Economic Convergence and Community Conflicts in European Union

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Abstract

This paper will build on the results of the transnational PEACE-COM project\(^1\), a three year research project (2004-2007), funded by the European Commission’s Sixth Framework Programme, whose main aim is to study community conflicts drawn from the range of possible types inside the European Union\(^2\) as well as at its borders, and to assess the effects of Europeanisation on these conflicts. This project also aims at devising a set of empirical indicators to observe and monitor the development of these conflicts inside the European Union, as well as the impact of European integration in new member states.

Project brings out twelve main dimensions of community conflicts taking place in Europe and at its borders which can be interpreted as the features, issues explaining their emergence or persistence, or causes of conflict. According to the Project findings, socio-economic dimension is one of the salient dimensions of these conflicts. It is explained as the differences in socio-economic resources available for the concerned communities.

This paper, starting from a brief evaluation of the convergence process in EU between years 1990-2004, with special focus on convergence performance of 6 countries experiencing community conflict, identified in the Project, aims at investigating the effect of economic convergence on these conflicts, if any.

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\(^1\) More information is available on PEACE-COM’s Website: [http://peacecom.spri.ucl.ac.be/](http://peacecom.spri.ucl.ac.be/)

\(^2\) Case studies covered by the PEACE-COM project include: Basque Country, Belgium, Corsica, Cyprus, Northern Ireland, Russian minority in Estonia, South Tyrol, Slovene Minority in Austria, Kosovo, Sandzak and Vojvodina in Serbia.
Introduction

Evidences show that vertical disparities (inequalities) in income (GDP per head) and employment across the European Union between member countries have narrowed slightly over the past decade, especially since the mid-1990s. This is the case in terms of disparities both between countries and between regions. At the same time, productivity in the least prosperous parts of the Union has risen relatively to that elsewhere, implying an improvement in their competitiveness. Large differences in relative levels of prosperity and economic performance remain, reflecting continuing structural weaknesses despite the improvements made as a result of Structural Fund support (EC, 2004). For the rest, continuing economic socio-economic disparities between countries and regions in EU and salient socio-economic dimension of conflicts taking place in EU raising the question, how far the convergence policies of EU is capable in decreasing economic and social disparities and as a consequence managing these conflicts, since community conflicts in European Union generally assessed to be a matter of domestic policy for each of the concerned countries. Is it possible to manage these conflicts through policies and programmes targeting poverty, economic stagnation, unfair distribution of resources, undemocratic governance, minority rights, discrimination, cultural intolerance, social injustice, weak social structures etc.? It is a well known fact that if convergence is not monitored and structured according to the specificities of the regions and from a human development perspective and targeted different groups, it won’t be an effective tool in the management of conflict. It must be monitored going beyond aggregated economic variables and working with disaggregated data capable of monitoring horizontal inequalities, inequalities between groups, (situations in which groups are excluded from parallel political, economic and/or social dimensions). Because when horizontal inequalities coincide with identity or regional boundaries they may escalate/deescalate conflict situation.

This study argues that economic convergence (elimination of vertical disparities between individuals, countries and regions) is a necessary condition but not sufficient to deal with community conflicts in Europe. However elimination of horizontal disparities (disparities...
between groups), especially when they coincide with identity, cultural, ethnic or regional boundaries, is as important as economic convergence. This claim is tested empirically using case study, synthesizing, and monitoring reports produced by PEACE-COM Project besides economic and social convergence data namely, GDP per capita, employment, labor productivity, income distribution, and human development.

In this perspective, starting from an overview of the convergence process and dimensions of the conflicts identified in the project, this paper aims at investigating the effect of convergence process on community conflicts with special focus on the conflicts with salient socio-economic dimension. Namely these are conflict between Walloons and Flemish in Belgium, Northern Ireland conflict, and Estonian and non-Estonian conflict in Estonia. It also tries to assess the specificities of these countries, if any, that make this dimension more salient than other conflicts. The paper subsequently tries to investigate empirically the link, between policies and programs that could be set up, in order to address socio-economic demands and inquires the possible effect of these policies and programs on the level of conflict.

1. **Overview of the Dimensions of Conflict Taking Place in European Union**

This section of the paper aim at to overview the dimensions of conflict taking place in European Union based on the findings of PEACE-COM Project. The project covered ten cases that have been selected according to the criteria of diversity and geographical scope. First criterion is the diversity in cycles of conflict which is categorised (in D1 by E. Feron) as peaceful stable situations, political tension situations, violent political conflict, low intensity conflicts, and high intensity conflicts to violent conflict. The second criterion is the diversity in dimensions and issues of conflict.

