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The Investment-Promotion Machines: The Politics of Foreign Direct Investment Promotion in Central and Eastern Europe

JAN DRAHOKOUPIL

Abstract

A variety of foreign-led economies emerged in Central and Eastern Europe in the late 1990s. State economic strategies in the Visegrad Four region (V4) of the Czech Republic, Hungary, Slovakia and Poland have converged towards a distinct model of competition states. This article investigates the politics of investment attraction and promotion of particular investors within the states and regions in Central and Eastern Europe. It analyses coalitions of social actors which form in the process of bidding for investors and promoting them in the regions. These coalitions, the investment-promotion machines, can be understood as power blocs underpinning the competition state at the regional level. The analysis draws primarily on case studies of attraction and promotion of foreign direct investment (FDI) in the Czech Republic and Slovakia.

A variety of foreign-led economies emerged in Central and Eastern Europe in the late 1990s (Myant 2003; Greskovits 2005; Vliegenthart 2007). After attempts to promote national accumulation failed in the Czech Republic, Slovakia, and—to a lesser extent—in Poland, the attraction of foreign direct investment (FDI) has become a priority throughout the region (Bohle 2002; Bohle & Greskovits 2006). State economic strategies in the Visegrad Four region (V4) have converged towards a distinct model of the competition state (Drahokoupil 2007a, 2007c). This article investigates the politics of investment attraction and promotion of particular investors within the states and regions in Central and Eastern Europe. It analyses the coalitions of social actors that are formed in the process of bidding for investors and promoting them in the regions.

While the competition state has become a major developmental strategy in the V4 region, its hegemony is far from unchallenged. Hegemony is not the same as static domination, settlement, or agreement imposed or concluded once and for all. It leaves...
openings for contention, and it must be sustained on a daily basis. Reproduction of
ehegemony does not take place only in the ‘big games’ of national-level politics, in
which the policy framework is set and high-profile cases are decided;¹ the competition
state is regularly under challenge and its hegemony is reproduced through a process of
attracting particular investors and promoting their investment projects. The power
c bloc promoting the competition state is continually reconstituted in a dynamic process
of coalition-building that brings together various actors through promoting the
project of the competition state in particular places and times. This article analyses the
dynamic, continuous, and contentious process in which the competition state and
its political underpinnings are reproduced in everyday politics. It investigates the
formation of, and resistance to, what I call ‘investment-promotion machines’. Constitute
t in an ad-hoc fashion, around particular FDI-reliant regional development
projects, or even around the promotion of a single investor within the region, these
temporary articulations of the power bloc are mobilised when a locality is promoted to
lure an investor into bidding for an investment location. Investment-promotion
machines are extremely effective in promoting the interests of investors within the state
and in the regions. They are driven by political and economic interests alike. Their
activities exploit and recreate the legitimatory discourse of job creation that
contributes to the hegemony of the competition state.

The formation of investment-promotion machines has to be understood by taking
into account the institutional and ideational environment in which they take shape. In
this context, the question of scale—that is, the spatial organisation of social processes,
their regulation, and governance—is crucial. In fact, this article does not merely
provide an account of the political support of FDI attraction in the regions, but rather
offers a scalar political analysis of the political support of the competition state. It
shows that the scalar organisation of governance provides strategic advantages to
those forces promoting an externally oriented project within the state. While focusing
on politics in the region, this article accounts for a crucial aspect of the power blocs,
which constitutes political support of FDI in Central and Eastern Europe.

The analysis draws on my case studies of attraction and promotion of FDI in the
Czech Republic and Slovakia. It also uses secondary sources on investment promotion
in Hungary. In particular, I focus on the cases of Nemak investment in Havraň (Czech
Republic); L.G. Philips Displays in Hranice na Moravě (Czech Republic);² bidding for
BMW investment in Banská Bystrica (Slovakia), Kolin (Czech Republic), and Leipzig
(Germany); investment of TPCA Toyota and Peugeot-Citroën in Kolin (Czech
Republic); PSA Peugeot Citroën in Trnava (Slovakia); Kia motors in Žilina
(Slovakia);³ and Hyundai in Nošovice (Czech Republic).⁴ Table 1 provides an
overview of the cases. The investments under consideration are mostly large plants of
major car manufacturers. This reflects not only the interests of this type of investor in
the region in the late 1990s and early 2000s, but also the strategic considerations of

¹For my analysis of these ‘big games’, see Drahokoupil (2007b, forthcoming a, forthcoming b).
²For a detailed account of promoting Philips investment, see ELS (2004) and GARDE/ELS (2006),
³For a detailed account of bidding for, and promotion of, the Kia investment, see Kolesár (2006).
⁴The research involved in-depth interviews with major actors in the localities and beyond and archival research.
<table>
<thead>
<tr>
<th>Investment</th>
<th>Nemak</th>
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<td>Green-field, €890 m</td>
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<td>Cars</td>
<td>Small-size cars</td>
<td>Small-size cars</td>
<td>SUV-based</td>
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<td>Kolin (CZ) Localities in Poland and Hungary</td>
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<td>Žilina (SK) Localities in Poland, Hungary, and Nošovice (CZ) (CZ were dropped: they refused to offer incentives, which were found to be in conflict with CZ and EU regulations)</td>
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<td>Incentives</td>
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<td>Tax relief, custom relief, employee training subsidy; state subsidy to Hranice to build flats for employees (total 1.6 bn CZK)</td>
<td>€418 m intention, then reduced to €363 m after European Commission’s rule (Case C 75/02)</td>
<td>10-year income tax relief, transfer of real estate at a premium price, employee training grants (total direct: CZK 3.5 bn); the state and municipality covered most of infrastructure</td>
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<td>Tax relief, transfer of real estate, employee training grants; road infrastructure development</td>
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<td>260 m CZK compensation to Rajer for land buyout)</td>
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<td>Direct support per job created</td>
<td>Approx. €160,000 (original offer the location decision was based on)</td>
<td>€37,000 (Deloitte estimate)</td>
<td>$37,000 (EU Commission data)</td>
<td>$50,000 (Deloitte estimate)</td>
<td>$86,000 (Deloitte estimate)</td>
<td>$37,000 (EU Commission data)</td>
<td>$48,000 (Deloitte estimate)</td>
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<td>Number of jobs created directly</td>
<td>530 in 5 years, 1,361 in 10 years</td>
<td>3,250 in 2002, then scaled down</td>
<td>2,600</td>
<td>3,000</td>
<td>3,500</td>
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<td>TPCA penalty in case of delays in the procedures; state and municipality bureaucrats on the TPCA project-implementation board; investor free of any obligations</td>
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Key: CZ, Czech Republic; D, Germany; PL, Poland; SK, Slovakia.
investment attraction agencies throughout the V4 who considered these types of activities to be strategic during that period. As a result, the late 1990s and early 2000s have seen the arrival of a big wave of car manufacturers forming a large automotive cluster in the V4 (see McKinsey 2002; Ernst & Young 2003). (Since then, and at the time of writing, the definition of strategic investment is shifting to other activities.)

First, I provide narratives of political mobilisation, resistance, and coalition building in investment promotion, taking the examples of attempts to attract BMW to Slovakia and the Czech Republic and to promote investment by the Mexican corporation Nemak in the Czech Republic. Then, I discuss earlier conceptualisations of regional growth politics in the V4 and relate it to my understanding of investment-promotion machines. Third, I analyse the composition, operation, and effectiveness of the investment-promotion machines and resistance to their efforts. Finally, I focus on the driving forces of the investment-promotion machines and provide an explanation of their support and operation.

