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The Rise of the Comprador Service Sector: The Politics of State Transformation in Central and Eastern Europe

Abstract: State strategies in Central Europe have converged towards a distinctive form of the competition state. This article explains the moment of convergence and identifies the political support of the competition state by making three principal points. First, the internally oriented strategies were exhausted by the end of the nineties. Second, it took some time until the foreign investors became really active in the region. Third, the processes of state internationalization worked only when the structural opportunities and political possibilities of the moment allowed domestic groups linked to transnational capital—the comprador service sector—to come to the fore and translate the structural power of transnational capital into tactical forms of power within national social formations.

Keywords: state, foreign direct investment, economic policy, elites, class, globalization, Czech Republic, Hungary, Poland, Slovakia.

With a drastic increase of foreign direct investment and accelerating process of EU accession, the late nineties was a watershed for political economies in Central and Eastern Europe. The states in the region converged towards distinctive models of the competition state. The dominant state strategies aim at promoting competitiveness by attracting foreign direct investment. The states are thus increasingly internationalized, forging economic globalization by facilitating capital accumulation for transnational investors. After the collapse of the Eastern Bloc, many had expected foreign investors to play crucial role in "transition." However, little of that had materialized. State strategies aimed at promoting national accumulation dominated the region up until the mid 1990s. Only around 2000, the dreams started to come true. Inward oriented regimes had been transformed into the states that were fine-tuned to compete for mobile transnational capital. Foreign-led economies have crystallized in the region, with foreign control of leading export industries and most of the public utilities, and unprecedented levels of foreign dominance in the banking sector.

I make three claims in order to explain the lag in the convergence to the externally oriented strategy. First, the internally oriented strategies were exhausted by the end of the nineties. Second, it took some time until the foreign investors became really active in the region. Both of these developments could have been predicted as they were determined by the structural setting of "transition," both internal and external. The third could not. The processes of state internationalization could work only when the structural opportunities and political possibilities of the moment allowed domestic groups linked to transnational capital—the comprador service sector—to come to the fore and translate the structural power of transnational capital into tactical forms of power within national social formations.

This article starts by describing the transformation of state strategies in Central and Eastern Europe, the Visegrad Four (V4) in particular.[1] It then accounts for the prominence of internally oriented strategies throughout the V4 region and explains why only Hungary embarked on the FDI reliant, externally oriented strategy already in the early nineties. Finally, the chapter explains the convergence of state strategies in the V4 in late nineties and identifies the political support of the competition state. Drawing on the strategic-relational approach to state theory and neo-Gramscian international political economy (see Drahokoupil, Van Apeldoorn and Horn 2008), my explanation puts emphasis on domestic politics. However, I argue that the belief in the importance of the international political-economic environment for transition strategies, which led initially to false predictions about the prominence of FDI in the post-communist transition, was ultimately not mistaken. The international environment in which transition and post-transition policy-making took place had indeed a crucial role in explaining final outcomes. But there is a missing link. The pressures of the transnational environment had first to be translated, embodied, and expressed by key actors in the state—the comprador service sector. Domestic politics plays a crucial role in this process. Domestic politics, however, cannot be understood as completely internally determined. It must be treated as an instantiation of locally materializing transnational processes. Transnationally constituted domestic politics explains both the initial inward-oriented outcomes and later shifts toward the competition state. The emergence of externally oriented competition states has been conditioned upon the unfolding hegemonic role of what I call the comprador service sector. This created a field of force that allowed this sector to come to the forefront as its interests become increasingly "universal." The role and agency of this sector, however, do not explain the policy as such. They work as a linking factor that influences when, in which way, and in what form such a shift towards the competition state takes place. The comprador service sector helped to translate the structural power of transnational capital into tactical forms of power that enabled agential power to work in sync with the interests of the multinationals.[2]

Transformation of State Strategies in CEE: The Belated Rise of the Competition State

There were good reasons to expect foreign investment to dominate post-communist economic restructuring in CEE. Structurally, the neoliberal strategy of region's in-

[1] The Visegrád Four comprises the Czech Republic, Hungary, Poland, and Slovakia.

