

How to Escape Peripheralization? Lessons from Central Europe

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Abstract

This paper will endeavour to answer the question why the Western Balkans, despite the development of relations with the EU and gradual integration with the common European market, fell short from achieving economic success and satisfactory social standards. And more specifically, why the Western Balkans cannot follow the example set by Central European states such as Poland? Economic data shows that the gap between the Western Balkans and the EU has stagnated, if not deepened. It means that, despite the progress in European integration processes, the region is still suffering from major social and economic problems. To answer these questions, the author evaluates Poland's experience in the process of EU integration. The Polish model of integration, which is often referred to as a success story and serves as a guidance for newcomers to the EU, has three disadvantages. Firstly, it hides a number of significant social problems, which resulted in general discontent in the society, reflected, most visibly, during the recent presidential elections. Secondly, economically and internationally Poland and the Western Balkan states represent two very different cases. Finally, it is important to emphasize that EU integration has been based on the liberal paradigm, which failed in its economic dimension, leading to (re-)peripheralization of the new member states and their weak economies.

Key words: European integration, Balkans, EU enlargement, peripheralization.

Introduction

The case of Polish membership in the EU has been presented as a success story, while the victory of the Euro-sceptic Law and Justice (*Prawo i Sprawiedliwość* - PiS) is seen as the unexpected setback of a politically immature society. This narrative is understandable from the perspective of liberalism, for which the market economy and the ever decreasing role of the state in social, economic and cultural spheres of human life are the holy grails and the very foundations of development and wealth, represented in the case of contemporary Europe by European Integration. A critical approach to contemporary development in Poland indicates that the side effect of European integration is a high social cost of reform and an overall liberal transformation. From a critical perspective we can also observe the preservation of the existing relations of subordination, as Johan Galtung put it, of a vertical and feudal character, with different countries serving as the core and others as peripheries.

The capitalist structure of the economy and its subsequently established social relations in Europe lead us also to other general conclusions. First of all, this type of social construction produces inequality and, with it the concentration of capital and political power. Secondly, the costs and benefits of such relations are spread unequally thereby reinforcing asymmetry in wealth and development and as such influence political stability.

When analyzing international relations and so European integration, one can observe that some countries develop “more” and “better” than the others and that these various types of development are interconnected, in terms of the development of privileged states, which is achieved thanks to the underdevelopment of those “less equal” states, to paraphrase George Orwell. Finally, what has been already indicated by John A. Hobson, the character of the capitalist type of economy implies permanent expansions, both domestically and abroad. The consequence of such a claim is the relevant dynamic in international politics and need for the enlargement of the market (2005).

Subsequently, while taking into account the factors given above, we should observe in the EU economic inequalities and political asymmetry. Both being the cause and the result of each other. Economic development determines political structure, which in turn reinforces the economic model. In other words the European Union has been created as a capitalist or free market organization that allows development and the maintenance of this type of economy. EU enlargement is a process that also reflects these trends. This type of relationship between various social forces, but also between states, organizations and other institutions is known as core-periphery relations and the process itself as peripheralization.

In the following text we should first of all establish which position occupies particular states on the axis of core-peripheries and how to determine these positions. From a global perspective, it is relatively easy to indicate which country belongs to the core, and which one belongs to the periphery. We can spot very quickly well-developed, export-oriented economies with well-functioning political institutions, foreign policy and a strong position

in international relations, and, on the other hand, the state that struggles for international recognition, suffering at the same time from heavy unemployment, financial dependency, a ruined infrastructure and non-functioning basic public services, such as the healthcare system, public transport, education and social security. It is especially easy when comparing various regions in the World. For example, Western Europe, Japan, China or the United States with some economically underdeveloped countries suffering serious social problems as in many countries to be found in Latin America, Africa or the Middle East.

