



Executive Summary – EN

Giuseppe Celi – Valentina Petrović – Veronika Sušová-Salminen

10 SHADES of the EU

Mapping the Political Economy
of the EU Peripheries

Giuseppe Celi – Valentina Petrović – Veronika Sušová-Salminen

100 Shades of the EU

Mapping the Political Economy of the EU Peripheries

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Acknowledgements

The editors wish to express their gratitude to all the people who have contributed to making this work possible. First and foremost, to the authors, whose research, analysis and writing resulted in this study. We also want to thank Mihai-Călin Căciuleanu, Dorota Kolarska and Ioannis Sklias for their valuable work in collecting and organising the data that served as a basis for this study. Furthermore, we would like to thank Cornelia Hildebrandt, Danai Koltsida, Czesław Kulesza and Roland Kulke for their contributions during the preparation of this study, and Ilona Švihlíková for important consultation. A special thank you goes to Veronika Peterseil, Sanja Jelić and Michael Hollogschwandtner. Lastly, we would like to thank all of the *transform! europe* team for their support, comradeship and involvement.



**ROSA
LUXEMBURG
STIFTUNG**

Sponsored by the Rosa Luxemburg Foundation with funding provided by the Federal Foreign Office of the Federal Republic of Germany. This publication or parts of it can be used by others for free as long as they provide a proper reference to the original publication.

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IMPRINT

2022 

transform! european network for alternative thinking and political dialogue

Square de Meeûs 25

1000 Brussels, Belgium

transform! europe is partially financed through a subsidy from the European Parliament.

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Layout: Sanja Kaltenbrunner-Jelic, sanja.at e.U.

Cover illustration: sanja.at e.U.

Print: druck.at

ISBN: 978-3-903343-21-4

Preface

Tatiana Moutinho, Dagmar Švendová

During the 20th century, the economic and political history of the European continent was one of turbulence. A number of wars dramatically shaped Europe: the First and Second World Wars, the Cold War and also the Yugoslav Wars, which cost millions of lives, devastated economies and had enormous social and environmental costs within Europe and beyond. The spectre of a world war haunts Europe once again and is set to worsen the existing social and environmental problems, as well as the process of post-pandemic reconstruction.

European integration has long been seen as a remedy for Europe's failures of the past.

In the aftermath of the Second World War, the idea began to emerge that, by strengthening trade transactions and economic cooperation between the different European countries, a lasting and prosperous peace could emerge for all countries. This was the founding idea of the European Economic Community project of 1958, which brought together six major economies of Europe – West Germany (later Germany), France, Italy, Belgium, Luxembourg and the Netherlands. In the years that followed, seven more countries joined the project of economic cooperation and integration of the economies into a common market – the single market – in a process known as 'enlargement'.

Hence, great powers' rivalry and the struggle for hegemony across the continent ought to have been replaced by deepening economic and political cooperation among European nations. This feeling was even reinforced by the end of the Cold War in 1989. The process of peacebuilding in Europe was based on the cooperation and reconciliation of France and Germany, on economic openness and, also, increasingly on the belief in a new type of politics, which would somehow overcome the power aspect of international relations.

Economy was always at the centre of the European integration and enlargement processes. The increasingly neoliberal direction, apparent since the end of the 1960s and triumphant after 1989, institutionally reconfigured not only the EU but also the Member States and their relations with

Brussels. Eventually, it also changed the former (post-WWII) model of the social market economy through the creeping but clear deletion of the word 'social' in the contexts of individual Member States. Here lay the different historical roots of the democratic deficit and the missing social dimension (or pillar) of the European Union.

The global financial crisis of 2008 put the competition-based EU economic paradigm to the test and turned an economic crisis into the political crisis of European integration. The global financial crisis called into question not only the EU's governance mechanisms but also some important institutional pillars of the EU, such as its common currency and convergence. It has (again) been proven that there is nothing like an economy without politics and that economic and financial crises have profound political consequences (and causes). In short, the crisis helped to shed light on the political economy of the EU, in particular, on the existing inequalities and power asymmetries, 'short-lived and lasting' (inter)dependencies, and the conflicts and the dilemmas they create and put in motion.