Promoting the investors: the cases of BMW and Nemak

The stories of BMW and Nemak presented below clearly demonstrate the operation and effectiveness of investment-promotion machines. Implementation of the project of investment attraction requires the involvement and cooperation of a number of actors who operate on municipal, regional and national levels. At the very least, it requires the cooperation of regional government bodies and municipalities in technical matters in the locality where a particular investment is to take place. Individual investment projects can be objects of the political strategies of different social actors. These include those who find it desirable, those who directly benefit from it, and also those who object to it for different reasons, including mobilising against costs incurred by the investment project. In these struggles, the hegemony of the competition states is loosened and needs to be recreated and reproduced.

The two narratives highlight the multi-scalar composition of investment-promotion machines and illustrate the coalitions of resistance they seek to overcome. They show how, in order to achieve its ends and attract investment, the competition state employs these machines to side-step substantive democracy and any debates over ‘development’. They reveal the readiness of state actors to circumvent and violate existing regulations if needed, how protestors are targeted through personalised mob actions by ‘moral majorities’, and how the promise of job creation and monetary incentives are used as tools for hegemony to mobilise support and to silence resistance.

BMW: a shy animal

In September 2000, car manufacturer BMW officially announced that it intended to build a new production plant in a European country. Potential bidders were asked to answer a detailed questionnaire by 17 November 2000. This document specified the requirements of the corporation and included 120 questions on demographic, technical, spatial and ecological features of the bidding localities. Subsequently,
BMW received about 150 offers. Among the bidders were a Czech project from the industrial zone in Kolin-Ovčary and a Slovakian proposal from Banská Bystrica.\(^5\)

The Slovakian bid attracted public attention when the media revealed a secret meeting between high-ranking Slovakian officials and BMW’s management in Germany.\(^6\) This provoked an exasperated reaction from the Honorary General Consul of Slovakia in Baden-Württemberg, Ronald Kissling. He foresaw that the carmaker would react in a way that would have unpleasant ramifications for Slovakia: ‘Foreign investors’, he said, ‘are shy animals. They are gone if the hunter makes a noise’ (Zamkovský 2001, p. 5). It later emerged that the meeting violated BMW’s own internal anti-corruption regulations.

Meanwhile in Banská Bystrica itself, the investment-promotion machine started to form. On 2 November 2000 representatives of regional and county councils, regional governing bodies, state-owned enterprises, and expert groups on infrastructure and environment met to gather background information for filling in BMW’s questionnaire. However, it soon became clear at the meeting that, rather than seeking detailed information, BMW expected all state bodies, from county councils to the national government, to cooperate in accommodating its needs and preferences. According to a representative of the Slovakian investment promotion agency SARIO, the main requirement was for the state to guarantee the purchase of land and investment in infrastructure.

From the point of view of the investment attraction agency there were two main problems. First, a number of public infrastructure networks were already operating in the prospective industrial zone earmarked for BMW. Existing municipal and regional land use plans had not previously envisaged the development of a new large industrial zone, and according to Slovak law, the existing plans could only be changed according to a procedure over several stages involving all stakeholders and the public. However, the costs of removing these networks from the area did not seem to be an issue for the participants of the preparatory meeting and they did not see any difficulty in changing the land use plans. Even the removal of land from the Agricultural Soil Register, which would have had implied closure of two cooperative farms, was expected to be merely a technical matter. The director of the Department of Services of Banská Bystrica’s city council explained, ‘BMW does not care at all how much we’d have to pay for the infrastructure development. That will be our problem. Now, we have to fill in the questionnaire’ (Zamkovský 2001, p. 7). SARIO’s representative added, ‘the state will have to invest in the infrastructure. It has been already discussed at the Department of Industry. It remains to be found out what is ready and how much is to be paid by the state’ (Zamkovský 2001, p. 7).

The second issue that had to be addressed was the fact that the land in the prospective zone was owned by an enormous number of different owners. The precise number was not actually known, but it was estimated to be up to 5,000 people, and this was a concern because it could be a great disadvantage for the locality in the competition for the investment. The director of the Department of Services proposed

\(^5\)Slovakia alone offered four prospective production sites.

\(^6\)The account of the events in Banská Bystrica is based on Zamkovský (2001), who was an eyewitness to the process there.
that in answering the questionnaire it should be stated that there was a law in place which made it possible to expropriate privately owned land for public purpose constructions. He even proposed drafting a special law on the industrial zone in Banská Bystrica to solve this problem in the locality. At a later meeting of the group on 9 November 2000 it was clarified that the land belonged to about 2,000 known and to a number of unknown owners. The discussion focused on how to speed up the building permit processes, including the environmental impact assessment (EIA) procedure. The representative of Banská Bystrica County Council’s Department of Environment suggested the possibility of using a special, accelerated procedure for land expropriation allowed by the Slovak Building Code. Although the law did not allow for a fast-track in the EIA procedure this was not seen as a problem. According to a representative of Banská Bystrica Regional Council’s Department of Environment, ‘there will have to be a special regime in the EIA procedure. There is no chance to make it otherwise. A number of processes will have to run concurrently: EIA, land-use decision, and land acquisitions’ (Zamkovský 2001, p. 7). The intervention of NGO representatives, stating that it was necessary to compare the expected state subsidy with expected benefits of the investment and to make an economic analysis comparing the investment with other possible developmental projects, was met only with surprise among other participants in the meeting.

In the meantime, another investment-promotion machine was being mobilised in the Czech Republic. After the car manufacturer had announced its investment plan, the government’s investment promotion agency CzechInvest started to look for appropriate locations. However, the activities of the state agency were seen to be insufficient according to BMW’s consulting agency, Svoboda & Partner. Instead, this company became the real driving force of the investment-promotion machine. ‘We would knock on the closed doors of various authorities, trying to persuade them that the state had to make a real effort. It was not enough to offer land; it was necessary to fulfil even the unexpressed wishes and expectations of the car-maker’, explained Zdeněk Svoboda of Svoboda & Partner.7 CzechInvest then concluded a cooperation agreement with the consulting agency and Svoboda drafted the Czech project, proposing a location in Kolín-Ovčáry. Svoboda mobilised auto-industry suppliers operating in the Czech Republic. Those, including TRW, Visteon, Peguform, and Wagon, met at the Department of Industry and Trade to define a common strategy. In January 2001, Svoboda and the suppliers arranged a trip by Prime Minister Zeman to Munich to promote Kolín-Ovčáry as the investment location for BMW.8 CzechInvest, the government, and the Kolín municipality started to prepare the Kolín-Ovčáry site and buy out the land. On 30 July 2001, the government approved a CZK 1.3 billion package to purchase the land and upgrade the site. In addition, the government promised to complete the D11 highway between Prague and Kolín by 2005 and to modernise a road linking the industrial zone to the D11 by June 2004. CzechInvest also prepared a plan to build a training centre for the automobile industry.9

The efforts to promote Kolín-Ovčárky were quite successful, as the location made it to the top of BMW’s shortlist. However, in July 2001, the German car manufacturer decided to locate in Leipzig, in the former East Germany. It cited the following factors: economic viability and flexibility; the features and location of the future plant area; the availability of qualified manpower; the use of existing structure in terms of plants, suppliers, and logistics; and the connection to the sales and distribution network. This did not impress state managers in the Czech Republic, who understood that Leipzig was made attractive by a very generous state-aid package. Germany offered a subsidy of €418.6 million (35% of the investment). Obviously, the decision was met with disappointment among the East European bidders. The mayor of Banská Bystrica, for instance, blamed the critics of the activities of Banská Bystrica’s investment-promotion machine (Zamkovský 2001, p. 11). CzechInvest, however, was able to find another car manufacturer for Kolín-Ovčárky very quickly. It announced ‘the largest investment in the country’s history’, a joint investment of Toyota and PSA Peugeot-Citroën (TPCA) in December 2001.