Problems arise when analyzing areas that have been economically integrated and that additionally remain in a single geographical climate and cultural area. The political borders blurry and a significant portion of these states fall somewhere in-between core and periphery. There the unemployment remains low, the quality of life differs from the group of peripheral states and still being far away from the quality of living provided by the core countries, the economy is developing, yet, the social tensions and relatively weak international position limits their developmental capabilities. Moreover inequalities change every tens of kilometers rather than being marked by state borders.

It is even more difficult to indicate dependency networks between countries occupying a specific position in the hierarchy determined by the international division of labor. With the network of developmental cooperation and free market forces playing an ever increasing role in international relations during an era of globalization, it is challenging to indicate the border and show who in fact is benefiting more from particular action. In other words a simple indication of Foreign Direct Investment (FDI) and international trade flows does not help anymore in positing a country on the core-peripheries axis. The income from such activities can be transferred to another, "kin-economy". The character of goods involved in trade might be very "peripheral". Moreover the redistribution of profit in the host country, as well as the level of complexity of the relevant economy could also clarify the picture.

What Is Core and What Periphery – Theoretical Approaches

Johan Galtung (1971, p. 83), in his "Structural Theory of Imperialism" defines relations between particular states as imperial:

Imperialism can be defined as one way in which the Center nation has power over the Periphery nation, so as to bring about a condition of disharmony of interest between them. Concretely, Imperialism is a relation between a Center and a Periphery nation so that (1) there is harmony of interest between the center in the Center nation and the center in the Periphery nation, (2) there is more disharmony of interest within the Periphery nation than within the Center nations, (3) there is disharmony of interest between the periphery in the Center nation and the periphery in the Periphery nation.

As a result of this relation the asymmetry between development, and therefore also the social tension are being reinforced. Galtung (1971, p. 90) suggests eight dimensions where the gap is widening: economic, political, military, communicative, educational and scientific, employment, social transformation and psychological. He also suggests two very useful indicators that help us to distinguish between core and periphery – this is trade concentration and commodity concentration.

Structural theory of imperialism does not explain the development of CEE in the 1990s and the increase in the quality of life and overall economic development that can be observed in the new member states of the EU. It also does not address the question of intra-system dynamics and shifts on the axis core-peripheries and role of the states like Poland, Lithuania, Estonia Czech Republic or Hungary that play an important role in European integration as an intermediary between the West and the East.

Empire authored by Michael Hardt and Antonio Negri (2000) provides a more general picture of the world, where the *Empire* does not have a geographical center of power. It is a world system in a post-imperialist world after 1989, where the nation-states are not able to establish imperialist rules over subordinated nations. Therefore the *Empire* does not require permanent borders and barriers. As such it remains a decentralized, non-territorial apparatus of power. It is composed of three vertical and pyramidal levels of power. The highest level is occupied by the USA (a superpower that can act on its own but rather cooperates with others within the UN). Below that is a group of countries that control global monetary instruments (they can control international exchange). These are the G7 countries, the Paris Club, the London Club, and Davos. Finally there are a number of associations that distribute biopolitics and culture at a global level. On the second level of the pyramid there are transnational corporations - networks of capital, technology and population; with sovereign nation states often subordinated to the authority of supranational corporations) According to the authors, the role of nation states is limited to political mediation concerning global hegemonic powers, negotiations with transnational corporations, and the redistribution of income according to the biopolitical needs of its own territory. Finally on a third level, there are the groups representing the interests of the general public in the global system of forces. Global society is represented by organizations that are relatively independent of national states and of capital.

While *Empire* might be used for clarification of some general, global trends in IR, it does not explain developments occurring in the EU, its tools, methods, and institutions. Studies on imperialism focus mostly on “real” empires, mostly the United States of America and the Soviet Union, based on the historical experiences of ancient, medieval and modern-era empires around the globe. The European Union and its enlargement however does not have a classical imperial character. New member states benefit from economic cooperation in terms of trade, labor dynamics, and financial shifts much more than they used to in the Eastern Block. There is clearly a certain level of “Europeanness” and relatively high support for European

integration across the continent. Even if we take into account that such support is created by the media and political elites, it does not change the fact that it is more efficient than the Soviet Union, in whose propaganda only a few people believed.

