

**Economy of the European Union**

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**CENTRE AND PERIPHERY  
IN THE EU ECONOMY  
AT THE CURRENT STAGE OF ENLARGEMENT****Abstract**

The article analyses the world system «center-periphery», its concept and principles of interaction among its elements: center, semi-periphery, and periphery. The author studies the stages of EU enlargement from the standpoint of «center-periphery» concept and defines the main tasks of European structural policy in the context of eastern enlargement and prevention of its peripherization.

**Key words:**

World system, centre, periphery, semi-periphery, economic development, geo-economic development, industrialization, accessibility index.

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Within the scope of the EU enlargement towards the East, the changes in the models of organization development and policy reorientation took place. The dynamics of the Union's enlargement was previously based on the model of concentration circles and was constantly renewing them. However, at the current stage of development this model goes in a different way. Within the EU borders, the countries are grouped according to their level of integration (belonging either to the centre or to the periphery). The «centre-periphery» concept became an issue of current interest with the membership of new EU countries, which significantly differ from the other Member Countries from the point of view of their economic development.

The «centre-periphery» model is most of all inherent to the European Union. Historically, economic activity and skilled human resources were concentrated in the biggest central regions of the EU. The regions of South-West Periphery of the Union have drawn closer to its central regions from the point of view of, for example, the level of education; however, this is not enough since the disproportions will hardly be equaled in the medium-term perspective. The value of the «centre-periphery» model, enabling to explain the processes that occur within the EU, increased even more after the Union's enlargement towards the Central European countries.

The well-known French scientist Fernand Braudel, who described three areas of the «world of economy»: «narrow centre, secondary, rather developed regions and... immense outer periphery», was one of the first researchers who introduced the idea of «periphery» and «centre» in the course of historic and economic development. The «centre» is distinguished by a high standard of living, developed labour distribution, high prices, advanced money-and-credit system; while the term «periphery» is applied to poor undeveloped countries, hardly involved in the world economy, with the predominance of extra-economic relations, weakly developed labour distribution, and mono-cultural production imposed from outside [7].

The world system «centre-periphery» concept has been developing in the West since the end of the 19<sup>th</sup> century, especially after the WWII, within the framework of political economy and political sciences. The discussion about the peculiarities of the development was opened in the works of A. Frank, who asserted that weak development of the third world countries (periphery) was resulted by their rigid exploitation by the capitalist countries (centre zone). Here-with, he empathized that the weak development of the peripheral societies is not the result of their archaic structure, but is caused by the historical relations with highly-developed centers.

Starting from the 1980s, the «center-periphery» approach is associated chiefly with G. Modelsky and I. Wallerstein who view the world as a system with a centre-peripheral structure. G. Modelsky states that in human history the

change of centers occurred in the following order: Portugal, the Netherlands, Great Britain, and the USA. Herewith, the researcher connects development and fall of the world centers with the inter-system changes: changes in trade flows, development of industry, and technological progress [8: 89–94].

Wallerstein emphasized economic factors of development of the world as a system that has its centre and periphery and as a hierarchic structure, assuming that the European world-economy is a matrix of capitalism. From his point of view, the fall of some countries and the development of the others are the attributes of the historic development. Wallerstein introduced the notion of semi-periphery: an intermediary link between the centre and periphery that combines their characteristic features and has a stabilizing effect on the world system [4].

In 1974 I. Wallerstein, the author of the world system concept, published a book «The Modern World System» in which he developed the given concept, which was based on modern European capitalism, within the scope of historical and geographical aspects: world economic systems were characterized by the division into «developed centers» and weakly developed «peripheries», with «semi-periphery» between them serving as a buffer. The ability to respond to chronological changes is an important feature of the model. The proportion of the countries included into the «centre» and the structure of the latter might change.

The starting point of the European World-System core formation is related to the Industrial Revolution of the 18<sup>th</sup>-19<sup>th</sup> centuries. A triangle of basic industry concentration on the territories of France, Germany and Benelux was the core. Nowadays, researches consider the key transport arteries of Glasgow-Manchester–London–Paris–Lion–Marseilles and Randstad / Holland–Rein / Ruhr–Zurich–Rome–Naples to be the central zone of the Western Europe.