[2] This article draws on my process-tracing and political-economic analyses. Publicly unavailable data was collected through archival research and qualitative interviews with policy makers, politicians, and business elites in the V4 (systematic, non-random selection, N < 60). Further details and empirical evidence for the claims I make in this paper can be found in Drahokoupil (2008a, 2008b).

tegration into global capitalism, or the "American approach" (Gowan 1995, 1996; cf. van der Pijl 2006: 237–242), provided strategic advantages to FDI-reliant strategies. Strategically, reformers in CEE were well integrated into a transnational policy network where openness to FDI was a norm. Western politicians and many advisors have seen FDI as a "Marshall Plan for Eastern Europe." USAID-financed investment bankers embarked on the mission to handle the sale of state-owned enterprises to foreign investors. They had direct access to key decision makers in Eastern Europe. This often included having access to cabinet meetings to advise on privatization and having permanent staff at the Ministries of Privatization. In the early nineties, however, state strategies, were open to foreign direct investment only in Hungary. The approach to FDI in general and privatization in particular has been quite hostile to foreign investors in the Czech Republic, Slovakia, Poland, and Slovenia. There was a variety of state strategies in the region in the early nineties. The distinctive national solutions, however, shared some common features. In the realm of economic policy, an inward-oriented framework aimed at stimulating domestic accumulation and national capitalist class formation prevailed (see Drahokoupil 2007b).

The late nineties witnessed a process of convergence towards competition states in CEE. The underlying aim of state intervention has become the management of the insertion of local/national economy into the flows of "global" capitalism. Other social and economic polices are (to different extents) subordinated to the competitiveness agenda. We can observe a similar type of statehood to what has been described as a competition state in the advanced capitalism and the EU in particular (especially Jessop 2002; cf. Cerny 2000; Brenner 2004). However, the competition states in CEE are distinct. They can be classified according to how they rank three core agendas: industry upgrading, macroeconomic stability, and social inclusion.[3] The competition states in the Visegrád four can be called *Porterian*, aiming at attracting strategic FDI through targeted subsidies (see Drahokoupil 2007b, 2007a).[4] The Baltic competition states can be called macroeconomic stability-driven neoliberal states with monetary institutions at their core. These states aim at attracting and keeping investment primarily by market forces and by the provision of low-cost flexible environment. This can have adverse consequences for social inclusion (Bohle and Greskovits 2006). Finally, Slovenia has developed a distinct type of competition state, which can be characterized as balanced neo-corporatist. The negotiated industrial relations play crucial role in balancing potentially contradictory tasks and institutions of Slovenian competition state (Bohle and Greskovits 2006).

The Porterian strategy in the V4 aims at attracting capital to upgrade industrial bases with the help of different attempts to cluster the FDI in locality. In the Porterian logic, the competitiveness is achieved from high and rising levels of labour productivity associated with high-tech production processes and highly-qualified-labour-intensive

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[3] The discussion of the competition states in CEE draws on Bohle and Greskovits' (2006) work on their variety and my work on statehood in the Visegrad Four (Drahokoupil 2007b).

[4] Pickles and Smith (2004: 26) were probably first to speak about "Porteresque cluster strategies" in CEE.

activities (Porter 1990).[5] Visegrád states are driven primarily by the cause of industrial upgrading, with transnationally oriented industrial policy and related institutions playing a crucial role (Bohle and Greskovits 2006). They engage in supply-side intervention to manage the insertion of locality into the "global" economy by discriminating among investors upon their potential contribution to the local economy. The understanding of desirable investment, which is also likely to be attracted into the region, is changing over time. In the late nineties and early 2000s, greenfield investors establishing large "Fordist" industrial plants in automobile and electronics sector very much dominated the agenda. Recently, the service sector has become the buzzword of investment attraction.[6]

