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Reconciling Institutional Actors of Economic Diplomacy: The Case of Slovakia

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ABSTRACT

In the centre of this essay is a tension that under certain circumstances may appear between various state actors involved in economic diplomacy. In the case of the Slovak economic diplomacy both the Ministry of Foreign and European Affairs and the Ministry of Economy are the main actors in external economic relations. The paper briefly describes the origins of the tension between them and the reconciliation process that took place in the 10 years since the last reform of Slovakia's economic diplomacy. The crucial reconciling role of the Government's advisory body, the Council on Export and Investment Promotion, co-chaired by the ministers of foreign affairs and economy, is explained within the presented descriptive case study in bureaucratic politics. The article contributes to the conceptual discourse on economic diplomacy, while extending the theoretical and empirical knowledge of the subject with regard to the behavior of its main power actors and the tensions between them.

KEYWORDS: economic diplomacy, foreign service, bureaucratic politics, Slovakia

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INTRODUCTION

It has been apparent for a long time that Slovakia's main state bodies with competences in external economic relations – the Ministry of Foreign and European Affairs (MFA) and the Ministry of Economy (MoE) – do compete for the leadership in economic diplomacy. However, recent years have been marked by many signs indicating a settlement of their old disputes. The intention of this article is to highlight a tension that is present in any bureaucratic system – the tension within the government itself. It seems that with regard to economic diplomacy, this kind of tension, which emanates from the institutional competition (or striving for power) between individual political centers within the given government, is underrepresented in the theoretical discourse, although it is recurrently indicated in empirical studies (SEE, E.G., HOCKING 1999). The objective of the paper is to examine the tensions among the leading institutional actors of Slovakia's economic diplomacy by means of a case study in bureaucratic politics aimed at the process of reconciliation. We will focus on the mutual relationship of the main actors within the institutional framework for the execution of economic diplomacy and analyze the role of a governmental (inter-ministerial) consultative body, the Council on Export and Investment Promotion, which helped to draft common policies and eliminate the tensions among the stakeholders. Thus, the main contribution of the article is sharing the Slovak experience of reconciliation of state actors within the institutional framework of economic diplomacy.

Resolving of tensions represents a forming factor for the effective shape of economic diplomacy in practice. As Woolcock (2012: 15) reminds us, *"the challenge in economic diplomacy is to find an agreed position among the various ministries, branches of government and stakeholders/sector interests and still be able to negotiate at an international level."* In this context we regard an autopsy of the originally rather disturbed relationship between the main actors, as well as the process of their gradual reconciliation leading to a functioning and efficient collaboration, to be a relevant contribution to the conceptual discourse on economic diplomacy.

The presented paper consists of six sections. After a brief introduction, the theoretical background of the investigated subject is explained, followed by a literature review, which focuses on issues of decision-making in economic diplomacy. Some methodological remarks are offered in the fourth section. The fifth – empirical – part includes an overview of the institutional development of Slovakia's economic diplomacy that explains the ambitions of both the MFA and the MoE to play a major role in it. This is followed by an analysis of the reconciliation process within the established framework of the Council on Export and Investment Promotion, which enabled the gradual reduction of their mutual tensions. Key conclusions from the process and the article's contribution to the conceptual discourse on economic diplomacy are presented in the final, sixth, section of the article.

SETTING THE FRAMEWORK: BUREAUCRATIC RIVALRY

The theoretical background of the article is twofold: although its general focus is related to economic diplomacy, its main object of interest is the process of decision-making in internal politics, which determines the conduct of economic diplomacy. Economic diplomacy, beyond any doubt, has been an established part of diplomatic and related studies for several decades now (SEE VAN BERGEIJK – MOONS 2018: 8–9). During the course of time various approaches conceptualizing economic diplomacy, or related topics of trade or commercial diplomacy, have been developed. Even many renowned contemporary publications on diplomacy do mention economic diplomacy, although only marginally and with noticeable differences in interpretation (BARSTON 2006; HAMILTON – LANGHORNE 2011; BERRIDGE 2015). More precise concepts have been presented by scholars focusing specifically on economic or trade and commercial diplomacy (ALPH.: BAYNE – WOOLCOCK 2011; BERRIDGE – JAMES 2003; CARRON DE LA CARRIÈRE 1998; KOSTECKI – NARAY 2007; LEE – HUDSON 2004; LEE – HOCKING 2010; NARAY 2008, 2011, 2012, 2018; OKANO-HEIJMANS 2011, 2016; RUËL 2012; RUËL – ZUIDEMA 2012; VAN BERGEIJK 1994, 2009; VAN BERGEIJK ET AL. 2011; VAN BERGEIJK – MOONS 2018; WOOLCOCK 2012, 2013; INCL. CZECH AND SLOVAK AUTHORS: CSABAY 2005, 2019; HLADÍK 2001; PAJTINKA 2007, 2016; RUSIŇÁK 2005; ŠTOURAČOVÁ 2008; ŠTOURAČOVÁ ET AL. 2010, 2012; TÓTH 1994; TÓTH – HORVÁTHOVÁ 2006). Without going deeper into the conceptual discourse, it is clear that economic diplomacy does not have a universally accepted definition, and different authors approach the subject differently, sometimes using the terms of economic, trade, and commercial diplomacy in an overlapping or even contradictory manner (COMPARE, E.G., VAN BERGEIJK 2009 AND BAYNE – WOOLCOCK 2011). We build here on the premise that economic diplomacy is an umbrella term (OKANO-HEIJMANS – RUËL 2012: 467) covering individual or partial segments of external economic-diplomatic co-operation. For the purpose of this article we may simplistically understand economic diplomacy as an institutional system dedicated to the promotion of exports, investment, innovation and other forms of external economic cooperation.

With economic relations among states becoming more and more complex, economic diplomacy has also evolved into a complex and multifaceted phenomenon with a large number of involved actors of different natures and a diversity of applied practices. The involvement of and relations between the main actors are explained from a theoretical perspective by Tóth and Horváthová (2006: 37–38) through two basic models: firstly, within an integrated model, economic diplomacy is managed solely by a ministry of foreign affairs, which, besides its traditional role in the management of political relations, is also responsible for external economic relations and external economic policy; secondly, in a dual model, competences in external economic relations (policy) are split between two (or more) ministries, usually a ministry of foreign affairs and an economic department. The current practice of economic diplomacy shows that also in cases where an integrated model is applied, the ministry of foreign affairs has to coordinate itself with a number of other stakeholders. Models of organization of economic work in diplomacy were also described by Rana (2007: 70–71), while business diplomacy management has been a matter of interest for Saner (E.G. SANER ET AL. 2000).

Naturally, when economic diplomacy involves a greater number of actors, an efficient functioning of the related decision-making system, both organizationally and with regard to its output for beneficiaries, becomes one of its crucial issues. Economic diplomacy does not differ from any other area of government from this perspective. Allison (1971: 3) posits that *"[t] eating national governments as if they were centrally coordinated, purposive individuals provides a useful shorthand for understanding problems of policy [...] it obscures the persistently neglected fact of bureaucracy: the 'maker' of government policy is not one calculating decisionmaker but is rather a conglomerate of large political organizations and political actors."* Besides the traditional 'rational actor' model, Allison offers two other alternatives to explain the decision-making involving a greater number of actors: an 'organizational process model' and the 'bureaucratic politics' model. Simply put, while the former explains the output of the governmental decision-making process as a result of confronting organizational patterns of behavior, the latter describes it as a result of internal politics and bargaining within the government. Following the bureaucratic politics model individual participants act according to various conceptions of national, organizational, and personal goals (IBID.: 144), which necessarily lead to tensions among them. Even in a case where multiple decision makers share the same goal, they may disagree about how to achieve them (BENDOR – HAMMOND 1992). Thus, the result of the decision-making process reflects their competing political and bureaucratic powers. Kellerman (1983) stresses that each of Allison's three models is intended rather to supplement the other two, not to replace them, and offers a second set of three additional models: a 'small-group process' model, a 'dominant-leader' model and a 'cognitive process' model. Government decisions are usually made within small groups, in many cases with a dominant leader with a strong impact on the decision-making process. These two observations represent the core of Kellerman's first two supplementary models. The last model points to the effect of the cognitive process on the decision-making behavior of all individuals. Based on the observation that humans are incapable of a completely unbiased evaluation of information it can be seen as an alternative to Allison's first model, which is based on rational behavior.

Policymaking is without any doubt affected by power relations within the public service. Bureaucratic rivalry among various government departments in the management of foreign affairs is not a new issue. The tendency of bureaucracies to expand in terms of ambition and resource need is well known (DITTMER 2020). Management of international relations is not an exception. Hocking (1999: 3–4), e.g., mentions that World War I enhanced the tensions between the Foreign Office and other departments and that management of international policy at that time accorded more to a pattern of intra-bureaucratic tensions than to the sole dominance of any one agency (IBID. 1999: 8). As was stated by Kissinger (1957: 326) in the context of his thoughts on the general concept of statesmanship, a policy needs to be legitimized within the governmental apparatus, which is a problem of bureaucratic rationality. Hocking and McGuire (2004: 15) posit with regard to trade diplomacy that *"the need to sustain internal as well as external coalitions means that negotiators need to engage simultaneously in 'two-level games', with both domestic constituencies and international negotiating partners."* Although Olsen (2020) posits that MFAs are dependent on engaging in multiple flexible relations with a variety of state and non-state actors, including other ministries, major business representatives, interest organizations, nongovernmental organizations and labor unions, in their quest to implement *geoeconomic* instruments, we may argue that this counts for external economic relations in general.

We further build on one of the three analytical frameworks for economic diplomacy suggested by Bayne and Woolcock (2011) – the domestic one (the two others being the rationalist and constructivist ones). Domestic approaches are based on the process of national interest formation as an aggregation of various interest groups and institutions. Sector interests can be seen as a key independent variable (WOOLCOCK 2012: 26). As is indicated by Odell (2000: 57), *"when international market shifts affect different citizens of the same country differently, interest groups mobilize, and domestic politics shapes the government's negotiating objectives and strategies."* The two-way nature of the domestic political mechanism is the reason why external affairs can be affected by various interest groups. These usually have different relations with different individual branches of government. In the particular Slovak experience, most of the entrepreneurs turn rather towards the economic ministries (generally the Ministry of Economy, but, e.g., farmers usually turn towards the agriculture ministry, etc.) than the foreign ministry in their communications and lobbying. This tension is then transferred and added to the bureaucratic tension between individual departments.

TENSIONS AND RECONCILIATION IN ECONOMIC DIPLOMACY

The tension between private and public actors and the necessity of its reconciliation has been mentioned in the theoretical literature on economic diplomacy (SEE BAYNE – WOOLCOCK 2011); however, we have not found much evidence concerning the tensions within the given governments in conceptual works on economic diplomacy. Domestic political institutions usually receive attention with regard to decision-making (BAYNE – WOOLCOCK 2011) or ratification (SEE, E.G., ODELL 2000, HOCKING – MCGUIRE 2004, OR BAYNE – WOOLCOCK 2011). The empirical literature, however, does mention intra-governmental tensions with regard to economic diplomacy – e.g., in the context of a conflict between the Japanese Ministry of Foreign Affairs and the MITI[1] (HOCKING 1999: 11). Hocking in this context mentions that in order to resolve intra-governmental tensions, some countries *"alter fundamentally the structures of government concerned with the management of international policy"*, e.g., through a merger of the international trade function with the foreign ministry, as has been done by Canada or Australia.

Organizational factors with regard to economic or commercial diplomacies are mentioned by Naray (2011: 140–143), who identifies basic organizational arrangement types of commercial diplomacy, stating that additional research might be needed *"to reflect the multiplicity of export-promotion agencies, including both the public and private sectors and how these co-exist, cooperate and compete in the same national context"*. Although he does not elaborate more on the competition issue, its mentioning indirectly implicates the existence of tensions among national actors. Similarly, Carron de la Carrière (1998: 177) evokes possible tensions between the MFA and other relevant ministries, noting that the distribution of negotiations and signatures can therefore be a subject of discussion, or even of tension, with other ministerial departments, and these rivalries are settled on a case-by-case basis. Government structure and the strength of the (responsible) ministry are mentioned by Stadman and Ruël (2012: 190) as being among the country characteristics that affect the policies and practices of commercial diplomacy, but these can be extrapolated to the broader concept of economic diplomacy as well.

