

**Migration in Europe: Case Studies: Bulgaria & Romania**  
**Chairman: Philip Hanson**  
**Discussion Leaders: Krassen Stanchev and Oana-Valentina Suci**

**Philip Hanson:** We are embarking on the session dealing with migration and demographic trends, and we turn to case studies of Bulgaria and Romania. Our first speaker is Krassen Stanchev, a leading Bulgarian economist, who was a former Member of Parliament. We will follow with Oana Suci, from the University of Bucharest, who has been working on political parties, ethnic minorities and the transition process in Central and Eastern Europe.

**Krassen Stanchev:** I was invited to update a paper written in 2004, together with my colleagues, on Bulgaria's migration. The paper was written with a particular methodology, discussing the decision to migrate as purely individual or as a family choice. We were looking at the incentives and we had a specific goal: to make a point about attempts to keep people in the country, prevent them from entering and seeking opportunities in a given country. We wanted to make these points not only about Bulgaria but also because we believed they were relevant policies throughout Eastern Europe and 'recipient' countries of old Europe. However, we did not manage to raise enough funds, so we ended up with a Bulgarian survey.

The political mood in 2004 was such that there was a uniform effort to prevent citizens of the new member states coming to Europe on work permits, or any other form of labour migration. Then, due to the flat-tax movement in the new member states, attempts were made to unify taxes across Europe, blaming so called tax dumping between 2004 and 2010. On the tax front there is an attempt to unify tax reporting, rather than rates, although there is tacit general discussion about rates. The unification of migration policies is part of the landscape. In 2005, there was a green paper produced by the European Union followed by consistent attempts to convert this green paper into some sort of economic migration policy. So far, these attempts to produce an enforceable policy have failed. I do not think that in the near future the European Union will have a common and encompassing migration policy, similar to the Common Agricultural Policy.

What we found in 2004 remains valid in 2010. I will summarise these six years. The situation is interesting because in this period there was a crisis and there were different dynamics of the process compared to the time before Romania and Bulgaria's formal entry to the EU; although the differences are rather technical, not principal, which are not incentives to move and seek opportunities in old Europe. The crisis of 2008-2010 did not alter anything in the underlying motivation to migrate.

At the start of 2004 the Bulgarian immigrant population was roughly 10% of the population, for the entire period since 1989. The profile is very similar to that of the profile of 'Polish Plumbers' - Polish workers in the UK or France. The development was quite prominent after Bulgaria joined the EU. In fact, the percentage of Bulgarians who work in the EU increased by 5% and is now 15% of the whole population. This is an estimate and a census scheduled for early next year, should provide exact numbers. Bulgaria is also specific in another respect, it has the lowest share of the active population with respect to the total population in Europe; only 54% of the population is active. Next is Hungary with 57%. So, this is the main

reason why Bulgaria stands out, as it has the highest active population working abroad. There is no other such country in Europe, and the World Bank 2001 Poverty Assessment paper has even suggested no other country in the world, although I am not sure about that. The second factor of this peculiar situation of Bulgaria is that the country has a large Turkish population. They know the language, and have confronted a difficult history recently – especially in the years immediately before 1989. In the winter of 1984-85 all of them were compulsorily renamed with Christian or Slav names. Needless to say, this was a perverted form of ethnic oppression; about a thousand Turk leaders were jailed and it took them three years to become organised and reclaim their names peacefully. In response to this claim, 300,000 of Bulgaria's Turks were expelled to Turkey between May and August 1989. (For a comparison, from April 1938 to August 1939 “only” 100,000 Austrian Jews were forced to emigrate.) Almost all hastily sold their land, houses and flats.

In early-mid 1990 the government promised to restore the old names, and the first freely-elected post-communist Parliament did so in the autumn that year. 270,000 returned and obtained dual nationality. Bulgaria enacted the most comprehensive restitution of nationalised properties, but the Turks failed to regain their property rights as most houses and flats have been sold on several times within six or seven months. So the Bulgarian Turks were compensated in kind, and also became eligible for pensions and other benefits in both countries.

This turned the Bulgarian Turks into the most mobile labour force on the fringes of the EU. If Turkey develops and grows faster than Bulgaria (e.g. this year (2010) the GDP growth rate in Turkey is expected to be around 9%), Bulgarian Turks will move to work there and vice versa. Between 2001 and 2007/8 Turkey did not perform well, so they returned to Bulgaria which was growing at 6% per annum.