**Nemak: from collectivisation to globalisation**

In 2001, a Mexican corporation, Nemak, decided to build an aluminium auto-parts factory in the Most region of the Czech Republic. Nemak had previously proposed an investment plan in the Czech Republic but this had been withdrawn after massive resistance from the local population and environmental activists concerned with its environmental impacts. The Most region is one of the most ecologically damaged areas in the Czech Republic. It is affected by large-scale surface mining and by the presence of a chemical industry. However, for its new plan Nemak had managed to find a locality that was almost untouched by heavy pollution—it proposed to construct an ecologically demanding aluminium foundry near Havrani, a community where farmer Jan Rajter tilled one of the few fertile areas in the region. Czech legislation does not allow for the construction of an industrial plant on agricultural land when there are enormous areas of industrial wasteland in the surrounding area. However, a powerful coalition of national authorities, regional administration, local government, and the investor, framed by an ideology and policy of attracting foreign direct investment, accomplished the seemingly impossible. The company was issued all the necessary permissions to construct the foundry in a very short time. The whole

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11 The European Commission decided on 11 December that Germany had to reduce planned regional aid to BMW to 30.14% of the investment. This corresponds to €363.16 million (EC 2002, Case C 75/02).
12 Immediately after BMW’s decision, CzechInvest launched a campaign to lure TPCA. An advisor to CzechInvest, David Brown, described these efforts as follows: ‘The highlight for me was watching the ingenious way in which Martin Jahn and his team clinched the Toyota/PSA car plant from Poland. If there was ever a case where the investment promotion agency made the difference—this was it’ (CzechInvest 2002, p. 35).
13 From 1999 to 2001, Nemak attempted to build a plant in Plzeň but it was successfully resisted by local citizens and environmental activists by means of a petition and a media campaign. This, together with unfavourable results of environmental impact assessment analyses, led to the withdrawal of plans for a CZK 6 billion ($160 million) plant deal.
process would have been even smoother if Jan Rajter and an NGO, *Ekologicky právní servis*—Environmental Law Service (ELS)—had not objected to the investment and mobilised against it. The ELS not only provided legal services to help resist the plan but it also launched a campaign, ‘The Story of Peasant Rajter—From Collectivisation to Globalisation’, which presented Rajter’s life-story.

Rajter had learned that Nemak intended to construct the aluminium plant next to his fields in March 2001. Attempts by state officials to deceive him into a land exchange then led him to ally with the ELS.\(^\text{14}\) In June 2001, however, the government decided to subsidise the investment, to develop a wider infrastructure for the investor, and to approve the land transfer. It also issued a recommendation for various bodies of the state apparatus to take into account the government’s support for the investment project in their decisions.\(^\text{15}\) Czech authorities on different levels subsequently did their best to promote the controversial factory while often violating or circumventing the law. For instance, in order to make land in Havraň available for incorporation into the industrial zone, the Ministry of Environment agreed to its removal of land from the Agricultural Soil Register without following the legal procedure. Their decision was made only two days after Most’s request, dated 11 June 2001. Since it then emerged that the decision was not valid for formal reasons, the Ministry issued a new decision in October 2001. According to an official from the ministry, the decision did not consider alternative locations as required by the law, but rather considered ‘socio-economic criteria’.\(^\text{16}\) Further, the city of Most issued a positive land-use decision regarding the construction of the factory in its Havraň district without obtaining background information required by the law. Moreover, Rajter was prevented from participating in the review procedure by which Nemak obtained permission to begin its factory construction in Havraň. In the dispute that followed, the ELS filed approximately 250 suits, complaints and appeals regarding legal violations in the various decision-making processes that enabled the plan to be implemented.

In March 2002, the city of Most and Nemak concluded a Memorandum of Understanding in which the city ‘pledges to do everything for Nemak to be given all necessary rulings, agreements and permission from the state and local government in time’.\(^\text{17}\) Nemak also authorised Most to represent it in administrative matters. The construction of Nemak’s plant started in May 2002 even though, by that time, the ELS and Rajter had won several appeals. In particular, a regional court confirmed that the farmer had been illegally prevented from participating in the building permit procedure for Nemak’s project, and the Czech Ombudsman’s Office stated that the

\(^{14}\) Rajter was offered the opportunity to consolidate some of his scattered plots of land into one large piece. The real purpose of the transaction, however, was for the investment project to acquire some of his land that was in the planned industrial zone. Rajter was thus not only deceived as far as the purpose of the transaction was concerned; he would also have lost a very high premium from standard buyout of that part of his land that was in the zone.


\(^{16}\) See GARDE/ELS (2004, p. 5).

\(^{17}\) Memorandum on Mutual Cooperation between the City of Most and Nemak Europe Ltd, signed 26 March 2002.
investment site had not been removed from the Agricultural Land Register in a legal manner. This, however, did not stop or delay the construction process. In September 2002, the citizens of Havraní proposed a municipal referendum regarding Nemak’s factory. Despite the fact that all legal requirements had been fulfilled, the mayor of Havraní refused to declare the referendum, even though the law did not allow him to make such a decision. By the end of 2002, Nemak started to develop its operations in Havraní as originally planned, and in October 2003, the plant began production.

Thereafter ELS proved to be relatively successful in the never-ending string of suits and appeals. Most notably, in April 2005, the Supreme Administrative Court of the Czech Republic abolished five decisions of the Regional Court in Ústí nad Labem regarding the land-use decision and the building-permit procedure. Consequently, the Regional Court in Ústí nad Labem ruled two building permits for Nemak illegal. This caused ELS to start a procedure for removing illegal constructions (the factory). In addition, two building permits for roads leading to the industrial zone and the land-use decision were found to be illegal. The legal proceedings were accompanied by a successful media campaign which resulted in Jan Rajter’s story receiving wide coverage in the Czech mainstream media. The adverse publicity and their legal reverses led Nemak to officially ask the Czech government for help. In support, the representative of the government in North-East Bohemia, Vlastimil Aubrecht, warned against the consequences that would follow if the investor had to leave the country.

In May 2006, the government decided to propose a settlement to Rajter. In exchange for withdrawing all suits and appeals, it offered CZK 260 million for Rajter’s land in Havraní. Having effectively lost the substantial part of his struggle, Rajter accepted the settlement and withdrew all suits.

The case studies described here illustrate the lengths to which investment-promotion machines are prepared to go to facilitate investment projects, including overcoming local opposition and, where necessary, over-riding existing laws and regulations. In the rest of the article, I will construct a systematic understanding of investment-promotion machines by relating key analytical arguments to the empirical records of investment attraction described above and to other existing accounts and theory.

From the post-socialist growth machine to investment-promotion machines in post-socialism

The investment-promotion machines are key moments of hegemonic formations that bring together pro-growth coalitions in a way that is novel in the region and peculiar.

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18The ELS and the Rajter family brought the case to the Constitutional Court (CC). However, the court, after accepting their appeal and finding the action of the mayor and municipal deputies illegal, curiously decided it was not competent to intervene in the matter (see CC publication III. ÚS 658/02, 11 September 2003).