Although Woolcock's (2012: 29) notion that the efficiency of decision-making becomes an important factor in the effectiveness of economic diplomacy is meant to be in the context of the EU economic diplomacy, it can be extended to bilateral economic diplomacy as well. The efficiency of the economic diplomatic system relies on, i.a., a good level of coordination and cooperation between its institutional actors; moreover, it affects its credibility in the eyes of businesses (clients). Any discrepancy, not to mention any open disagreement between the actors, may lead to a decrease of its trustworthiness and others' willingness to use its services. The requirement of a conflict-free and complementary performance of functions by individual actors is also mentioned by Štouračová et al. (2012: 140), who states that a corrupt communication can potentially cause a paralysis of the whole system (IBID.: 157). Štouračová et al. also mention the human factor and personal relations between the representatives of individual actors as important aspects as well as the necessity of a continual dialogue at the government level.

More on the topic can be found if we reach to the related areas of export and investment promotion. Several models of an organizational set-up for diplomatic support of export and investment promotion have been described by Rana (2007: 70–71). Cruz et al. (2018: 101) state that a large majority of export-promoting agencies have some sort of monitoring system in place to track their performance. Similarly, and possibly closest to our perspective, Vergara Caffarelli and Veronese (2018) analyze the Italian economic diplomacy through the prism of the *national promotional system*, which includes two coordinating bodies – one at the inter-ministerial level and one for the public-private dialogue on internationalization matters. They also highlight the fact that the allocation of responsibilities among ministries is complicated by the absence of a *"forum of direct dialogue between the [...] ministries, regarding the definition and implementation of policies"* and that the only fora for dialogue in this respect are the two wider coordinating committees populated by a large number of public and private entities. A crucial role in this process is played by the chiefs of diplomatic missions as they ensure that all the activities are coherent (Vergara Caffarelli – Veronese 2018: 210). Similarly Kopp (2004: 9) states that organizational problems largely disappear when an issue is placed at an embassy abroad. From the empirical point of view Vergara Caffarelli and Veronese (2018) present in the cited work various promotional systems in major European economies. Stadman and Ruël (2012) compared commercial diplomacies in EU member states. Tsyhankova and Bezverkha (2017) examined the transformation of the model of the Ukrainian commercial diplomacy. However, we are not aware of a relevant empirical study on coordination mechanisms, or any study on reconciliation processes in economic diplomacies.

We may extract from the practice of economic diplomacy a rudimentary core of a possible theoretical model in which coordination mechanisms, including a reconciliation among various actors, happen on either a governmental (inter-ministerial) level, a ministerial level, an inter-agency level, an intra-agency level (e.g. through the composition of the agency's board), or a regional level, or possibly through a combination of two or more of these levels. An example of the inter-ministerial level of coordination (combined, however, with an inter-agency level) is the Trade Promotion Coordination Committee established in the U.S. in 1993. This committee *"was intended to reduce friction among the agencies, enhance coordination, reduce duplication of effort and develop a 'strategic plan' for* *the government's efforts in export promotion and export finance"* (KOPP 2004: 9). Intra-agency coordination can be illustrated on the example of Business France and its governing board composed of representatives of the state and businesses, although the French coordination system combines various levels, too. In his case, the minister responsible for external trade chairs on a quarterly basis a consultative committee with advisory functions composed of high government officials and business representatives (SEE THE DECREE OF THE MINISTER OF ECONOMY NO. 2014-1571 FROM DECEMBER 22, 2014 ESTABLISHING THE AGENCY BUSINESS FRANCE). As for regional coordination, it may take place in cases where regions (or federal constituencies) have their own trade or investment promoting agencies (e.g. in the UK).

From the above-mentioned it is clear that coordination among all kinds of stakeholders plays an important role, but for the operational efficiency of economic diplomacy it is critical that it happens first of all among the state actors. It also implicates that in case of tensions a process of reconciliation is necessary. Of course, the central question here is what shall be understood under the term 'reconciliation'. For the purposes of this article we may assume that it is the removal of both formal and informal political, institutional or bureaucratic barriers, including – in their extreme form – a reluctance to cooperate, preventing efficient decision-making, policy-drafting and implementation of economic diplomacy. Thus, we intend to elaborate herein on an additional tension within economic diplomacy besides those investigated and described in the literature (SEE BAYNE – WOOLCOCK 2011: 10–13), which include tensions between economics and politics; domestic and international pressures; and government and other forces.

METHODOLOGY AND DATA

The prevailing methodological approach applied in this paper is a case study. Based on the generally accepted theoretical concepts (E.G. ODELL 2001; GEORGE – BENNETT 2005; FLYVBERG 2006; GERRING 2017; YIN 2018), a case study can be regarded as a research approach that is used for an in-depth analysis and for gaining a multifaceted understanding of a complex current real-life issue that provides a significant amount of diverse types of empirical data. Despite many misunderstandings related to the general acceptance of case studies' application in a variety of scientific areas, different interpretations regarding the particular methodology, as well as controversies emanating from drafting conclusions from generalizations based on a single or even a few cases, we agree with Cavalcanti Muniz (2018: 71) that *"case studies are a relevant methodology particularly for emerging fields such as Economic Diplomacy."*

From the perspective of decision-makers it is of utmost importance to have systems – and economic diplomacy is, i.a., an administrative (bureaucratic) system – defined in a way that would comply with the essential requirements and character of the public service with its clearly outlined responsibilities and straight lines of command. According to Bayne and Woolcock (2011: 4) *"economic diplomacy is best defined not by its instruments, but by the economic issues that provide its content."* This prevailingly procedural approach, which encompasses a variety of state and non-state (private) actors, as well as a spectrum of theatres where different actors pursue economic diplomacy in their own innate manner, clashes with the need to synthesize a clear hierarchical institutional picture as a prerequisite for its efficient governance. The presented paper is based on an approach that is rather institutional in order to be able to explain the organizational aspects of economic diplomacy from the perspective of state actors, as well as being based on a strong linkage with negotiations.

In the presented case study, we focus on the behavior of the main governmental power actors of economic diplomacy in Slovakia. This predominantly descriptive and analytical approach, in our opinion, suits the objective to investigate an additional tension in economic diplomacy's practical implementation – the tension between competing government bodies within the domestic analytical framework. The chosen single case design combines the nature of a descriptive case study with a preliminary illustration of a contribution to the conceptual discourse. The historical account of the development of the mutual relations between the two main stakeholders will be supplemented by an overview of documents negotiated and approved by the actors both individually and collectively in the government sessions as well as on the officially established consultative platform. We also pay attention to selected institutional aspects – in particular to the question of how the main actors were anchored to the system that was established for the purpose of their reconciliation. We agree with Reuvers and Ruël (2012: 21) that since (commercial) diplomacy is subject to change, longitudinal studies help to identify the direction of the transformation.

In line with this observation, our case study describes the adaptation of the institutional system of the Slovak economic diplomacy in time through the analysis of the reconciliation process between the main actors. In order to present the reconciliation process as plastically as possible, the empirical part focuses on several aspects which we deem relevant, ranging from the institutional origins and the historical context of the tensions, through the impact of the 2011 reform of the economic diplomacy and the establishment of an inter-ministerial consultative body, to its agenda and the decision-making model.

The data used in our study are predominantly unstructured and in the form of electronic and printed documents mainly from the collection of the Ministry of Foreign and European Affairs of the Slovak Republic, the Ministry of Economy of the Slovak Republic, and the Government Council for Export and Investment Promotion – a consultative body co-governed by the two aforementioned ministries. These documents together with the personal professional experience of the authors and unpublished internal ministerial documentation complement an overview of resources on economic diplomacy and select works on decision-making in the political process.

THE ORIGINS AND RECONCILIATION OF THE TENSIONS IN THE SLOVAK ECONOMIC DIPLOMACY

The Institutional Origins of the Slovak Economic Diplomacy

The Ministry of Foreign and European Affairs of the Slovak Republic derives its powers both from the customary practice in the conduct of international relations giving ministries of foreign affairs the competence in the administration of all external relations, and from Act No. 575/2001 Coll. on the on the organization of government activities and the organization of the central state administration, known as the 'Competence Act'. According to this very same legislation, the Ministry of Economy of the Slovak Republic (MoE) exercises, i.a., powers related to external economic relations in the areas of foreign trade, foreign trade policy, investment and industrial innovations. This division of labor, associated with a rather forced but necessary cooperation, naturally led to frictions between these two main actors. Several changes of competences resulting from the ambitions of both ministries in economic diplomacy took place in the course of the existence of the independent Slovakia, most recently those in 2010–2011 (SEE CSABAY 2014).

The economic diplomacy of the Slovak Republic finds its origins in two streams. Firstly, it is a successor to the former federal Czechoslovak Foreign Service, which in the late 1980s consisted of the Federal Ministry of Foreign Affairs and the Federal Ministry of Foreign Trade, both with their own economic diplomatic representations abroad – the former sending economic diplomats and the latter trade diplomats (or commercial diplomats, as in this case it is not possible to distinguish these diplomatic types due to linguistic reasons). Secondly, it follows the unsuccessful proposal to establish a Ministry of Foreign Affairs and External Economic Relations after the foundation of the independent state in 1993 on the basis of the Ministry of International Cooperation (MIC), which was governing the international relations of the – at that time – Slovak part of the common state between 1990 and 1992 (SEE, E.G., MOJŽITA 2019). Such an integrated ministry covering both political and economic relations of the state would have possibly prevented the discussion on the matter of who is actually the master of economic diplomacy; unfortunately, it never materialized. With the dissolution of the federation, the competences in external economic relations went to the Ministry of Economy of the new state, with the Ministry of Foreign Affairs focusing on a more traditional role despite inheriting the section for economic co-operation from the mentioned MIC.

These two foundations represent different institutional concepts – or organizational models – on the basis of which economic diplomacy can be formed, and are at the same time the source of the tensions that have affected the Slovak economic diplomacy ever since. Although we are aware that economic diplomacy itself involves a larger number of actors and activities, the 'possession' of the economic diplomacy's 'institutionalized' network abroad became a key symbol of the managing competence.

The Historical Context for the Institutional Tensions

The Ministry of Economy governed and financed a network of 'trade counsellors' almost independently despite their diplomatic status and inclusion in the MFA's diplomatic missions via the so-called trade-economic sections until 2010. These combined trade-economic sections (*obchodno-ekonomické oddelenia* in Slovak, casually abbreviated as *OBEOs*) were a reminiscence of the former economic sections and trade sections administered separately within the former federal foreign service. It was the financial, administrative and managerial independence of the *OBEOs* that caused most of the troubles in the MFA and MoE's mutual relationship. Most of the relations between the economic sections and embassies were highly professional and effective, but there was definitely no efficient institutional instrument to prevent or punish any non-compliant behavior of trade counsellors in the rare cases when it appeared. The system technically enabled a foreign service within a foreign service, which alone was a source of a tension.

The mutual tensions occasionally also initiated some reactive efforts to eliminate at least the most visible extremes. One of the efforts to streamline the system of economic diplomacy was an agreement between the MFA and the MoE, especially its amendment from April 2006, which formally confirmed the full institutional embedment of the trade-economic sections within diplomatic missions as their integral part. However, it did not change anything in terms of their almost exclusive methodical and operational management from the side of the MoE, as well as their financial independence from the MFA. It was at that time very symptomatic that any of the dealings between the two main actors did not involve any of the other stakeholders. Allison assumes at least a minimal level of interaction between individual participants in the process of decision-making in the above-mentioned models; however, at this time, the MoE was *de facto* the sole decision-maker with regard to the 'institutionalized' economic diplomacy. This marginally changed for the first time in 2007 with the government's adoption of the MoE's *Export-promoting policy for the period 2007–2013*, which provided a broader scheme of actors, although mainly from the perspective of export promotion, which was not (and in our opinion correctly shall not be) regarded as a synonym for economic diplomacy. On the other hand, this was one of the early documents that indicated a rising interest of the MFA in expanding the economic dimension of diplomacy under their auspices, although predominantly in territories without an MoE representative. To provide a more colorful picture of the mutual relations between the two main actors in these times, this was also a period in which the MoE was ambitious enough to draft a policy document on the strengthening of economic diplomacy within the single (as it was called) foreign service without even consulting the MFA. Anecdotally, the document was blocked by the MFA and never reached the government session.