An author, who focuses more on the relations than on the core itself is Immanuel Wallerstein. According to his vision of international relations, each of the positions plays a particular function that is presented in the table below.

	Centre	Semi-peripheries	Peripheries
Type of government	Democratic	Authoritarian	Authoritarian
Wages	High	Low	Below minimum level of existence
Social services	Developed	Underdeveloped	Non-existing
Export	Manufactured goods	Manufactured goods and raw materials	Raw materials
Import	Raw materials	Manufactured goods and raw materials	Manufactured goods

Source: Czaputowicz (2007, p. 161)

Wallerstein in his model did not foresee the consequences of the globalization processes. The level of the integration of the European Union however leads to much more developed FDI within the common market. Therefore trade between states can be a misleading indicator. The relevant companies might export manufactured products from peripheral to core states, in other words, in the opposite to Wallerstein's logical direction. However they can subsequently transfer the profit to the core. Secondly there is a question of the level of complexity in the economy and of some raw materials, such as gas and oil, that plays an extremely important role in the economic development of any country. Finally, just as in the case of imperialist approach the level of development and the relative symbiosis of economies participating in the European system suggest to us a different type of relationship. Otherwise the voluntary integration of the Central and East European countries (CEE) with the Union in 1990s would not have been possible.

While there is no space in this volume to inquire deeper into the question of peripheral status of the Western Balkans, we should only summarize some general facts. FDI and the geographical structure of international trade prove clearly that the Central-, South-eastern-, and Eastern European groups depend on economies of the Western Europe. Other indicators show that despite economic integration the development in the peripheral groups does not change significantly its position vis-à-vis the center. Semi-peripheries improved their position, however they are still far away from the core.

Most problematic is the indication of a causal link between a specific position in the international hierarchy and the level of economic development and therefore also of the social tensions and political stability of any given country. An interesting example here constitutes countries such as Turkey, Belarus or Azerbaijan, which despite their political regimes did achieve success. Contrary to this, countries, such as Bosnia and Herzegovina, Ukraine, Kosovo or Macedonia which adopted the best democratic solutions from the Western world and noted no success in the fields of economic and social development. These cases also indicate that liberal reforms do not necessarily bring about positive results for the economies and societies in question.

Lessons for the Balkans

Lesson 1. The 1990s are gone.

The integration of Central Europe took place in very specific international environment. Chaotic dissolution of the Soviet Union and violent fall of the Yugoslav federation has shown to the West the possibility of a negative scenario occurring in its immediate neighborhood. There has been a number of ethnic or border issues between particular states of CEE, that could easily ruin peaceful transformation processes also in this part of the continent. Its destabilization would have a direct negative impact on Germany and other western states. Therefore countries like Poland or Hungary received more than just a declaration of support. It was in the interest of Germany, Sweden, Denmark, the Netherlands and France to move the border to the east and incorporate new countries, with their markets, cheap labor and eventually with millions of new, enthusiastic consumers of western products, so visibly lacking during the unleavened years of authoritarianism. Security concerns overlapped in these cases with clear economic interests. In this sense Poland has had a big brother - Germany. By contrast, Macedonia, Serbia, and Albania do not have any.

The integration of the region has been accomplished as far as the European economic interest is concerned. Most of the trade and FDIs are linked to the European Union. In general, Western Balkan economies are very much connected to, if not already integrated with the Single European Market of Western Balkans the EU. From the other angle, the political climate in the West does not encourage any further concessions and efforts pushing towards EU enlargement. In other words, the economic goals have been accomplished, without the necessity of a deeper political cooperation involving the membership of the Western Balkan states.