The main means of Porterian intervention in the V4 are different investment subsidies, including tax breaks, employee-training grants, and subsidies for infrastructure development (Cass 2006; Jensen 2006).[7] The structure of these incentives in the V4 is similar (see also OECD 2000: Box 4). After bringing an investor into locality, they attempt to embed it in the local economy and thus create potential for spill-over effects, industrial upgrading, and reduce the risk of its departure by making it more locality dependent and thus less mobile.[8]

The competition state addresses the most dynamic economic sectors. The economic recovery of the late nineties has been accompanied, and largely driven, by an upsurge of FDI. The economies in the region underwent a process of rapid and thorough internationalization, with export activities increasingly focused on the EU market. It is a commonplace to observe that foreign-led economies have crystallized in ECE, with foreign control of leading export industries, most of public utilities, and foreign dominance in the banking sector (UNCTAD 2002, 2005). The Czech Republic, Hungary, and Slovakia have become as internationalized as the most open economies of the small European states, such as Sweden, the Netherlands and Denmark. Poland has taken over the other big European economies, Germany and France, by a narrow margin though. The region, however, has been internationalized in a dependent way (Vliegenthart 2008; Vliegenthart and Overbeek 2007). While the inward FDI stock is soaring, there is only a little outward FDI from CEE (UNCTAD 2005, 2006). FDI has a major role as a source of business finance in CEE (Nölke and Vliegenthart 2006). What is more, foreign-controlled banks acquired unprecedented control of the

[5] In the original conceptualization, Porter's notion of competitiveness prioritised indigenous firms (cf. Myant 2003: 245–262) and it saw local development in conflict with the foreign capital (Rugman and Verbeke 1998: 115–136). This, however, became less important to him (Porter, Sala-i-Martin, Lopez-Carlos and Schwab 2004).

[6] For instance, Polish investment promotion strategy in 2005 put emphasis on bringing investment "concerning technological innovation" (PAIiIZ website, retrieved 20 March 2007). Confirmed in various interviews with policy makers.

[7] For additional support on the structured differences in the investment support system between the V4, the Baltic states, and the rest of Eastern Europe, see Meyer and Jensen (2005: Table 5.3). What is distinctive about the V4 states in comparison with the rest of the EU is not the use of various grants to attract investors, but its tax concessions (Oman 2000; Charlton 2003).

[8] For the clustering policy in Hungary, see OECD (2001: 93–96). Similar policies can be found in other V4 states (see websites of respective investment promotion agencies: www.czechinvest.org, www.paiz.gov.pl, www.sario.sk).

banking sector (UNCTAD 2004: Annex table A.III.4, p. 321). Foreign corporations control major export industries, services, and utilities in CEE (Bohle and Greskovits 2007). While the importance of FDI in employment in CEE is comparable to the Western Europe, its role in value-added is much more important.

The National Pathways of the Early Nineties

The peripheral mode of integration into which the CEE embarked at the beginning of the nineties made the region structurally dependent on foreign capital (cf. Boer-Ashworth 2000; Bohle 2006). These structural exigencies represent the main mechanism that accounts for the convergence towards the competition state in CEE. In the early nineties, the reform strategies throughout the V4 have followed the neoliberal doctrine of macroeconomic stabilization, market liberalization, and privatization. This installed political-economic structures that made the exigencies of global accumulation a political prerequisite for national strategies in the region. However, they were translated into political outcomes only by the end of the nineties.

The peripheral integration reflected the "American strategy," which was materialized in the policies of Western European states and the US towards the region and in the agency of international financial institutions in CEE states (Gowan 1995, 1996; cf. van der Pijl 2006: 237–242). In this environment, however, Slovenia implemented policies that significantly departed from the global policy orthodoxy. It pursued a much more gradualist strategy including elements of economic and social protectionism (see Simoneti, Rojec and Rems 2002; Pezdir 2006; Lindstrom and Piroska 2007). Slovenian exceptionalism shows that it was possible and feasible to pursue more protectionist and gradualist strategies. The political victory of neoliberal reformers was won through domestic struggles for public support. Anti-communism and delegitimation of the Left provided important political advantages to neoliberals over other forces in the V4 (e.g. Böröcz 2004; Appel and Gould 2000); this was not the case in Slovenia, which had a long record of relatively successful reforms implemented by the Communist party. The external pressures and support did not play a decisive role. At the same time, neoliberalism, both in East and West, was produced transnationally (e.g. Bockman and Eyal 2002). Neoliberal ideas developed in Western centres of ideational production indeed had important influence on intellectual formation of East European reformers, who were well integrated into international networks connecting East and West decades before the transition. It is possible that the trust begotten from the international networks provided the reformers in CEE some autonomy—within the margins of the Washington Consensus (cf. Greskovits 1998).