The idea – or, perhaps better said – the ideal of the European Union is that of a common space where a continuous and never-ending process of European integration is underway. This process of European integration should lead to a kind of economic, social, and political convergence among all Member States, in full respect of their sovereignties and of the cultural diversity that exists within the European space. The official EU motto is 'United in diversity'. Indeed, Europe's diversity has shaped the social, economic and cultural history of our continent for centuries. For better or worse, we are all the same and different as citizens of the European Union. We share many experiences, while many experiences objectively divide us. Despite this rhetoric, the EU is a product of capitalist modernity, which inherently marginalises (and peripheralizes) different social groups, forms of labour and even cultures. Essentialism and racialisation are an integral but often unseen part of the EU functioning, and also permeate Member States and their societies.

To have a full understanding of the contemporary state of the European Union, one needs to focus on the question of peripherality **through the lens** of peripheral regions: the so-called 'old periphery' (Southern European countries) and the 'new periphery' (Central and Eastern European countries). This means asking a simple but quite complex question: how does the EU actually work for these societies?

Because a true European project will not be viable without internationalist solidarity, cohesion and mutual aid between all its Member States, *transform! europe* recognises the need to systematise and deepen our knowledge of the reality of the existing EU peripheries and, in collaboration with the Rosa Luxemburg Foundation, has over the past two years organised the study now published.

The study presented in the pages that follow, conducted by a multidisciplinary team of three researchers (an economist, a sociologist/political scientist and a historian/anthropologist), aimed to tackle the issue of peripherality and core-periphery relations in the EU as a multidimensional problem. This means that this work concentrates on the socio-economic, political and cultural (and ideological) dimensions of peripheral conditions.

The main tasks and goals of this work can be summarised as follows:

- Make use of the political-economic mapping (i.e. analysis) of southern and eastern regions of the EU as a tool not only for building bridges and cooperation strategies between these EU peripheries, but also for policy-making within and beyond these regions.
- Understand the current forms and manifestations of power asymmetries and dependencies, as a means of discussion and to put the political discussion on the European integration process and the future of the European Union, including its reform, centre stage.
- Provide a contribution to the process of peripheries' self-representations, by contemplating visions of the '*East by the East*' and the '*South by the South*', that may dispute and counteract the hegemonic narrative of the core as the only dependency and power mechanism in play.

It is our hope that this study will provide the reader (whether a general reader, an academic or a policymaker) with a comprehensive view of the current forms and manifestations of peripherality in the EU, as well as contribute to the process of peripheries' self-representations and political self-realisation (peripherality not as 'shameful' but as a distinctive form of critique from the sidelines).

Lastly, and importantly, we aim to accomplish (at least to some extent) the task of providing a relevant tool for building bridges for dialogue and cooperation strategies between regions, as well as for future decisions on policy-making and even providing possible hints for alternative reconstruction of the EU and reconfiguration of EU power relations.

Executive summary

Giuseppe Celi, Valentina Petrović, Veronika Sušová-Salminen

This comparative study focuses on two peripheries in the European Union: Southern Europe (the South), and Central Eastern and South-East Europe (the East) – i.e., 17 EU Member States. The study aims to understand how their peripherality is embedded economically and politically within the EU and in relation to the core countries (especially to Germany, as a paradigmatic core country of the EU). It focuses on the most recent developments covering the period from 1990-2020. The study concentrates on peripherality as a complex state of being peripheral, i.e. *being dependent* in the context of the country's interactions with the core. From this perspective, the research aims to understand the political economy of the contemporary EU, that is, the complex interplay between politics and economy. We argue that peripherality is multidimensional: it has a socio-economic dimension, a political dimension, and a cultural and ideological dimension.

