

# **The Economic Dimension of Minority Participation in Europe**

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## The Economic Dimension of Minority Participation in Europe

Jonathan Wheatley

### Introduction

The issue of equal economic opportunities for members of national and ethnic minorities in Europe is important not only for economic prosperity, but also for the future peace and security of the European continent. Unequal access to employment, education, health and housing has, over the past fifty years, undermined political and economic stability in regions as diverse as the Balkans, Northern Ireland, South Tyrol and Cyprus. However, while European academics, think tanks and policy-makers have focused on social and economic exclusion on the one hand, and minority rights on the other, few attempts have been made to link the two.<sup>1</sup>

Economic empowerment of members of national and ethnic minorities is important for a number of reasons.

*First of all*, minorities are a frequently untapped resource in terms of economic prosperity for entire communities, not only for members of the minority in question. By making use of the intellectual capital that members of minorities have to offer, states and regions can develop in ways that would not be possible if their skills were left to go to waste. Conversely, if minorities remain under-educated, underpaid and under-employed, the economy of the entire country or region will suffer, with adverse consequences for members of the majority as well. Successful models of multi-ethnic societies such as the Autonomous Province of Bolzano (South Tyrol) show us that ethnic heterogeneity can be associated with prosperity and high living standards across the board, providing the economic potential of all citizens is tapped. Indeed in

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<sup>1</sup> Here a notable exception is Minority Rights Group International, who have highlighted the issue of economic exclusion members of members of Minorities and Indigenous Peoples. See Patricia Justino and Julie Litchfield, "Economic Exclusion and Discrimination: The Experiences of Minorities and Indigenous Peoples" (Minority Rights Group International issues paper, August 2003) at [http://www.minorityrights.org/admin/Download/pdf/IP\\_EconomicExclusion\\_JustinoLitchfield.pdf](http://www.minorityrights.org/admin/Download/pdf/IP_EconomicExclusion_JustinoLitchfield.pdf).

2003, GDP per capita in the multi-ethnic province of South Tyrol was nearly 50% higher than in the rest of Italy.<sup>2</sup>

*Second*, economic prosperity and the reduction of economic inequalities leads to greater participation of minorities in public life and, in turn, to a further consolidation of democracy. Scholars of democratisation often argue that economic development is a pre-requisite for a consolidated democracy, and this argument is particularly relevant in multi-ethnic societies.<sup>3</sup> This is because greater economic opportunities for members of national and ethnic minorities help to break down divisions in society and foster the establishment of multi-ethnic networks. Minority communities mired in poverty, on the other hand, are unlikely to accumulate the level of social capital necessary to make their voices heard in the political sphere.

*Third*, economic under-development and, especially, the economic marginalisation of a particular identity group, increase the likelihood of inter-ethnic conflict. Various development studies have shown that low rates of economic growth and low per capita income provide opportunities for potential ‘spoilers’ to engage in inter-communal violence.<sup>4</sup> In economically underdeveloped regions in which national minorities are concentrated, inequalities in living standards and in access to vital yet scarce resources can often lead to the exploitation of ethnic networks by political, economic and criminal elites for purposes of racketeering or (in extreme cases) armed actions.

In order to understand better the problem of exclusion and marginalisation of minorities and to find feasible solutions to this problem, it is necessary to conduct in-depth comparative research into the effectiveness of various policy strategies in different countries that are home to minority populations. This will make it possible to identify examples of best practice that could lead to the elaboration of more effective

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<sup>2</sup> EUROSTAT statistics available at <http://epp.eurostat.ec.eu.int>.

<sup>3</sup> On the relationship between economic development and democracy, see Seymour Martin Lipset, *Political Man: The Social Bases of Politics*, expanded edition (New York: Doubleday, 1960) and Larry Diamond, “Economic Development of Democracy Reconsidered”, *American Behavioral Scientist*, No.4/5 (1992): 450-99.

