



PRESS RELEASE OF THE WORKING PAPER 2/06

Trade activity between the EU and the ENP countries: A “reproduction” of the “core-periphery” pattern?

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OBJECTIVE

The paper supports that the trade component of the ENP, and, in particular, the Deep and Comprehensive Free Trade Agreements (DCFTAs), the main trade policy thrust of the ENP, contributes to the “reproduction” of the well-established “core-periphery” EU spatial pattern of development in the wider EU area (i.e. the EU and its neighborhood). To establish its argument, the paper analyzes empirically the EU-ENP trade flows (i.e. exports and imports flows), trying to detect (uncover) relations of dominance through the estimation of the DK Index.

The analysis utilizes trade data, derived from the United Nations (UN) COMTRADE database, that grossly belong to the primary and the secondary sector of production. The analysis covers the period 2000-2010 so as to gauge the latest shifts operated in trade structures as a result of the recent economic and political reforms (evolutions) implemented (took place) in the EU economy (i.e. the euro currency, the eastwards enlargement, and the on-going financial and economic crisis) and the ENP countries (i.e. the “color” revolutions, and the Arab “spring”), besides the ENP in itself.

The DK Index, drawing its name from the English word “domination” and the synonymous Greek word “kyriarhia”, provides a new perspective to the empirical international trade literature. The DK index is estimated separately for exports and imports flows, taking into account the exports (imports) flows of a country under consideration to (from) a partner country and the world as well as the imports (exports) flows of the partner country from (to) the country under consideration and the world, respectively. Depending on the conditions exist, it is possible for a country under consideration to dominate over a partner country, to be dominated by a partner country or to retain a neutral relation with a partner country (i.e. neither to dominate over nor to be dominated by a partner country), in an international trade relation.

MAIN RESULTS

The results of the empirical analysis indicate that for the vast majority of the EU-ENP country pairs either there is a neutral relation or the EU countries dominate over the ENP countries. Overall, the EU-ENP trade activity reminds of a “hub-and-spoke” system, consolidating a spatial pattern of unequal (trade) relations between the EU countries and their neighbors. This means that the trade component of the ENP, and, in particular, the DCFTAs, contributes, indeed, to the “reproduction” of the well-established “core-periphery” EU spatial pattern of development in the wider EU area. The estimation of the DK Index for the EU-ENP trade flows makes evident that the neoclassical-type position that the market forces released in the process of economic integration (even under conditions of “neighborhood” Europeanization) are, overall, beneficial for the least developed economies, leading, thus, to greater cohesion, is difficult to verify.

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The findings of the paper are important for both (economic integration) theory and policy-making. Such type of integration, even though it may provide the only feasible route for the ENP countries to exploit the locally available skills, is not in a position to guarantee (generate) prospects for long-term income convergence (and, consequently, to verify the proponents of the neoclassical school of thought for the operation of the spatial economy). Definitely, the inability of the ENP countries to implement export-led growth strategies, competing in markets for capital- and knowledge-intensive products, is not a reassuring fact. To the extent that these trends continue in the foreseeable future, they may lead to (serious) pressure for a reinvigoration of the ENP policy.