20The state transferred CZK 234 million from its budget directly; the city of Most paid CZK 26 million. The settlement was delayed due to some obstructions on the part of the Most municipality. However, it was concluded in September 2006. See ‘Sedlácí dostali čtvrt miliardy’ ['Peasants Received a Quarter Billion'], Mladá fronta Dnes, 29 September 2006.
to the competition state. Kulcsar and Domokos (2005) have analysed this distinctive moment on the municipal level in Hungary. Drawing on American growth politics literature, they coined the concept of the ‘post-socialist growth machine’ to characterise the growth coalitions that emerged there. With business interests benefiting from a growth project as its crucial element, the growth machine refers to the political underpinning of developmental projects in urban settings (Molotch 1976; Jonas & Wilson 1999). 21

Kulcsar and Domokos (2005) argued that the post-socialist growth machines are distinct. First, in contrast to growth machines in the US, political actors such as municipal politicians and bureaucrats comprise the core of the post-socialist growth machine. With the growth agenda being primarily political, growth machines can be successful even when the growth projects do not bring any real opportunities for growth. Because it is organised around political power, influence, and control over community, it is sufficient for a post-socialist growth machine to use the promise of growth to carry out its own political agenda. Second, while local elites are divided in the original conceptualisation, the post-socialist growth machines incorporate almost everybody in local politics. This is explained with reference to a lack of real pluralism in post-socialist municipal politics and by solidification of interlinked and overlapping political and economic elites. The anti-growth entrepreneurs are missing, as they are not allowed to break into the elite. Third, there is no resistance to the growth agenda. The economic hardship of post-socialism made any growth agenda popular and, as Kulcsar and Domokos observe, there was no revival of civil society on the regional level. Fourth, absent in the original growth machines literature, transnational corporations are not part of the post-socialist growth machines either. However, they provide an important resource of growth—or at least its promise. Finally, autonomous from any social constraints and pressures, local elites would do anything to attract investors and accommodate their preferences.

The overall picture provided by Kulcsar and Domokos of the post-socialist growth machine and the way the benefits of growth are distributed is rather cynical. ‘The Hungarian post-socialist growth machine seems to be even more successful than the one Molotch described 30 years ago. Local elites accumulated wealth, while people were given a fancy landscape and the feeling of development’ (2005, p. 559). Since it does not aim to evaluate costs and benefits of FDI-based development in general, this analysis develops a political analysis of growth machines in the region. The model of post-socialist growth machine applies to a relatively broad range of developmental projects, including both industrial investment and development of residential areas and shopping centres. In contrast, the analysis to be developed here is interested in the social and political underpinnings of a narrower range of development projects, which aim at promoting investment into productive activities. Moreover, it does not prioritise the legacies of the past but rather analyses the articulation of various forces driving and hindering the investment promotion projects with the legacies of the past.

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21I do not wish to subscribe to this particular version of elite theory. However, the growth machine literature and its application in Central and Eastern Europe in particular have produced important insights. For critiques of the growth-machines literature, see, e.g., Lake (1990), Cox and Mair (1989) and Clarke (1990).
and popular memories. In what follows therefore, rather than growth machines, I will
discuss ‘investment-promotion machines’ in post-socialism.

A number of caveats and clarifications are necessary. First, while investment-
promotion machines are driven primarily by political actors, actors pursuing their
economic interests are among the main protagonists as well. Second, while the
investment-promotion machines incorporate almost all local elites and the latter often
put their struggles aside to attract foreign investors, the machines, however effective,
do often face resistance. As observed by Kulcsar and Domokos, the growth agenda
often does not divide local elites, but rather follows the populist division between ‘the
elites’ and (some of) ‘the people’.22 Third, the analysis has to take into account the
relations and mutual constitution of the regional, urban and national—and even
transnational—politics and analyse forces which operate in and through different
spatial scales (MacLeod & Goodwin 1999b, p. 508). Thus, the conceptualisation of a
post-socialist growth machine, which is essentially regional and local, has to be
extended into multi-scalar political analysis (Swyngedouw 1997). The national actors
often exert considerable pressure on local politics. At the same time, the national
actors are constituted under the influence of local politics. It is the (multi-)scalar
political analysis of investment-promotion machines to which I now turn.

The anatomy of the investment-promotion machines

The project of foreign investment promotion—as it was illustrated in the cases of
BMW and Nemak and further documented in Table 1—gives rise to ad-hoc coalitions
that are constituted around promoting an investor within the region and the country
at large. The case of BMW has shown that these investment-promotion machines take
shape in the process of bidding for an investment by promoting a particular
investment location. Investment promotion brings together a wide coalition of actors
from local, regional, and national levels. Thus, the investment-promotion machines
are composed of actors operating on different scales. The investment-promotion
machines are key moments of the power bloc underpinning the competition state; they
link regional actors with the metropolitan comprador service sector (Drahokoupil
2007b, forthcoming a, forthcoming b). Comprising 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
comprador service sector often orchestrates the formation and operation of the
machines.

The political actors driving the investment-promotion machine include national-
level, regional and municipal politicians. Further, the investment-promotion machines
comprise actors rooted in the sphere of production, namely the comprador service
sector, people who own land in the prospective industrial zone and land speculators,
sometimes domestic suppliers, and—after committing to the locality—the investors. In
actual fact, the investment-promotion machines include bureaucrats of various bodies

22For further discussion, see Drahokoupil (2005). This is not to suggest that the FDI-based growth
agenda benefits only ‘the elites’ and not ‘the people’. The point is to identify a political or discursive
cleavage that often emerges.
of the state apparatus on different levels. However, they are used rather instrumentally by the investment-promotion machines as they usually act under immense pressure ‘from above’. Nowhere in the Visegrad Four does the institutional framework guarantee independence to the bodies of state administration. This is particularly the case on the regional and municipal levels. Thus, the bureaucrats are in fact subordinated to individual politicians, who override and bend rules and institutions for their own power-broking purposes.

Circumvention and violation of institutional rule that the operation of investment promotion machines often entails are legitimated and justified by the hegemonic frame of job creation and development. What is more, the state administration is often locked into investment promotion by institutional and legal measures in the process of attracting investment. In the TPCA case, the Project Realisation Team included the head of the project EIA team at the Ministry of Environment and the head of Kolin’s Building Office, responsible for issuing the land-use decision and the building permit. On the regional level, the memoranda of understanding would often oblige the municipalities to promote the interests of investors, ‘do everything’\footnote{Memorandum on Mutual Cooperation between the City of Most and Nemak Europe Ltd, signed 26 March 2002.} for the investor in various procedures, including pledges to ‘provide the buyer all necessary assistance and cooperate in obtaining all land decisions and constructions permits that will be needed’\footnote{Contract between the town of Hranice and Philips Displays Components Czech Republic Ltd, signed 14 September 2000.}, ‘be responsible for the smooth implementation of the project, approval proceedings, construction and commencement of the production’\footnote{The memorandum of understanding between Toyota Motor Corporation and Peugeot Citroën Automobiles, s.a. and the city of Kolín, dated 2 February 2002.}, and arrangements in which the investor provided rights to the municipality to represent the investor in various procedures in order to guarantee timely issuance of necessary assessments, agreements and permits.\footnote{Memorandum on Mutual Cooperation between the City of Most and Nemak Europe Ltd, signed 26 March 2002.} They also include concrete obligations and sanctions for different bodies of state apparatus in relation to their position in various permit processes.\footnote{For a detailed analysis of contracts between Kolín and TPCA and various obligations for the city it included, see ELS’s analysis available at: www.sedlakjan.cz, accessed 7 November 2007. See also Nezhyba (2006).} The national governments would also often conclude memorandum that would compel the state to represent the investor regardless of the ‘general interest’ and often make them breach local regulations.\footnote{It is not suggested here that FDI is against the ‘general interest’, or the other way round. Instead, the point is that these institutional arrangements prevent state officials making a deliberate decision in the ‘general interest’ by obliging them with legal means to promote the partial interests of the investors. The question of whether those partial interests are compatible with the general interest is of secondary importance in this context.} The international agreements on the protection of investment then act as a ‘regulation of the last resort’ that causes the state to back the investor in local and national politics (as in the Nemak case).
The conceptualisation of the post-socialist growth machine puts a lot of emphasis on political interests as the major driving factor of the machines. This can be observed also in the Czech and Slovak case studies. Attracting a particular investor into a region is a political stake not only in local politics, as emphasised by Kulcsar and Domokos, but also in national-level politics. Thus, in the Nemak case, most of the decision-making processes in Havranˇ were determined by external intervention, including political pressure. For instance, the deeply indebted village received a government subsidy, or a ‘state bribe’ as described in Ferˇtek’s article (2003)29, in order to pay off the forfeited building of its office. The newly elected mayor of Havranˇ reported enormous pressure from regional and national governments when one of the referendum proposals was discussed in the municipal council (ELS 2003). On the national level, the investment projects are promoted by politicians, for whom they offer tangible benefits. They also act as the ‘shopping windows’ of an FDI-oriented state strategy. Actually, all the cases described in this article were used as flagships of success by respective governments.30 On the regional and municipal level, the investments were promoted by politicians who perceived the investment project in terms of a growth agenda that would bring development into the locality.