With this perspective, the project came up with cases as Walloon-Flemish conflict in Belgium, Northern Ireland, Cyprus, Russian Minority in Estonia, Basque country, South Tyrol in Italy, Corsica, Kosova, Vojvodina, Sandzak, Slovene minority in Austria, and the case of Roma in Czech and Slovak Republics.

The review of the case study reports written by various teams involved in the Project and the existing scientific literature on community conflict in Europe and synthesising their findings and conclusions in a transversal approach bring out twelve main dimensions of community conflicts in Europe under four main clusters. Clusters are of cultural dimension, socio-economic and geographical dimension, political dimension, and external dimension clusters.
The first cluster, cultural dimension is defined as “…the fact that groups in presence (be it two communities of comparable sizes, or an ethnic minority in front of a much stronger majority) are characterized by cultural elements (religion, history, traditions, language…) that make them irreconcilable.” This cluster identified three main type oppositions in conflicts taking place in EU as religious, identity, and cultural/linguistic conflict differences.

The second cluster socio-economic and geographical dimension is defined as “… the material conditions of living of the concerned communities that are at stake, and that explain that their coexistence is leading or has led in the past to an open or underlying confrontation.” This cluster used to identify three main conflict situations as socio-economic conflicts, conflicts linked to demography and population shifts, and territorial conflicts.

The main types of conflict situation identified under the third cluster; political dimensions are centre-periphery conflicts, security dilemma and access to political scene, conflicts beginning among political leaders, and conflicts caused by a citizenship denial. This dimension defined as “… concentrating either on the nature of political claims that are being put forward, or on the channels through which these claims or issues are being politicized.”

The fourth cluster ‘external’ dimensions identifying the exogenous factors that may have stimulate or cause the concerned conflicts deals with conflicts as a cause of decolonization, globalization and aftermath of WWI and WWII, and conflicts caused by neighbouring countries, diasporas and bordering communities.

Mapping the findings show that, each conflict situation combines various dimensions at the same time but some of them are more salient than others. The salient dimensions which are defined as, dimension present nowadays both in public discourses and policies or dimension present nowadays either in public discourses or policies, are cultural and linguistic differences, identity questions, territory, socio-economic issues, and neighbouring states and bordering communities.

Socio-economic dimension which is listed under third cluster is one of these salient dimensions. In eight cases out of ten, socio-economic dimension either exist in public discourses and policies, or in one of them. There are only two cases where socio-economic dimension is absent both in public discourses and policies.
2. Overview of the Economic Convergence Process in EU

There is a large literature on convergence (decreasing disparities/harmonisation of disparities) in economics. It is a process that may be analysed from various aspects as real convergence (convergence in income levels), nominal convergence (convergence of price levels), and institutional convergence (harmonisation of legislation). It is also defined as “...convergence of business cycles, consumer behaviour, social stratification, and so on”. (Varblane, U. and Vahter P, 2005, p.8) The literature on convergence also distinguishes between real convergence; long-term catching-up of poor countries to rich countries, conditional convergence; different economies reach their own steady-state growth potential (Barro, 1991) and club convergence; convergence that could function in countries with similar economic, political and social environments.

The term convergence used in this study implies real convergence with a broader definition in line with the purpose of the study as convergence in economic and socio-economic variables between EU countries and within countries. The following section summarises real convergence in EU considering economic indicators as GDP per head, employment, productivity and socio-economic indicators, human development index, and GINI index.

Analysts have controversial opinions about EU economic convergence. While some of them

“.. argue that cohesion in the EU is a fact. It might be slow – at a rate of about 2 per cent per year – but the completion of the Single Market and free trade will lead to increased specialisation. Poorer regions in this respect will benefit from a competitive advantage in terms of lower wages and production costs.” (EPIC, 2004)

Some others

“..argue that against the backdrop of an increasing North-South divide in the EU, cohesion is only wishful thinking. Even more so, although some countries in particular Germany, Denmark and France have reduced inner cohesion (which is the prosperity gap within a member state); the differences between richer and poorer regions in Great Britain, Greece and Italy are actually increasing. Unemployment is still a widespread problem, in particular in Greece and above all in Spain, and the limited funds can only combat this in an insufficient manner.” (EPIC, 2004),
reflecting their optimistic/pessimistic views about the convergence in Europe, surely depending on convergence outcomes. Same trend can be seen in scientific research outcomes also. Studies using different contexts, data sets, and methods reach controversial results towards club convergence; countries and regions with similar starting points, similar economic, politic and social environment will tend to converge. Countries with different starting points and economic, politic and social environment will not converge but “if certain economic policy instruments should allow for eliminating the differences in their conditions, then the countries may turn out to converge.” (Varblane, U. and Vahter P, 2005 p.9)

The implication of these findings can be seen in EU integration policies which begin to give increasing importance to the preparation period of candidate countries. Before joining the Union, candidate countries leded to harmonise their economic, political and social environment with EU member countries and to achieve certain economic targets defined by specific numbers, and ratios. Also it increases the importance of collection of regional data.