<sup>4</sup> Paul Collier and Anke Hoeffler, ‘Greed and Grievance in Civil War’ (October 21, 2001) at [http://www.worldbank.org/research/conflict/papers/greedgrievance\\_23oct.pdf](http://www.worldbank.org/research/conflict/papers/greedgrievance_23oct.pdf); Susan E. Rice, Corinne Graff and Janet Lewis, ‘Poverty and Civil War: What Policymakers Need to Know’, Working Paper No.2 (Brookings Institute: Global Economy and Development) at [www.brookings.edu](http://www.brookings.edu).

policies both at European (EU) and at national level. Before embarking on an analysis of policy, however, it is first necessary to gain a clearer understanding of the causes of exclusion and the contexts in which economic marginalisation tends to occur. Only then will be able to identify the broad areas of policy that will guide future research.

### **Economic Exclusion or Advancement: Determining Factors**

The economic opportunities that members of ethnic and national minorities in different parts of Europe can (or cannot) take advantage of are highly context-dependent and are determined by a multitude of factors. Below are listed the most important of these factors. Understanding how they impact upon economic relations between minorities and majorities helps us to appreciate first that there is no catch-all strategy to combat economic marginalisation, and second that strategies (such as privatisation) that may benefit one minority in one context may adversely affect another minority in another context.

Constitutions and Institutional Design. Most European constitutions and other fundamental laws outlaw discrimination on the basis of gender, and ethnicity. Many constitutional documents specifically recognise and guarantee the rights of ethnic, linguistic and minorities and some explicitly specify particular ethnic, linguistic or groups to whom special rights apply.<sup>5</sup>

A key feature of constitutions of national states and other fundamental laws is that they define the concept of *citizenship*, in other words, what is meant by ‘we, the people’. Some states adopt a restrictive notion of citizenship by limiting full citizenship rights only to certain inhabitants. Such is the case of Estonia and Latvia, where laws on citizenship only grant automatic citizenship to persons who were citizens of these countries in 1940 and their descendants. This inevitably restricts the economic opportunities of those members of national minorities who remain non-citizens (and in the cases of Latvia and Estonia this includes a large part of the Russian and Russian-speaking population), since non-citizens inevitably enjoy fewer

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<sup>5</sup> For example, the constitutions of Finland, Slovenia and Macedonia.

economic rights than citizens, no matter how many special provisions are in place to guarantee broad social rights to the former (as in the case of Estonia and Latvia).

Another way in which constitutions and other fundamental laws can be relevant is when they determine the *official language or languages* of the state and the circumstances (if any) in which other languages can be granted official or semi-official status.<sup>6</sup> In some cases they safeguard linguistic minorities, for example by guaranteeing the right to study minority languages.<sup>7</sup> The status of official and non-official languages may have a bearing on employment opportunities. In settings in which members of national minorities have a poor grasp of the state language or languages, the requirement that employees in certain sectors (e.g. the civil service) must have full command of these languages could potentially exclude members of minorities from employment in these sectors. Education laws that require fluency in the state language or languages in order to enter state-accredited universities may have a similar effect. In either case, the impact on the future earning capacity of members of minorities is likely to be negative.

Another key aspect of the constitution and other fundamental laws relates to the *institutional design* of the state, in particular the *relationship between the centre and sub-state 'segments'*, be they territorial or cultural (however these may be defined), as well as the design of the *electoral system*. Institutional design matters in divided societies because if one group (typically the majority) controls all levers of policy, it is likely that this group will seek to further its own political and economic interests rather than those of society at large.

Examples of how inauspicious institutional design can lead to the economic disadvantaging of minorities are not hard to find. Probably the most vivid example is that of Northern Ireland from the establishment of the Stormont parliament in 1921 until its dissolution in 1972. The decision to change the electoral system from a single transferable vote system to the British-style first-past-the-post system in 1929, the gerrymandering of the local government electoral areas in order to ensure a unionist majority in councils in most of the main cities, as well as a lack of any other power-

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<sup>6</sup> For example, in the case of the Constitution of Macedonia.