At the same time, the investment-promotion machines are driven by economic interests. On the local level, the investment projects are an extraordinary opportunity for land owners to extract superprofits from the difference between the market value of land which is categorised as arable and the value of the same plot of land if designated as an industrial zone. In the TPCA case, the value of agricultural land ranged from 3.5 to 8 koruna per square meter, but if it was changed into an industrial zone, it could be sold for 150 – 250 koruna. This provides huge incentives to land owners and also offers opportunities for speculators with insider knowledge. Very often, land owners are represented within municipal councils and it is therefore no surprise that they become active in promoting the investment projects. For instance, in the Hyundai case, many of the municipal MPs who approved the land-use plan owned land in the Zone.31 Moreover, the investment projects are promoted by the comprador service sector, most visibly represented by the investment promotion agencies (as seen in the Kia and BMW cases).32 Finally, any growth agenda provides economic opportunities that are taken by local companies. These companies are often owned by or linked to people from the municipal and regional governments. In the Nemak case, Jiří Šulc, the regional president, was also the co-owner of a company that arranged construction permits on behalf of Nemak.33 In the L.G. Philips case, the preparation of the

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31Author interviews with Vladimir Burda, activist of Půda pro život, Ostrava, February 2006; person A, a Nošovice inhabitant, and person B, who was employed in Nošovice and closely involved in the dispute, Nošovice, February 2006.
32Local journalists and activists in Kolí³n emphasised that the municipality often acted under immense pressure from CzechInvest. The distribution of obligations in respective contracts provides an indirect support to their claims.
None of the actors seem to constitute the driving force of the investment-promotion machines. The initiative often comes from both above and below. It is important to note, nevertheless, that the national-level actors, comprador service sector and politicians are important driving forces of the machines in the regions. At the same time, the investment-promotion machines usually do not work on the top-down governance principle but also draw on the activities of relatively independent local agents on behalf of investment promotion. In the case of TPCA, the industrial zone was very much an initiative of local politicians and land owners. However, CzechInvest and the investor had the upper hand in the negotiation of the condition of entry and in drafting the memorandum that, among others, imposed many expensive obligations on the city of Kolín. The investment-promotion machines are able to engage in complex inter-scalar mobilisation and steering that make it possible to coordinate decisions and exert pressures in different places and on different scales. Particular promotion machines often develop nodal points of inter-scalar mobilisation. These are often represented by project managers of investment promotion agencies, governmental assignees for the development of particular industry (in the Slovak case), or governmental representatives in the region (in the Nemak case).

The investment-promotion machines proved to be extremely effective. They managed to secure fast-track procedures for obtaining a number of permissions needed for building production units or industrial zones. They also managed to secure the introduction of special regulations to address the concerns of individual investors. For instance, TPCA was granted exception from the restriction on freight-transport traffic on Sundays and holidays. When drafting the proposal project for the BMW investment in Kolín, the growth machine required special customs status for bringing BMW freight across the border. In Slovakia, the investment-promotion machines were able to take advantage of accelerated land expropriation procedures.

36 Confirmed in the interview with Martin Jahn, Mladá Boleslav, 13 March 2006.
37 The Slovak government established a Governmental Assignee for Development of Automotive Industry on 17 June 1997. The assignee proved to be very active in organising the BMW investment-promotion machine.
38 Vlastimil Aubrecht, governmental representative in Northern Bohemia, had a major role in organising the Nemak investment-promotion machine.
39 For example, Nemak, L.G. Philips, preparations for BMW in Trnava, TPCA and Hyundai.
40 However, under pressure from local activists and ELS, the company decided not to use the exception. See ‘TPCA nevyužije výjimku ze zákazu jízdy o víkendu’ [‘TPCA Not to Use the Freight-transport Exception’], Hospodářské noviny, 1 February 2005.
The introduction of special measures was also discussed in the Czech Republic. This discussion was particularly prominent in the context of the Hyundai case, where Ms Regecová was not willing to accept the amount offered for her plot of land in the industrial zone.43 Further, investment-promotion machines were able to shift state resources for the development of transport infrastructure required for the investor.44 Last, but not least, the investment-promotion machines were able to exert enormous pressure to make various actors promote the interests of the investor. This pressure was particularly felt by opponents of the investment. For instance, Regecová was not only a victim of bullying in the media (with the participation of Prime Minister Zeman); she was also visited by a senior police officer who attempted to persuade her to sell the land. Moreover, the Czech Security Information Service gathered information about her.45

Job creation, value-free development, and the politics of scale: institutional and ideational underpinnings of investment promotion

How can the effectiveness of investment-promotion machines be explained? Many attribute their effectiveness to the legacies of the past, and ‘post-socialist political culture’ in particular (Kulcsar & Domokos 2005; Franc 2006). Indeed, one can find much continuity between the practices of regional governance during state socialism and in the era of foreign investment-promotion machines. The actors involved often recall parallels with injustices experienced during state socialism, most notably with nationalisation in the 1950s.46 One can witness the reincarnation of paternalistic coalitions based on personal relations between village representatives and the ‘local’ enterprise (Müller 2002; Müller & Kohutek 2002). In the Nemak case, the representatives of Havran exchanged the support of the company for direct help both to the village and to themselves personally. Thus, cooperation with the investor helped Havran’s mayor to solve the problem of the village debt. Further, the village council refused the proposal to call a municipal referendum because of the vote of a councillor whose son was a Nemak employee and was sent to Mexico for training.47

Yet, culture, or history, is not a reified template that would justify the teleology of the ‘post-socialist culture’ explanation. Instead, culture should be understood as ‘an engram’, a set of articulate and variably institutionalised memories, which may be

43See ‘Průmyslová zóna by měla být veřejným zájmem’ [‘Industrial Zone Should Be a Public Interest’], Právo, 24 November 2000; ‘Průmyslové zóny budou vznikat i za cenu vyvlastnění’ [‘Industrial Zones will be Built even with Expropriation’], Hospodářské noviny, 2 May 2001.
44For example, in the cases of Kia, TPCA and Hyundai.
46For example, Rajter referred to his dispute with Nemak as follows: ‘I was looking forward to the new era, but I did not suppose that it would be possible for someone to set his mind and build a gas chamber behind your house…. After all, they are continuing what the communists started’ (ELS 2003, pp. 6, 3); also in author’s interview with person A, a Nošovice inhabitant, person B, who was employed in Nošovice and closely involved in the dispute, and person C, a Nošovice inhabitant, Nošovice, February 2006.
47Jiří Leschtina, ‘Po každé ráně se musíš zvednout. [You have to pick yourself up after each blow.]’ Magazín Hospodářských novin IN, 25 April 2003.
mobilised and updated by strategic action or institutional processes (Wolf 1982; Kalb & Tak 2005). Reproduction of legacies of the past is thus a question that needs to be explained rather than assumed. Thus, the formation and effectiveness of investment-promotion machines has to be related to institutional and ideational structures that constitute the ‘force-field’ that exerts pressure and sets limits that provide advantages to the strategy of investment promotion. The process of rescaling is particularly relevant in this context.  

