal et al. (2005) and Riddle & Brinkerhoff (2011) found that altruism and moral convictions are also important determinants for DDI, whereas Gillespie et al. (1999) mention altruism and perceived ethnic advantage. By altruism, researchers have understood a strong sense of duty to invest in their home country (Nielsen & Riddle, 2010) as well as patriotism and other social and emotional factors – such as compassion for their family members or their countrymen (Graham, 2014).

Other researchers have argued that few diaspora investors are really guided by altruism when deciding to invest in their homeland (Graham, 2014). For example, a study in the Republic of Georgia, using data from a survey that included 174 foreign-owned companies has found no evidence that diaspora-owned firms are more likely to engage in socially-responsible, pro-development behaviors than other foreign-owned or controlled firms (Graham, 2014). In fact, some researchers argue that diaspora investors could have a more or less hidden agenda. For example, some may invest to acquire social status or for political gains (Aharoni, 1966; Nielsen & Riddle, 2010).

Elo and Jokela (2015) argued that the factors that may influence a member of the diaspora to invest in his home country are: nationality, gender, education, necessity, available alternative in life, level of prosperity, and family setting, whereas Nkongolo-Bakenda and Chrysostome (2013) found that DDI depends on the level of altruistic motivation, the need for social recognition, entrepreneurial opportunities, as well friendliness and receptivity of the home country and friendliness of the host country. Further, Fernhaber et a. (2009) and Nkongolo-Bakenda et al. (2010) opined that international experience could be an important motivator for the entrepreneur to invest in their homeland (Fernhaber et al., 2009; Nkongolo-Bakenda et al., 2010). Members of the diaspora can more easily identify business opportunities in their home countries (Graham, 2014) and identify products or services from host countries that could be used to take advantage of these opportunities (Fernhaber et al., 2009; Nkongolo-Bakenda et al., 2010). Finally, to synthesize all this information on the motivators of DDI, Nielsen and Riddle (2007) distinguish between three sets of motivations that guided DDI: financial, social, and emotional.

Constraining factors for DDI

Besides factors that motivate diaspora entrepreneurs to invest in their homeland, researchers have also identified a number constraining factors which may negatively influence their decision to invest. Among these, in an African context, Okpara & Wynn, (2007) mention: lack of (access to) financial resources, too little management experience, poverty of the environment, inadequate laws and regulations, adverse economic conditions, lack of infrastructure, corruption, and weak demand for products and services.

Another study by Newland and Tanaka (2010), found the following constraining factors for DDI: weak economy, weak governance, corruption, public institutions that are not functioning very well, no adequate access to finance, unfavorable perception of entrepreneurship, and insufficient human and social capital.

Data and Methods

This study is based on qualitative content analysis from newspaper articles. Newspapers, journals, and specialized websites sometimes publish interviews with Romanian entrepreneurs. We used Google's search engine to look for relevant articles using the Romanian words for "diaspora" and "investment" as key words. Sometimes the site we visited recommended similar articles published by the same media or an associated one. This research method is rarely used in FDI studies, although it could be a reliable and relevant method (see Egresi, 2018), especially when it is difficult to get data and information through other methods. The main disadvantage when using interviews published from different sources is that each participant answers a different set of questions. Unlike the structured or semi-structured interviews that we would normally use to collect primary data, interviews found in secondary sources could be considered unstructured.

In the end, we analyzed a number of 53 cases (addendum 1). Most of the diaspora entrepreneurs spent a long time away from their homeland, 20 returning after 10 or more years spent abroad (12 out of the 20 spent 15 years or longer away from their homeland) (addendum 2). The entrepreneurs lived in many countries (most in the United Kingdom, Italy, USA and Germany) and started their business in Romania between 1996 and 2019 (most in the last five years). They generally invested between a few thousand and a few hundred thousand of euros (with the largest investment being 60 million euro). The great majority of the entrepreneurs had experience in the domain of investment (as either workers or students); however, only two out of the 53 had entrepreneurial experience abroad.

Findings

Motivation to Return and Invest

We found that decisions to return were motivated by both push and pull factors.

