

Jan Drahokoupil: *Globalization and the State in Central and Eastern Europe. The Politics of Foreign Direct Investment*

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This book is a particularly interesting and innovative example of the transitology literature. It undoubtedly concerns economics, but the topics of policy creation and implementation are analysed so thoroughly that it would not be a mistake to classify it as political science. One can also find easily visible sociological elements here. The book, therefore, is interdisciplinary in character. The topic is foreign direct investment, analysed from the viewpoint of its regulation by means of the state's economic policy. A strong emphasis is given to how this policy is created; what are its main determinants; the respective importance of domestic and foreign factors; whose interests it serves; who are the main actors participating in its creation; what patterns underlie the evolution of the policy's product, that is, specific state regulations. To put it more succinctly, the book describes the workings of globalisation in Central and Eastern European countries in the transformation period. The starting point is the observation that at the very beginning of the transition it could be anticipated that the role of foreign investors would be substantial and difficult to overestimate. These predictions came true with some delay. Drahokoupil believes that while the whole decade of the 1990s was in this respect varied and difficult to define from the point of view of particular CEE countries. But around 2000 we witnessed a distinct period of the earlier expectations being realised, as we dealt with a phenomenon called the 'competition state': dominant state strategies across CEE similarly aim to promote competitiveness by attracting foreign direct investment (p. 1).

The author advances a thesis about the

appearance of a lag in the convergence of CEE countries' strategies regarding FDI as being caused by three factors. 'First, the internally oriented strategies were exhausted by the end of the nineties. Second, it took some time before the foreign investors became really active in the region.' Third, the 'processes of state internationalization could work only when both the structural opportunities and political possibilities of the moment allowed domestic groups linked to transnational capital to come to the fore and translate the structural power of transnational capital into tactical forms of power within national social formations'. As far as the third factor is concerned, the author demonstrates 'that the emergence of externally oriented competition states has been conditioned upon the unfolding hegemonic role of what I call the *comprador domestic service sector* in domestic politics'. The subjects of the analysis are the Visegrad-Four (V4) countries, with the comparative analysis being focused primarily on the Czech Republic. The book also makes references to Slovenia and the Baltic States. In consequence, it seems that its title is too broad and thus a little confusing. Although the title mentions CEE, the book discusses only four selected countries, with the Czech Republic receiving most of the author's attention in the analysis. The book makes rather difficult reading, chiefly because of an extremely detailed, often complicated, line of reasoning. Nevertheless, the enormous amount of work done by the author to analyse the transformation process from its beginnings to the year 2008 is something to be admired.

The book analyses the implementation of market-oriented reforms between the early 1990s and 2008, which led to the emergence of neo-liberal transformational states (p. 36). The author examines the impact of globalisation and economic liberalisation on the countries' governments, societies, and economies. He compares their different national strategies of economic policy,

indicating how market-reform strategies, initially aimed at an internally oriented development which preferred domestic sources of investment, transformed in the late 1990s into externally oriented strategies. Externally oriented strategies consist in laying emphasis on promoting competitiveness by attracting foreign investment. According to Drahočoupiš, the externally oriented development strategy became dominant in all V4 countries around 1999. Unlike these countries, Slovenia, for structural reasons in the form of a low level of indebtedness, could afford to make a departure from the orthodox neo-liberal strategy, implementing a model of gradual transformation based on significant state involvement in the economy and elements of economic and social protectionism (p. 37). The author attempts to explain the causes of the shift in the V4 countries' strategy, demonstrating the influence of internal and external factors, and the role of various interest groups, institutions and ideas. He argues that internationalisation was a process in which national interest groups, in cooperation with foreign capital, acquired the ability to shape the state's policy and strategy. The interest groups – in particular what is known as the comprador service sector – provide political, social and institutional support for the competition state. In the author's own words, his work is 'a detailed account not only of the political economy of post-communist transformation in Central and Eastern Europe, but of the processes by which states adapt to the forces of globalization' (p. ii). The innovativeness of Drahočoupiš's analysis of the transformation process seems to consist mainly in adopting a strategic-relational approach to state theory and neo-Gramscian international political economy. At the same time, the author states that he borrows a lot from new institutionalism. Using this approach, he concludes that state strategies are formulated by social forces within the state as a result of a social struggle for hegemony.