At the beginning of the "transition," the state form and the relations of production—the form of enterprise control in particular—allowed for relatively open outcomes in Hungary and Czechoslovakia. Reformers and state managers based within the state were relatively free to decide about enterprise restructuring as the enterprises were controlled by the state. What is more, the political weakness of labour and enterprise managers made the actors based within the state considerable autonomous social force (cf. Orenstein 2001; Myant 2003; Appel 2004; Gould 2003). This was not the case in Poland, where the enterprises were largely controlled by insiders (Federowicz and Levitas 1995). Furthermore, the approach of foreign investors narrowed the options for Poland and Slovakia. In Poland, the approach of foreign investors was quite lukewarm (Stark and Bruszt 1998: 94). In Slovakia, investors were actually not interested in getting involved at all (Smith 1998). Only in Hungary and the Czech Republic were foreign investors interested in high-commitment involvement and—at the same time—the state managers controlled enterprises and could have transferred them to foreign investors if wanted. Domestic political struggles—globally produced, however—locked Hungary in the externally oriented path, on the one hand, and put the Czech Republic on the internally-oriented track, on the other hand. The remainder of this section analyzes the path-shaping moments in these two cases in detail.

In Hungary, the privatization strategy was subordinated to the need of obtaining cash to repay its large external debt to private investors. This provided a huge advantage to foreign investors who, in contrast to local subjects, disposed of capital. The 1990 decision of the government against attempting to renegotiate the debt was influenced by the representatives of TNCs already present in Hungary, by the international financial community, and by foreign private banks (Mihályi 2001: 63–64). However, it was primarily the agency of Hungarian Central Bank that determined the outcome. The bank pushed the government not to renegotiate the debt and—what is more important—its debt management strategy, which switched a large part of the debt to bonds in 1985–1991, made any debt renegotiation particularly difficult, if not impossible (Hanley, King and Janos: 2002; cf. Greskovits 1998: 63; Greskovits 2000: 135–136; Piroska 2002). Thus, even in Hungary, the agency of domestic social forces, namely the Hungarian financial elite, is crucial for explaining its state strategy. The international socialization of state bureaucrats, state financial elites in particular, had an important impact on Hungary's way of debt management. Hungary has been a member of the IMF since 1982, and its financial cadre was integrated into respective international networks. Moreover, the exposure to foreign markets, investment, licensing contracts, partnership, and joint ventures of the 1980s produced a significant fraction of Hungarian managerial elite that was open to cooperation with foreign investors (Greskovits 2000: 131; King 2001a, 2001b). Finally, a transnational dialogue on FDI and development involving Hungarian economists working in the US provided theoretical justification for FDI-led industrialization (Csaba 1997).

Czech state strategy was shaped in a struggle between two groups within the state. The "industrialists," on the one hand, advocated a privatization programme that would find strategic owners, foreign investors, for main enterprises. Most notably, Jan Vrba, then Minister of Industry and Trade, believed that only foreign investors could provide access to new technologies, know-how, distribution networks, and capital investment. He planned to bring foreign investors to what he identified as the core of the Czech economy. The externally oriented strategy had wider support within the ministries. It came mainly from the "business elite;" that is, bureaucrats linked to enterprise managers. On the other hand, neoliberal reformers—who were, in contrast to the industrialists, involved in designing the general transition strategy—promoted a hands-off, voucher-based privatization model. The hands-off model was incompatible with FDI entry, which demanded an active approach by the state to secure contractual commitments required by the investors. What is more, the neoliberals did not favour participation of foreign investors and preferred creation of a domestic capitalist class.