The Impact of the 2011 Reform of Economic Diplomacy

A major reform in 2011 returned the trade counsellors to the MFA, but under the new designation of 'economic diplomats'. What did not change much was the instruments the two main actors possessed. The Ministry of Economy has always had under its supervision and still governs (directly or via its agencies) most of the tools (e.g. bilateral commissions for economic co-operation; fairs and exhibitions; being able to organize business to business, business to government, and other sub-contracting events; being able to organize business missions accompanying state representatives; export and investment advisories, etc.). The MFA on the other hand governs the most valuable institutional part, which enables a direct assistance to businesses abroad – the network of economic diplomats – although this has been so only since the mentioned reform of 2011. This basic institutional structure is further enhanced by the activities of the Ministry of Investment, Regional Development and Informatization, which has recently managed a pilot project in innovation diplomacy, the Ministry of Transport and Construction, which is responsible for tourism promotion, and the Ministry of Agriculture and Rural Development, which is responsible for the promotion of food and agricultural exports.

The transfer of economic diplomats significantly expanded the MFA's portfolio, which, until that moment, had comprised the hardly centrally organized activities of ambassadors, consuls-general and honorary consuls in the area of economic diplomacy, as the the MFA prevailingly relied on their individual willingness to be involved in economic affairs. This resulted in ambiguous results and an unfavorable general perception of the MFA in the eyes of entrepreneurs, who, but with a few exceptions, doubted the capacity of the ministry to provide services in the field of economic diplomacy. The expanded network promised a change in this regard. Two other issues that were in a far from optimal state before the reform were the co-ordination and co-operation among the involved actors. Originally trade counsellors – who were nominated and financed from, and reported to, a different ministry, as well as admittedly being frequently the only ones who understood the practices of international business at embassies – habitually acted more independently, which was appropriate. Although it is *de jure* not even imaginable, this included occasional demonstrations of their *de facto* independence from the head of the mission. This naturally led to criticism from the MFA and their firm belief that the system was unsustainable and had to be changed. The origin of the tensions between the two main actors thus went back almost two decades at the time of the last institutional reform and it was as multifaceted as it could be.

The reform alone brought institutional changes, but to overcome obstacles in mind-settings, and thus achieve a functioning system of economic diplomacy, further steps were required. Firstly, the MFA had to undertake a twofold capacity building process: it had to develop an efficient relationship with businesses, to which it, as a purely political power-ministry, had no traditional institutional linkage; and it had to achieve a staff reinforcement enabling an agile operation. The former has been tackled through the establishment of the so-called Business Centre, which serves as an information gate between businesses, the MFA's economic diplomats and other actors. The latter issue of personnel was solved almost immediately, both through the absorption of trade counsellors who were serving abroad at the time of the reform (oddly leaving most of those who were at the MoE headquarters where they were), and through a hiring process for 'new blood' from outside the public service. However, several of the 'old' MoE trade counsellors succeeded in filling the new positions. Besides that, the MFA capacities have been following the acquisition of the competence in economic diplomacy, which was also reinforced through the establishment of several 'economic' ambassadors-at-large, such as the one for energy security, or the one for science and innovations. The other challenge was a more demanding one: to reconcile all the actors involved in economic diplomacy in order to stabilize the new institutional framework and prevent an outburst of tensions caused by the politically initiated takeover of economic diplomacy.

We would like to highlight here that the transfer of economic diplomacy has not been a result of a bureaucratic reform. The origins of the idea can be traced to the MFA's ambassadorial élite; however, it required the political power of a former double prime minister turned Minister of Foreign Affairs in the 2010 government to persuade a coalition partner in charge of the MoE to yield. Nevertheless, the inter-institutional tensions have not been removed; moreover, new internal tensions within the MFA appeared. These were caused mainly by differences in what can be called the 'corporate culture' between the political diplomats heading the missions and the newcomers from the MoE and from outside the public service, who joined the MFA as economic diplomats. Under such circumstances, after a new government was formed in 2012, all the stakeholders agreed that a systemic change was required.

The Establishment of the Council for Export and Investment Promotion

In order to coordinate the actions of individual actors, the Government Council for Export and Investment Promotion, which was co-chaired by the Ministers of Foreign Affairs and Economy, was created in late 2012, effectively starting its operation in early 2013. Alongside the mentioned co-chairs, several other cabinet members have become part of it together with some Directors-General of government agencies and top business representatives. A strong involvement of business representatives was considered both natural and necessary, although the number of their seats in the Council was rather unorthodox as it comprised the heads of four different business associations – the Federation of Employers' Associations of the Slovak Republic (*Asociácia zamestnávateľských zväzov a združení*), the National Union of Employers (*Republiková únia zamestnávateľov*), the Slovak Chamber of Commerce and Industry (*Slovenská obchodná a priemyselná komora*) and the club of the largest employers, Klub500, with the former two being also part of the social dialogue with the government and trade unions. The original four have even been later expanded to six with the third participant in the social dialogue, the Association of Industrial Unions (*Asociácia priemyselných združení*), and the representative of the small and medium enterprises, the Slovak Association of Small and Medium Enterprises and Self-Employed Persons (*Slovenská asociácia malých a stredných podnikateľov a živnostníkov*).

Besides the inclusive approach towards its membership, institutional aspects of the Council's functioning have also played a significant role in the reconciliation process. The Council's secretariat was created under the MFA's Section for Economic Cooperation, with its Director-General as its head. The supervision from the relevant MFA section reflected the recently acquired competence in economic diplomacy together with the secretariat's direct chairmanship of one of the Council's three Working Groups – the 'Working Group on the Coordination of the Council's Activities' – whose title contained an obvious reference to the political coordination role fulfilled by COREPER prior to EU Council meetings. The role of this unorthodox working group was apparently intended to prevent institutional frictions and unsolicited political surprises from reaching the executive level at the Council itself. Thus, it shall be regarded as proof of the low level of relations that existed before the Council's establishment as well as of the concerns the stakeholders had in this regard.

The MFA also chaired the 'Working Group for the Coordinated Presentation of the Slovak Republic Abroad' with a then recently incorporated nation branding agenda. However, it was the MoE that chaired the substantial 'Working Group for the Strategy for External Economic Relations of the Slovak Republic for the Period of 2014–2020', which at one point consisted of as many as 28 members representing all relevant public and private stakeholders of economic diplomacy. It was this particular working group that provided the forum for all the lengthy expert discussions on every issue that was on the Council's agenda (with the exception of the coordinated presentation agenda, which had its own working group). The extensive formal discussion during the working group sessions together with the informal communications, comments and suggestions exchanged during the preparatory work done before the submission of every initiative or requested agenda led to a clarification of positions and a mutual understanding of the involved actors. We may state that the essential part of the reconciliation process was done here.

The Agenda of the Council

The initiative to create the Council came from both the government and business representatives, who felt that an institutional alignment and grinding of historical edges requires a formal platform under public supervision. During the twenty Council meetings between the years 2013 and 2020, dozens of documents and initiatives have been discussed or adopted. An important part of the agenda consisted of discussing materials destined for government approval, which were mainly issued by the MFA and the MoE, and were typically reports such as 'The analytical assessment of the results and trends of the foreign trade of the Slovak Republic for the year 2012' (discussed at the session of the Council in June 2013) but also programs and strategic materials such as the 'Program of foreign trade support for the year 2013' (March 2013). Another category of discussed topics was the materials presented by members of government to the members of the Council in order to receive their comments and thus improve processes and raise effectiveness. Such materials included 'Streamlining of the system of participation in international fairs abroad' (December 2013, MoE) or 'Streamlining of the sessions of intergovernmental and ministerial committees for economic cooperation' (November 2013, MoE).

Similarly, some of the topics on the agenda stemmed from government resolutions imposing the presentation and discussion of materials such as the 'Concept of support of the realization of major export projects' (presented by the MoE, October 2014) or the 'Proposal of priority coordinated activities of international economic cooperation and the presentation of the Slovak Republic abroad for the year 2015' (presented by the MFA, December 2014). One of the rare initiatives arising from the Council itself was the October 2013 adoption of a resolution binding both the MFA and the MoE to jointly propose a system of coordinated preparation of business missions that would accompany Slovak constitutional representatives on their foreign visits, as well as a system of coordinated preparation of Slovak business fora to be organized on occasions of visits of foreign high representatives in the Slovak Republic. The first draft was rejected by one of the Council members representing business organizations; the second draft was then presented and adopted unanimously in April 2014.

Another major part of the agenda consisted of information sharing, whether it was presentations of strategies of relevant government agencies (SARIO, SACR), sharing of relevant information from the ministries (e.g., the 'Information about the state of preparation of the Slovak Republic for the EXPO 2015 in Milan', which was discussed on multiple occasions in 2014 and 2015, or the presentation of the 'Strategy of development of the creative industry', December 2014) or discussions on current topics shaping the foreign trade and investments of the Slovak Republic. The Council thus discussed the impact of Russian sanctions, the TTIP, Brexit, etc. (e.g., 'Information about the EU-Russia sanctions', October 2014, February 2015, September 2015; 'Information about the state of negotiations on the Transatlantic Trade and Investment Partnership Agreement between the EU and the USA', February 2015). The drafting and approval of the above-mentioned strategic and informative materials required extensive communication and bargaining on both the functional and the political level. The scope of the agenda itself stimulated a gradual acknowledgement and convergence of positions among the Council members.

The Process of Reconciliation

One of the first tasks of the newly established council was the drafting and adoption of new conceptual documents in the area of external economic relations. Following an almost one-year process organized by an MoE-led working group, the 'Strategy for External Economic Relations of the Slovak Republic for the Period of 2014–2020' was approved by the government in March 2014. The 'Focus of economic diplomacy in the field of bilateral and multilateral relations until 2020' – a conceptual document of the MFA – then followed in 2016. Preparatory work on these two and many other documents related to external economic relations, an enforced high-level co-ordination on a quarterly basis, and the alternating chairmanship and hosting of the Council meetings alongside the activities of three working groups on an operative level, led to a completely new quality of co-operation in the area of economic diplomacy. While the 'Strategy for External Economic Relations' mainly defines the export-promoting policy at the core of the external economic policy, the 'Focus of economic diplomacy' outlines the key principles and objectives of its organization based on the mutual consensus between the main actors.

Especially the common drafting process of the Strategy tested the ability of both of the main actors to co-operate on all levels and, moreover, it brought them together in the process while advocating the joint concept vis-à-vis other Council members, the export-oriented business community and the general public. This was even more important in the context of the fact that in order to soothe the MoE after the reform, the MFA had to bear a political cost in the form of a memorandum giving the MoE a rather extensive participation in the governance and evaluation of economic diplomacy, which, however, was not fully implemented. The Memorandum on co-operation between the Ministry of Economy of the Slovak Republic and the Ministry of Foreign Affairs of the Slovak Republic in performing the tasks of economic diplomacy within the framework of the Foreign Service of the Slovak Republic was signed in 2012, i.e. before the establishment of the Council. The Memorandum, i.a., stipulates that economic diplomacy is an integral part of the main political activity of the diplomatic mission, and that the head of the mission is responsible for its performance. Daily operations and staff management are in the competence of the MFA, which should rely on the concepts and tasks of the export-, investment- and innovations-promoting policy drafted by the MoE. The MoE's operative involvement through activities like the nomination, selection, and evaluation of economic diplomats, as was defined in the Memorandum, happens though only seldom.