Moreover, CE elites were able to push their countries towards the West. The Yugoslav and Soviet regimes did not, for different reasons, produce any influential and strong political opposition. The Yugoslav regime was economically too successful, whilst the Soviet regime was too harsh for opposition to grow wings. In effect, at the beginning of the 1990s, Poland,

the Czech Republic, Hungary and exceptionally the Baltic states had elites that were Western-oriented, enjoyed popular support and had enough of political experience to be able to lead their nations. Francois Mitterrand and Helmut Kohl found their respective talk partners on the Vltava, Vistula and Danube rivers. At the same time in the post-Yugoslav republics it was often the case that the former apparatchiks, turned-nationalists preserved their power and influence for many long years.

At the end of the day and contrary to the liberal perception of international relations, it is the influence of other players, perceived in the West as a threat, that brings the Balkans ever closer to the Union. The gradual growth of, or at least more visible Russian influence in some of the Western Balkan states draw the attention of the Western players. The same concern was raised for the Turkish impact on the Muslim communities, especially in Bosnia and Herzegovina and Kosovo, alongside, , although to a lesser extent of Chinese economic penetration. The short-lived era of peaceful cooperation under banners of free trade and democratization, building a network of interdependence disappeared from Europe after the 2008 crisis, the war in Georgia and the annexation of Crimea. Hence, the taste for integration has been killed by the hunger of expansionism. And, it is only the possibility of influence from outside that brings the Western Balkans closer to the European Union, which perceives the region as its sphere of influence.

Lesson 2. Size does matter.

Polish accession to the EU has never been an easy task. The socio-economic price for this step is being paid right up to this day. The recent, euro-sceptic turn in Polish politics is a good illustration of what were the costs of transformation in Poland. The macro-economic indicators showed permanent growth, while the rate of inequality and poverty grew. This led to the political alienation of a considerable part of society and the victory of the conservative Law and Justice Party. Similar trends of illiberal turns can be observed all over the EU. However, the cost of liberal reforms, and the marketization of social life have already been experienced in the Western Balkan states. The size of their economies does not allow them to develop any significant capitalization and the development of an industry that would be able to meet international competition. Companies like Newag, Solaris or Pesa, producing and selling trains, trams and buses all over Europe, from Norway to Greece, do not have the conditions to develop in Serbia, Croatia or Macedonia, simply because limited local demand would not permit them such expansion. Furthermore, the small size of the Balkan states and their separated markets do not provide any incentive for further integration within the EU. While economic integration with the Single European Market is progressing, full membership is not in interest of almost any of the Western countries. 60 million central European buyers had a much bigger market value than the 20 million Balkan consumers – firstly, potential

consumers among the Western Balkan population are smaller in number, secondly, their purchasing power is much lower.