The key research problem is to understand the structure of dependency underlying the peripheral position of these two EU peripheries in the European economy. The second research issue concerns the comparative view that permeates all the selected fields of investigation. Thus, while this study assumes peripherality as a relational problem of dependency on the core (in particular on Germany), it primarily focuses on the comparison of peripheral features among different groups of countries in Southern Europe and in Central Eastern and South-East Europe. The study offers an analysis and comparison of existing economic models in each of the peripheries, as well as an analysis of trade networks and global value chains (GVC), with a particular focus on the European automotive industry. Regarding the political dimension, the study explores political cleavages in each periphery and at the national and EU levels, paying special attention to the Left's political parties. It also focuses on the cooperation between peripheries based on perceived coalition potential in the EU institutional context, and on the question of representation in the governance structure of the European Union, i.e. the strength of their tools (potential) to influence the EU. Finally, with regard to the ideological and cultural dimension of peripherality, this study concentrates on the relation between peripherality and alterity (Otherness) from a comparative perspective.

KEY FINDINGS

Focusing on structural economic features, the study shows that both EU peripheries share a dependent position in terms of capital, investments and technologies (and their transfers), which determines an especially important constraint for their economic development. The dependence also leads to limited autonomy in decision-making processes, not exclusively confined to the economic sphere. However, these dependencies develop within differently structured economies or economic models, which are analysed in their historical contexts. In particular, the economies of Southern Europe, faced with the crisis of the 1970s, halted or prematurely slowed down the process of industrialisation. In the years that followed – marked by the deregulation and liberalisation of markets at a global level – they took the path of financialization and hypertrophisation of services and the public sector. The competition from the Eastern periphery, whose expansion in the production of intermediate goods for the German manufacturing industry partially displaced southern suppliers, contributed to the further weakening of the already fragile production base in Southern Europe. In this way, the incorporation of one periphery in the EU may have contributed to the decreasing economic development of the other.

Looking at the Eastern EU periphery, even the robust industrial development of the most dynamic Central Eastern European countries (mainly the V4 countries) shows its weaknesses, linked to dependence on foreign capital and technology, limited domestic markets and low wages. In other words, the substantial part of the Eastern success story is its dependence on mono-specialisation in the automotive sector, which, in turn, is tightly integrated into the German value chain, and therefore dependent on German foreign direct investment (FDI). This mono-specialisation is a distinctive feature of the region's economic peripherality and is somewhat reminiscent of the old characteristics of mono-specialisation known from other examples (e.g. Latin America). On the other hand, the development of less dynamic Eastern European countries reflects, to some extent, vulnerabilities that are similar to those encountered in the Southern periphery. In fact, foreign direct investments in

the FIRE sphere (finance, insurance services and real estate) are important for the Baltic economies with their substantially financialised economies, or for Bulgaria and Croatia (in both cases with regard to the tourism industry).

When comparing both dependent economic models in Southern Europe and in Central Eastern and South-East Europe we can sum up that, in terms of convergence, there are serious problems of a different kind. The present economic model in Southern Europe does not provide drivers for sustainable economic and social convergence in the EU context. The European Monetary Union (EMU) membership may be a further explanatory factor for the divergence of the Southern European countries. The economies of the Eastern periphery are converging, although this convergence is uneven and creates gaps within countries and internal polarisation in Central Eastern and South-East Europe. The unbalanced regional development seems to be a side effect of general macroeconomic convergence. It produces not only economic problems in terms of increasing dualism in production (in technology, particularly) and in the labour market, but also political reactions (e.g. populism). Beyond the different trajectories in terms of convergence, the two EU peripheries share common elements of fragility. In general, we can say that in both the EU peripheries the dependence on foreign capital (in the form of credits or FDI) represents a major element of vulnerability that exposes the peripheral economies to external shocks that are difficult to control and lead to recurrent crises.