We find the process of decision-making within the structures of the Council to be crucial for reconciliation. Every issue on the Council's agenda has to pass through discussions and a review process at the 'professional' working group level, followed by the COREPER-like confirmation at the 'political' Working Group for the coordination of the Council's activities, before it got to the ministerial level at the Council itself.

The change of attitude has been achieved firstly by the public oversight, both the direct oversight from participating business representatives and the indirect oversight from the general public, due to the fact that all Council sessions were attended by media representatives, thus making any conflict or non-cooperation unsustainable. Secondly, the accountability and target-oriented approach of all the participants bound them to the system. Thirdly, linking the coordination platform to the Office of the Government as its advisory body made the participating members of government more compliant. And – last but not least – the enhanced formal and informal communication (on all levels, from clerks through directors and directors-general to state secretaries and ministers) created a cooperative and inclusive environment for policymaking concerning economic diplomacy. Of course, this happened against the background of a strong message from the MFA leadership, which has been extended to the rest of the stakeholders repeatedly: a reversal of the reform was deemed not acceptable. Although the reform was designed and initiated during the coalition government between 2010 and 2012, the subsequent one-party government in the period from 2012 to 2016 made it only more impossible to bring a reversal to the table politically.

Key Outcomes of the Reconciliation Process

It is the MFA which is currently responsible for all activities of economic diplomacy abroad. The activity mix in economic diplomacy varies for different diplomatic missions and is either based upon obtained instructions, or at the discretion of the ambassador. At the same time, it seems that all the other actors – including the MoE – accepted this solution and try to affect it exclusively through standard procedures within the coordination system, thus deviating from previous non-cooperative practices. The criticism from business representatives became less vocal both within the Council and elsewhere.

It is interesting to note that the tensions that existed between the MFA and the MoE in terms of economic diplomacy have not been reflected on the parliamentary level. A possible explanation of this fact is the structure of the parliamentary committees within the National Council of the Slovak Republic and their thematic focus. External economic activities, including topics related to economic diplomacy, rarely make it to plenary discussions and are thus discussed almost exclusively on the committee level, especially in the Foreign Affairs Committee (FAC) and the Committee for European Affairs (CEA). The Economic Committee of the National Council, which would naturally constitute a very pertinent forum for such discussions, covers a wide scale of topics that fall under its sphere of agency, ranging from industry, economy, business, and investment to energy and transports, thus generating a substantial amount of domestic legislation that needs to be discussed and voted on. Both the FAC and the CEA, on the other hand, have only a short domestic legislative agenda to cover, and thus they focus on all aspects of foreign policy, including relevant topics in the field of economic diplomacy, with a more informed perspective, most often generating consensus on both sides of the aisle.

Over the eight years of its functioning a notable shift indirectly indicating an advancing process of reconciliation, could have been observed within the Council on several levels. Firstly, there was a significant reduction in the number of members with a right to vote, which was established by a government decision from Nov. 2nd, 2016 (the reduction from 16 to 10 members concerned mainly government representatives). Secondly, the frequency of the meetings, which started on a bi-monthly basis in 2013, has been gradually reduced to a single meeting per year. The number of items on the agenda has been declining as well, dropping from as much as 10–13 in the early years of the Council's activity to no more than five in its most recent years. By this time, most of the disputed issues have been settled, a long-term policy has been adopted and roles of individual stakeholder were set. This development has been enabled by the change in attitude of the actors, which was directly forced by the cooperation within the Council and its working groups. The above-mentioned developments indicate a gradual shift towards an increased effectiveness of cooperation on the functional level, meaning more direct operational interactions (both formal and informal) between Council members, which are unaffected by inter-departmental tensions, thus making a formal political platform involving government members obsolete. Hence, it can be concluded that the Council has fulfilled its role, and when it did so, its existence under the established format was no longer necessary. As a result of the current co-operation standard between the two former rivals, the Council for Export and Investment Promotion has been dissolved in December 2021 and replaced by the more macroeconomically focused Council for Competitiveness and Productivity. Economic diplomacy stakeholders are still coordinated within the working groups of the new council as well as within the newly established "Team Slovakia" platform at the MFA.

Another interesting result of the previous reconciliation process was the recent decision by the MFA and the MoE to adopt a common political document which integrates the external economic policy with economic diplomacy for the period 2022–2030. Although this mainly reflects recommendations from entrepreneurs, it is at the same time a sign that the established mechanism has fulfilled its objectives within the 10 years since the last reform in that it has resolved major systemic deficiencies in the management of economic diplomacy and reconciled its major actors. The Slovak empirical evidence supports the notion that the multidimensional nature of economic diplomacy requires a whole-of-government approach for developing forward-thinking, consistent and effective policies (LSE IDEAS 2021: 28). The activity of the Council can be regarded as exemplifying such an approach.

CONCLUSIONS

It seems that the discussions and tensions about the design of the economic diplomacy were not preventable, not only for the reason of institutional rivalries but also because of the trivial fact that it had to be developed practically *"as a greenfield project"* (RUSIŇÁK 2005: 124) with many stakeholders. The reconciliation process lasted for several years, though it brought some interesting results, especially in the mindset of the main actors of the economic diplomacy. The MFA, which was reluctant to accept attempts by any other actor to develop a specific network abroad, including at least three attempts of the MoE to establish a complementary network of commercial diplomacy under the SARIO trade and investment promoting agency, recently accepted the establishment of innovation diplomacy under the Ministry of Investment, Regional Development and Informatization. Moreover, it invited other government departments to create specifically focused economic postings within the foreign service, which is something that could possibly be prevented only by fiscal restrictions as a consequence of the Covid-19-related crisis. The process has demonstrated the possible importance of coordinating bodies like the Government's Council for Export and Investment Promotion, which played an irreplaceable role in the streamlining of the Slovak economic diplomacy.

However, besides the extensive agenda reaching from export and investment promotion through tourism to the coordinated presentation abroad, it has been the three-level institutional design that led to the systemic reconciliation of the main actors at both the political and functional (bureaucratic) levels. Putting aside the Working Group for the coordinated presentation with its specific and rather limited agenda, every other issue on the Council's agenda had to pass through discussions and a review process at the Working Group for the external economic relations strategy and then the COREPER-like confirmation at the Working Group for the coordination of the Council's activities before it got to the political level at the Council itself. As we assumed that the additional tension between the key domestic actors of economic diplomacy was not only at the level of political leadership but has also been embedded in the bureaucratic apparatuses of the competing ministries, we may state that this procedural system addressed the frictions at both stages.

It seems that both Allison's 'bureaucratic politics' model and Kellerman's 'small group process' can be applied to this case in order to explain the streamlining of the decision-making process concerning economic diplomacy and the broader policy of external economic relations. Although MoE and MFA representatives used their political and bureaucratic influence to bargain on policy proposals, at the same time they were forced to behave rationally in a setting that suppressed conflicts. Small group process regularities as described by Kellerman (1983) helped to improve the decision-making process and intensify the cooperation among the stakeholders. Especially with regard to the 'range of alternatives' as an organizing concept of the small group process, the Council's framework of governmental and non-governmental members, and the political reality of a one-party government in the period from 2012 to 2016, allowed no space for failure or confrontation.

In general, many reasons for conflicting interests or even power struggles can be identified in economic diplomacy, in which various interest groups ranging from individual businesses through business associations to non-governmental organizations are confronted with political interests and bureaucratic tensions among different branches of government. The reconcilement process described in this paper has not resolved all the tensions in the examined case, as some of them persist. In the particular Slovak experience, most of the entrepreneurs direct their communications and lobbying rather towards the economic ministries (generally the Ministry of Economy, but, e.g., farmers would rather communicate with the agriculture ministry, etc.) than the foreign ministry, which is responsible for the economic diplomacy. This tension is then transferred and added to the bureaucratic tension between individual departments. However, this friction is being resolved rather within the system than through its disruption.

The article contributes to the discourse on the theoretical concept and analytical framework of economic diplomacy in a particular part of tensions which have to be reconciled, as this concept was mentioned by Bayne and Woolcock (2011). The tensions include three types of tensions: the tension between economics and politics; the tension between domestic and international pressures; and the tension between the government and other forces. Based on the presented case study we may add a fourth tension, which is within the governmental apparatus. Although a part of this tension can be just a projected tension of various private interests via advocacy from different government branches, it seems undeniable that political and bureaucratic interests within the public service can also have their own momentum. Although both theoretical (KOPP 2004; TÓTH – HORVÁTHOVÁ 2006; RANA 2007; NARAY 2008, 2011; ŠTOURAČOVÁ 2012) and empirical studies (HOCKING 1999; RUËL 2012; TSYHANKOVA – BEZVERKHA 2017; VAN BERGEIJK – MOONS 2018) do mention various organizational aspects of economic diplomacy and the participation of diverse actors in it, even highlighting the necessity of their coordination, they do not analyze the process of decision-making or the process of elimination of possible conflicts among governmental stakeholders.

Applying the case study methodology brings with itself, obviously, the temptation to generalize. However, a single case study should be, in our opinion, used to produce generalizations solely in the event of its negating an already generalized or generally accepted idea – or when the case study serves as a means of its validation. Although we are aware that many other states use consultative bodies, such as various government councils or working groups on export promotion, in order to coordinate the numerous stakeholders involved, we do not intend to generalize the Slovak experience into a theoretical model. However, we agree with Lequesne (2020: 8) that *"[a]ll of these questions related to the diplomat-politician nexus have to be theorised on a comparative basis [...] research should not be limited to the nature of the relations and tensions, but also evaluate the effect of turf wars on the diplomatic outcomes produced by states."* Further comparative research analyzing the corresponding experience of other countries would be required in order to extract a theoretical concept; however, this was not the ambition of this paper and shall be a matter for additional research. We regard this article rather as an empirical contribution to the conceptual discourse on economic diplomacy with regard to the behavior of its main power actors. Tensions between them, as well as their reconciliation, constitute a forming factor for the execution of economic diplomacy. The article identifies a possible application of consultative government bodies not only in the role of effective coordinators, but also in the role of reconciliation intermediaries in economic diplomacy. What we can extract from the Slovak single case study is the potential of coordinating bodies in the management of the expanding agenda of economic diplomacy through a variety of determinants. These include, e.g., the status of the Council as an advisory body of the government, which provides it with the highest political influence; the small group process, which may provide the framework for efficient decision-making; the pressure from non-governmental actors, who rightfully demand an efficient and tension-free functioning of the public sector; the atmosphere of there being no political alternative, which vocally reflects the importance and priority given to economic diplomacy; the extent of the agenda, which gives the stakeholders enough space for bargaining; and the decision-making model, which reflects the necessity of a participative and controlled approach.

ENDNOTES

1 The MITI – the Ministry of International Trade and Industry – was a ministry of the Government of Japan from 1949 to 2001, when it was merged with other government agencies into the METI – the Ministry of Economy, Trade and Industry.

2 The complete agenda of the Government Council for Export and Investment Promotion can be found on its webpage: https://www.mzv.sk/podnikajme_v_zahranici/rada_vlady_sr_na_podporu_exportu_a_investicii.

3 Among the MoE's agencies involved in economic diplomacy, we may find the Slovak Investment and Trade Development Agency (SARIO), which is active in the areas of export and investment promotion, and the smalland medium-sized enterprises-focused Slovak Business Agency (SBA). Neither of them has representative offices abroad.

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Is There “a Chinese Effect” On EU-15 Foreign Direct Investment in Central and Eastern Europe?

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ABSTRACT

This paper aims to empirically verify the possible existence of *“a Chinese effect”*, that is, a substitution effect between the Chinese and the EU-15 investment in the Central and Eastern European (CEE) region, which has been recently involved in the Belt and Road and 17+1 Initiatives. Such an effect can result from the strengthened political orientation of several CEE authoritarian populist and illiberal elites towards China, which can, in turn, discourage the EU-15 from investing in the CEE region. Despite intensified Sino-CEE political relations, the results of the analysis conducted on 15 CEE countries during 2010–2018 suggest that the Chinese FDI does not substitute for investment from the EU-15 market since the expectations regarding the FDI cooperation between China and the CEE region have not been met. Moreover, most of the Chinese investment has been made via mergers and acquisitions, and not via greenfield FDI, which may lead to exaggerations of the relatively weak Chinese influence in the CEE region.