Vrba offered the leading Czech companies for sale to foreign investors in June 1991.[9] There were a number of foreign investors ready to bid for the commanding heights of the Czech economy. However, the neoliberals won a path-shaping political struggle and most of the investors were turned down in the end. The neoliberals mobilized enterprise managers, who feared losing their positions after foreign takeover, to support voucher-oriented strategies in individual enterprises. More importantly, they marginalized the industrialists within the state in a political struggle by making use of anti-communist sentiments (see Gould 2001; Appel 2004).

Paradoxically, Czech neoliberals, who could become dominant because of political advantages provided by the anti-communist legacies in one of the most conservative state-socialist regimes in the region, would exploit the same legacies to forge their project of promoting national capitalism and bourgeoisie (cf. Appel and Gould 2000; Orenstein 2001; Myant 2003). There were a number of reasons why neoliberals promoted the internally oriented project. What is more, a mix of economic nationalism and neoliberalism was not contradictory from their perspective. First, Czech neoliberals believed that Czech enterprises can compete in an open market. There was an over-optimistic notion of the general level of development and of the competitiveness of leading enterprises among Czech economists (Myant 2003: 13–14). Czech reformers also preferred domestic outcomes for nationalistic reasons (cf. Orenstein 2001: 76–79; Gould 2001). Second, the internally oriented strategy was politically superior (Kupka 1992; Appel 2004). In the short term, the voucher method became a flagship of the neoliberal project and large political capital was invested in it; the internally oriented project was politically convenient as it went in line with popular fear of foreign ownership. In the long term, the voucher method was seen as the best way to secure political support for capitalism as such: it guaranteed transfer of property with the greatest speed and certainty, it was expected to change minds of people who had no experience with the market economy, and it was assumed to create a domestic propertied class, which would provide the social underpinning for capitalism in general and social and material support for political parties of the reformers in particular.

Czech strategy was shaped in a conjunctural domestic struggle and reflected concerns of local neoliberals. The strategy prevented rapid internationalization of the industrial core of the Czech economy. It produced a distinctive economic dynamic, Czech capitalism, and created a coalition of reform winners that provided political support to the internally oriented project. At the same time, the neoliberal strategy helped to create conditions providing structural advantages to foreign investors that later, when the economic dynamics of Czech capitalism were exhausted, pushed the

[9] See "Czechs hang 'for sale' sign on 50 of republic's key companies," *Financial Times*, 14 June 1991, p. 2; "Czechs head west to pitch privatization of industries" *The Washington Post*, 14 June 1991, p. a23.

state strategy in the externally oriented direction. These structural conditions—which were in place throughout the nineties—got translated into policy outcomes by the end of the decade.

Internationalization of the State in the Late Nineties

The Hungarian case showed that the process of transnational class formation and elite socialization did play a major role in putting the country on the externally oriented path already in the early nineties. Yet, as the contrasting trajectories of Slovenia and Hungary—countries that were most internationalized by 1990—demonstrate, the high degree of transnational integration cannot predict outcomes. The interests and capabilities of domestic allies of the transnational class and/or connected cadres—as well as their structural literacy (cf. Gramsci 1971: 113)—are relatively contingent upon the domestic context. Internationalization of the state was forged in transnationally constituted domestic politics. The externally oriented strategies were implemented only when both structural opportunities and political possibilities of the moment allowed the domestic groups linked to transnational capital to come to the forefront in individual social formations. In order to be effective within the nation states, the structural power of foreign capital needs to be translated into what Eric Wolf calls "tactical power" that is, power that controls settings of interaction (Wolf 1990). In this translation, the multinational capital becomes embroiled with local social actors. In the V4, the agency of the comprador services sector had crucial role in translating the structural power of multinationals into the tactical power of the coalition of social forces centred around the foreign investors.

