



POLICY NOTE OF THE WORKING PAPER 5.6

CULTURAL DIVERSITY AND NATIONAL PERFORMANCE

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OBJECTIVE

The main objective of this paper is to draw lessons about institutions and policies that promote incorporation of diversity as a dynamic element of Europeanization and an addressee of ENPI policies. The study highlights levels of diversity in EU and ENPI countries in combination with governance quality, economic competitiveness, human development and social capital in each country. Given the fact that under the circumstances of Europeanization and Globalization, cultural and ethnic diversity is expected to further increase both in the EU and in the ENPI countries, the main policy issue that this task addresses is how to deal with this increasing diversity in order to facilitate sound incorporation and take full advantage of possible positive impacts.

SCIENTIFIC/RESEARCH METHODS

Given the aforementioned policy research objectives it is important to use consistent data in order to properly define and measure diversity both in EU and ENPI countries. Furthermore, national performance of countries characterized through different levels of diversity as well as public acceptance of diversity in these countries has to be highlighted and compared using reliable sources. Data that have been used and analyzed had been collected and systematized by bodies that specialize on conducting surveys whose findings are widely used, tested and accepted, such as the World Bank concerning governance, the UNDP concerning human development, the World Economic Forum concerning global competitiveness, the World Values Survey and the Gallup World Poll concerning values and attitudes. After combining and evaluating these data and finding out which countries are characterized by stronger diversity, which countries perform better and which societies are found to be more open to diversity, we pick over distinctive institutional features that facilitate acceptance of diversity in EU-15 countries with good economic and institutional performance. Following an institutionalist approach and adopting the Europeanization theory, we argue that institutional options that have been successful in facilitating the acceptance of diversity under the circumstances of Europeanization and globalization should be encouraged in transferred in other countries. Before

reaching the point where institutional options could be compared and accessed under the viewpoint of diversity, we had to follow a research strategy that included several steps.

A first aim of this paper was to test a widely accepted hypothesis that diversity is bad for national performance. More precisely, it should be checked whether the assumption about negative impacts of diversity does apply in most of the EU and the ENPI countries. For this reason, literature on diversity has been critically reviewed and analyzed, especially concerning aspects and components of diversity, as well as different approaches and methods of defining and measuring diversity. Empirical results from surveys on diversity in different countries (EU and ENPI) countries have been presented and compared. Then, national scores of diversity (Fearon Index of Diversity) were put side by side with national performance in governance, global competitiveness and human development, as well as with the level of generalized trust in each country, using data from the World Bank, the World Economic Forum, the UNDP, the Gallup World Poll and the World Values Survey. Furthermore, especially concerning the EU-15 that have followed the Europeanization path for a longer period, the GINI index of inequality/equality has been compared to the level of diversity in each country.

As a result of this exercise, the widely accepted assumption that cultural diversity and ethnic fractionalization have negative impacts on institutional and economic performance, human development, social cohesion (in terms of equality/inequality) and generalized trust could not be confirmed in many neighboring countries, candidate countries and new member states, while it certainly could not be confirmed in EU-15 states. Especially in countries following the Europeanization path for a longer period, in long-established democracies, in countries with good governance and strong institutional performance, cultural diversity does not seem to have any perceivable negative impacts on national performance.

Subsequently, it has been investigated, among EU and ENPI countries, whether acceptance of diversity is significantly stronger in some of them. In order to find out whether diversity is accepted, selected empirical data coming from the World Bank, the Gallup World Poll and the World Values Survey have been used. These data referred to the rule of law, public confidence to the judicial system, tolerance towards immigrants and minorities in each country. Furthermore, empirical findings concerning prevailing traditional or rational, survival or self-expression values have been used. Using these data as indicators, some conclusions could be drawn, concerning the acceptance of diversity in each one of the investigated countries. There was a clear picture, that countries with good governance, strong competitiveness and high human development are also characterized through acceptance of diversity. On the other side, specific national historical contexts also seem to influence tolerance towards diversity.

In a final step, institutional and cultural features of EU-15 countries (that means, those EU countries with a longer record on the Europeanization path), focusing on the ones that were previously found to be more open to diversity while also reaching good scores of national performance have been selected and systematized, following actor-centered institutionalism. Citizenship regimes, state traditions, political cultures and welfare state models in EU-15 countries have been compared in order to pick over

institutional features and elements whose quality has been assessed to support acceptance of diversity.

3. POLICY VALUE-ADDED

In the European Union, ethnic and cultural diversity, but also pluralism of values and ways of living are increasing and the same seems to gradually, even though asymmetrically, apply for the neighbouring countries. The widely accepted assumption that cultural diversity and ethnic fractionalization have negative impacts on institutional and economic performance, human development, social cohesion and generalized trust could not be confirmed in many neighbouring countries, candidate countries and new member states, while it certainly could not be confirmed in nearly all EU-15 states. In countries following the Europeanization path for a longer period, in long-established democracies, in countries with good governance and high institutional performance, *cultural diversity does not seem to have negative impacts*.

Acceptance of diversity seems to be higher in countries of good governance and high institutional performance, especially when rational/secular and self-expression values prevail. Also historical legacies and national contexts are important for the way in which different countries deal with diversity.

Institutional settings, political cultures and welfare traditions can also explain higher incorporation of diversity in some European countries. An *individualistic-civic citizenship regime, active employment policies, open markets, a culture of deliberation and consensual practices* can obviously contribute to stronger acceptance of diversity, just as *institutional capacity* and *governance quality* in general are doing. Since the European Union and its' neighbours are not simply willing to incorporate increasing cultural diversity, but also aim at taking full advantage of its positive effects on trade, FDI's and innovation (Ozgen, Nijkamp and Poot, 2011), respective policies should be further developed, from now on further emphasizing on *institutional capacities* and governance performance.