In the political sphere, we can observe several problems related to peripherality. The party system and political conflict lines have been greatly influenced by the economic crisis in 2008 in both peripheries. However, whereas the East has witnessed a strengthening of populist right-wing political forces with a strong emphasis on identity issues and 'welfare chauvinism' under the conditions of a weak political Left, we have seen the rise of new left-wing political options in Southern Europe. Italy represents an outlier nation, with a strong right-wing movement and a marginalised and weak Left. Southern European countries have experienced a slightly 'delayed' rise of populist or radical right-wing political options but with limited power, due to the strong position of the Left in the region.

Despite these regions being part of the EU's periphery, the different economic needs and policy constraints pose se-

rious obstacles for a common alliance to emerge between them. The study has presented two salient issues at the European level, namely migration policy and EU funding, and highlighted the divergent position of the 17 Member States in relation to these issues. The current pandemic has presented another window of opportunity for political cooperation between the East and the South, but it remains to be seen if it will transform into lasting alliances between both EU peripheries. When focusing on experts' perception of coalition potential, there was a significant overlap of migration and fiscal policy for the East and the South, pointing to the possibility of cooperation in these two areas. On the other hand, cooperation seems more limited in the area of foreign policy, due to different geographical contexts and geostrategic allies of the regions. Finally, while the alliance potential between the South and the East remains limited, both peripheries seem to be eager to create alliances with Germany and France on major political issues. The dimension of representation in EU institutions reveals (partly) the peripheral status of the East and the South. Both EU peripheries are underrepresented in the EU institutions, which are still dominated by the core countries (esp. Western Europe). In the case of the Eastern periphery, the study notes massive underrepresentation in EU institutions, with the exception of the European Parliament.

When focusing on the cultural and ideological dimension of peripherality, the research – drawing on textual analysis and extensive published research – shows that Southern Europe and Central Eastern and South-East Europe have been construed as the Others, with the help of Orientalist stereotypes and elements within this type of ideological peripheralization process. The resultant implications are complex. For example, two contradictory elements emerge – exclusion and inclusion – based on the hegemonic discourses of the core, but also imitation as another feature of dependency. The construction of the Otherness of both peripheries is a particularly important instrument of core dominance in relation to these peripheries.

POLICY IMPLICATIONS:

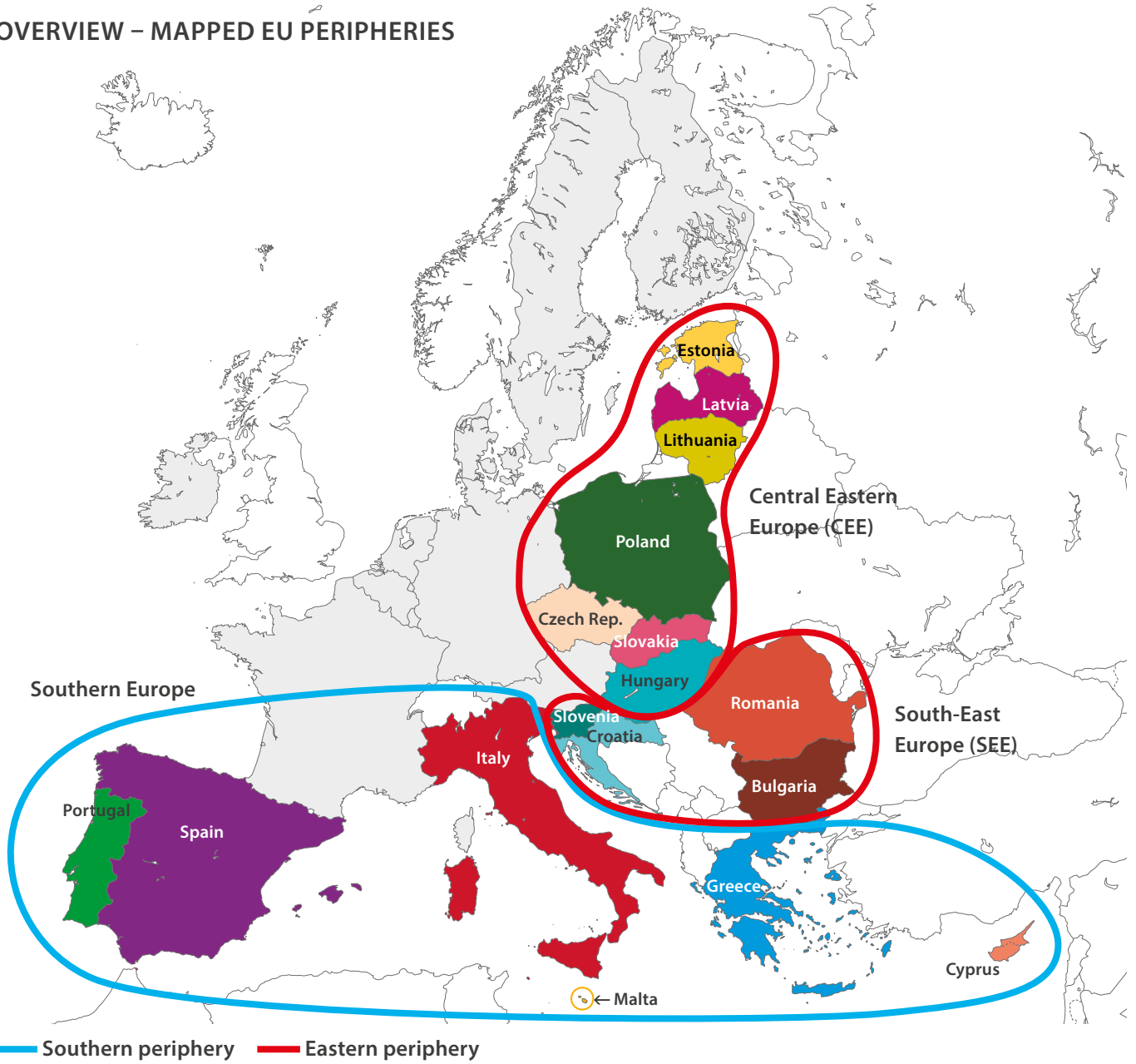
The future reform of the EU should take into account existing inequalities shaping the EU in a negative way. Peripheral countries should not stay on the margins of the debate and should contribute substantially to the reform

by boosting the cooperative dialogue. We argue that the existing obstacles to more profound cooperation between both peripheries are: i) objective (economic differences and competitive economic models), ii) subjective (produced by cultural and intellectual dependency and thus stem from their intrinsic peripherality or peripheral subjectivity), and iii) stem from the depoliticised character of the EU. Potential political dialogue, cooperation or even coalition-building between both peripheries must overcome these obstacles and limitations – or work with them.

Policymakers and politicians should focus on the following principles:

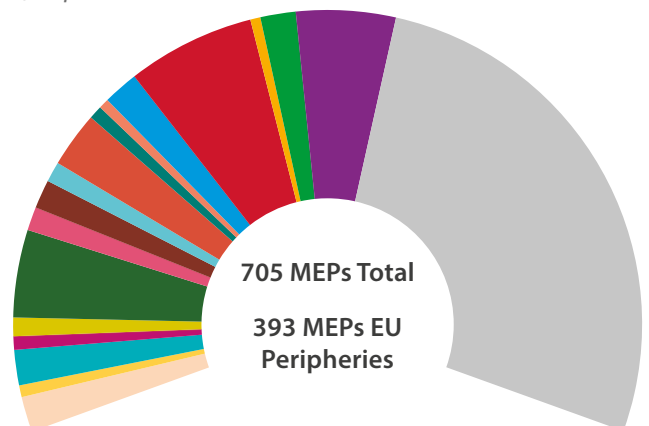
- A more resilient, socially oriented, sustainable and self-reliant European economy, which would unleash the social and economic potential of individual Member States, their domestic and local markets, and trade that is based on principles of reciprocity and fair exchange.
- A more cooperative and less competitive EU, which would abandon the negative consequences of the competition paradigm, such as the race to the bottom (or competitive state) with its largely divisive impacts that are detrimental to solidarity and cooperation both within the EU and within the Member States.
- A more open-minded EU, which would not stick to worn-out stereotypes and ideological abbreviations still reminiscent of the Cold War mentality of divided Europe. This means taking seriously the idea of the EU's internal diversity and moving away from moral hierarchies created during the time of colonialism, and, equally, away from Western-centric (central) views of countries that may be culturally different and spatially (geographically) distant.
- A more cohesive regional policy that would not tolerate huge socio-economic gaps within Member States as a corollary of their economic integration and position in the EU.
- A structural rebalancing of the European economy through a real industrial policy that goes beyond a 'competition policy' or 'structural policies'.