2.1 Economic Convergence process in EU-25: Convergence or Divergence

This section aims at, by assessing the convergence process in EU through aggregated economic and socio-economic indicators, to make introductory remarks on economic convergence in EU.

Growth and GDP per Head
As can be seen from Figure 1 ACC countries achieved remarkably higher growth rates than EU-15 countries

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6 ACC Countries are Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia.
According to convergence theory this high GDP growth performance of ACC countries end with the equalisation of GDP per head. Analysis of GDP per head in terms of purchasing power standards (PPS) and EU25=100 show that, except Malta disparities between GDP per head decreased (Figure 2). Amongst the ACC, the lowest convergence is in Chek Republic and the highest is in Estonia.

However, high growth rate and growth in GDP per head is not a sufficient condition for convergence. It will only materialize if these countries maintain such a positive diversity for a sufficiently long period of time. Such a development will only be sustainable in the medium and long term if they achieve and maintain not only high rates of economic growth but also some other growth determinants as increasing productivity, investment in physical and human capital (enhance savings); investment in research and development
and infrastructural development; reasonable population growth; openness to trade; the development and upgrading of financial systems; and maintaining a generally acceptable distribution of wealth within each country; as well as a range of institutional, social and political factors. With this regard the paper continues with analysis of productivity, and job opportunities.

**Labour Productivity and Job Opportunities**

Although labor productivity of ACC countries showed a slight increase, it is still around half of EU15’s. For EU15=100, productivity in ACC increased 5.5 points from 1998 to 2002 with a very low annual growth rate. Besides, unemployment rates show that job opportunities were lower in ACC countries. Unemployment rates were near to twice of EU-15 countries.

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
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<tbody>
<tr>
<td>EU15</td>
<td>8.7</td>
<td>7.8</td>
<td>7.4</td>
<td>7.7</td>
<td>8.0</td>
</tr>
<tr>
<td>ACC</td>
<td>11.8</td>
<td>13.6</td>
<td>14.5</td>
<td>14.8</td>
<td>14.3</td>
</tr>
<tr>
<td>EU25</td>
<td>9.2</td>
<td>8.8</td>
<td>8.5</td>
<td>8.8</td>
<td>9.0</td>
</tr>
</tbody>
</table>

The above three economic variables show that during the period covered although ACC and EU-15 countries are converging in terms of real convergence, disparities between productivity and job opportunities which are the crucial variables in the continuation of the convergence process, remained the same.

Due to the insufficiency of the available data covering the same period we couldn’t continue our analysis by examining horizontal convergence. By assuming that the existence of vertical disparities is an indication of horizontal disparities we proceed our study with the analysis of vertical disparities between regions. For the purpose of the study in the sequel we limit our analysis with the countries identified in the PEACE-COM Project, a sample of countries experiencing community conflict.

With an assumption that existence of regional disparities might indicate disparities between different groups (horizontal disparities), we based our analysis on the examination of overall and regional disparities of the countries identified in PEACE-Com project.

**2.2 Convergence and Wellbeing: Peace-Com Countries**

Since data covering the same period for all the countries in PEACE-COM Project is not available, the analysis in this section will be made with regards to; Belgium, Estonia,
Ireland, Spain, Cyprus, and Austria. From now on these countries will be referred to as Peace-Com-6 (PC-6) countries. These are the countries where socio-economic dimension of conflict is salient.

**Economic Wellbeing of PC-6 Countries**

Investigations of the effect of convergence on economic wellbeing of PC-6 countries suggest mixed results. While, high GDP growth and increasing GDP per head indicating an increase in economic wellbeing, continuing differences between unemployment rates and slow productivity growth indicating a decreasing trend in economic wellbeing of some of the concerned countries.

*Trends in Growth rates and GDP per Head between Years 1995-2003*

Growth rates and GDP per head increased in overall Peace-Com-6 countries during 1994-2003. In terms of growth rates, it is observed that countries other than Ireland, and Estonia, followed similar growth paths with very close growth rates during the period. The average growth rates of these countries are also around EU15’s. However as can be seen from the graphs below, Ireland, and Estonia not only have higher growth rates at the beginning and end of the period, but also their annual average growth rates during this time are greater than double of EU15 and EU25 average.