Another important and innovative element of the book is its exploration of the idea of the comprador service sector and underlining of the role of domestic 'actors' operating in political coalitions which support externally oriented development. A coalition should be understood as a triple alliance of state, international capital, and the local bourgeoisie (p. 124). To refer to the local bourgeoisie, the author uses Poulantzas's term 'comprador bourgeoisie'. This new elite plays a very important part in the shaping of an FDI-friendly state economic policy. It creates the comprador service sector, made up of state officials from FDI-related institutions which are associated with foreign investment (e.g. CzechInvest, or PAIZ in Poland), certain sections of the Ministry of Industry and Trade, local branches of Western consulting firms and their local competitors, and companies providing services to foreign investors (p. 125). At this point, Drahočoupiš presents an extremely significant thesis, even an accusation, stating that 'this group is comprador because it is structurally dependent on transnational capital, whose interests it represents' (p. 125).

The author's line of thought is very well structured, his reasoning organised and clear. Drahočoupiš pursues with great precision the goal he set himself, trying to demonstrate that his arguments can be defended. Discipline and elegant reasoning are among the strengths of the book. However, the author makes several points which it would be difficult not to challenge. First, it is difficult to understand for an economist dealing with international business why Drahočoupiš does not take into consideration John Dunning's views on the state's role in globalisation processes and its influence on FDI. While accepting the author's perspective, it might be worthwhile mentioning that Dunning takes the view that if global capitalism is to be both economically viable and socially acceptable, 'then each of its four constituent insti-

tutions (*viz.* markets, governments, supra-national agencies, and civil society) must be not only entrepreneurial and technically competent, but buttressed and challenged by strong and appropriate moral ecology' [Dunning 2003]. In our opinion, the above sentence is of great significance in the assessment of global capitalism and FDI, as there is virtually no alternative to global capitalism.

Second, since facts should not be disputed, we accept Drahekoupil's view that 'the amount of FDI actually attracted by CEE in the early nineties was very small'. However, we can only partly agree with the explanation of this situation put forward with reference to Poland. It is difficult to subscribe to the view that the low level of FDI inflow into Poland resulted from the country's distinct national, inward-oriented strategy. Foreign investors avoided Poland because it lacked favourable investment conditions (e.g. inadequate transport and telecommunication infrastructure, border crossings), and investment in other parts of the world was more attractive. In other words, it was not the lack of a comprador service sector (whose role Drahekoupil overestimates), but basic problems with the material infrastructure, broadly understood, that caused a small FDI inflow in the early 1990s. This comment seems to be true not only of Poland. Third, it seems that the convergence, aptly identified by Drahekoupil, of economic policies on FDI in CEE is part of a more general process. After all, competitive state behaviour is typical of a large number of countries across practically all continents that are dynamically joining the global economy, and it is not unique to CEE. We hold the view that the observed tendency for economic policies on FDI to converge is determined more by external (worldwide) factors than by internal circumstances within particular CEE countries. Finally, the Polish reader can clearly see the inconsistency with which Drahekoupil describes

the nature of the Polish transformation. On page 15 he refers to it as a 'gradual transformation' and on page 36 as Jeffrey Sachs's 'shock therapy'.

Overall, this innovative and inspiring analysis of the politics of foreign direct investment of the Visegrad Four countries may serve as an expert advice from a respected and critical scholar not only for students of international relations, international business and economics, but also and perhaps primarily for politicians and parliamentarians. It is a valuable contribution to the body of knowledge maintains its unique strategic-relation approach to the state theory and neo-Gramscian international political economy on transition countries.

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