OVERVIEW – MAPPED EU PERIPHERIES

















European Parliament – Members of the European Parliament (MEPs) Representation





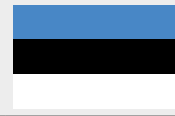









CEE	SEE	SE
Czech Republic 21	Bulgaria 17	Cyprus 6
Estonia 7	Croatia 12	Greece 21
Hungary 21	Romania 33	Italy 76
Latvia 8	Slovenia 8	Malta 6
Lithuania 11		Portugal 21
Poland 52		Spain 59
Slovakia 14		



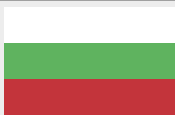







EU27

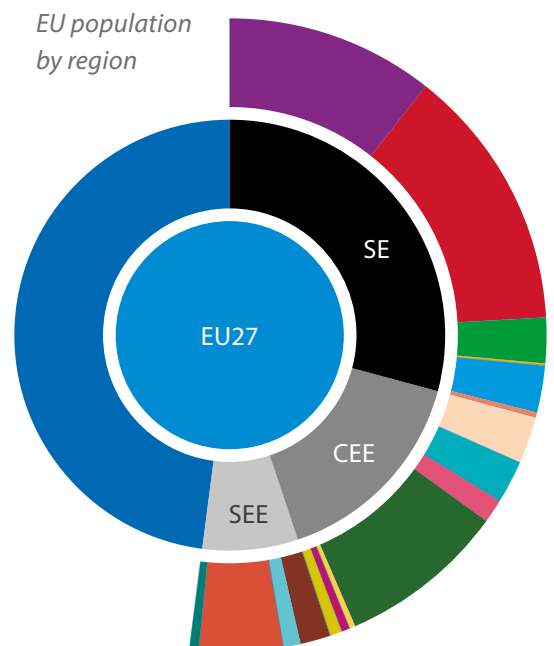
European Union	Southern Europe (SE)					
	Spain	Italy	Portugal	Malta	Greece	Cyprus
						
						
Area: 4,233,262 km ² Population: 447,007,596* GDP per capita, in PPP: \$40,995**	Area: 505,990 km ² Population: 47,450,795 (2020) GDP per capita, in PPP: \$46,413**	Area: 301,230 km ² Population: 60,317,116** GDP per capita, in PPP: \$50,215**	Area: 92,212 km ² Population: 10,344,802 (2021) GDP per capita, in PPP: \$40,805**	Area: 316 km ² Population: 516,100* GDP per capita, in PPP: \$54,647**	Area: 131,957 km ² Population: 10,678,632** GDP per capita, in PPP: \$35,596**	Area: 9,251 km ² Population: 1,189,265 (2018 est) GDP per capita, in PPP: \$42,832**

Central Eastern Europe (CEE)

Czech Republic	Hungary	Slovakia	Poland	Estonia	Latvia	Lithuania
						
						
Area: 78,871 km ² Population: 10,701,777 (2021) GDP per capita, in PPP: \$47,527**	Area: 93,030 km ² Population: 9,730,000* GDP per capita, in PPP: \$40,944**	Area: 49,035 km ² Population: 5,449,270 (2021) GDP per capita, in PPP: \$38,620**	Area: 312,696 km ² Population: 38,179,800 (2021) GDP per capita, in PPP: \$41,684**	Area: 45,339 km ² Population: 1,328,439** GDP per capita, in PPP: \$44,778**	Area: 64,589 km ² Population: 1,907,675** GDP per capita, in PPP: \$37,329**	Area: 65,300 km ² Population: 2,795,680* GDP per capita, in PPP: \$46,479**