Push factors:

1. Homesickness and missing family, friends, and familiar places

Most Romanians have left their country for better economic opportunities, but they have never intended to stay in their new country forever. Their plan was to stay for only as long as they needed to save enough money and, then, return home. Often, they had to stay longer than initially expected. Table 1 shows that 20 migrants featured in the case studies have spent more than 10 years and 12 even more than 15 years abroad. Even after so much time, some could not adapt to the host society (Case 24; Case 8), which they have never perceived to be their "home". This is how one Romanian returnee expressed his feelings about this issue:

"We had money, everything seemed perfect, but we both knew that something was missing. We didn't feel like it [our adoptive country] was 'home'. Years passed by; meanwhile, we had a little son, but the feeling of being uprooted was growing inside us." (Case 32)

Many realized after many years of living among foreigners that they understand Romania better than their adoptive country (Case 33) and that Romania is not such a bad country after all. This is how another disillusioned émigré, who failed to integrate into the host society after many years of living there, vented his frustration:

"Money, health, and any other wealth have no power, no value over time. The years went by, and, unfortunately, I was forced to spend the most beautiful years among foreigners to make a decent living and help my family. Nothing compares, in this life, with the attention one gets from the loved ones, shared love, and time spent together. Thus, I decided to return home, to my holy Maramureș land, because, I'll tell you honestly, in my travels, I have seen neither place more beautiful than Maramureș nor such good and warm people." (Case 49)

They perceive their time spent far from their country as a sacrifice they had to make to have a better life or to help their families, but they do not want their children to have to go through the same hardships:

"After Brexit, we decided to go back home and start a business. We wanted a child very much; we now have a little girl and, when she turned one or so, we returned home. We really wanted for her to live in her own country, not among foreigners. Since we are back home, we are lucky to have our parents babysit our daughter from morning till night as we are busy with our business all the time." (Case 28)

Some felt alienated by an environment, they thought, was hostile towards foreigners:

"I left [Romania] together with my husband shortly after graduating from high school because back then [we thought] there were better chances for us to have a good living abroad. However, one does not have a better life abroad either as one could face many problems there as well; people are treating you bad and act like you don't matter when, for whatever reason, you can no longer work. In the first years, it was difficult for me to fit in; I didn't speak Italian for a good while because 80% of all employees [at my workplace] were Romanians." (Case 10)

Other migrants could not stand being separated from their families, which they missed more than anything else. One migrant explained why he decided to return after many years spent abroad: "*Everything was rosy [in the adoptive country] but what I was missing was my family*" (Case 21). To be with their family, some were willing to sacrifice a flourishing economic situation and settle for a simple lifestyle. For example, one such successful migrant returned to Romania to be with his wife and children who could not adapt to the lifestyle in the United Kingdom even though in London he was making up to 10,000 British Pounds per month managing a restaurant. He is content with his little business in Romania and is not considering moving back to London (Case 8).

2. Fewer economic opportunities in the adoptive countries

The 2009 financial crisis has impacted many companies that employed Romanian migrants. As these companies struggled to stay afloat, workers were unemployed for long periods (Case 12). Once they realized they could not find any work, many Romanians decided to return home and, after finding out that jobs were scarce in Romania as well, start a business (Case 40).

Many migrants discovered that life was not easy in the adoptive country and that they had to work very hard to make ends meet and send money home to their families. One investor from the diaspora explained that he decided to return to Romania "because one can't just work for 12 hours a day […] for years" (Case 51). Another investor featured in the case studies described the sacrifices Romanians from the diaspora have to make in order to save money:

"I know Romanians [in the adoptive country] who commute every day, two hours in the morning and two hours in the evening, after eight hours of work. One could pay as much as 2500 euro for rent. Thus, I don't know how much money Romanians make, but they have a harder life there than in their home country. Perhaps a job in Romania is not paying as well as in [the adoptive country], but the quality of life is far better. [In Romania] one can meet friends, have a drink, communicate. There [in the adoptive country], everyone is focused only on making money". (Case 21)

Growing tired with the hard work and the sacrifices, Romanians decide to return and invest their hard-earned money in a business that would give them something to do in their country because, in spite of the long time spent in the West, and despite the numerous jobs they had there, they could not find their place:

"Abroad, I went through a lot of hardship. […] I decided to return because I couldn't find my balance and always missed everything. I told myself that if I only have bread and onions to eat, I better return to my country. If I made it in a country where I didn't speak the language and had no legal right to residence or work, I must be able to succeed in my own country […]". (Case 19)