State apparatuses have been rescaled in the Visegrad Four to a considerable extent (Drahokoupil 2007a, forthcoming a). The processes of rescaling provide strategic advantages to the project of investment attracting and to actors who promote it. The relativisation of scale gives rise to local dependency on capital operating on wider scales (Cox 1995; Cox & Mair 1989). This has been discussed as the structural power of mobile capital (Przeworski & Wallerstein 1988; Stopford & Strange 1991). The fragmentation of state power produces inter-local competition for FDI, which is clearly evident in the V4 states. What matters in the competition for investors in Central and Eastern Europe is not so much fragmentation of authority within the national spaces, but the fragmentation of authority and regulatory regimes on the EU-European scale.

The case of BMW demonstrates the importance of EU regulation, which provides a cap on state support. BMW would not be able to obtain the concessions it gained from the German state anymore. However, the remaining cases of attracting FDI analysed in this article demonstrate that the current regulatory framework not only provides ample space for ‘beggar-thy-neighbour’ competition, but also encourages investment-promotion machines to offer ‘perfect location-products’ for competitive bidding. Such ‘products’ are often produced at the expense of local regulations, people, and the environment. The case of Kia then demonstrates the scope and willingness of political growth machines to circumvent EU regulation (Kolesár 2006).

Scale fragmentation provides the material basis for discourses that, on the one hand, link the interest of local community to those of capital and, on the other hand, suppress local antagonisms and conflicts of interest (Cox 1988). In this context, Logan and Molotch (1987) have described the discourse of ‘value free development’ that provides political and ideological cement to the growth machine. The scale fragmentation does not only give rise to the myth of ‘coherent community’, but also to other myths, including the exaggerated notion of ‘hypermobile capital’, according to which a community has no alternative from meeting capital’s demand (Cox 1995).

48 On a more general level, it has been argued that rescaling entails a shift in ‘scalar selectivity’, that is in the form of representation systematically favouring some social groups and social projects over others and thus strengthens power of some while disempowering others (Swyngedouw 1997; Jessop 2002, p. 170). For overviews of the literature on the political implication of rescaling, see MacLeod and Goodwin (1999b), Brenner (1999) and Uitermark (2002).


50 The inter-local competition does not automatically lead to a ‘beggar-thy-neighbour’ outcome (Barros & Cabral 2000; Baldwin & Krugman 2004; Navarette & Venables 2004). The necessary condition of ‘symmetric competition’, however, is in many sectors fulfilled in the V4 (Bohle forthcoming).
Investment-promotion machines employ ideologies that link the interests of everybody in the community to the interests of a particular investor. As suggested in material produced by one of the Slovak NGOs opposing FDI promotion, a large part of the claims regarding the positive effects have a mythological dimension since there is a lack of (critical) evaluation of costs and benefits of FDI support in the region (CEPA 2000, pp. 15–20; Bohle & Husz 2005). The discourse of ‘job creation’ is a crucial legitimising device to recreate hegemony of the externally oriented project. The claim that their projects bring jobs to regions is a mantra of the investment-promotion machines. In the case of large production plants, the promise of employment for the local population, however, often takes the form of what anthropologists call a ‘cargo cult’: it works as a future promise that rarely materialises. For instance, TPCA production, by far the largest employer in the region, recruited only a fraction of its employees from the Kolín region. Thus, the launch of the factory was not reflected in the regional unemployment figures. Drawing further on the anthropological metaphor, an obelisk displaying a car and an inscription in Latin, ‘Ut sit labor’, was erected by a local artist to ‘honour arrival of global capital’ on the hill above the TPCA production plant.

These discourses then produce a hegemonic articulation in which the attraction and promotion of FDI and the interests of investors are presented as the ‘general interest’. Although this articulation is not uncontested, it has been institutionalised as an organic ideology which finds resonance among politicians and the general public. It provides ideational support for the activities of foreign investment-promotion machines and disadvantages its opponents. Among other things, it allows the organised targeting of people resisting investment promotion through personalised mob actions by what is presented as ‘moral majority’. For instance, Regecová, who resisted selling her land in the industrial zone in Hranice, was subsequently smeared by the prime minister in the media. She received ‘loads of’ anonymous letters including lines such as the following: ‘To the greedy hairdresser: Do you actually like anything other than money? Don’t you know we are waiting for work? It’s your turn now.’

This conflation of investment promotion and the ‘general interest’ found expression in the legal framework in Slovakia and Hungary, where the investment zones were defined

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51 In the Czech Republic, the Supreme Audit Office (SAO), an independent institution which audits the management of state property and the performance of the national budget, found in May–April 2004 that CzechInvest’s evaluations of its activities were without foundation (SAO 2004, pp. 194–204, 303–10). In 2006 CzechInvest then commissioned consulting agencies to produce evaluations of its activities in the regions. These reports, however, had little analytical value.

52 See ‘Míra nezamešnanosti stoupla na 9,3%’ ['Unemployment Rate Increased to 9.3%'], Kolínsky Press, 17 August 2004; ‘Automobilka v Kolíně marně šáňí pracovníky’ ['Car Maker Unable to Find Employees in Kolín'], Právo, 21 September 2004.


as in the public interest, and used to justify the appropriation of land in the zones. There were a number of attempts to introduce the same regulation in the Czech Republic.\(^{55}\)

Finally, rescaling in the form of shifting power to regional governance bodies offers advantages for the attraction of FDI. The political actors on the regional and municipal scales, regardless of their party affiliation, are more exposed to the structural power of transnational capital. In the Czech Republic, the local elites in many regions were quite supportive of FDI, even when the project of promoting national accumulation, which was hostile to FDI promotion, was dominant on the national level. Thus, while the national-level representatives of the Civic Democratic Party (Občanská demokratická strana, ODS)—the main right-wing party, which is apparently against preferential treatment of foreign investors—have opposed the investment incentives schemes, their representatives in the regional and municipal governments have supported the scheme and have actively taken part in the investment-promotion machines.\(^{56}\) ODS, on the national level, has to deal with contradictory preferences and lines of power representing opposing projects. The regional politicians provide important support for the externally oriented projects within the ODS. For instance, Regional President Tošenovský, an important person in the ODS, was a key figure in the investment-promotion machine supporting the Hyundai investment. ODS politicians were also active in promoting the TPCA plant. This is also supported by many inside observers of investment promotion. For instance, according to officials of the Czech Confederation of Industry,

> While ODS represents a more liberal position and its centre rejects incentives, the regional presidents we meet so often . . . they are in a completely different situation, of course. They simply defend the particular incentive and they actively engage in the efforts to obtain the incentives [for the investors].\(^{57}\)

Regional politicians are directly exposed to the transnational power of capital, including the ideational underpinning of the investment-promotion machines. The investors represent a growth agenda, which is a valuable political asset, especially in the stagnating or declining regions with high unemployment. Moreover, there are no alternative growth agendas available to them. Thus, ODS politicians in the regions often perceive the anti-subsidies stance as an ideological position of the politicians in

\(^{55}\)These were mostly proposals of social democrats that failed because of the opposition from ODS. See ‘Poslanci odmítl vyvlastnění pozemků’ ['MPs Rejected Expropriation'], Mladá fronta Dnes, 24 May 2001. On 17 February 2006, the Czech government approved a ‘Proposal for Improvement of Investment Environment’ that identified strategic industrial zones as in the public interest. Implementation of such measures would enable appropriation of land in the prospective industrial zones.

\(^{56}\)The centre of the party is not only less exposed to the structural power of capital (especially when it is not in government), it is also more influenced by another line of representation, that is, the party’s considerable base in the Czech small bourgeoisie (Drahokoupil forthcoming a).