South-East Europe (SEE)

Bulgaria	Croatia	Romania	Slovenia
			
			
Area: 110,993.6 km ² Population: 6,863,422** GDP per capita, in PPP: \$28,593**	Area: 56,594 km ² Population: 3,888,529 (2021 'cest') GDP per capita, in PPP: \$36,201**	Area: 238,397 km ² Population: 19,186,201* GDP per capita, in PPP: \$36,621**	Area: 20,271 km ² Population: 2,108,708* GDP per capita, in PPP: \$48,533**



*2021 estimate, **2022 estimate

Biographies

Authors

Giuseppe Celi is currently Associate Professor of Economics at the University of Foggia (Italy). He has been Coordinator of the Ph.D. Programme in Economic Theory and Italian Coordinator of the M.A. Programme Erasmus Mundus Economics of International Trade and European Integration (EITEI). He graduated in Economics from the University of Modena (Italy) and received a Ph.D. in Development Economics (University of Naples, Italy) and a Ph.D. in Economics (University of Sussex, UK). His research interests include topics in international economics: the economic and monetary integration in Europe, the impact of international trade and outsourcing on labour markets and growth, the relationship between migration and international trade. He is the author of numerous publications including seven books, several articles in academic journals, and contributions to collective volumes.

Valentina Petrović is currently a postdoctoral researcher in the Department of Sociology at the University of Zurich. She previously studied at the American University of Beirut, the University of Zurich and Sciences Po Bordeaux. She holds a doctoral degree from the European University Institute in Florence, Italy. Her dissertation examined the influence of classes, elites, civil society and state structures in the democratization process in post-communist countries, with a regional focus on the Yugoslav successor states. Her research interests include democratization, Europeanization, political mobilization and comparative political economy in the post-communist context.

Veronika Sušová-Salminen is a comparative historian specialising in the modern history of Central and Eastern Europe and Russia with a methodological focus on world-system analysis and dependency school with some influences from postcolonial critique. She graduated from Charles University in Prague, Czech Republic (M.A. in General and Comparative History; Ph.D. in *Anthropology*). She worked as an academic researcher at the Centre of Global Studies in Prague. She is a political analyst focusing mainly on contemporary Russia in the global context and Editor-in-Chief of webzine *!Argument* and also author of dozens of academic articles and essays, as well as two books.

Junior Research Team

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Tatiana Moutinho is a biochemist, former researcher in cell division cycles, and holds an MSc in Cell Biology and a PhD in Biomedicine. Since 2018, she has been the *transform! europe* facilitator responsible for the cooperation strategies for the Southern Europe. As part of her work, she organised the 'Is Southern Europe the Weak Link of European Integration?' conference, held in Lisbon in 2019 and which hosted academics, researchers, and political actors from different Southern European countries. She is also the President of Cul:tra – Cooperativa Culturas de Trabalho e Socialismo (Portugal).

Dagmar Švendová is a lawyer, holds a BA in Law and Business Management and an LL.M. in Czech Business Law in the European Union. She has worked as a political advisor and assistant to a Member of the European Parliament. Since 2017, she has been the *transform! europe* facilitator responsible for the Central and Eastern European Strategy and Member of the Editorial Board of the *transform!* yearbook. As part of her work, she is co-author of the CZ section in 'Studies on challenges in post-coal regions: in south-west Poland, North Czech Republic, and East Germany'.

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Available as the e-Book in EN with Executive Summary
in EN, GR, IT, ES, PT, CZ, PL, HU, BG, RO, LT, SH.



ISBN 978-3-903343-21-4



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