<sup>7</sup> For example, in the case of the Constitution of Bulgaria.

sharing mechanisms, meant that the Protestant (unionist) majority had total control of all levers of power throughout the period in question. Over time, this led to the progressive economic marginalisation of the Catholic minority as Catholics were routinely excluded from professional and managerial posts and levels of unemployment remained about twice as high amongst Catholics as amongst Protestants. Top posts in the senior civil service, the police and the judiciary were virtually the exclusive preserve of the unionist majority.<sup>8</sup>

Another crucial factor is the *territorial-administrative structure* of the state. Here the range of choices extend from a highly-centralised unitary state with weak local self-government, through various forms of regionalisation, to a fully federal state. Clearly, the greater the level of decentralisation, the greater the control of local self-governments over the local economy. In states in which national minorities are geographically concentrated more effective local self-government will give minorities greater control over economic decision-making and, all else being equal, will be beneficial to their economic empowerment.

### Regional Development

The problem of economic marginalisation of members of national and ethnic minorities is particularly acute in regions where the general economic situation is poor. In settings in which economic resources are scarce, the competition for these resources is often much keener and access to them may depend on one's position in informal, and typically mono-ethnic, networks. This can lead to minorities being hit even harder by economic hardship than their majority counterparts.

In some cases minorities are economically disadvantaged because they are concentrated in the more peripheral regions of the country. In general, peripheral regions that are economically isolated from the capital and other key economic centres tend to be under-developed, irrespective of the ethnicity of their populations.

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<sup>8</sup> John Whyte, "How Much Discrimination was there under the Unionist Regime, 1921-1968" in Tom Gallagher and James O'Connell (eds.), *Contemporary Irish Studies* (Manchester: Manchester University Press, 1983), also available at <http://cain.ulst.ac.uk/issues/discrimination/whyte.htm>; "Discrimination and Employment" from *Perspectives on Discrimination and Social Work in Northern Ireland* (CAIN Web Service) at <http://cain.ulst.ac.uk/issues/discrimination/gibson2.htm#top>.

High disparities in living standards between the capital city and rural communities are particularly prevalent in parts of southern and eastern Europe. The process of economic integration of these peripheral, rural communities first into the national economy and later into the global economy can lead to economic hardship and poverty. In such a process minority communities may find it doubly hard to integrate – firstly as inhabitants of a peripheral region and secondly as minorities. Geographical remoteness from the hub of economic life together with difficulties in integrating linguistically and/or culturally may combine to produce a greater degree of marginalisation than would be the case if only one of these factors applied.

### **Privatisation**

In countries emerging from a system in which most or all economic life is controlled by the state, the transition to a market-led economy can be a traumatic one. In particular, the downsizing of the state sector and the closure of many industries that are no longer competitive in the global marketplace often lead to a deep economic recession and a rapid rise in unemployment rates. Members of national minorities can be affected by these changes disproportionately. A case in point is that of Russians in the Baltic republics, especially Estonia and Latvia. The Russian community in these states is mainly composed of those who arrived during the Soviet period to work in heavy industry, as well as their descendents. Unable to survive in the global market place, it was those same heavy industries that faced closure as the principles of the market economy took hold, leading to redundancies and massive unemployment in industrial areas such as Latgale in Latvia or Ida-Virumaa county in Estonia, where the Russian minority is concentrated. In other parts of post-communist Europe, privatisation had a similar effect on the Roma community; as Alan Phillips, former First Vice President of the Advisory Committee on the Framework Convention for the Protection of National Minorities, points out, members of this group who previously carried out menial functions within state bodies “were made redundant and changed from being impoverished to being destitute”.<sup>9</sup>

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<sup>9</sup> Alan Phillips, ‘Commentary Focusing on the Economic Participation of National Minorities’ presentation at a Conference to mark 5th anniversary of the entry into force of the Framework Convention, Strasbourg, 30-31 October 2003. Available at [http://www.coe.int/t/e/human\\_rights/minorities/5.\\_5\\_anniversary/PDF\\_Final%20commentary%20Phillips\\_workshop1\\_participation.pdf](http://www.coe.int/t/e/human_rights/minorities/5._5_anniversary/PDF_Final%20commentary%20Phillips_workshop1_participation.pdf).