3. Needed a new challenge

Not all of those who decided to return did so out of disappointment with their lives in the diaspora. On the contrary, many Romanians managed to achieve a good quality of life. They had good jobs, nice homes and enjoyed the company of their family and friends. However, they wanted "something of their own" (Case 22), they wanted to do something that would have an impact (Case 24), both being easier to achieve in Romania than in the adoptive countries. For example, after 12 years spent in the United States, a Romanian émigré decided to return home. The main reason, according to him, was that after having been successful abroad, he felt challenged to show that he could also be successful in his own country:

"Everything was nice there, but I felt that it wasn't mine. Hence the idea of returning home […]. Between the longing for the native and the adoptive country, I chose the latter". (Case 16)

Another investor from the diaspora gave a very similar explanation for his decision to return:

"We wanted to show that one can have a healthy business without the usual tricks. It is our ambition to achieve something in our homeland, for our people". (Case 18)

4. Patriotism

Many Romanians returned to invest in their home country motivated by patriotic ideas. After so many years spent abroad, they decided to return to their homeland and do something that would be of help to their country (Case 32, among others). For example, this is how one Romanian returnee explained his decision to invest in his native country:

"I had some money saved and felt like I needed to do something for my country. My family is here, my friends are here, and, after all, it is Romanian blood flowing through my body." (Case 35)

Another investor was motivated by the same thoughts when he decided to use the money he saved abroad to start a business in Romania:

"I would really love to stay in my country and bring my contribution to the development of Romania. I think there is a lot to do here." (Case 45)

As a matter of fact, some Romanians featured in the case studies left their country with the understanding that they will return after a few years to apply what they learned abroad to the benefit of their country. For example, at the end of her education in an Asian country, a young Romanian felt it was her duty to return to her country and apply what she had learned. She clearly stated that she never intended to stay, only wanted the experience of a new culture, a new language, and new people. She thought that the knowledge she gained while studying abroad would benefit Romania (Case 29). Another Romanian who returned home after studying abroad for a few years had a similar discourse:

"While in college, I kept thinking about designing and developing a Romanian brand. […]. Among many spiritual motivations, there was one that was as pragmatic as it could get: Romania has a tradition in the cosmetics industry" (Case 20).

Others reasoned that it was their patriotic duty to return and work for the development of their country:

"I no longer want to go and work in [my adoptive country], to know that I am paid by them. I want to work in my country, where I can speak my language, where I have my parents, my roots; this is my motivation [for staying in Romania]. I could go back and make 3000 euro a month, but here [in Romania], I know that I am achieving something and that I am leaving something behind; I can teach my daughter, my daughter loves lavender. These things are important to my soul. They are the ones that motivate me. And the money comes after them." (Case 51)

As we can see, money can motivate people to leave their country, but once they save enough to make a decent living, other factors become more important.

Pull factors:

Besides the push factors which determined Romanian migrants to reconsider their plans to live abroad, our analysis of texts published in the Romanian media revealed that there were also pull factors that attracted them back to Romania.

1. More business opportunities in Romania

While other countries offered Romanian migrants better job opportunities, allowing them to have a decent living, many of these migrants admitted in the cases studied that, when thinking to start a business of their own, the Romanian market was much more attractive to them due to its greater potential for development (Cases 26, 30, 41, & 53). One entrepreneur opined that Romania is one of the countries in which it is easier to be successful as an entrepreneur than in any other European country (Case 18). Another Romanian of German ethnicity who left his native country in the 1980s as a child decided to return after 22 years because he noticed that there were more business opportunities in this country than in Western Europe. This is how he explained why he became an entrepreneur in his native country and not in his adoptive country:

"I've always been very attached to Romania, although I don't really know why. As a child, I always missed my native country and, when I realized that the market here is less developed, especially in the construction sector, I decided [to return] and to become a real estate developer [here]" (Case 53).