The impact of this freedom of movement is very positive for both countries. One extraordinary example is the role of the Bulgarian Turks in opening the Russian market for Turkey's tourism industry. They were the segment of the workforce which developed the Russian tourist market, because they were educated and spoke Russian, whereas very few in Turkey did, so when they entered the service industry, they were channelled to tourism. They developed a tour operator business with Russia, and now Russian-speaking tourists form about 35% of the Turkish holiday market. When Bulgaria was growing at around 6% per annum between 1998 and 2008, there was a return migration. Around 7 or 8% of the Bulgarian migrants returned to the region after Bulgaria joined the EU, but the less qualified population, especially gypsies, went to Western Europe to find better work and living opportunities.

The UK figures on incentives for Bulgarians to emigrate are much the same as those in the rest of old Europe. They stem from the past and more recent economic processes: destruction of property rights under communist rule went deeper than in the other Comecon countries' integration with the USSR. Connected with this are longer-term economic reorientation and the social costs of 1996/7 when a domestic crisis was caused by the absurd socialist attempt to restore central planning. We found that in the period between 1998 and 2005, the average monthly wage increased steadily in line with productivity but was compensated for losses of 1996-1997. In the international perspective they remain between 5.5 and 7 times lower than the countries of old Europe, where Bulgarians chose to emigrate to. In Spain, the next major

destination for Bulgarians, the wage differential was somewhat less striking, but for Germany the original ratio was 13.5 times higher.

During the 2008-2009 crisis, although in Bulgaria this only started in spring 2009, the real wages were 7 times lower than old Europe averages (including Greece, where about 200,000 Bulgarians work). Due to Bulgaria's decline in 1996-1997, at the beginning of the period, the German wage level was 22 times higher than in Bulgaria, then fell 13.5 times and is now 17 times higher. But this is not the only motivation to emigrate. Non-tangible motivation is also important for a better educated labour force because there is simply nothing to do in Bulgaria. For example, if you have a degree in nuclear physics, there is just one employment opportunity: at the Nuclear Research and Energy Institute of the Bulgarian Academy of Sciences, which is overstaffed by underpaid scientists of pensionable age plus a nuclear power station of soviet design. It is obviously better to try elsewhere such as CERN in Switzerland. The same is true for an economist or a lawyer, since Bulgaria seems overstaffed with such professionals. (This was an obvious opportunity until 2000-2003, when Wall Street and the London Stock Exchange started restructuring investment banking and Bulgaria enjoyed a huge influx of Bulgarian bankers from the City of London. They became company managers, politicians and ministers: for example, the Ministers of Finance and Economy, advisers to the Prime Minister, etc. Around one hundred investment bankers came back to Bulgaria in 2001).

What is also important as a general motivation is the level of productivity, and the more productive the economy is, the more incentives there are for well-educated people to look for business or labour opportunities. So, the situation was at the beginning in 1998, when Bulgaria's productivity stood at 25% of the EU's average level; by 2003 it was 30%; in 2007 it was 35% and in 2010 it was down to 32% due to the government's unwise policies. One peculiarity during the economic crisis is that there was a strict fiscal policy between 1997 and 2008 in Bulgaria, but in 2009 the fiscal discipline was compromised and there was a consistent effort to implement some sort of fiscal stimulus: the greater the stimulus in 2008-2010, the deeper the economic slowdown.

The Bulgarian public has a well-developed economic sense. They basically understood all these issues and tried to find different development opportunities for themselves during the crisis. What happened after Bulgaria's formal EU membership was the increase of Bulgarian labour immigrants in the EU and in general it led to an increase by 5% of the population; in total about 15% of the population. In addition, the level of remittances doubled in the period after 2008, and they have become a significant factor of the local economy. In 2001 remittances were at the level of 50% of FDI; in 2009 this figure increased to 78%, and in the first quarter of 2010, the remittances constituted 12% of FDI, because FDI is decreasing whereas remittances are increasing.

The comparison with 2007 is very telling: then FDIs were 30% of GDP (as an amount it is € 9 billion, 1/3 of the FDIs in all Balkan countries except Turkey and equal to FDI in Brazil's 100 million population). In 2010 it is about 8% of GDP.

There were welfare effects as well; the remittances during the entire period were equal to roughly 80% of government expenditure on education and healthcare. In 2010 the remittances are equal to both areas respectively, and the remittances in 2010 are roughly one third of the central budget transfer to the pay as you go system.

Bulgaria does not have any policy regulating migration, persuading the population of staying in the country, or preventing gypsies from going to France.