However, it would be wrong to assume that members of national and ethnic minorities always bear the brunt of such economic upheavals. Indeed, on occasions minorities were less adversely affected by the collapse of the state-run economy than their majority compatriots. For example, the Hungarian (Szekely) minority in Transylvania survived free market reforms as well, if not better, than their Romanian counterparts. In the predominantly Hungarian city of Miercurea-Ciuc (capital of Harghita county) and in the mixed city of Tirgu-Mures (capital of Mures county), a large number of small and medium-sized enterprises have developed since the collapse of the communist system, many of which are based on cross-border business networks between Hungarians in Hungary and Romania. According to a report by Miercurea-Ciuc city hall for the National Centre for Sustainable Development in Romania, in 2002 there were 270 Hungarian investors in the city of Miercurea-Ciuc – 66% of the total number of foreign investors – who invested a total of US\$4.7m in the city.<sup>10</sup> This level of Hungarian investment is far greater than in other areas of the country and suggests that the proximity of a kin-state for ethnic Hungarians in Transylvania has given this community a relative advantage in adapting to free-market reforms by engaging in private business.

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<sup>10</sup> See the National Centre for Sustainable Development website at [www.sdn.ro](http://www.sdn.ro).

### Trade with kin-states

The example cited above of Hungarians in Transylvania demonstrates the importance of trade relations and cross-border co-operation between minorities and kin-states or co-ethnic brethren in other states in unlocking the economic potential of minority communities. Burgeoning trade ties between Hungary and Romania went hand in hand with Romania's emergence from the deep recession of the early 1990s. Between 1993 and 2003, Romanian exports to Hungary rose from US\$86m to US\$617m, while imports rose from US\$185m to US\$869m. Similarly the number of Hungarian-owned ventures operating in Romania rose from 1,450 to 4,019 between 1995 and 2002 and the total capital stock belonging to these ventures rose from US\$20m to US\$320m over the same period.<sup>11</sup> This clearly bolstered the economic opportunities of Hungarian communities within Romania, most notably within the stratum of Hungarian entrepreneurs in Transylvania.

However, not all national minorities benefit from cross-border ties with their kin-state. In particular, such benefits are likely to be much less important if the kin state is less developed economically than the host state or if trade relations between the two states decline. For both these reasons, Russians in Estonia and Latvia have been largely unable to exploit to their relationship with their ethnic kin in Russia by establishing lucrative trade relations with Russian businesses. First, in terms of GDP per capita, Russia is poorer than both Baltic republics, and therefore the potential of Russia as an investor and as a potential market for exports is less. Second, while Russia was the main trading partner of the Baltic republics within the internal market of the USSR, by 2003 trade with Russia made up only around 7% of the total volume of trade in both Estonia and Latvia.<sup>12</sup> As the Baltic republics joined the EU in 2004, their trade tariffs with non-EU states (including Russia) had to conform with common EU tariffs. This was unlikely to improve trade ties with Russia or to foster opportunities for ethnic Russians in Estonia and Latvia to forge economic ties with Russian partners.

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<sup>11</sup> Data from the Government Office for Hungarian Minorities Abroad (Reports on the Situation of Hungarians) at <http://www.htmh.hu/en/?menuid=0404>.

<sup>12</sup> Alari Purju, "Foreign Trade Between the Baltic States and Russia: Trends, Institutional Settings and Impact of the EU Enlargement", *Electronic Publications of Pan-European Institute*, 14/2004 at [http://www.tukkk.fi/pei/verkkokajulkaisut/Purju\\_142004.pdf](http://www.tukkk.fi/pei/verkkokajulkaisut/Purju_142004.pdf).