\(^{57}\)Author’s interviews with Oldřich Körner and Boris Dlouhý, researchers of the Confederation of Industry of the Czech Republic, Prague, 23 June 2006; also confirmed in the author’s interview with Martin Kavka of Ministry of Industry and Trade, Prague, 21 November 2005.
the centre who are remote from the real world and actual economic problems. This was well explained by Regional President Tošenovský of the ODS:

[The provision of incentives] is a standard measure for a simple reason. I would be glad if we did not have to provide them at all. However, our neighbours and the whole of Europe is crazy about this, even the Americans. . . . So we have to find a form that would be acceptable for my political persuasion. . . . Nevertheless, I am aware that this is not actually ideologically pure. . . . Had I not succeeded in the international competition, had they decided for Poland, for instance, it would have had adverse economic repercussions [for our region].

The process of rescaling, however, does not provide advantages to the investment-promotion machines only. In general, the capacity to ‘jump scales’ becomes an important asset in political struggles (Smith 1993; Swyngedouw 1997). The case studies have shown that the investment-promotion machines are able to coordinate their activities across different scales. Project managers of investment-promotion agencies,59 governmental assignees for development of particular industry (in the Slovak case), or governmental representatives in the region (in the Nemak case) often function as nodal points of inter-scalar mobilisation. The NGOs opposing the machines have also considerable potential to jump scales vertically and horizontally. This makes it possible for them not only to draw resources for their activities, but also to oppose the investments directly. For instance, ELS together with CEE Bankwatch Network, approached the European Bank for Reconstruction and Development (EBRD) in the Nemak case. The EBRD, who was asked by the investor for credit to finance the investment project in Havran˘ , reacted to the complaints and withdrew from the project in 2003 (ELS 2003, p. 10).

Manufacturing consent: the pathology of investment-promotion machines

The operation of investment-promotion machines—as moments of power bloc mobilisation—has a number of negative repercussions. These repercussions—including bending of the rule of law, corrupting local democracy, and violating individual dignity—are part and parcel of the hegemonic devices and procedures that the investment-promotion machines employ to promote their projects and manufacture consent.

First, fast-track procedures are possible only when the respective regulations are violated or circumvented. Thus, investment-promotion machines are often not opposed to violating laws or breaking rules. As is obvious in the Nemak case, fast-track procedures contravene the law not only procedurally, but also in substance. In Havran˘ , the investment-promotion machine denied the citizens their right to a municipal referendum. In the L.G. Philips case, the company was allowed—in breach of the law—to start construction of its plant and later launch production without the necessary permits (ELS 2004). In the Kia and L.G. Philips cases, investment promotion led to the illegal use of private property.

58Author’s interview with Evžen Tošenovský, Regional President of Moravskoslezský region, Ostrava, 13 February 2006.
59This was confirmed in the author’s interview with Martin Jahn, Mladá Boleslav, 13 March 2006.
Second, ‘over-effective’ investment promotion can harm those groups whose interests are not in line with those of the investors. As the Kia case shows, the investment-promotion machines may promote the interest of the investor in a way that violates broader democratic processes. This may harm not only local dissidents, but also much broader social groups (Bohle & Greskovits 2006). In the Kia case, the Slovak government pledged in its memorandum with the investor that it would not expand employment and social protection in a way that would increase Kia’s production costs. It also vowed not to raise corporate and related taxes for four years and not to increase VAT and other taxes on cars.\(^{60}\) It may be argued that these provisions are not uncommon and that a stable policy environment is beneficial for the economy as a whole.\(^{61}\) However, violation and circumvention of democratic procedures and the rule of law, including exclusion of some groups from decision making, are neither necessary imperatives of a stable investment environment, nor a price to be paid for it.

Third, investment promotion can lead to environmental damage. The fast-track permit procedures often involve substantive violation of environmental protection measures. Most notably, the EIAs in the fast-track mode—especially when managed by bureaucrats linked to the investment-promotion machines—are reduced to a formality without fulfilling their substantive purpose. Fourth, the emphasis on confidentiality and secrecy in the process of bidding for investment and in concluding particular deals provides space for corruption.\(^{62}\) It is a common story that even the mere mention of negotiations with the investor leads to public accusations of threatening the chances of the locality.\(^{63}\) In Slovakia, the governments proved to be determined to keep contracts they concluded with the investors in secret even when the courts ordered them to be disclosed.

Finally, the activities of investment-promotion machines can lead to individual suffering and conflict within communities. In September 2005, when the car manufacturer Hyundai short-listed Nošovice as a potential location for its production plant, there was a dramatic increase in the pressure on local people to sell their land. The pressure increased even more with regional government’s offer to pay all families in Nošovice and neighbouring Nižní Lhoty monetary compensation in the amount of 100,000 koruna.\(^{64}\) This effectively silenced many who had been critical of the lack of accountability in the decision-making process and imposed enormous pressure on those who did not want to sell their land.\(^{65}\) This situation deeply divided the village, putting those opposing the industrial zone into a very difficult and painful position.

\(^{60}\) Investičná zmluva týkajúca sa navrhovanej výstavby závodu na montáž automobilov v Žiline, Slovenská republika’ [‘Memorandum of Understanding between the Slovak Republic and Kia/Hyundai’], 5 March 2004. It is striking that the obligations as far as tax levels were concerned went beyond the term of the government.

\(^{61}\) I wish to thank an anonymous referee for bringing my attention to this interpretation.

\(^{62}\) This is very much emphasised by NGOs opposing the investment-promotion machines (Zamkovský 2001; ELS 2004).

\(^{63}\) This was the case in the Slovakian bids to attract BMW and L.G. Philips. See ‘Philips možná přijde na severní Moravu’ [‘Philips May Come to Moravia’], Mladá fronta Dnes, 22 February 2000, p. 17.

\(^{64}\) Approximately €3,500, a considerable amount in one of the poorer regions.

\(^{65}\) Author’s interview with person A, a Nošovice inhabitant who did not wish to disclose her identity, Nošovice, February 2006.
This was well illustrated by a local participant in the negotiations with the regional government:

It was very difficult psychologically for everybody involved. There was an immense pressure in the media. And the neighbours... I don’t even live here [in Nošovice]. I received a nasty letter to get lost... And the other issues... I couldn’t imagine what was possible. Now, the neighbours don’t talk to one another. The situation is strained. Now it’s quiet. But after Hyundai will start construction, with all trucks going through the village... it will divide the village for at least 10 years. 66

On 12 November 2005, after his visit to the village, Regional President Tošenovský announced that he had terminated preparation of the zone as he had not managed to conclude a deal with landowners there. At the same time, he set an additional deadline for buyouts on 16 November. On 14 November the regional government concluded a deal with Nošovice agricultural cooperative, one of the sources of resistance. On 15 November, the three remaining landowners received anonymous letters threatening them with death if they did not sell their land. 67 This made them all surrender and sell their land.

One of the land owners described their woes and sorrows as follows:

We were rolled over in a very nasty way.... They say it was legal.... They achieved that by crude violence. When someone threatens you with death, not only you but also your immediate family, telling you to enjoy your life as you never know when it would finish, this is crude violence. Whoever had written the letters, it suited them [the regional government].... My husband suffered a lot from that. [Crying.] Even though that he was not born here—I was.... It is worst when men cry.... They did not cry because of the defeat. We expected that partly. They treated us in a dreadful way. Without dignity. We were humiliated. No one cares in our country. Everybody is concerned with votes and has a mouth full of jobs.... No one cares about our heritage.... [The investors] may be gone after a while.