While living and working in their adoptive country, Romanians often came across new business ideas or business models that were not yet known in their native country and, thus, could have an excellent potential for success (for example, Case 23). One such entrepreneur from the diaspora asked himself before deciding to invest in Romania:

"Why not try to implement this concept in Romania? Why not adopt a different approach from the one generally employed by supermarkets? Given my experience [with the industry] in Ireland, I already knew the suppliers I could collaborate with". (Case 14)

In a similar vein, two entrepreneurs (husband and wife), during a vacation in Romania, noticed that all restaurants in their hometown looked alike and that there was a market for a traditional Spanish restaurant (Case 15). They realized that this was their opportunity to return home and start a business. They were well-integrated in Spain and, prior to this discovery, they did not see any reason to return:

"Our life was there and we had not thought about returning [to Romania] because we had not wanted to abandon everything and start from scratch" (Case 15).

Other Romanian migrants decided to return when their family insisted that they start a business together (Case 43) or at the urging of their former employers (Case 44) or acquaintances (Case 48) [in the adoptive country] who were looking for a business partner in Romania. Finally, there were also those who lived and worked abroad for a few years and, during this time, they invested their savings in Romania (generally in real estate). As their investments turned out to be successful, they realized that Romania has great potential and that they could start a new life in Romania as entrepreneurs (Case 50).

2. Beautiful places and warm people

Many Romanian migrants visit their native country very often, generally during holidays. Their main purpose is to meet with family and friends, but many also travel across the country or spend their vacation in a Romanian resort. While doing this, they often realize that places and people in Romania compare positively to what they have seen in other countries during their travels. One case study presents a Romanian entrepreneur who, after living and working in Italy for 20 years, decided to return to Romania and invest in a Bed & Breakfast in a picturesque area of Northern Dobrudja. According to her interview, she and her Italian husband have visited the area several times before, finally deciding to leave Italy and settle there because they fell in love with the Danube Delta. They say they love everything this place is about: nature, simple life, and tradition (Case 12):

"Good life, I felt, comes with shallowness. We enjoyed our time in Italy, this beautiful country that everybody knows; however, once we arrived in Dobrudja, we found the simplicity and goodness of people which has taken us in." (Case 12)

Challenges Faced

Most Romanian migrants who returned to start a business complained of four main issues: bureaucracy, people's mentality in Romania, shortage of labor, and adverse economic conditions.

1. Bureaucracy

Starting a business in Romania is more difficult than in other European countries due to bureaucracy. As one entrepreneur from the diaspora observed, Romania is a "bureaucratic inferno, although things improved 100 times since 1992" (the year when the entrepreneur left Romania) (Case 6).

Most of these aspiring entrepreneurs returned to Romania after having lived for many years in their adoptive countries, where they got used to do things differently. When they decided to start a business in Romania, they realized that:

"Here [in Romania], it is a lot more difficult to fight everyone and the system. The start-up is hard, there is a lot of paperwork to fill out, all kinds of obstacles [thrown at you], but we said we should try". (Case 32)

Many believe that the state asks potential entrepreneurs for too much paperwork in order to be issued a permit (for example, Case 23) and are quick to point out that starting a business is much easier in their adoptive country. For example, one returning migrant lamented over his experience trying to register a company in Romania:

"[…] Unfortunately, bureaucracy can eat you alive in Romania. I've got a bag full of documents [regarding our business]. In England it is not like this. They don't ask you for so much paperwork. Not as much as in Romania." (Case 28)

Some even feel that the bureaucratic system in Romania is outright hostile towards entrepreneurs:

"During the first months [back in Romania], we felt like foreigners in our own country. If you want to open a restaurant in Spain, you go to the city hall to submit your project in order to get a license. Once you have done this, the city hall does the rest. There [in Spain], you don't worry about inspections. Here, instead of focusing on what I need to do to serve the customers, I need to worry about keeping all paperwork in order so that I don't get fined. The first month after I opened [the restaurant] I was fined three times, and this can affect your morale a lot […]" (Case 15)

Having to spend so much time and energy on keeping all paperwork in order, entrepreneurs from the diaspora complain, takes from their ability to focus on what is more important, the development of their company. This could be best illustrated by quoting one such migrant returnee who lamented over the rigidity of the Romanian bureaucratic system:

"Local authorities seemed rigid to us, not market-oriented [...]. Sometimes we wish not to have so many accounting documents to fill out, print, sign, archive because [to do these tasks] we waste precious time and energy resources which we could, otherwise, utilize to build our business in an even more harmonious way". (Case 52)

The main problem is that local authorities are more oriented towards punishing the business owners when they make mistakes and less oriented towards preventing and correcting those mistakes: "I don't think anyone wants to break the law but, as the situation is today, it is very easy to break the law as the laws and the [business owner's] obligations are not very clear" (Case 52).