This happened only in the late nineties. The peripheral integration produced by the neoliberal transition policies, together with the "American" strategy of the West, made the economies in the V4 structurally dependent on foreign capital, which controls access to technology, know-how, and major distribution networks. In the Czech Republic, the strategy of neoliberals not only lacked any protective measures for domestic producers of high value-added goods, but also effectively destroyed much of the viable potential in the domestic industrial base. The economic exhaustion of Czech capitalism then forced the policy makers to bow to the preferences of foreign investors. On 1 January 1999, the Czech Republic rolled out the most generous investment scheme yet seen among CEE countries. This ignited a race for greenfield investors in the V4. Czech policy U-turn was followed by reinvention of the investment scheme in Hungary and by the introduction of investment schemes in Poland and Slovakia (Gandullia 2004: 15–16; Jensen 2006).Yet, the turning point came already in 1997 when the government, led by the major figure of Czech neoliberals, Václav Klaus, reconsidered its hostile approach to FDI. As a part of a policy package reacting to an economic crisis caused by the exhaustion of Czech capitalism, the Minister of Industry and Trade was assigned to draft an investment incentive scheme. Moreover, the government decreed to offer investment packages to Intel and General Motors (GM), who were looking for investment sites in Europe at that time. The government's resignation to structural pressures, which were enacted by the agency of the investors, brought to the fore a group of people who worked within the state on promoting the externally oriented strategy. This group—state fraction of the comprador service sector—had been marginalized until then.

Polish strategy of the 1990s allowed for significant domestic sector to emerge. Yet, it did not produce strong competitive domestic sectors. The leading sectors became gradually dominated by the multinationals. In Slovakia, the political dynamics of party alteration in the illiberal-regime catalyzed the introduction of externally-oriented strategy. It also brought into power a government, which was well connected to international financial institutions and enjoyed credibility among the investors. Slovenian deviation from the neoliberal strategy, along with its favourable legacies, produced structural preconditions allowing for a different model in the same international political-economic context. It developed a distinctive model of the competition state, putting more emphasis on promoting competitiveness of domestic capital and on social inclusion.

With the advent of EU enlargement and general expansion in FDI stock in the world economy, the late nineties witnessed a surge of investors relocating their activities to Eastern Europe. This turned policy experimentation with FDI promotion into apparent success stories and a source of political capital. The FDI inflow then reinforced the region's dependency on FDI and lead to social transformation that made the investors and other social forces linked to them important social and political actors. The eventual EU accession then narrowed the space for attempts at promoting domestic accumulation.

The structural dependence on foreign investors, European regulatory framework, and the multi-scalar organization of governance are the main structural features constituting a field of force that gave rise to a coalition of social forces—or the power bloc[10]—led by the comprador service sector and provide its externally oriented project important strategic advantages. European competition regulation could mitigate the competition race through direct subsidies. Yet, the impact of EU regulation has been much more significant in preventing attempts to promote national accumulation. Finally, rescaling within the states, shifting power to regional bodies, has provided significant advantages to the externally oriented project. It strengthens representation of actors who are directly exposed to the structural power of capital within the state (see Drahokoupil 2008b).

Political Support of the Competition State: The Comprador Service Sector and its Allies

The externally oriented policies of the competition state are pursued by CEE governments regardless of ruling party coalitions. The political support of this state strategy

[10] The notion of power bloc refers to a relatively stable coalition of social forces. Its unity depends on self-sacrifice of immediate interest of, at least, some of its members and on members' commitment to a common world outlook (Jessop 1990). A power bloc is brought together by a hegemonic project (see below).

goes beyond narrow short-term interest and immediate material concession, as was largely the case with the national projects of the early nineties. The support of this strategy transcends party divisions and party politics, even though it occasionally becomes politicized and connected with the party in power, giving rise to a false impression that the competition state is a project of the ruling party rather than a broader hegemonic project.[11]