KEYWORDS: foreign direct investment, China, soft power, Central and Eastern Europe

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INTRODUCTION

Since the Great Recession, Europe has witnessed an increase in the Chinese foreign direct investment (FDI), which in 2016 reached its highest level at more than 35 billion EUR. The wave of the Chinese FDI motivated by technology transfer and market-seeking due to saturated markets and the overcapacity in the domestic Chinese market (see, e.g., Turcsanyi 2017; Conrad – Kostka 2017; Liedtke 2017; Pendrakowska 2018) has spread to all European countries and their economic sectors, but especially to the automotive industry, the real estate market, the food industry, agriculture, and energy.

Even though this investment contributed in a positive manner to the economic growth of both China and the EU (see, e.g., Jiang et al. 2019), the strengthened Sino-European relations have also raised concerns about the Chinese opportunity to gain a dominant position in the market (Naughton 2010; McNally 2013; Merler 2014), especially through the use of China's soft power, which is aimed to force other countries to behave in a certain desired way (see, e.g., Hunter 2009; Turcsanyi 2017; Wu 2018). This topic has lately received a lot of attention from media, academic, and policy communities (see, e.g., Brînză 2019; Kavalski 2019; Zweers et al. 2020; Krpec – Wise 2021; Vladimirov – Rolland 2021; Strupczewski 2021), whose claims suggest that the reinforced relationships of China, especially those with populist policy-makers from the Central and Eastern European (CEE) countries who even support anti-EU policies, may act against the EU unity itself and disrupt the Western-CEE relations. The CEE countries' political and economic re-orientation towards China may thus imply a discouragement of the Western part of Europe, on whose massive investment inflows the CEE countries have long depended.

Given this, *is the increased Chinese investment induced by the creation of the Belt and Road Initiative (BRI) and the 17+1 Initiative associated with a decrease of investment from the main Western European investors (i.e., the EU-15 countries such as France and Germany) in the CEE region?*[1] We attempt to answer this research question by investigating the relationship between Chinese and Western European FDI in the CEE region with the use of the dynamic panel data model for the 15 CEE countries involved in the Chinese investment strategies in the time period of 2010–2018. In particular, the aim of this article is to empirically verify whether there is *"a Chinese effect"*, that is, the existence of a substitution effect which would suggest that Chinese investment could replace the previously dominant EU-15 investment in the CEE region.[2]

Based on regional discussions, we hypothesize that Chinese FDI is in a negative relationship with the EU-15 investment in the CEE countries (H1). Our assumptions rely on the recent involvement of the CEE countries in the Chinese *Belt and Road Initiative (BRI)* and *the 17+1 Initiative*, which was considered by previous authors dealing with the topic (SEE, E.G., MERLER 2014; OECD 2018; PENDRAKOWSKA 2018) as an attempt by China to create a transnational zone of political and economic influence, from which the geo-economic concerns of Western EU public and private entities have emerged. For example: *"infrastructure financing deals can serve as a kind of geo-economic Trojan Horse for China through which commercial deals can be turned into political or geostrategic leverage now or in the future"* (FERCHEN ET AL. 2018: 9).[3] Such concerns have been expressed especially regarding the strengthened political orientation of CEE authoritarian populist and illiberal elite towards China, which could undermine the CEE countries' commitment to the EU democratic standards (SEE KRPEC – WISE 2021). As their compliance is crucial for cooperation within the EU, their disobeying can, in turn, discourage EU investors from investing in the CEE region, and the existence of the mentioned *Chinese effect* would thus be confirmed.

On the other hand, we might observe the overall increase in FDI in the CEE countries, which may motivate other investors to allocate resources to these countries due to industry clustering and the resulting cost savings. In that case, Chinese FDI may act complementarily to the EU-15 investment, which would not meet our assumptions. A similar effect can be expected while taking into account the Western-led efforts to outcompete China's BRI and 17+1 initiative. To counter China's growing worldwide influence, the G7 member states have recently launched the *Build Back Better World (B3W)* initiative of $40+ trillion, which is aimed to boost infrastructure investment for low- and middle-income countries, while the Global Gateway strategy of a similar character, which provides up to €300 billion in investment, has been undertaken by the EU. However, it must be said that these initiatives have been launched in 2021, so their effects cannot yet be observed, but for them we hold the hypothesis about the negative relationship between China and the EU-15 investment.[4]

This paper aims to contribute to the international political economy field by providing new evidence of the potential effects of the Sino-CEE cooperation from the perspective of the EU-15 market. While some existing empirical studies have examined the mutual relationship between China and the CEE countries in the foreign trade or FDI market (SEE, E.G., FUNG ET AL. 2009; SILGONER ET AL. 2015), the presented article, in contrast, addresses another, yet unexplored effect of the Sino-CEE cooperation on the EU-15 investment based on the mentioned geo-economic concerns expressed regarding the reinforced orientation of CEE elites towards China, by which we fill this gap in the empirical literature. The results of the presented analysis can not only reveal the possible substitution effect of Chinese investment in the CEE region but also provide useful policy implications concerning the future political and economic orientation of the CEE region.

The remainder of this paper is as follows. In the second section, we rely on the theoretical concept of soft power and discuss its implications for China and the CEE countries based on an overview of previous empirical studies dealing with Chinese investment in the CEE region, which results primarily from the BRI strategy and the 17+1 Initiative. In the third section, we describe the methodology and data used to examine Chinese investment in CEE countries. The empirical results are presented in the fourth part, together with the related discussion. Finally, we summarize our findings and provide recommendations for political practice within the EU in the last section.

CHINESE SOFT POWER AND FDI IN THE CEE REGION

In this section, we provide a review of the relevant literature for examining the Chinese effect. Firstly, we discuss how our evidence fills the gap in the empirical literature, and then we justify our arguments by relying on the concept of soft power, which we discuss entirely with regard to the Chinese economic model and investment. The rest of the literature review is devoted to driving forces and country-specific results concerning Chinese FDI in the CEE region, which illustrates the Sino-CEE economic and political relations, including the differences in these two types of relations, following our research hypothesis.

To the best of our knowledge, the existing empirical literature lacks studies investigating the possible substitution effect between EU-15 and Chinese investment in the CEE region. So far, there have been published only a few studies dealing with the mutual trade or FDI relationship between China and CEE countries in a similar context – for instance, Fung et al. (2009), who investigate whether China as a recipient of FDI can compete with the CEE countries as host countries with low production costs, or Silgoner et al. (2015), who examine whether China can act as a global competitor of the CEE countries and negatively affect their foreign trade on the EU-15 market.

In both cases, China is viewed as a growing superpower, and we also rely on this perspective while examining the mentioned Chinese effect. In recent years, China has been opening zones of economic cooperation in various parts of the world, demonstrating the effective and active internationalization of the country (ZHU – EDNEY – ROSEN 2020). Its economic position is then employed to achieve a geopolitical advantage through the use of soft power (SEE, E.G., NYE 1990, 2005, 2008). This concept can offer a theoretical foundation for the investigation of our matter. Not only is it the case that a positive perception of the donor in the FDI host country is favorable for the donor's foreign policy goals and its promotion becomes a foreign policy goal in itself (TURCSANYI 2017), but the soft power concept also suggests that the general perception of the country plays a role in determining economic fundamentals, such as investment. It can either promote or prevent investment and serve as a predictor of future investment decisions (SEE, E.G., NYE 2008). In this context, the presence of Chinese FDI in the CEE countries may determine the future investment flows from Western EU investors. This strategy also includes the reduction of the likelihood of alliances with other countries which could counteract the growing Chinese power (GARRISON 2005; NYE 2005; WU 2018). Within this framework, China's own economic and investment model can involve a divergence of several CEE countries from the Western path. Such claims can be also confirmed by the concerns among Western European diplomats, who once evaluated the 17+1 Initiative with a remarkable note: *"China and Central Europe were building a new Berlin Wall across the EU"* (MATURA ET AL. 2021: 7). Since such claims from academy/policy communities have not been properly examined, we attempt to fill this gap in the empirical literature with this paper.

In the related empirical studies a greater emphasis has been recently placed on the driving forces of the Sino-CEE cooperation and its evaluation. In this regard, Éltető and Szunomár (2016) state that the good quality of the labor force in the CEE region and the labor costs there, which are considerably below the EU average, can be considered as the main incentives for the Chinese presence in the CEE region. Turcsányi (2014) views the membership of these countries in the EU as another important driving factor of the Chinese FDI in the CEE region; their EU membership can provide valuable benefits, such as the avoidance of tariff barriers. The CEE region can also represent a kind of back door and an ideal space for greenfield investments, which can then be sold to a rich and established Western European market.

On the other hand, McCaleb and Szunomár (2017) highlight the institutional factors behind Chinese investment in the CEE region. The volume and speed of the Chinese ethnic minority's feedback in the region, subsidies along with investment incentives, and special economic zones, but also permanent residence permits or visas, all seem to be favors given to China in exchange for a certain level of investment. The authors also suggest that Chinese investment might be boosted by the host country's government's willingness to cooperate, the possibilities of privatization, or the quality of the political relations.

Nevertheless, it should be noted that even though China signed a formal cooperation agreement with 16 CEE countries, the key trade cooperation countries seem to be the Czech Republic, Hungary, Poland, Romania, and Slovakia, which represent almost 82% of the CEE member states' GDP and 89% of their bilateral trade with China, which stands for about $64 billion. A similar finding holds for China's capital – evidence from previous empirical studies suggests that the distribution of the Chinese investment in the CEE region is uneven (see, e.g., Fábián et al. 2014; Pendrakowska 2018; Matura 2019) – as well as the levels of political relations of particular CEE countries with China. To illustrate this point, we present the country-specific results related to the Sino-CEE cooperation with regard to FDI in the following paragraphs.

Out of the Central European countries (i.e., the Visegrad Group), China has the strongest political relations with Hungary, headed by Victor

Orbán, who pioneered in the rebuilding of the Sino-Hungarian relations in the early 2000's. In particular, Hungary's *"Opening to the East"* policy was aimed to promote trade and investment relations with China and the Chinese presence in Hungary has been strengthened through, e.g., logistics zones, business centers, and the organization of trade fairs and exhibitions. As Krpec and Wise (2021) state, the Chinese soft power in Hungary is prominent; these findings can be confirmed by, for instance, the establishment of five Confucius Institutes in Hungary, as these are commonly known as a tool for promoting Chinese soft power all over the world and their operations have been proved to be a driver of Chinese trade and outward FDI (see Lien – Oh – Selmier 2012).[5] The prevailing Chinese soft power in Hungary can be also confirmed by the fact that Bank of China's CEE regional headquarters has been located in Budapest, or by considering Victor Orbán's recent plans to build a Chinese satellite campus at a Budapest University. Matura (2017) provides an overview of the successful Chinese investments in Hungary and states that based on Chinese sources, Hungary has the largest number of Chinese FDI out of all the EU member states and within the CEE region. On the other hand, this country has recently had only a very modest success in attracting new investors from China. Fábián et al. (2014) confirm previous findings and identify as the main obstacle the absence of direct flights between the countries, as well as the problems associated with the issuance of visas.

Given that Poland signed a joint declaration in June 2016 on the establishment of a comprehensive strategic partnership with China, it can be argued that the bilateral level of the relations between Warsaw and Beijing is the most important type of their mutual relations. While Pendrakowska (2018) observes a recent gap in expectations which has emerged due to Poland's unmet economic ambitions, the Sino-Polish relations seem to be at their peak since the fall of communism in Poland.