**Figure 3. GDP Average Growth Rate (1994-2003)**

![GDP Average Growth Rates 1994-2003](image)

Besides, in accordance with high GDP growth, all PC-6 countries had increasing GDP per capita. Except Austria, growth rate of GDP per head of the rest are also increasing (Figure 4). *(Indicating an increase in their economic wellbeing)*
Employment, Unemployment and Labor Productivity

Employment in PC-6 countries, continue to increase in relation with the increase in production level. However, while some of the PC-6 countries have lower unemployment rate (higher labor market opportunities) compared to EU-15 and EU-25, signaling better economic well being in these countries, some of them as Estonia, Spain and Belgium have slightly higher unemployment rate. Especially Estonia one of the PC-6 countries with the highest GDP growth rate and increase in GDP per head, job opportunities lacks behind EU-15. On the contrary, the unemployment rate of Ireland, the other country in the group having high growth and high increase in GDP per head was near to half of the EU-15 and EU-25’s unemployment rates.

Figure 5 clearly show that labor productivity continue to increase but with a decreasing rate. It is decreasing only in Cyprus. (Indicating a slow down of convergence in economic well being in the long run)
Increase in productivity in Estonia and Ireland was higher than EU-15 and EU-25 average, Belgium have near the same but Spain, and Austria have lower and Cyprus have a decreasing labor productivity.

The conclusion that can be driven out from the above analysis is that; considering this group of countries, in spite of the mixed results and our reservation on the continuation of the process, it can be said that economic wellbeing of the concerned countries is increasing.

However increase in GDP and/or GDP per head does not necessarily imply an increase in overall wellbeing, since well-being is a multi-dimensional concept. The analysis of a country’s performance cannot be limited to economic aspect only (Hobijn and Franses, 2001), need to go beyond to cover the social aspect; social wellbeing also.

Economic growth literature suggests that if a country is able to generate itself high levels of real GDP, it may generate a growth in quality: high economic and social wellbeing (UNDP 1996).7

But, when does economic growth positively impact on the elements of social wellbeing? It is defined briefly in Human Development Index (HDI) which is generated by UNDP. When economic growth able to offer the chance to the people of living a long and healthy life, being educated and having a decent standard of living, than it has positive impact on social aspect of wellbeing. The indicators of HDI are life expectancy, school enrolment, literacy and income which allow a broader view of a country’s wellbeing than using income alone—which are too often equated with well-being. In other words, human development indicators provide a global assessment of country achievements in material and immaterial socio economic dimension. Thus next section will continue with the assessment of socio-economic convergence in order to complete the assessment of the effect of convergence on wellbeing.

2.3 Socio-Economic Wellbeing of PC-6 Countries

HDI index increased in all of the EU25 countries during 2001-2003. Although they have different ranking all of these countries were in high human development group. This can be considered as; these countries are able to generate a growth in quality; high economic and social wellbeing.

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7 Socio-economic quality defined as the possibility of a person of achieving a long and healthy life, acquiring knowledge and having access to the resources needed for a decent standard of living (see also UNDP Human Development Report, 1996).
The variables used in HDI namely life expectancy, combined secondary school enrolment and literacy rate are capable in measuring individual differences from their nature but since GDP/head is an average measure of individual income, it can be enhanced by using income distribution indicators as GINI index or rich/poor national income shares ratio, to detect more precisely whether, the citizens’ capable to access to the resources needed for a decent standard of living. We use GINI index which shows in what direction income distribution is affected as GDP increases. Index number changes between 0 -indicating an equal income distribution, and 1.  
For the PC-6 countries the Gini index changing in a range 0.30 to 0.36 can be said to reveal fair income distribution (Todaro M. P. and Smith S.C., 1995). Also the difference between ranking by HDI and GDP/head for year 2004, shows that, except Ireland (less capable), PC-6 countries is capable in the translation of that income into social wellbeing.  
All the above analysis suggests that despite their low labor productivity growth and large differences in unemployment rates; threatening their long run performance, economic and social well being is increasing in PC-6 countries.  
However in order to discuss the effect of convergence on conflict still we need to go one step further and extent our analysis with convergence process between regions in each country in order to see whether there is any differences in the wellbeing of different groups, especially conflicting parties in PC-6 countries.  