Centre and periphery are the structural elements that serve as a prerequisite for self-reproduction of the modern European economic system. The existence of the centre and the periphery points at a fundamental asymmetry of market development. The «centre» has the highest concentration of capital, goods, labour, etc. Moreover, the direction of their flows defines the character of interaction between the central and peripheral structures, thus creating a kind of a force field. The «periphery» imports capital, converting it into cheap resources. It is obvious that this structure generates certain social risks. The centre imposes its values on the periphery, thus making peripheral countries take the status of «developing countries». At the same time, this structural asymmetry of the economic system breeds and increases social injustice internationally. This occasionally bursts out either in the form of revolutions in the peripheral countries or in the form of more important international issues.

The mechanisms of functioning of the «centre-periphery» type territorial systems is related to the constant quality transformation of the social and economic relations within the core, where, as the latest technologies develop, the newest science-intensive industries start concentrating, new relations are established, and thus, the permanent structural transformation of the economic basis

occur. The latter is accompanied by the shifts in the qualification structure of labour force and the social structure of population. Industries that no longer have the status of the core, the basic generator of the scientific and technical progress, are gradually ousted into the periphery. This process, called «diffusion of the outdated innovations», proves key in transfer of growth impulses from the centre to the periphery, facilitating its development, though, in this way, strengthening its rigid subordination to the centre.

At the same time some routine industries, mainly those serving basic ones, are preserved in the centre. Labour force for such non-prestigious industries, unattractive for native population, comes mainly from the outside, i.e. semi-peripheral and peripheral regions. Moreover, the centre strips periphery from a part of the qualified workers; this leads to further «erosion» of labour force. Though the centre is constantly supporting the development of the periphery, the gap between them still remains due to this interaction.

The centre and periphery are distinguished by the predominance of the specific processes: the center exploits – the periphery is exploited; the centre is characterized by comparatively high salary rate, diversified economy structure, progressive technologies application; the periphery has low salary rate, simpler economic structure and use of more primitive technologies.

The core of the centre is separated via zones, which diminish from the centre to the periphery from the view of their public welfare and ever greater impediments to the centre access. This geopolitical model can be implemented in two ways: either outside buffer zones, subsequently integrating in time, will join the core and that will bring about to the emerging of new buffer zones located further from the centre. The second way implies that due to the broader, equally integrated society of all members of the Union a core will be made, forcing further integration and, thus, turning its environment into a buffer zone within the EU. This shows that the historically prevailing model of development is limited to a core. This is a general indicator of all offers for bilateral integration: «agreement in agreement», «European core», or «gravitational centre of several countries» [2].

Every new step in the EU enlargement strengthens its peripherization, thus creating new forms of peripherality as well as new regional problems. First European Economic Community united countries similar in development level; Mezzogiorno in the South of Italy was a single big periphery. However, Italy had no substantial influence to be able to pay attention to its regional contrasts.

With the EU enlargement in 1973, with the entry of Great Britain, Ireland and Denmark, there arose a problem of the Western Periphery. All the regions of Ireland, the South of Italy, Northern Ireland, Scotland, Wales, Northern and North-Eastern England, and since 1980 – all the regions of Greece (excluding Athens and Thessalonica) are the most unfavorable and peripheral ones.

In the middle of the 1980s, when Portugal and Spain joined the EU, there appeared a huge Mediterranean Periphery in the Union. Since January 1, 1986

these countries have been granted subsidies from the European Fund of Regional Development (Spain in the amount of 20% and Portugal in the amount of 10%); that automatically decreased the average number of the old EU members by one third. The joining of Austria, Sweden and Finland to the EU in 1995 expanded the Northern Periphery due to the sparsely peopled northern territories of the last two countries.

The EU enlargement towards the East expanded the territory of the Union approximately to 40% (the most substantial growth was due to contribution of Poland), and the population increased by 130 million people, i.e. approximately by one fourth. The Eastern Periphery is a complicated issue for the Union.