As pointed out by Turcsanyi (2017), China is, to some extent, viewed differently than other investing countries due to the security risks stemming from China's status as a growing superpower with an authoritarian and undemocratic political system.[6] Based on a media analysis, and expert and semi-structured interviews, the author focuses on Chinese investment in the energy sectors in the Czech Republic, Poland, and Slovakia, and concludes that while in Poland China's presence in the energy sector is justified by availability, affordability, and efficiency, in the Czech Republic and Slovakia China is often ideologically perceived and the environmental framework is less taken into account. In a similar vein, De Castro, Vlčková and Hnát (2017), who focus on China's existing trade and investment relations with the Czech Republic, warn of major risks related to an intensified cooperation with China, including corruption, profit repatriation, and property rights, but also a greater Chinese influence on Czech politicians with regard to their position towards the EU and NATO. As Chinese FDI is often state-supported, a significant number of China's multinationals are even forming strong ties with the Chinese government, and some of them may be owned by the Chinese state. This is a matter of concern for the EU member states when they consider their involvement in Chinese FDI, as the political, economic and security implications are still poorly understood and clarified (KNOERICH – MIEDTANK 2018).

The Baltic states (Estonia, Latvia, and Lithuania), which are already member states of the EA, do not seem to be the core recipients of Chinese investment among the CEE countries, but their political and economic orientation is in line with the negative relationship between the Western EU and China investment. In spite of the fact that the Baltic region is in need of physical and digital infrastructure, the Chinese economic impact is in the background of the political and security risks which are also connected to the Chinese military cooperation with Russia (LARSEN 2020). For instance, even though the Lithuanian government has previously agreed on the cooperation of Lithuanian post and railway companies with China to create a cargo partnership which would enable Lithuania to become the European logistics hub for shipments from China (SEE, E.G., LIETUVOS PASTAS 2019), more recently, this Baltic country has been motivated to stop participating in the 17+1 activities as the cohesion within the European Union and the cooperation within NATO are more central for it, proving its *"frontline state"* position, which was previously seen in its relations towards Russia and is now seen in its relations towards China (EGGER 2021).

While the recent empirical studies suggest that China failed to deliver the promised trade and investment flow to the mentioned more developed CEE countries, as they obtained this promise due to their EU/EA membership and integration into the global value chains of the Western EU countries, Germany in particular (SEE, E.G., KRPEC – WISE 2021), the opposite is the case for the countries in the Western Balkans. In spite of the fact that the EU provides pre-accession funding for this region, the Western Balkans gravitate more towards Chinese infrastructure investment and loans due to their having no need to comply with the EU's strict regulatory environment and standards of transparency, competition, public procurement, and environmental objectives (see, e.g., Vladimirov – Rolland 2021). The short-term benefits thus outweigh the long-term negative financial effects in the form of undermined financial sovereignty, increased indebtedness, or macroeconomic imbalances. Through these actions, Chinese soft power rises in the Western Balkans, while the EU's is weakening, mainly because of citizens' skeptical perspectives on the future EU enlargement (see, e.g., EWB 2021).

In this vein, an important milestone in the cooperation between China and the CEE countries was reached when China, Hungary, and Serbia agreed on the modernization of the railway line between Budapest and Belgrade. For Chinese companies, this represented an opportunity to create a transport corridor between the Port of Piraeus in Greece, which is now majority owned by China's state-owned company COSCO Shipping, and Western Europe via Macedonia, Serbia, and Hungary. The Chinese ownership of Piraeus, the largest seaport in Greece, has been considered as another step toward creating a political leverage for China in Europe's periphery (see Benner – Shi-Kupfer 2018). Given that Greece has managed to obtain a substantial Chinese infrastructure investment to boost its depressed economy, these claims have been somewhat confirmed when this country vetoed the EU joint condemnation of China's human rights violations at the United Nations Human Rights Council in 2017. In the same spirit, Hungary has recently blocked the EU statement condemning China for the new security law in Hong Kong (Chalmers – Emmott 2021). The economic and political ties of Serbia with China are also prominent. The increased Chinese influence and the soft power widening there can be confirmed by the establishment of two Confucius Institutes in Serbia, along with the actions of the authoritarian Serbian president Aleksandar Vučić, who moved Serbia away from the West and the EU by promoting an anti-Western orientation (Bieber 2022). While citizens of the Western Balkan countries mostly support the idea of EU accession, the most skeptical in this regard are the citizens of Serbia, given that 46.8% of the Serbian respondents in a recent survey are not in favor of Serbia joining the EU. Moreover, there has been an increase of 10.9% in the number of respondents against the EU accession compared to last year (SEE STRATULAT ET AL. 2021).

It therefore seems that the Chinese prevalence in several CEE countries can be considered alarming as it can challenge and negatively affect the Western European domination in this region.[7] *The Chinese effect*, i.e., the substitution FDI behavior in the CEE region, has a political rationale arising from the strengthened political orientation of the CEE authoritarian populist and illiberal elite towards China, which can, in turn, undermine the compliance of these countries with the EU norms and standards (SEE, E.G., KAVALSKI 2019; ZWEERS ET AL. 2020; KRPEC – WISE 2021). Based on these regional discussions, we therefore hypothesize that Chinese FDI is in a negative relationship with the EU-15 investment in this region (H1) and expect that the increasing Chinese activity in the CEE region induced by the BRI and 17+1 Initiatives can be viewed negatively by the Western investors as a shift from the European orientation. If our assumptions are met, i.e., if the analysis confirms a negative relationship between Chinese and EU-15 FDI in the CEE countries, Chinese investment substitutes for the EU-15 investment. Such a substitution then can reflect a discouragement of the Western European investors due to the Chinese presence in this region – in both economic and political terms. On the contrary, if the Chinese FDI to the CEE countries were in a positive relationship with FDI from the EU-15, this would suggest that the previously stated concerns are unlikely to dominate the EU-15 investors' decisions, and the Chinese FDI only acts as a complement to the outcompeted EU-15 investment. The existing empirical literature does not provide clear results regarding the correlation between FDI in individual countries. For example, while Cravino, Lederman and Olarreaga (2007) confirm the positive effect of China on FDI inflows to the rest of the world, Eichengreen and Tong (2005) conclude that the FDI growth in China supports the FDI in other Asian economies but diverts them from other OECD economies.

Our analysis will therefore provide new evidence particularly for the CEE region, by which we contribute to this yet unexplored area of research. Moreover, as many CEE countries depend on foreign capital inflows, especially from the EU-15 market, our results provide useful insights into their future investment profiles, since foreign capital has made a significant contribution to the economic growth of these post-transition economies up until now. Policy implications with regard to the economic and political orientations of non-EU CEE countries in connection with the potential EU enlargement, may emerge as well. The methodological aspects regarding the possible Chinese effect are explained in the next section.

METHODOLOGY

To verify the possible existence of *the Chinese effect*, that is, the negative relationship between the EU-15 and Chinese investment in the CEE region, we estimate a dynamic panel model in the following form:[8]

$$FDI\_EU15_{it} = \beta_0 + \beta_1 FDI\_EU15_{it-1} + \beta_2 FDI\_China_{it-1} + \sum_{c=1}^{C} \delta_c CV_{cit-1} + \nu_t + \varepsilon_{it} \tag{1}$$

where the dependent variable *FDI_EU15* represents FDI stocks (as a share of GDP) from the EU-15 countries allocated to the particular CEE economy, and the independent variable *FDI_China* denotes Chinese FDI stocks (as a share of GDP), through which we investigate the possible *Chinese effect* in the CEE countries. In the model, we also consider several traditional FDI localization determinants such as control variables (*CV*), time effects (*v*), and the error term (*ε*).

All regressors are lagged by one year (*t-1*). We choose this specification to take into account the fact that the implementation of investment decisions tends to be lagged in practice. This approach has been also applied by previous authors (see, e.g., Mercereau 2005 or Resmini – Siedschlag 2013). The variables in the model are considered as logarithms.[9]

Since previous empirical studies dealing with FDI research have shown that the current level of FDI is significantly determined by its previous level due to the presence of the so-called *agglomeration or clustering effects* (see, e.g., Carstensen – Toubal 2004; Ly-My – Lee 2019), we include the lagged value of the dependent variable *FDI_EU15* as one of the independent variables at the right side of Eq. (1). As suggested by, e.g., Carstensen and Toubal (2004); Fung et al. (2009); Katsaitis and Doulos (2009); and Ly-My and Lee (2019), these effects may arise when investors expect to benefit from positive spillovers from existing investors in the host economy – in particular, from the accumulation of capital within the same localities, for example, in the form of a skilled workforce or higher productivity. The accumulation of FDI itself may be one of the factors that attract potential investors and lead to a further increase of FDI in each area. Thus, a positive coefficient related to this variable would confirm the existence of such effects.

In choosing the key proxy variable for *the China effect* (*FDI_China*), we follow the study of Fung et al. (2009), who investigate the host FDI position of the Chinese economy with regard to the CEE region. Since our analysis is, in contrast, focused on the host position of the CEE countries, we modify the proposed methodology and operationalize the concept of *the China effect* through the regression coefficient related to the proxy variable *FDI_China*, which denotes FDI from China as % of GDP, which can indicate the effect of Chinese FDI on EU-15 FDI in the CEE countries.[10] The sign of the estimated coefficient for the proxy variable *FDI_China* should indicate which type of effect will dominate in the given sample of the examined CEE countries-substitution or the complementary one. In case of a negative estimate of the coefficient, the Chinese FDI would act as a substitute for investment from the EU-15 market, and *the Chinese effect* would be confirmed. On the contrary, if a positive estimate of this coefficient were confirmed, the Chinese investment would thus act as complementary to the EU-15 investment and our assumptions would not be met.

To avoid omitted variables bias, we also include a set of control variables consisting of selected localization determinants of FDI – labor costs (*Wage*), trade openness of the host country (*Trade*), a dummy variable related to the adoption of the common currency (*Euro*), and an indicator of institutional quality – government effectiveness (*Effectiveness*).

The rationale behind this model specification is as follows. Low labor costs may attract foreign investors due to expected cost savings. This factor should play a key role especially in the case of vertical FDI, where investors are looking for low production costs in host countries (SEE, FOR EXAMPLE, FUNG ET AL. 2009). Based on the above, we assume a negative relationship between the *Wage* variable and the dependent variable *FDI_EU15*.

On the other hand, greater trade openness may provide an incentive for foreign investors, especially in emerging economies (HORSTMANN – MARKUSEN 1992). Reducing trade restrictions may thus lead to a higher accumulation of foreign capital in the host economy. Therefore, in the case of this control variable, we expect a positive relationship between the *Trade* variable and the dependent variable *FDI_EU15*.

By including the third control variable, *Euro*, we take into account the entry of the CEE countries into the monetary union. The adoption of the single currency by the CEE countries is generally expected to increase their trade and investment cooperation within the EU, and thus may lead to an increase of FDI into these countries.

In addition to traditional determinants, we examine the institutional quality of the host economy, proxied by the government effectiveness, which can play a role in investment decisions, especially in emerging economies (SEE, FOR EXAMPLE, BEVAN – ESTRIN 2004; CARSTENSEN – TOUBAL 2004). In theory, political and institutional stability, transparency, and government effectiveness increase the attractiveness of host countries from the view of foreign investors (LY-MY – LEE 2019). For this reason, we expect a positive relationship between the variable *Effectiveness* and the dependent variable *FDI_EU15*.[11]

EMPIRICAL DATA AND ESTIMATION RESULTS

We estimate the given econometric model for a sample of 15 CEE countries which are currently a part of the 17+1 Initiative: Albania, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Montenegro, Northern Macedonia, Poland, Romania, Slovakia, Slovenia, and Serbia.[12] The data were collected for the longest time period for which data for the given countries were available, i.e., the period 2010–2018. To preserve data consistency, we do not combine various FDI datasets, and uniformly rely on the Eurostat database, which provides foreign direct investment positions (FDI stocks) of partner countries in the CEE countries. Despite the unavailability of longer time series, we fully cover the period of the existence of the 17+1 Initiative, which has been established in 2012.[13] Data on control variables – labor costs (*Wage*), trade openness (*Trade*) - are also provided by Eurostat, while the data for the institutional quality indicator (*Effectiveness*) published by the World Bank has been retrieved from the Worldwide Governance Indicators database. Descriptive statistics for all the considered variables are available in Table 1.