In conclusion, not only that the state does nothing to support entrepreneurs, but it also does everything to amplify the biggest enemy of wannabe entrepreneurs: fear of failure (Case 40). Moreover, frequent changes of the legislation make the business environment in Romania very unpredictable (Cases 40 & 48).

2. People's mentality

When trying to implement a business idea, aspiring entrepreneurs need to not only wrestle with the vagaries of the bureaucratic system but also to overcome the mentality of their compatriots:

"The main obstacle faced was people's mentality. When you come to the market with a new idea, it is difficult to convince other people to join your project. However, as soon as [they hear that] you offer quality products, they open to your innovative ideas" (Case 14)

On one hand, the new business ideas, models, or concepts these diaspora entrepreneurs bring to the Romanian market may constitute their competitive advantage over local companies, as they may not have any competitors. On the other hand, being so new, Romanian customers may be reluctant to try their products at first. For example, opening a fancy restaurant serving foreign dishes in a place with a limited ex-pat population is always a gamble. One Romanian returnee who opened a traditional Spanish restaurant reported on the difficulties his business went through. He explained that local people were not familiar with foreign dishes and could not understand why traditional Romanian dishes were missing from the menu. When the owner explained that the restaurant was specialized in Spanish cuisine, the customers were quick to show their disappointment (Case 15).

Another entrepreneur who pioneered a new concept of senior care for Romania also worried about how Romanians will perceive his product. He opined that:

"There needs to be a change of mentality concerning the way senior citizens are treated, what they deserve after a lifetime of work, what options they have for care at their age. And our project is intended to set an example in this sense, an alternative to what exists (or not) today in senior care in Romania". (Case 16)

Sometimes the problem is implementing international values in human resources management, as many employees in Romania do not have the same work ethic as in Western

Europe (Case 17) or finding serious, trustable suppliers. This is how a Romanian migrant returnee expressed his dissatisfaction with the issue: "You have an initial meeting, everything works out fine, everyone is happy, yet, when you try to follow up, they don't answer your phone or react very slowly" (Case 23)

3. Shortage of labor

Another major problem many diaspora entrepreneurs mentioned was the difficulty finding and keeping good employees (Case 17, among others). One entrepreneur featured in the case studies explained:

"[It was] difficult to find good workers. In the first week after the opening, we had three workers on probation, but none stayed because they did not wish to work and learn the trade" (Case 10)

Some even claimed that labor shortage has become the biggest problem for entrepreneurs in Romania, even more than of bureaucracy:

"Oh, my! [Labor shortage] is the biggest problem. Before it was bureaucracy, with state institutions mistreating aspiring entrepreneurs. This is now long past. I am glad we've grown up from this perspective and understood that the private sector must be stimulated and encouraged, but we have a labor problem. Unfortunately, many left for other countries, especially qualified labor" (Case 27).

The situation is somewhat ironic as many Romanians left their country with the understanding that they will work hard in their adoptive country, save money, and then return to invest in a business in Romania, only to find out that there is no one left in Romania to work for them. Everyone is abroad chasing the same dream. One such entrepreneur who returned from Western Europe in the 1990s to invest in agriculture decried the situation his business is facing:

"I can no longer find workers. I have the latest generation machinery (when I think about how hard I had to work to buy the first tractor …). Now I have tractors worth millions of euros, set with the latest technology, and no one to work on them. […]. It breaks my heart!" (Case 27).

Another returnee entrepreneur explains why it is so difficult to find workers and what solution she found for the problem:

"You may not believe me, but here in the countryside, I can't find the labor I need. I cannot find people to help me. Here in Romania, people receive social benefits. So why get dirty in the field [when they can just stay at home and be paid by the government], although I don't mind getting dirty in the field myself. I am not that kind of a business owner. I am the first one to work in the field. [When I realized that it is so difficult to find help] I decided to do whatever it takes to be independent. I can drive the tractor; I can do everything myself. My dream is to become autonomous, to maintain my lavender [field] properly" (Case 51)

Indeed, if they want to survive, entrepreneurs need to be inventive and look for workers in non-traditional places:

"[…] the real problem is recruiting full-time employees for the stores. The solution that we found was recruiting among students, part-time, which satisfies us for the moment. I shall underline

here that this is our most difficult task: to find personnel. Our retention rate is very high but only after they have worked for us for three months ..." (Case 52)

4. Adverse economic conditions

Some entrepreneurs from the Romanian diaspora also faced difficulties maintaining a portfolio of customers (Case 17), finding providers for services, such as IT applications (Case 23), or finding the right suppliers for their businesses. For example, an entrepreneur who had the idea to open a non-traditional gourmet meat shop realized that it was not easy to find the right-sized suppliers of beef:

"In Romania, beef producers are either too small, which risks affecting the steady flow of deliveries, or too big, which could affect quality. Therefore, we had a hard time finding midsized farmers to collaborate with" (Case 14)

Other challenges the Romanian diaspora entrepreneurs had to face were high rents (Case 23) and a lack of business financing. A Romanian returnee who used the money he saved while working in Western Europe to invest in agriculture explained that banks in Romania are not willing to take any risk. Banks started financing farmers only in 2007, the first year when farmers received subsidies (Case 27):

"[In other countries], if you go to a bank with a project, they don't ask you to use your house as collateral. There is nothing like this. If the bank agreed to finance your project, it means that they do it because your project is good; they will not ask for collaterals on top of collaterals. In our country, even today, unfortunately, most banks finance collaterals [not projects]" (Case 27).

Conclusion and Discussions

The purpose of this study was to understand what motivates members of the diaspora to invest in their homeland and what are the main constraints for DDI. Based on a number of 53 interviews with Romanian entrepreneurs, published in mass-media, we found that the motivation for DDI is much more complex than what most FDI theories claim, confirming earlier results by Elo & Riddle (2016). The literature often does not take into account that diaspora investment is heterogeneous including motivation due to the fact different actors have different motivations as a means for various ends (Elo & Riddle, 2016). Thus, while, similar to Nielsen & Riddle (2007), we found that DDI are motivated by both economic and non-economic factors, we also showed that motivation is represented by both push and pull factors and that push factors (those that diaspora members use to determine to leave their host country) are no less important than pull factors.

Following Graham (2012) and others, we found that emotional motivation is very important in explaining DDI and that, along with other socio-cultural factors, play a role in DDI motivation that is at least as important as profit maximization (argument that was made earlier by Rana & Elo, 2017; Siwale & Hack-Polay, 2018; and Terrazzas, 2010). Among these emotional motivations, we found altruism to be the most important, especially the "sense of duty" aspect (supporting earlier comments made by Van de Laar & De Neubourg (2006). Also, the results of our study build on previous findings by Lin & Tao (2012) in which patriotism and the need to be close to family were shown to be important motivators for DDI. Sometimes the main motivation was as simple as the need to return to their countries (see also Cohen, 2008) or the necessity to provide themselves with an income while back in their home countries (see, also, Elo & Riddle, 2016).

Diaspora entrepreneurs also have to overcome a number of barriers which may be the reason for the small number of diaspora entrepreneurs. For example, many businesses have difficulties finding workers, which is contrary to Egresi's (2007) findings almost 15 years ago that the main motivation to invest in Romania was to take advantage of the cheap and qualified labor force. Other important constraints were bureaucracy, people's mentality, and adverse economic conditions (such as high rents, difficulty finding suppliers or providers of certain services and shortage of business financing). These are not very different from findings of other studies undertaken in other geographical contexts (Newland & Tanaka, 2010; Okpara & Wynn, 2007).

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Addenda

Addendum 1: List of newspaper articles analyzed

1. Niţu, F. (2020). Afaceri de la zero: Narcis Pintea a investit 80.000 de euro într-un atelier de brânzeturi în satul natal din judeţul Cluj şi produce artisanal după modelul elveţian. Ziarul Financiar, 19 August.
2. Vasiliu, A.E. (2020a). Afaceri de la zero: Tânărul care a studiat în patru oraşe europene diferite şi a mizat tot pe România pentru afacerea sa. Ziarul Financiar, 30 May.