To distinguish between the central and the peripheral regions of the EU countries there was established an accessibility index, according to which each country is given a definite time to catch up with the level of other regions; the value of these regions depends on the level of their economic development. The index is based on evaluations of experts; it characterizes situation at a given moment. At the same time, the development of the given index enables to divide the EU regions into three groups:

- Central regions, where the accessibility index is 50% higher than the average index in EU27; these regions are situated within the triangle of Northern Yorkshire (Great Britain), Franche-Comté (France), and Hamburg (Germany);
- Peripheral regions, where the accessibility index is 40% lower than the average index in EU27; these are the regions on the North of the EU: on the territory of Sweden and Finland, the North-West of Scotland and Ireland, the South of Spain and Portugal, Mediterranean islands, the South of Italy and Greece, Eastern European Countries;
- Transitional regions with the index from 40% up to 150% [4].

As integration processes are becoming more profound, the centre becomes more open to matters that take place on its periphery. Thus, the core takes the direct interest in stability of the general external borders as well as the interest in prosperous economic and political situation on the periphery. The deeper the integration in the EU countries is, i.e. the less internal differences it has, the more significant the mutual interest in stability of the external border as well as in political and social situation across the border is. This interest results in two political models: either border closure or its extension. The extension policy stands for integration of the periphery into the Union, while border closure is the means for protection of the EU from external effects. New Eastern European Countries are peripheral not only due to their geographical position but also due to the totality of the social and economic indicators such as the GDP ratio per capita as compared to the average one in the EU and its total amount, level of wages, export and import volume of goods and services, investment flows.

Table 1.

Selected GDP components of the EU countries in 2007

	Country	GDP per capita as PPS	Total amount of GDP, millions of Euro	Investment, %	Wage level, %	Goods and services export, millions of Euro	Goods and services import, millions of Euro	Export surplus
centre EU17	<b>EU27</b>	<b>100.0</b>	12304983.4	<b>21.3</b>	<b>48.4</b>	<b>4934075.3</b>	<b>4880702.9</b>	<b>53372,4</b>
	<b>EU25</b>	<b>103.8</b>	12154654.2	<b>21.2</b>	<b>48.5</b>	<b>4878791.7</b>	<b>4801692.2</b>	<b>77099,5</b>
	<b>EU15</b>	<b>112.1</b>	11444819.2	<b>21.1</b>	<b>48.9</b>	<b>4450879.9</b>	<b>4366225.0</b>	<b>84654,9</b>
	Luxembourg	276.3	36137.2	20.2	45.7	62336.7	51294.2	11042,5
	Ireland	146.3 (f)	185631.6 <sup>(f)</sup>	25.3 (f)	42.8	150545.7 <sup>(f)</sup>	130771.4 <sup>(f)</sup>	19774,3
	Netherlands	130.8	559537.0	19.9	49.5	421342.0	376641.0	44701
	Austria	127.3 (f)	270836.8	22.2	48.2	161418.6	145454.8	15963,8
	Sweden	126.1	331952.2	18.9	54.4	173970.3	148649.6	25320,7
	Denmark	122.8	227664.6	22.8	54.0	118702.9	116090.1	2612,8
	Belgium	118.0	330800.0	21.4	50.5	295769.0	286182.0	9587
	Finland	116.7	179734.0	20.3	47.5	82228.0	73102.0	9126
	Great Britain	115.8	2018828.4	18.2	54.5	525985.6	600778.9	-74793,3
	Germany	113.2	2423800.0	18.5	48.8	1132020.0	962180.0	169840
France	111.2	1892241.5	21.5	51.6	501902.0	538304.0	-36402	
southern periphery	Spain	106.8	1049848.0	31.1	46.5	275024.0	343677.0	-68653
	Italy	101.4	1535540.4	21.1	41.1	448291.3	452996.3	-4705
	Greece	97.8	228948.7	25.7	36.4	50785.0	81013.5	-30228,5
	Cyprus	92.7	15636.2	21.5	44.7	7639.9	8522.5	-882,6
	Malta	77.1	5398.5	19.4	43.0	4736.9	4855.2	-118,3
	Portugal	74.6	162756.1	21.7	48.8	53606.7	65266.7	-11660
eastern centre	Slovenia	88.7	33541.8	28.7	51.1	23958.2	24545.7	-587,5
	Czech Republic	81.5 (f)	127498.1 <sup>(f)</sup>	24.1 (f)	42.7	101710.5 <sup>(f)</sup>	95255.9 <sup>(f)</sup>	6454,6
eastern periphery	Estonia	72.1	15546.6	31.9	47.7	11312.1	12701.4	-1389,3
	Slovakia	68.5	54827.2	25.7	36.4	47343.3	47599.7	-256,4
	Hungary	63.5	101077.4	20.9	46.8	80713.1	78434.0	2279,1
	Lithuania	60.3	28017.8	26.6	43.0	15509.2	18879.2	-3370
	Latvia	58.0	19936.3	32.5	49.0	8851.7	12890.5	-4038,8
	Poland	53.6	307345.5	22.3	37.1	126869.7	132171.4	-5301,7
	Romania	40.7 (f)	121430.6	30.5 (f)	42.7	36963.3 <sup>(f)</sup>	54306.0 <sup>(f)</sup>	-17342,7
Bulgaria	38.1	28898.6	29.8	34.5	18320.2	24704.7	-6384,5	