TABLE 1: DESCRIPTIVE STATISTICS

Variable	N	Min.	Mean	Max.	S.D.
FDI_EU15	112	0.520	34.133	147.928	25.783
FDI_China	111	−0.036	0.080	1.097	0.135
Wage	135	62.100	97.578	164.300	16.402
Trade	135	71.400	122.189	190.500	32.225
Effectiveness	135	−0.329	0.513	1.192	0.447

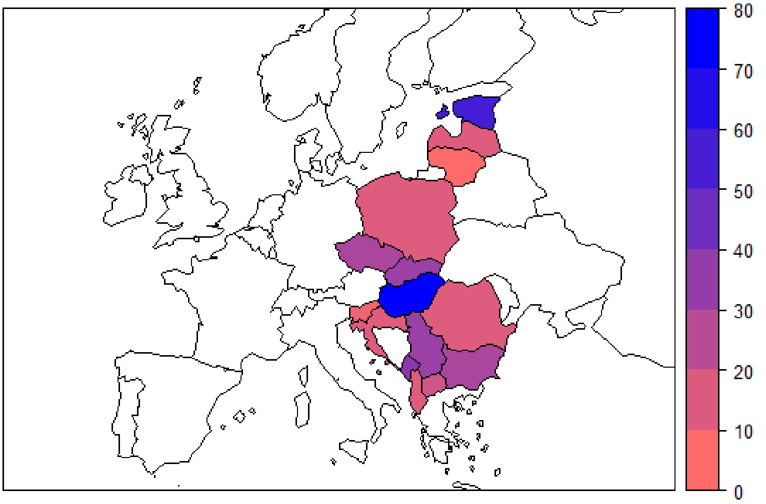
Source: own calculations based on data from Eurostat and the World Bank.

While looking at *FDI* variables, it is evident that the EU-15 market has dominated in the CEE region during 2010–2018, since the mean value of *FDI_EU15* reaches almost 35% of GDP and the maximum of 147.928% of GDP. The average Chinese FDI presented a considerably lower value (0.080%) with a maximum of 1.097% of GDP, although it increased significantly because of the establishment of the 17+1 Initiative in the last years.

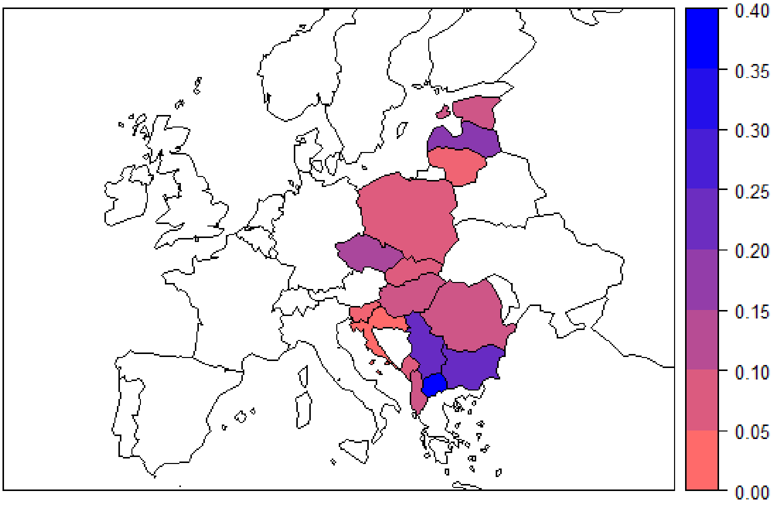
The country-specific evidence (SEE FIGURE 1) reveals that among the examined CEE countries, EU-15 FDI has been mostly allocated to Hungary (average: 77.870%), followed by Estonia (average: 61.173%). The Central and Eastern European countries which are now a part of the EU have attracted significant FDI inflows in the early 2000s, mostly from the Western *market-* and *efficiency-seeking* investors. The labor (both costs and skills), along with geographical proximity to the core Europe, membership in the EU, political stability, and the legal environment have been considered as the main FDI drivers (SEE, E.G., BRUNO ET AL. 2016; JIRASAVETAKUL – RAHMAN 2018; WORLD BANK 2018). However, it should be added that these countries have reoriented their production from labor-intensive to technology- and knowledge-intensive activities in the last years.

FIGURE 1: CHINESE AND EU-15 FDI IN THE CEE COUNTRIES

EU-15 FDI, % OF GDP (2010-18)



CHINESE FDI, % OF GDP (2010-18)



Note: We depict the average value for the Chinese and EU-15 FDI stocks during 2010–2018 for each of 15 examined CEE countries.
Source: Own calculations based on data from Eurostat.
© EuroGeographics for the administrative boundaries.

In contrast, Chinese resources seem to be mainly invested in Western Balkan countries, such as North Macedonia (average: 0.313%) and Serbia (average: 0.186%). The Western Balkan region has experienced a turbulent period marked by civil wars and financial crises, which caused them to take their first steps into the transition process later compared to the EU member CEE countries. Even though the Western Balkan countries still lack the EU membership or the physical infrastructure which could attract further FDI, this region followed an export-led growth path driven by FDI inflow in the last decade. Along with FDI, China provides development loans of significant amounts to this region to help finance large-scale infrastructure projects as a part of the China–Europe Land–Sea Express Route.

From among the considered CEE countries, Lithuania reached the lowest average value of EU-15 investment (16.712%) and the second-lowest average value of Chinese FDI (0.007%). The latter reflects our previous claims about China's weakening ties with Lithuania, which have recently prompted this Baltic country to withdraw from the 17+1 Initiative. An even greater deterioration of Lithuania's relations with China can be expected after the statement of the highest Lithuanian officials that they will strive for good and strong trade linkages with Taiwan (LAU 2021). At the same time, Lithuania encourages other states to do the same and look for other ways to communicate with China (SEE, E.G., ANDRIJAUSKAS 2021). By doing this, Lithuania warns of the negative impact of the Chinese presence in the CEE region, which can be divisive for the member states in the European area.

To examine this possible *Chinese effect* on the EU-15 FDI in the CEE region, we provide the estimation results for the baseline model in Table 2 (columns (I) – (VI)).[14] In all the considered model specifications, the estimate of the dynamic variable, i.e., the lagged dependent variable *FDI_EU15*, is positive and statistically significant. This means that the *agglomeration (clustering) effects* have been confirmed for this sample of 15 CEE countries. We can therefore assume that the previous FDI from the EU-15 countries in the CEE region seems to be an important factor in investors' localization decisions. For the EU-15 investors, it can be perceived as a positive signal of the business environment or as a benefit bringing economies of scale due to allocated investments in the past period.

TABLE 2: ESTIMATION RESULTS

	(I)	(II)	(III)	(IV)	(V)	(VI)
FDI_EU15_{t-1}	0.958***	0.956***	0.547**	0.657***	0.436***	0.573***
	(0.101)	(0.101)	(0.189)	(0.156)	(0.112)	(0.086)
FDI_China_{t-1}		−7.815	−20.922*	−12.624	−24.148	−14.125
		(4.972)	(11.278)	(13.340)	(16.008)	(17.750)
$Wage_{t-1}$			−2.352**	−1.244	−2.744*	−1.987*
			(0.955)	(1.470)	(1.471)	(0.965)
$Trade_{t-1}$				0.552*	0.513	0.225
				(0.275)	(0.331)	(0.393)
Euro					−0.119*	−0.144**
					(0.062)	(0.055)
$Effectiveness_{t-1}$						1.096
						(1.240)
Constant	**17.867**	**15.266**	**−147.470***	**−71.413**	**−179.311***	**−128.434***
	(14.653)	**(14.694)**	**(68.443)**	**(90.101)**	**(99.511)**	**(66.166)**
N. of observations	97	97	97	97	97	97
N. of instruments	4	6	8	10	11	13
Time effects	**YES**	**YES**	**YES**	**YES**	**YES**	**YES**
Arellano-Bond test						
AR (1) (p-value)	0.048	0.049	0.119	0.019	0.042	0.055
AR (2) (p-value)	0.116	0.103	0.209	0.283	0.601	0.274
Hansen test (p-value)	**0.543**	**0.815**	**0.113**	**0.663**	**0.062**	**0.242**

Note: Robust standard errors in parentheses. *p < 0.1, **p< 0.05, ***p< 0.01.

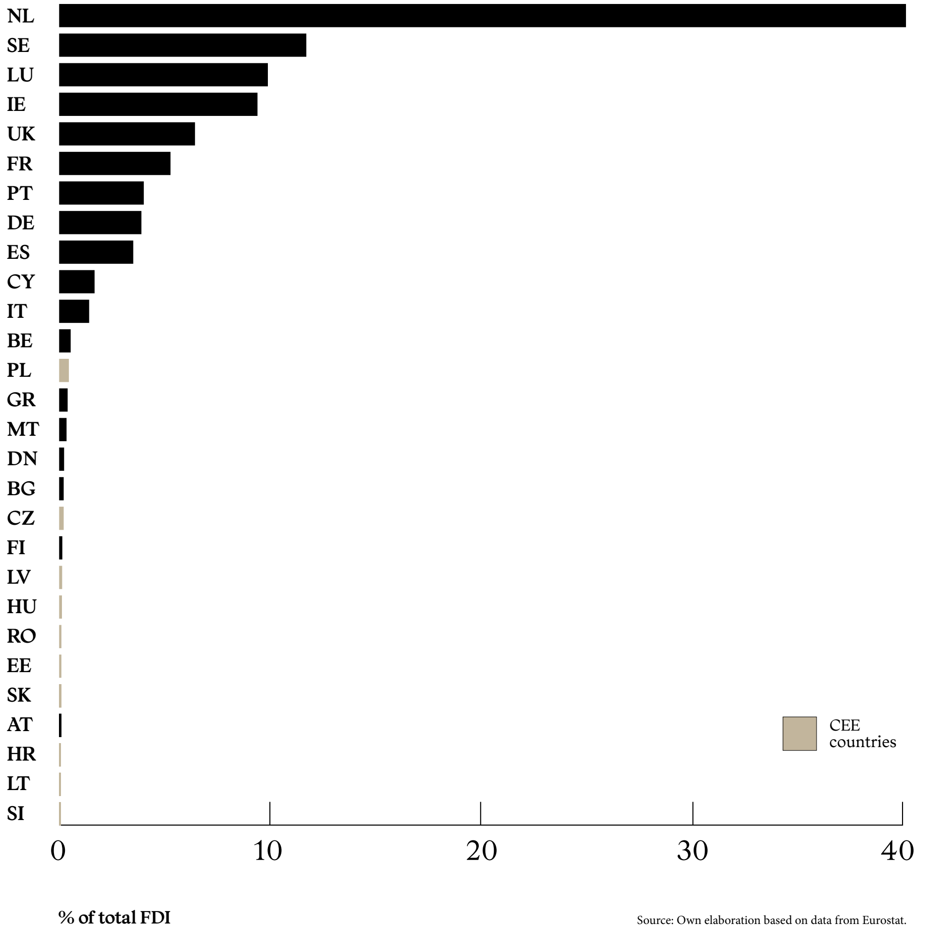
Source: Own calculations based on data from Eurostat and the World Bank.

Our results are consistent with the existing empirical literature dealing with the determinants of FDI in recipient economies (SEE, FOR EXAMPLE, KATSAITIS – DOULOS 2009; LY-MY – LEE 2019). In particular, we confirm the previous findings of Carstensen and Toubal (2004), who find that previous FDI plays a non-eligible role in the location choice of foreign investors in the CEE countries. Moreover, Campos and Kinoshita (2003) identify that inward FDI in the Eastern European and Baltic countries is mostly explained by this agglomeration effect, whereas such an effect has not been confirmed for other transition economies in a sample of the former Soviet Union countries – namely the members of the Commonwealth of Independent States (CIS); here, the natural resource abundance is essential since the CIS members receive FDI mostly in the resource sector.[15]

Turning now to the variable of interest *FDI_China*, we cannot fully confirm our hypothesis (H1) and expectations regarding the threat of Chinese FDI to the EU-15 market. Even though the effect of Chinese investment on FDI from

EU-15 countries appears to be negative, the empirical results do not confirm its statistical significance (with the exception of the model specification (III); however, such a result is not robust). Despite the growing Chinese soft power in recent years in multiple CEE countries, it seems like the Chinese effect does not dominate; i.e., the Chinese investment does not yet substitute for EU-15 investments. In the meantime, analogous evidence can be found for Pax Sinica vs. Pax Americana on a global scale, where the American soft power remains more prominent (SEE, E.G., WU 2018). Similar findings, albeit from a trade openness perspective, are presented by Silgoner et al. (2015), who conclude that China, as a global competitor, does not threaten the export performance of the CEE countries in the EU-15 market, as expected.