3. Vasiliu, A.E. (2020b). Afaceri de la zero: Aşa da: O tânără din România a pus în ţara sa bazele unei afaceri alături de o prietenă, dup ace s-a inspirit din experienţa sa ca angajat în Londra. Ziarul Financiar, 28 June.
4. Nitu, F. (2019a). Afaceri de la zero: Roxana Parjol s-a intors la Cluj dupa 15 ani petrecuti in stainatate si produce inghetata moleculara sub brandul L'Albero dei sogni. Ziarul Financiar, 7 July.
5. Nitu, F. (2019b). Afaceri de la zero: Adriana si Adrian Gheorghiu s-au intors din Canada si au investit peste 200.000 de euro pentru a preda cursuri de yoga corporatistilor din Bucuresti. Ziarul Financiar, 20 august.
6. Botea, R. (2018). Dan Vulpe, repatriate roman dupa 20 de ani in Canada: Suntem o natiune sub asediu, doar ca de data aceasta nu ne mai asediaza turcii sau rusii, ci noi insine. Romania – un infern birocratic. Ziarul Financiar, 23 November.
7. Nitu, F. (2008). O familie s-a intors din Italia pentru a-si dezvolta propria afacere in satul natal din Salaj. Ziarul Financiar, 20 November.
8. Slamnoiu, C. (?). A lasat un job foarte bun in Anglia pentru a creste struti in Romania: cat castiga atunci si cat castiga acum? Adevarul
9. Panaete, M. (2015). A lucrat in Franta si Elvetia sa stranga bani pentru un start-up. Ziarul Financiar, 4 April.
10. Mirea, C. (2015). A lucrat 12 ani in Italia, iar acum are propriul restaurant in capitala. Ziarul Financiar, 10 January.
11. Cosmobeauty Who's Who (2020). Adriana Fagarasian, fondator SkinMedic Beauty Clinic, clinica de elita pentru servicii de estetica. Cosmobeauty
12. Toma, A. (2020). Povestea romancei care a trait doua decenii in Italia si s-a intors in tara impreuna cu sotul Italian si cu cei doi copii pentru a le arata tuturor frumusetea Dobrogei. Cum s-a nascut raiul de la Complex Turistic Varvara. Life, 10 May.
13. Anonymous (n.d.). Ioana Joca-Pohl – Dupa Gard Retreat "O, tu sura preafrumoasa". Repatriot.ro
14. Niculas, M. (2018). Maine, 1 august, se deschide un magazine nou nout de vanzare cu amanuntul in mall-ul Prima Shops din Oradea. Credite IMM, 31 July
15. Enasescu, A. (2020). Dupa 13 ani in Madrid, doi ieseni s-au intors acasa si au adus cu ei secretele bucatariei spaniole. Pressone, 1 february.
16. Tanase, M. (2019). Dupa 12 ani de viata in SUA si o cariera in top management, Dan Doroftei s-a intors in Romania si construieste cel mai mare centru de lux dedicate varstnicilor. Life, 19 December.
17. Anonymous (n.d.). De la journalist in Statele Unite, la patron de agentie de publicitate in Bucuresti. Repatriot.
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Addendum 2. Main characteristics of the 53 cases

Case #	Country in which (s)he lived	Time spent abroad	Year of invest. in Romania	Place of invest. in Romania	Amount of initial invest.	Economic domain of invest.	Has experience in the domain of investment?	Ent-repre-neurial expe-rience abroad?
1.	A number of countries among which Switzerland		2019	Cluj County	80,000 euro	Different types of cheese	Yes (studied cheese making and worked in cheese factories abroad)	no
2.	Belgium, Austria, Denmark		2018		40,000 euro	Design office specialized in visualization of data	Yes (worked in this area abroad)	no
3.	UK			online	5000 euro	Selling wallpaper	Yes (worked for the same American wallpaper brand in London)	no
4.	Italy	15 years	2018	Cluj-Napoca	20,000 euro	Ice cream	Yes (took chef, pastry chef and ice-cream making courses in Italy and Switzerland and worked as a restaurant chef in Italy)	No
5.	Canada		2016	Bucharest	200,000 euro	Yoga studio	Yes (took yoga courses while living abroad)	No
6.	Canada	20 years	2012					