No one respected our property. From my personal perspective, [the land] was what I inherited from my parents and ancestors. I had a very different idea what to do with that. I was glad we had this natural landscape. We have beautiful animals in the fields. To those people who are not living here... those in Prague don’t care. 68

The Nošovice case is an example of how the investment-promotion machines, in mobilising the local constituency to support what Kalb calls a ‘corporate and expert driven project’, corrupt the democratic process (Kalb 2006, pp. 588–92). In the spirit of ‘neoliberal ius communitatis’, they override democratic voice by distributing considerable amounts of money as direct payment to citizens—on the condition that they make sure that everybody agrees. The regional president can then present the whole process of manufacturing consent as consulting the local

66 Author’s interview with person B, who was employed in Nošovice and was closely involved in the dispute, Nošovice, February 2006.
68 Author’s interview with person A, a Nošovice inhabitant, Nošovice, February 2006.
community in order to listen to the ’vox populi’. Unfortunately, as we have seen not only in Nošovice but also in the Rajter case, the process of ‘consultation’ leaves the local community deeply divided and the opponents of the projects bitterly humiliated.

**Resisting the investment-promotion machines**

As dynamic moments of the power bloc underpinning the competition state, the investment-promotion machines are engines reconstituting the hegemonic field of forces that exert pressures and set limits on political strategies in the region. Hegemony is not a static domination, settlement, agreement, or deceit imposed or concluded once and for all. It must be sustained on a daily basis (Roseberry 1994; Kalb 1997; Smith 2004). As a relational field of force, hegemony leaves openings for contention. As the Nemak case illustrates well, the activities of the investment-promotion machines do face resistance. This is even more remarkable since the promotion of greenfield manufacturing investment is the least likely to generate opposition as it is—in contrast to the redevelopment projects analysed by the US growth machine literature—the least likely to directly threaten any local economic interests and the most likely to bring completely new employment.

In the Nošovice case (Hyundai), the landowners resisting the investment and other citizens of the village drafted a petition against the investment, which was supported by 360 local residents. They also founded an association called *Půda pro život* [Soil for Life] to take part in the permit and decision-making processes. This association then allied with ELS and other NGOs (both regional and national) to pursue a common strategy against, and in relation to, the investment.

The resistance comes from local actors who incur the direct costs of the investment, such as environmental degradation, destruction of arable land, and increase in freight traffic (Logan & Molotch 1987; Harding 1995). As the Regecová case shows, it also includes locals who object to the investment-promotion machine for various individual reasons. In this case, the resistance started with the disagreement over the price offered for the land. After the mayor of Hranice offended Regecová in the media, it turned into a personal conflict. The resistance to investment-promotion machines also comes from social actors, most often NGOs, operating on the national scale, who also object to investments, most often on environmental grounds (Goetz 1994). While allying with local people, these NGOs usually operate nationally. The NGOs—most notably ELS in the Czech Republic and Friends of the Earth (Centrum pre podporu miestneho aktivizmu, CEPA) in Slovakia—object to the investment-promotion machines not only because of the environmental damage and the violation of various regulations and human rights in the individual cases, but also because they disagree with the policy of FDI attraction and investment subsidies in general. Like some elements of the...
comprador service sector, the NGOs resisting investment-promotion machines are nodal points of inter-scalar mobilisation. The inter-scalar networks of resistance link villages like Nošovice, metropolitan NGOs, and worldwide organisations, such as Friends of the Earth or Bankwatch Network. These global networks provide important ideational and organisational resources for resistance.

So far, the resistance to the investment-promotion machines has not managed to prevent or even delay any major investment project. However, it has not been without success. The NGOs have been able to use existing legal frameworks to prove that many of the fast-track procedures and other activities of the investment-promotion machines were violating the law. In the Nemak case, ELS managed to win their cases, which made crucial permits void. This led to a settlement with Rajter involving high monetary compensation. In the Hyundai case, however, ELS and other NGOs were able to use their power as leverage on the state and the investor and managed to obtain significant concessions from them. They made the state pledge to stop preparation of two other industrial zones (Šilheřovice and Dolní Lutyně), to agree to put future emphasis on brownfield sites rather than greenfield sites in investor placement, and to improve railway infrastructure in the Nošovice region. They also made Hyundai promise that it would follow environmental protection measures as required by Czech regulations, to implement additional measures to reduce its impact on the environment, and to provide financial support to the local community. These obligations were formally recorded in the Declaration of Understanding between the NGOs, the investor, and various bodies of the state apparatus, most notably CzechInvest. The state and the investor were willing to conclude such a memorandum because they were concerned that the NGOs would delay various permit processes and even retract permits that had been issued already. The Declaration obliged the NGOs not to interfere and delay the permit processes; instead, it institutionalised consultation processes among the parties involved.

In the case of Nemak, the ELS was able to challenge the investment-promotion machine and the project of investment attraction in general on the level of public discourse. Its campaign ‘From collectivisation to globalisation’ articulated popular anti-communism to challenge the policy of FDI promotion. The campaign cunningly utilised the life story of Jan Rajter. This not only attracted the attention of the media but also served to create an (imagined) linkage between Rajter’s earlier unpleasant experience of property expropriation during state socialism and his present dispute regarding the process of investment attraction, depicted as part of the process of globalisation. This strategy was successful as it played with the continuities and resemblances between the practices of regional governance during state socialism and contemporary investment promotion (Drahokoupil 2005).

Regecová has also received high monetary compensation for her land.


Author’s interview with Pavel Franc of ELS, 9 February 2007. In hindsight, Franc believed that ELS would be able to stop the investment by legal means.

Attaching communist experience to globalisation and neo-liberal strategy was a novel strategy in the Czech context. Until then, connecting the Left to communism was a conventional strategy of the
Resistance, however, has been limited to the space of negotiation structured by the hegemonic field of force. As pointed out by Roseberry (1994), hegemonic subjects often have to use the language and strategies that are shaped by the hegemonic structures of domination. The case studies analysed in this article show that anti-communism provides a language of resistance to complain about legitimate subjects of complaint, such as violation of the rule of law and environmental destruction. The investment-promotion machines reconstruct systems of domination and spaces of negotiation within which the resistance takes place. Thus, after the partial victory of ELS in the Hyundai case, the comprador service sector concluded a truce on its own grounds: through a memorandum of understanding and the introduction of a consultation process. Thus, the struggle for democracy and transparency leads to a compromise outside of the democratic and accountable institutional framework.

Concluding remarks

The analysis of investment-promotion machines in this article has demonstrated that the hegemony of the competition state is constituted in dynamic and relational processes, which unfold in the interplay of municipal, regional, national, and supranational politics. Hegemony is structured geographically in an uneven way and it is continually reproduced and reconstituted, as well as resisted and challenged in particular social practices and political struggles. Investment attraction and promotion is a major site in which the hegemony of the competition state is reproduced and transformed. The investment-promotion machines, dynamic moments of the power bloc underpinning the competition state, have a crucial political role in implementing the project of the competition state and reconstituting its hegemony.

This article has indicated the importance of regional and municipal scales as sites where the support for the competition state is manufactured. It investigated the political dimension of rescaling in Central and Eastern Europe and thus followed MacLeod and Goodwin’s call ‘to uncover the extent to which the constitutive processes in the construction of hegemony are being re-scaled to local, urban and regional levels’ (1999a, p. 721). The process of rescaling, however, has not merely shifted the locations of political struggles. It has also changed the strategic advantages inscribed in the institutional environment. On the one hand, the present form of rescaling provides political advantages to the forces promoting the project of the competition state. On the other hand, it narrows the space for those resisting this project by reducing the available meanings attached to promotion of the interest of foreign investors (Jessop 1990, p. 244). At the same time, the struggles surrounding investment attraction have shown that the investment-promotion machines face resistance, though within the terms set by the hegemonic structures. Furthermore,
NGOs opposed to investment-promotion machines, together with some local citizens, have produced discourses that have found a wider resonance.

This article has analysed investment promotion that dominated the landscape from the late 1990s. However, the definition of strategic investors and the actual flows of investment into the region are changing. With the arrival of another type of investor, it can be expected that the activities of investment-promotion machines will change to some degree. Most notably, the need to secure industrial zones and plots of land of huge size will probably lose importance. This is likely to change the dynamics of the politics of FDI in the region.

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