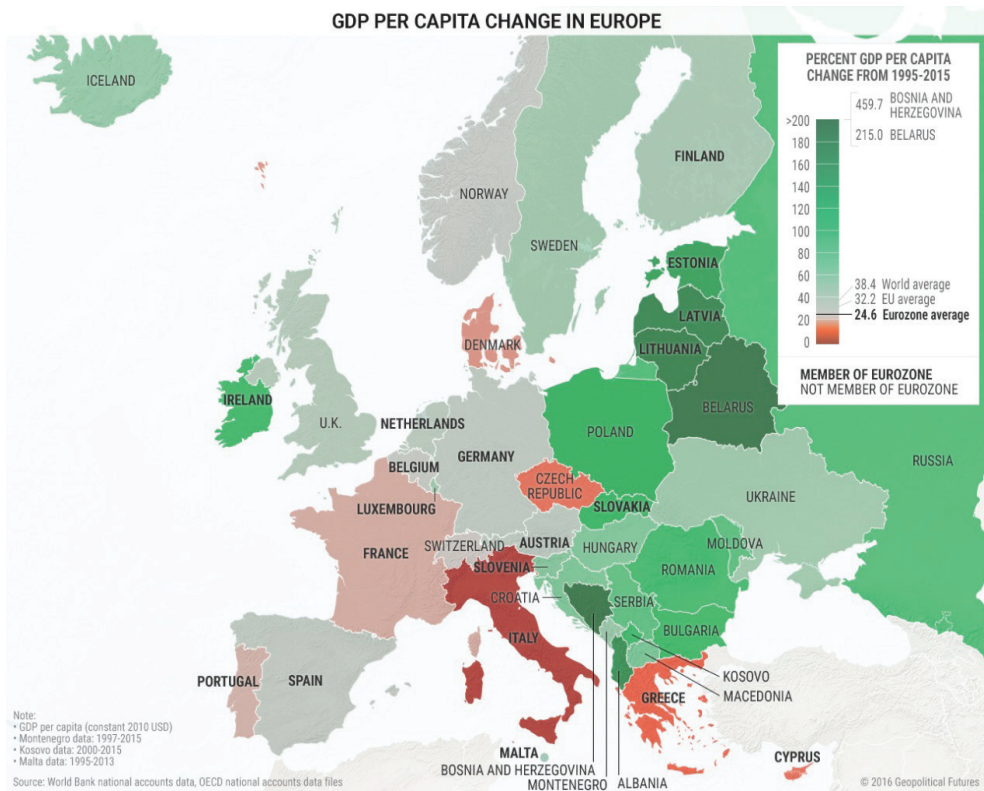
This disadvantaged situation places the Western Balkan states in a very different position in terms of the international division of labor. It will be very difficult, if not impossible to rebuild old industry and re-enter the market. The technologies have changed. Markets, once open for Yugoslav products and services have been either taken over by other competitors (Indonesia, India, sub-Saharan African states) or have ceased to exist altogether (Syria, Iraq, Libya). Therefore, it is crucial to focus on types of industry that would not require additional significant investments. It seems that this sort of industry is the IT branch of the economy. It is already developing very quickly in the Balkans. Interestingly, this sector is relatively independent from ruling elites. In case of a conflict or harassment from public officials or political elites, an IT company has relatively few items to pack and move to another country. The development of this branch could speed up the end of ethno-terror in Bosnia and Herzegovina or clientelism all over the region, since the employees would be less dependent on or even independent from the public sector, captured by the political elites.

Lesson 3. Is there enough space for everybody?

The traditional approach towards European integration assumes that all countries participating in such a project will benefit from it. And this is true, although only partially so. For the purpose of this chapter, we have divided the region of Europe analyzed here into four groups, that reflect the stage of advancement of the integration within the EU project. These are, the Group I countries - the "old" 15 states that belong to the EU. Next, the Group II countries are the "new" 10 states that joined the EU in 2004. After that is a small group (III) of three states, that due to their relatively low level of advancement in transformation and other issues, joined the EU later and on a little bit less favorable conditions. Finally the Group IV countries are made up of states that have been integrated within the EU economically, where the EU remains an important point of political and ideological reference, but which remain outside the EU and as such are recipients of the EU policies without almost any political influence and power. This concept is similar to the concentric circles suggested by Barry Buzan and Ole Wæver (2003). We should however explain the reasons behind such a hierarchy.

Firstly, we shall have a look at the map showing the dynamic of the GDP in Europe. It shows clearly that non-Western European states catch up with the core. That is presented by the map below:

Figure no. 1. Change in GDP in Europe since 1995



Source: GPF Geopolitical Futures

One should remember however that the starting point, 1995 used here as a point of reference, meant the lowest point in economic and social development for several decades. This is like comparing the current architecture of Europe with that of 1945.

In order to better understand the level of development of the four different groups of states and their economies we need to look at the same factor from another perspective. To compare the dynamic of GDP (valued in international current USD) we shall refer to data provided by the World Bank.