7.	Italy	15 years	2014	Salaj County	150,000 euro	Manufacturing and selling products made of lavender	No	No
8.	Israel & UK	20 years		Dambovita County	4200 euro	Ostrich farm	No	No
9.	France & Switzerland	Less than a year		Western Carpathian (Apuseni) Mountains	5000 euro	Manufactures different types of jams and syrups	No	No
10.	Italy	12 years	2013	Bucharest	30,000 euro	Restaurant	Yes (worked in restaurants in Italy)	No
11.	Italy	16 years		Brasov		Beauty clinic	Yes (studied this business model in Italy	No
12.	Italy	20 years	2019	Tulcea County		Tourism (B & B)	No	No
13.	UK (Scotland)		2017	Alba County		tourism	No	No
14.	UK (Northern Ireland)	10 years	2018	Oradea	30,000 euro	Selling quality meats, “ready to eat” & “ready to cook”	Yes (worked in Northern Ireland as a butcher and in retail)	No

15.	Spain	13 years		Iasi	35,000 euro	Restaurant	No	No
16.	USA	12 years	2016	Bucharest	60 million euro	Senior care	Yes (worked in health care and senior care in the USA)	No
17.	USA			Bucharest		Advertising agency	Somewhat (worked as journalist)	No
18.	UK		2015	Calarasi County	Over 1 million euro	Agriculture	No (worked in construction)	Yes (had a construction company in London)
19.	A number of countries (most time in Spain and Sweden)	15 years	2016	Dambovita County	1 million lei	Tourism (mini-resort	No	No
20.	Germany, USA					cosmetics	No	No
21.	Ireland	12 years				Manufact. & selling windows and doors	yes	yes
22.	Italy	15 years	2013	Bucharest		Restaurant	Experience as sommelier and learned Italian recipes.	No

23.	Switzerland	8 years	2019	Cluj-Napoca	33,000 euro	Coffee shop	No	No
24.	UK	7 years		Bucharest		Financial consulting	Yes (worked in an investment bank)	No
25.	UK		2019	Oradea		Coffee shop	No	No
26.	France			Bucharest		kindergarten	No	No
27.	The Netherlands	2 years	1996	Bistrita-Nasaud County		Agriculture + gas station + retail	No	No
28.	UK (England)	8 years		Neamt County	200,000 euro	Butchery	No	No
29.	South Korea	5 years		Bucharest		Education sector	No	No
30.	France	15 years				Robotic Process Automation	Yes (worked in IT)	No

31.	Spain, Austria, Germany					Eco-clothing for babies	No	No
32.	Italy	18 years		Salaj County		lavender	No	No
33.	France & Switzerland	2 years				Business incubator	Somewhat (worked in banking)	No
34.	UK			Oradea		Coffee shop	Yes (managed a coffee shop)	No
35.	UK	6 years		Oradea		Barber shop	Yes	No
36.	UK				20,000 euro	Fitness studio	Yes	Yes
37.	UK	1 year				menswear	Yes	No
38.	Germany	14 years	2014	Bucharest		Sport therapy	Yes (studied sport science)	No

39.	USA & Germany	6 years		Doftana Valley		restaurant		No
40.	Cruise lines + Spain	3 years (in Spain)		Bucharest		Advertising agency	Somewhat (worked as human resources consultant and business developer)	No
41.	USA & UK			Bucharest		Padel club (mix between tennis and squash)	Yes (played tennis professionally and worked as financial consultant)	No
42.	USA			Cluj-Napoca		Software company	Yes (worked as software engineer)	No
43.	Italy			Zarnesti (Brasov County)		Restaurant	Yes (managed a restaurant)	No
44.	Ireland	10 years		Timisoara	300,000 euro	IT industry	Yes (worked in the IT industry)	No
45.	Several countries but mostly in the UK	6 years	2016	Bucharest		Beauty salon	No	No
46.	France, Poland, Germany	10 years	2011	Buzau County		Slow food/slow tourism	No	No

47.	Italy			Arges County		Tourism	No	No
48.	Germany & Italy			Bucharest		Collecting mushrooms and truffles	No	No
49.				Maramures		Tourism (B & B)	No	No
50.	Cruise lines		2004	Bucharest	800,000 euro	Restaurant & real estate	Yes	No
51.	France	15 years		Ileanda (Salaj County)		Lavender	Yes (learned about lavender in Southern France)	No
52.	France		2013	Bucharest	200,000 euro	Bakeries	No	No
53.	Germany	22 years	2005	Cluj-Napoca, Brasov, Sibiu	2 million euro	Real estate, construction of apartments	Yes (worked in construction)	No