### Weak statehood/Corruption

In weak or contested states, examples of which have been found in the successor countries of the USSR and Yugoslavia, state power can become 'privatised' – at least for a certain period of time – and the organizations that once constituted the state become the private realm of corrupt former state officials, black market businessmen and paramilitary groupings. Under such circumstances, the rules the state has hitherto sought to impose are replaced by the informal codes of local clans and networks. State regulation of the economy turns to black market regulation as government departments and ministries are taken over by clans or criminal fraternities. What is left of the state becomes a proliferation of semi-independent yet intertwined informal networks that deliver network goods to the few, rather than public goods to the many. As these networks are typically mono-ethnic, minorities can lose access to public goods that are traditionally provided by the state and can become excluded from all but the most basic economic activities.

Even if state collapse is not total, an erosion of state authority leads to a corresponding erosion in the norms of public service and corruption becomes a normal way of life. Under such circumstances, members of national minorities, having fewer 'protectors' or 'patrons' in high places in comparison with members of the majority nationality, are often disproportionately targeted by state officials, once again undermining their position in economic life.

### Social Expectations

Historically, in much of Europe, certain nationalities filled different economic niches. Thus, in Central and Eastern Europe, until the nineteenth century Germans and Hungarians made up a disproportionately large part of the nobility, Germans also constituted an urban strata of merchants, skilled artisans and small-scale manufacturers, Jews, Armenians and Greeks were mainly traders, while Romanians and Slavs made up the bulk of the peasantry. The Roma typically lived on the margins of society, and were often enslaved or lived as fortune-tellers, horse-traders, blacksmiths, itinerant musicians and entertainers. Although most of these patterns

broke down during the late nineteenth and twentieth centuries, some groups still retain economic niches, albeit in a form that is radically different from the traditional ones. Most notably, it is a common occurrence in much of Europe for the dominant or numerically superior ethnic group to be disproportionately represented in the state bureaucracy. This, however, often relates more to the use of informal networks for recruitment, or even to a perception on the part of the dominant nationality that minorities are somehow disloyal to the state and therefore unfit to serve as civil servants, rather than to any traditional pattern of labour. The one context in which old economic niches persist is the case of the Roma. Even today most Roma are consigned to menial forms of employment, remain unemployed, or eke out a living on the black market.

The kind of ingrained socio-economic patterns identified above inevitably affect expectations for the future. Low social and professional expectations impact negatively upon educational achievement and educational achievement plays a key role in determining future economic status. If members of certain underprivileged minorities leave school or university with lower qualifications than their majority counterparts, their earning capacity in the long term is likely to be lower. Today, this applies above all to Roma communities as expectations both within Roma society and amongst society at large often dictate that Roma schoolchildren will receive a substandard education. This is partly due to expectations of social status that are passed down from generation to generation within the community, and partly due to the attitudes held by non-Roma within the education system, who often stereotype Roma as under-achievers.

## **Policy Implications**

In the paragraphs above I have identified the principal factors that determine the extent to which members of ethnic and national minorities enjoy the same economic opportunities as their majority counterparts. Our discussion leads us to the following conclusions. First of all, the context in which minorities live is especially important. This context refers to a number of different situational variables including: (1) the extent to which minorities are dispersed across the territory of the state or are geographically concentrated; (2) the location of minorities in the rural periphery, on the one hand, or in urban centres, on the other; (3) the presence of absence of a kin-state and the relationship of the host state therewith; and (4) minorities' expectations of their 'place' within society insofar as these expectations may have been forged over the course of several generations.

The other conclusion that can be drawn from this discussion is that policy decisions made within a large number of different policy areas can potentially have an impact on the economic well-being of ethnic and national minorities. These include the fields of designing constitutions and fundamental laws, economic policy, development policy, foreign policy (in terms of the relationship with kin-states), education policy, employment policy, and policies aimed at fighting corruption. This would suggest that there is a need for scholars of minority-majority relations to broaden their existing focus on legal and constitutional norms by taking a wider view that would include all aspects of policy-making to affect the economic opportunities available to minorities.