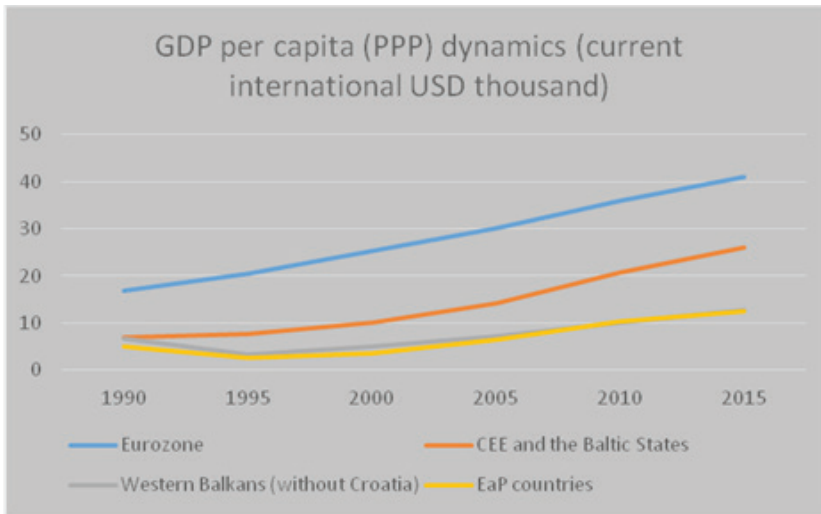


Figure No. 2. GDP per capita dynamics

Data after the World Bank (CEE and the Baltic States group comprise of Czech Republic, Slovenia, Slovakia, Hungary, Romania, Bulgaria, Croatia, Lithuania, Latvia, Estonia, but excludes Cyprus and Malta)

This diagram clearly shows that although the GDP of all the compared groups increased, the difference between them increased as well. In fact, the CEE and Baltic states quickly emerged as the middle players whilst groups III and IV improved only very insignificantly. All three groups were very badly affected by the socio-economic and political transformation period of the turn of the 1980s and 1990s. Especially peripheries in Eastern and Southeastern Europe which faced some of the most serious challenges that involved armed conflict and long lasting economic crisis. In fact, an increase in the GDP group IV can be noted thanks to the extraordinary success of the three authoritarian regimes in Azerbaijan, Belarus and Turkey, that cannot be connoted with EU sponsored reforms of free market, political pluralism, and rule of law.

Consequently, European integration is accompanied by development of an unequal character. What is neglected or ignored in the studies on European integration, is that free market capitalism, which is one of the foundations of the European project, produces inequalities. This fact leads us towards the conclusion that there might not be enough cake at the European table to share equally with everyone. Secondly, the larger shares enjoyed by the old EU members are often acquired at the expense of new members and the associated peripheral countries. Thirdly, the CEE took over the position of the Yugoslav semi-periphery. It means that we are competitors in this specific system of international division of labor rather than partners.

Conclusions

The European integration processes are the most powerful incentives behind international relations in Europe. These have provided the new member states with new opportunities for development and political and economic integration with a stable and safe Western core. Political realism leads us towards the general conclusion that there is no alternative to these processes and that the only path is for the Balkans to continue their integration with the EU. However, the open question remains why, despite the gradual integration of the Western Balkan states with the Union, the socio-economic situation still remains appealing?

The answer to this question is partially based on the fact that membership is only a distant perspective. On the other hand full economic integration bears significant social costs that lead towards political destabilization, further economic decline and additional social costs. As indicated by Professor Dragoljub Stojanov from the University of Rijeka, there is no single example of a weaker economy joining other, stronger market that would over-time change from a peripheral to a core country. In other words it is more than likely that the weaker state joining the stronger will remain in its peripheral or semi-peripheral position. It could improve its situation in absolute, but not in relative terms. It has been visible in Poland, once the wonder-story of the European integration had been achieved. The Polish case indicates also potential forthcoming problems to the region of South-Eastern Europe. The size of the Balkan states, as well as the international division of labor does not support the vision of economic success, that would be based simply on the fact of the accession of Macedonia, Serbia or Bosnia to the EU.

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