PPS: – purchasing power standard

f: forecast

Source: Eurostat; Bureau of Economic Analysis/JP: Economic and Social Research Institute

In 2007 in Luxembourg the GDP level accounted for 276.3, in Germany: 113.2, in Spain: 106.8, in Poland: 53.6. Low GDP level is typical for New Member States, though there exist some differences: starting from 38.1 in Bulgaria up to 88.7 in Slovenia. Among the «old» EU Member States Greece has the lowest level of wages: 36.4% of GDP; in Slovakia, Bulgaria and Romania wages are low as well, the same as it is generally in the eastern part of the EU. As to investments, the Eastern countries are characterized by high investment flows; this is associated with their integration into the organization and expansion of the MNCs' activities on their territories. In 2007 export surplus in the peripheral Spain, Italy, Greece Cyprus, Malta, and Portugal, excluding Great Britain and France, was negative. Among the NMS only Czech Republic and Hungary had a positive surplus.

Eastern European periphery is not homogeneous, especially on the regional level. The variability of economic indicators points at the inequality in European economies development; this variability is independent from the level of their integration. GDP indices and the ratio of export-import operations also indicate that the countries have a great potential. On the basis of comparison the EU can be divided into two centers: the centre of the Western Member States and the centre of the Eastern ones, and two peripheries: the Southern one and the Eastern one (see: Table 1).

The variety of territorial structures is one of the important characteristics of the EU; however, the enlargement of the Union increases not only this variety, but also the heterogeneity of the regional union. With the enlargement Eastern Periphery is joined to the already existing Maritime one. Herewith, in addition to rapid quantitative expansion of the periphery it also gains complexity and heterogeneity. This model is rather stable, and it is impossible to change it dramatically. Further peripherization should be avoided through taking measures and implementing programs of structural and communitarian policy, using the flexibility principle in the process of integration deepening.

In the future there may arise a competition between the peripheries of the EU, not only between the Southern and the Eastern ones but also within the Eastern Periphery due to its diversity. It should be noted that with the social enlargement of the Union there may appear some social groups unsatisfied with the deepening of integration, social strain may increase, new conflicts may arise, causing separation atmosphere.

The basic tasks of structural policy of the EU in the framework of its enlargement towards the East and prevention of peripherization of the latter are as follows:

- the achievement of polycentric development through establishment of a new communication system among the city centers as well as among urban and rural territories;

- the extension, diversification and development of new strategies for frontier and trans-frontier cooperation of the «old» and the «new» EU members as well as abroad;
- the achievement of an effective horizontal coordination among ministries and agencies that are responsible for spatial development and regional policy on the national level; technical and administrative support of the «new» countries by the «old» EU members in order to coordinate regional policy;
- the development of new administrative culture of the decentralized decision-making, forming of so-called «good governance» culture;
- efficient natural resources and cultural heritage management.

In the structure of the world-system analysis, Ukraine can be viewed as a periphery. The countries of this kind have the perspective of either joining the centre under the condition that the market reforms are deepened and the dynamic economic growth is ensured or drifting towards the periphery of the world's economy in case such internal processes do not take place.

In the course of evolution of the whole territorial system, with the change of economic development stages, the relations between the centre and periphery are inevitably shifting to a new qualitative level, though not changing their essence substantially. This shows that the «centre-periphery» system is reliable and flexible and it is able to stand under different social and economic conditions.

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