Moreover, the focus on policy-making should not be confined to the field of national (state) policy. Increasingly it is not only national policy that affects the economic opportunities of members of national and ethnic minorities. EU policy also impacts greatly on the economic and social policies both of member states and of EU candidate countries. First and foremost, this applies to regional development policy, as EU structural funds are targeted at the poorest regions of the EU and regions that are adjusting to rapid change or are suffering from particular structural difficulties. In some cases, these are the very regions in which minorities are concentrated. The EU's development policy is a reflection of the Union's long-standing commitment to fight

poverty by reducing inequalities between the poorest and richest regions of the continent.

Increasingly, the EU has also turned its attention to the issue of *social exclusion*. Following the Lisbon summit in 2000, which marked the start of the so-called Lisbon strategy to make the EU economy more competitive and dynamic, the need to combat social exclusion within the EU was given greater priority. Within the framework of the Lisbon Strategy, in 2001 the European Parliament and the Council of the European Union launched a programme of Community action to encourage member states to combat social exclusion. Through this programme all EU member states (including Bulgaria and Romania from 2006) agreed to draft national action plans with strategies on how to overcome this problem. This new emphasis could potentially be used as a tool to fight economic marginalisation of minorities; however, the problem of exclusion of national minorities (especially autochthonous minorities) has yet to feature highly as part of this initiative.

Finally, another area of EU policy is the fight against discrimination. 2007 was declared the European Year of Equal Opportunities for All by the EU. The aim of the initiative was to promote equal treatment of all groups within society and to focus on ways to eliminate discrimination. A key motivating factor was the increased ethnic diversity within the European continent and the challenge of promoting the integration of ethnically diverse communities at the same time as valuing diversity as a potential source of cultural and economic wealth.

### **The Need for An Initiative on Equal Economic Opportunities**

Despite its importance, the economic aspect of minority-majority relations has hitherto been largely neglected by academics and practitioners who are involved in issues relating to minority rights. The concept of equal economic opportunities does not feature strongly in instruments that have so far been designed to protect national minorities; even the Council of Europe's Framework Convention for the Protection of National Minorities (hereinafter the FCNM) pays little more than lip-service to the notion of equal economic opportunities, despite its pledge to "create the conditions necessary for the effective participation of persons belonging to national minorities in

cultural, social and *economic* life and in public affairs, in particular those affecting them” (italics mine). Indeed in their Opinions on Article 15 Advisory Committee on the FCNM appears to attach more importance to participation in public affairs than to participation in economic life. Virtually the only mention of economic inequality within the Opinions appears within the specific context of the marginalisation of Roma communities in Europe.<sup>13</sup>

There is an urgent need to fill this theoretical and operational void by unifying the rights-based approach of those whose main area of competence is minority issues with the development-based approach of the EU and other multilateral and international organisations. Given the increased emphasis within the EU on the need to fight social exclusion and to eliminate discrimination, the time is right for the issue of equal opportunities for ethnic and national minorities to take centre stage. It is with the aim of promoting this agenda that ECMI is launching a new project to research and publicise this issue.

ECMI’s initiative on Equal Economic Opportunities will be research driven. The research will be designed to investigate the causes and effects of economic exclusion of national and ethnic minorities and to identify the policies, both at national and supranational level, that are most effective in combating this problem. It will be carried out through comparative case studies in different parts of the European continent. The intended outputs include an edited volume that will expand our empirical and theoretical knowledge of this new area of scholarship and a set of recommendations on how to increase the participation of members of minorities in economic life that will be of practical use to policy-makers across Europe. It is very much hoped that in the long term the research will inform future action-oriented projects on how to improve the level of economic participation for disadvantaged minorities across the European continent.

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<sup>13</sup> European Centre for Minority Issues (ECMI), The Framework Convention for the Protection of National Minorities Database (Article 15) at [http://www.ecmi.de/doc/CoE\\_Project/download/Article%2015%20FCNM.pdf](http://www.ecmi.de/doc/CoE_Project/download/Article%2015%20FCNM.pdf).