The wide embracement of the competition state has to be related to the structural environment—material, institutional, and ideational—that produces a field of force that not only provides constraints on possible strategies, but also makes the externally oriented strategy a "comprehensive programme" for societies in the region. This makes its hegemony "less of a magical trick" (van der Pijl 2004: 184). This field of force shapes the "field of the politically thinkable" (Bourdieu 1984) and thus makes the externally oriented project not only a positive programme, but also a framework of thinking that allows articulating various ideological positions, including resistance, on its terms. The intellectuals of the competition state thus can defend investment subsidies even from "a market perspective" according to which the measure rather than being a market intervention actually reflects the relations on the global market for investment, the excess of demand for FDI over its supply in particular.[12] The politicians in the regions would discover the "real world" of what Harvey (1996) calls "militant particularism" of investment attraction. Its antipode, the "global ambition" of changing supra-local structure, is absent in the political discourse in the region. Those who articulate the perspective of small domestic bourgeoisie and claim to oppose the externally-oriented project frame the opposition in terms of "investment subsidies for all," which makes the project of "global ambition" even less thinkable and likely.

The internally oriented projects did not lack their organic intellectuals who would ground them organically in the constraints and opportunities of the conjuncture. On the contrary, the Czech case very well demonstrates that intellectuals, such as Václav Klaus, proved to be master political and intellectual operators who took the lead in forging the interests of societal players, knew how to articulate their project to resonate and rework the ideation structure prominent within the "common sense" (most notably, anti-communism and nationalism) and promoted an agenda that appealed to, or was at least compatible with, the predominant wisdom within the cadres of international institutions. However, the internally oriented projects in the V4 either failed to develop sustainable accumulation strategies, as in the Czech case, or, if relatively successful in economic terms as in Poland, they were gradually reoriented as soon as the externally oriented project could promise to deliver superior economic benefits when the foreign investors became interested in the respective countries.

[11] As a form of social leadership, hegemony is contingent upon developing a "hegemonic project" (Jessop 1990), or what other neo-Gramscian scholars call "comprehensive concepts of control" (Overbeek and Van der Pijl 1993; cf. Bode 1979). "This involves the mobilization of support behind a concrete, national-popular program of action which asserts a general interest in the pursuit of objectives that explicitly or implicitly advance the long-term interests of the hegemonic class (fraction) and which also privileges particular 'economic-corporate' interests compatible with this programme." (Jessop 1990: 208).

[12] Interview with Martin Jahn, CEO of CzechInvest in 1999–2004, now on the Board of Directors of Škoda-Volkswagen, Mladá Boleslav, 13 March 2006.

Moreover, the eventual subordinate integration of leading sectors into transnational production networks controlled or owned by the multinationals linked the externally oriented project with driving forces of economic growth.

The actual policy outcomes are products of the agency of particular social forces mediated through structures of representation. Social forces located within the state do not have such a prominent position as in the "extraordinary politics" of the beginning of transition.[13] The competition state is promoted by a power bloc centred around the multinational investors and organized by a social force that I call the comprador service sector. The comprador service sector helps to translate the structural power of transnational capital into tactical forms of power. This makes the agential power of domestic actors to work in sync with the interests of the multinationals. This sector includes state officials from FDI-related bodies, local branches of global consulting and legal advisory service firms and their local competitors, and companies providing other services to foreign investors. The power bloc also integrates significant fractions of domestic capital, which are becoming largely internationalized and/or subordinated to international investors. Moreover, some large domestic companies have joined the power bloc after it started to deliver direct economic benefits in the form of investment subsidies.

While the comprador service sector serves as a nodal point and organizer of the power bloc underpinning the competition state, the multinational corporations investing in the CEE region represent its main productive element or the material base. The structural power of transnational investors has been crucial in pushing the states to embark on externally oriented strategies in the late nineties; however, the actual political agency within the state was left to the comprador service sector. Yet, the multinationals do not leave the political agency to the comprador service sector anymore. After committing themselves to longer-term activities, such as cost-cutting, efficiency-oriented investment, and investment into finance, foreign investors proved to be quite active in promoting their interests through direct agency (see also Bohle and Husz 2005). They would use various channels of influence—including those created by the comprador service sector, their own business organizations, direct negotiations with the government officials, and corruption. Obviously, the influence of foreign investors through agency cannot be seen in isolation from the structural power they continue to exert and make use of. The dramas of bidding for investments keep respective state officials busy and continue to entertain newspaper readers in the region. After the investment decision is made, the multinationals employ the threat of exit in their negotiations with the governments.