2.4 Convergence Within a Country Between Regions and Conflicting Parties  
Insufficiencies in the finding of regional data and missing data for some countries force us to limit this part of our study with 3 countries Ireland, Belgium and Estonia which are the countries where socio-economic dimension existing in both public discourses and public policies.  
Investigation of regional disparities in these countries based on the information/data provided by Third Report on Economic and Social Cohesion, 2004 (Box 1) and PEACE-COM Project Monitoring System Report (MSR) of each case presented by Case experts (Table 2). For Estonian case report does not provide any regional data so in its assessment only MSR report is used.  
It appears that in Ireland and Belgium there are regional disparities considering income per head, unemployment levels, educational attainment in higher level education, and main economic activity. In both countries, regions depending on agriculture and industry are the regions with lower GDP growth, GDP/head and lower educational attainment in higher level education. That may be associated with the economic structure of the regions (Box 1).
## Box 1: Regional differences of Ireland and Belgium

### Ireland

In the Report Ireland divided into two regions as Border, Midland, Western (IR1) and Southern and Eastern (IR2). General, economic and social indicators for two main regions of Ireland are as follows:

When two regions compared, IR2 has:
- larger population, higher GDP growth and higher per capita income,
- higher employment and lower unemployment,
- higher educational attainment in middle and higher level education,
- higher service sector employment,
- lower dependency ratio

IR1 has:
- smaller population, lower GDP growth and lower per capita income,
- lower employment and higher unemployment
- lower educational attainment in middle and higher level education, higher educational attainment in lower level education,
- higher agricultural and industrial sectors employment,
- higher dependency ratio

### Belgium

In the Report Belgium divided into three regions as Brussels (B), Flanders (F), and Wallonia (W).

General, economic and social indicators for three main regions of Belgium are as follows:

When two regions compared, Region B is having:
- smaller population, higher GDP growth and higher per capita income,
- lowest employment and highest unemployment rates
- higher educational attainment in higher level education
- higher service sector employment.

Region F is having
- the second highest GDP growth and per capita income,
- highest employment and lowest unemployment rates
- the second highest educational attainment in higher level education
- the second highest service sector employment.

Region W is having
- lowest GDP growth and per capita income
- the second highest employment and the highest unemployment rates
- lowest educational attainment in higher level education
- lowest service sector employment

Third Report on Economic and Social Cohesion, 200, European Commission
Besides as presented in the Case study reports of Ireland and Belgium, (CSR) written by case experts involved in PEACE-COM Project, point at these disparities coinciding with cultural boundaries.

According to Ireland case study report Catholics; one of the conflicting parties has much lower job opportunities compared to Protestants. There are evidences of discrimination in the distribution of public houses, although the gap in income levels between the two has reduced since 1988, Protestants still earned higher incomes than Catholics. Also Catholics have complains about electoral practices, public and private employment.

As it is presented in the Belgium CSR and, Walloons; one of the conflicting parties have lower job opportunities compared to Flanders, they have lower GDP/per head. According to the MSRs in all three countries economic inequalities along ethnic divides widening, there are regions lagging behind, GINI index is correlated to regional/ethnic divisions (Table 2). One community have lower human development as it is stated in Belgium MSR.

<table>
<thead>
<tr>
<th>Table 2. Socio-economic Indicators examined in MSR</th>
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<tbody>
<tr>
<td><strong>Belgium</strong></td>
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<tr>
<td>Access to welfare and social benefits</td>
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<tr>
<td>Widening economic inequalities along ethnic divides</td>
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<tr>
<td>Existence of regions lagging behind in terms of economic development or particularly affected by lack of vital resources</td>
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<td>Gini index of income inequality</td>
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3. **Effect of Convergence on Conflict**

Theoretically convergence is expected to have a deescalating effect on community conflicts. Especially in countries, which are capable of achieving growth in quality; increasing both economic and social wellbeing. According to our assessment PC-6 countries are capable of doing so. However disparities between wellbeing of conflicting parties suggest that they need conflicting parties focused convergence policies besides regional based convergence policies. Convergence process suggests structural changes in the economic structure of countries. In the economic transformation process while the importance (contribution to GDP) of some economic sectors decreasing the importance of others increasing. In accordance, people who are engaged in this sector either lose their job or their
income decrease. Job opportunities decrease, migration increase etc. Which all have deteriorating effect on the economic and social wellbeing. Northern Ireland and Belgium regional data have indications of that process. What need to be done? EU suggests the framework and the fund for convergence the rest depends on the initiative of national governments.

4. Concluding Remarks: Is it the end of the story?
This is not the end of the story. Otherwise we deny the complexity, multidimensionality of the community conflicts and the role of interaction between dimensions of conflict in the shaping of the community conflict. But it can be said that emphasised, prioritised convergence process in EU offers a legitimate ground for economic claims of conflicting parties and political exploitation of the economic disparities, which is capable to escalate conflicts instead of its supposed role in conflict.
Indicative Bibliography