Resistance to the competition state comes from small domestic companies that cannot reach investment incentives and do not directly benefit from the presence of multinationals. The resistance to investment promotion machines shows that the externally oriented project is also challenged by "principled NGOs," who object to the externally oriented project primarily for environmental damage and human-rights violations that investment-attracting and operation of multinationals often involve

[13] As reminded by the crucial role of enterprise insiders in Polish restructuring, the "extraordinary environment" was in fact enjoyed only by the reformers in Czechoslovakia and, to lesser extent, in Hungary.

(Drahokoupil 2008b). In Poland, where the internally-oriented project is far from marginal, the state recently made several attempts to protect domestic ownership in banking and finance.[14] In Hungary, where monetary policy became part of the competition strategy as favoured by export-oriented industrial sector, a split between fractions of the finance and the service sector, on the one hand, and industrial capital, on the other hand, became prominent. However, with the exception of the Hungarian split, the resistance to the externally-oriented project does not represent a viable counter-hegemonic challenge to the competition state. The "principled NGOs" resist within and through the hegemonic field of force and are not able to articulate an alternative hegemonic project. The project of the domestic bourgeoisie in fact merely promotes a different type of competition. Moreover, it is largely marginalized within the state by the hegemonic project. Finally, EU-European regulation proved to be a powerful check on recent Polish attempts to promote domestic accumulation.

Concluding Remarks

The peripheral mode of integration into which the CEE embarked at the beginning of the nineties made the region structurally dependent on foreign capital. These structural exigencies represent the main mechanism that accounts for the convergence towards the competition state in CEE. In the early nineties, the reform strategies throughout the V4 have followed the neoliberal doctrine. This installed political-economic structures that made the exigencies of global accumulation a political prerequisite for national strategies in the region. However, they were translated into political outcomes only by the end of the nineties. The emergence of the competition state has been conditioned upon the unfolding hegemonic role of the comprador service sector. The role and agency of this sector, however, do not explain the policy as such. They work as a linking factor that influences when, in which way, and in what form such a shift towards the competition state takes place.

The competition state has a solid political, institutional, and structural underpinning within the V4. Politically, it is supported by power blocs organized by the comprador service sector. Institutionally, EU regulatory framework locks in the state strategies in the competitive direction. Structurally, foreign-led economies have crystallized in the region, with foreign control of leading export industries, most of the public utilities, and the banking sector. The competition state is thus an organic strategy that reflects structural opportunities and constraints. Yet, its hegemony is far from guaranteed and unchallenged. Hegemony is not a static domination, settlement, or agreement imposed or concluded once and for all. It always leaves openings for contention and it must be sustained on a daily basis. Hegemony is thus continuously reproduced and/or transformed. Similarly, a power bloc is not a static coalition, but rather a dynamic process of coalition building that brings together various actors through promoting the hegemonic project in particular places and times.

[14] 'Expanding across CEE' *European Banker*, 8 November 2006, p. 9; 'Warsaw-EU clash over stock exchange sale' *Financial Times*, 14 February 2007.

The dynamic, continuous, and often contentious reproduction of the competition state and its political underpinning is most apparent when a locality is promoted to lure an investor in the investment-location bidding. This very often gave rise to what I call the investment promotion machines (see Drahokoupil 2008b). These temporary articulations of the power bloc are largely constituted ad-hoc around particular FDI-reliant regional development projects or even around promoting single investor within the region. While being extremely effective in promoting the interests of investors within the state and in the regions, the investment promotion machines often face resistance. The processes of investment attraction and promotion thus often open spaces for challenging the hegemony of the competition state.

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