FIGURE 2: CHINESE FDI STOCK IN THE EU-28 COUNTRIES (2018)



Source: Own elaboration based on data from Eurostat.

The growing concerns among Western politicians or business managers have not therefore been statistically confirmed in the empirical FDI data on the sample of CEE countries in the period 2010–2018. One possible explanation for this may be the fact that the CEE countries still receive a relatively low share of Chinese investment, so its negative effect cannot be proved to be significant. Even though the CEE governments considered the BRI and the 17+1 Initiative as good opportunities to strengthen trade and investment flows on both sides, some Western European countries such as the Netherlands, Sweden, and Luxembourg have still remained the largest recipients of Chinese investment in recent years (SEE FIGURE 2). Nevertheless, it should be noted that Chinese FDI inflows to the CEE region significantly increased in the last years, especially after the financial crisis in 2008. This evidence has been also confirmed by previous empirical works (SEE, E.G., ÉLTETŐ – SZUNOMÁR 2016), although it may not be visible in relative terms.

For instance, the Chinese investment in the Netherlands accounted for about 40% of the Chinese FDI in the EU-28, whereas Poland received the largest Chinese investment among the CEE countries, though it represents only slightly less than 0.5% of the Chinese FDI. This evidence somewhat suggests that the expectations regarding the FDI cooperation between China and the CEE region have not been met. The current Chinese investment in the CEE region is still limited, but it cannot be ruled out that in the future, the CEE politicians may try to attract more Chinese investment, even at the cost of political favors. At the moment, however, any such political influence driven by Chinese soft power is mitigated by the marked presence of private companies in the region.

TABLE 3: TYPES OF CHINESE INVESTMENT IN THE CEE COUNTRIES, % OF TOTAL FDI

	Greenfield FDI	Brownfield FDI	M&As	Others
AL	0	0	100.000	0
BG	50.000	0	50.000	0
HR	0	50.000	25.000	25.000
CZ	50.000	0	16.667	33.333
EE	0	0	66.667	33.333
HU	55.000	0	40.000	5.000
LV	50.000	0	50.000	0
LT	0	0	100.000	0
MK	0	50.000	50.000	0
PL	25.610	0	67.073	7.317
RO	23.810	14.286	42.857	19.048

RS	77.778	22.222	0	0
SK	46.154	0	46.154	7.692
SI	0	0	80.000	20.000
CEE Average	**27.025**	**9.751**	**52.458**	**10.766**

Note: The category *"Others"* includes the following types of FDI: joint ventures, R&D centers, strategic cooperation, unknown. Data for Montenegro are not available.

Source: Own calculations based on the database from Matura et al. (2021).

In addition, most of the Chinese investments in the CEE countries during 2010-18 have not been made as greenfield FDI, but through mergers and acquisitions (M&As) of foreign companies (SEE TABLE 3). It is the complete opposite of FDI from other East Asian countries such as Japan or South Korea, which had been already established on the CEE market before China. While Japanese and Korean investments mainly flow in the form of greenfield FDI as a result of internationally recognized brands and the ownership of technologies, Chinese investors seek to gain strategic assets and prefer entering into global production networks through M&As (SZUNOMÁR – MCCALEB 2018).

The prevailing M&As may actually lead to exaggerations of the relatively weak Chinese impact in the CEE region since previous empirical studies pointed out that the effects of M&As were more minor than those of greenfield FDI. For instance, Harms and Méon (2018) find a positive effect of greenfield FDI on economic growth, while M&As with insignificant effects are identified as *"useless FDI"* by them. This evidence from a sample of 127 countries can be explained by the fact that M&As do not necessarily lead to an expansion of the host country's capital stock since they partly represent a rent accruing to previous owners. Moreover, negative effects of M&As can appear as well; UNCTAD (2000) calls attention to reductions, closures of local production, and decreased competition due to growing M&As in the host economies.

Not only this but also a method of financing major Chinese infrastructure projects, which are located mostly in the Western Balkan countries, may prevent the existence of *the Chinese effect*. Most of the costs of these projects are financed through Chinese development and infrastructure loans provided by state-owned entities (such as the Export-Import Bank of China and the China Development Bank), which do not fit into the FDI category. As mentioned in Vladimirov and Rolland (2021), almost

$14 billion have flowed into the CEE region along with FDI in the form of Chinese grants, development loans, or concession agreements, of which two-thirds occurred in the past five years. As a result, many Western Balkan countries have become exposed to high levels of debt towards China. For instance, Montenegro, the CEE country with the highest debt exposure to China, whose debt to China amounts to more than 18% of its GDP, and Bosnia and Herzegovina, which has the second highest debt exposure to China, as its debt to it is more than 16% of its GDP, prove that the Chinese economic presence appears to be structurally essential in this region (VLADIMIROV – ARUMÍ 2021; VLADIMIROV – ROLLAND 2021). As the intergovernmental loans go beyond the macroeconomic and administrative capacity of the government to manage them, the critics also point out the possible *"debt traps"* arising from the host countries' inability to repay loans for large-scale infrastructure projects, so Beijing could increase its influence and control over the host country's government. The contracts often lack transparency and contain clauses which allow Chinese creditors to seize property or assets when the payments cannot be met (SEE, E.G., STANDISH 2021).

A perfect example is the controversial highway project in Montenegro financed through a $1 billion Chinese loan, which was accepted in 2014. While the highway is still under construction, the Montenegrin government is left with a massive debt to China that it is unable to repay. In March 2021, Montenegro called the EU as a candidate country for help in refinancing the loan. While the European Commission refused, claiming that the EU does not repay loans from third parties, it stated that the EU is willing to help with financing the rest of the highway through grants or preferential loans from the European Investment Bank or the European Bank for Reconstruction and Development (STRUPCZEWSKI 2021). Nevetheless, the Western Balkans prefer Chinese over EU resources because in the case of the former, there is no need for compliance with strict EU standards, which is in contrast to the Central European countries being recipients of large EU funding.

In referring to the remaining (traditional) FDI determinants, our results are consistent with the literature dealing with localization determinants of investment behavior in host countries. Firstly, we find that an increase in wages (see the *Wage* variable in columns (III) – (VI)) leading to higher labor costs in the host country, reduces the attractiveness of the country from the perspective of a foreign investor, which is consistent with our assumptions and previous empirical studies (SEE, E.G., CARSTENSEN – TOUBAL 2004; RASCIUTE – PUCKETT – PENTECOST 2015). Based on this, we can assume that vertical FDI dominates in the CEE countries, i.e., the EU-15 investors are looking for a cheap labor advantage in the CEE host countries. These results are robust and statistically significant in most of the basic model specifications.

On the other hand, the trade openness of the host country (see the *Trade* variable in columns (IV) – (VI)) is in a positive relationship with FDI from the EU-15, which indicates that more investment from Western Europe is allocated to the CEE countries with a higher trade openness. This evidence suggests that fewer trade barriers lead to situations where foreign investors increase vertical FDI in the CEE countries by allocating resources to labor-intensive production. The CEE countries' low production costs and cheap labor provided them with a significant inflow of FDI at the beginning of the 21st century; however, authors writing in the early 2000s pointed out the gradual increase in production costs in the CEE countries after a period of their economic transformation, which may be reflected in their reduced attractiveness for foreign investors in the future (FOR MORE ON THIS, SEE, E.G., KALOTAY 2004).

For the membership in the Economic and Monetary Union, that is, adopting a common currency, namely the euro (see the *Euro* variable in columns (V) – (VI)), we find a negative and statistically significant relationship with FDI from EU-15 countries; i.e., the CEE countries that are not yet members of the monetary union and still use their own currency seem to gain more FDI from the EU-15. These results may be surprising; if we rely on *the Optimum Currency Areas theory* formulated by Mundell (1961), the member states which already joined the monetary union are expected to form more trade and investment links with their fellow monetary union members, although the evidence suggests that the EU-15 investors prefer countries with lower production costs that have not yet adopted the euro – e.g., Poland, Hungary, or Romania – which has its own logic. The same holds for the Chinese investment in the CEE region.

Finally, we control for the institutional quality in the model; however, we do not find a statistically significant relationship between the institutional quality indicator of government effectiveness and FDI from the EU-15 countries in the given sample of the CEE countries in the period 2010–2018 (see *Effectiveness* in column (VI)), which might be explained by these post-transition economies having a similar institutional quality. It is also possible that the agglomeration effects may overcome the importance of other factors. As noted by Campos and Kinoshita (2003), once the investment is settled and the host country attracted the first investors, the process is self-reinforcing, without a need for changing the institutional environment or the policy towards investors.

CONCLUSION

The aim of this paper was to empirically test for *the Chinese effect*, i.e., the substitution effect which can arise between the EU-15 and Chinese investment in the CEE region because of the strengthened political orientation of CEE authoritarian populist and illiberal elites towards China, which can, in turn, undermine the compliance of these countries with the EU norms and standards. By estimating an econometric model of FDI from the EU-15 market and China to 15 CEE countries during 2010–2018, a period which fully covered the period of the existence of the 17+1 Initiative, we do not not confirm that the current FDI linkages between the CEE countries and China disrupted the investment from the EU-15 market in the CEE region. The effect of Chinese FDI on the EU-15 investment seems to be negative, although the results are not statistically significant and thus, we are not able to fully confirm the hypothesis based on regional discussions. Despite the increasing Chinese soft power and FDI in the CEE region, it seems that the investment from China does not substitute for the EU-15 investment there. Our findings may result from the fact that the Chinese investment activities are not mainly based on greenfield FDI but on M&As and provided loans for infrastructure projects. Moreover, the level of Chinese FDI in the CEE region is still relatively low. Despite the creation of the 17+1 Initiative, the Western European countries still represent the largest recipients of Chinese investment. We can therefore assume that the *Chinese effect* has not emerged yet since the expectations regarding the FDI cooperation between China and the CEE region have not been met.

Our results are in line with evidence from related strands of the literature. For instance, the analysis of trade openness by Silgones et al. (2015)

in a similar way suggests that China as a global competitor does not yet threaten the export performance of the CEE countries in the EU-15 market. To the best of our knowledge, this analysis represents the first attempt to examine the EU-15–China relationship in regard to the CEE region from the investment perspective, by which we contribute to this yet unexplored area of research. Even though the expectations regarding the Sino-CEE cooperation have not been met yet and the recent pandemic crisis has put the Chinese reputation at risk as well, it can be assumed that China's activity would intensify, especially in the EU candidate countries (Albania, Northern Macedonia, Montenegro, Serbia, and Turkey), i.e., in countries that are not yet so strictly oriented towards the EU and where the Chinese soft power is prominent. A good example of this is Serbia, where Chinese investors have recently bought steel plants and made investments in transport infrastructure. An analysis involving a longer time period, which is not available at present, may reveal such tendencies, and we admit that the relatively short timeframe of this paper represents one of its shortcomings. Moreover, the Chinese loans which play an important role in the Western Balkan countries should be examined in a separate analysis and this can be a subject for future research.

We can expect that there may be an increase in the Chinese influence over these non-member countries of the Western Balkans which participate in the 17+1 Initiative in the next several years, which may lead to the abandonment of the idea of their joining the EU if their accession process becomes too prolonged. The following policy implications emerge: the EU officials should, therefore, in their own interest, seek to avoid such a scenario and reinforce the EU's soft power in this region. The promotion of the EU funding for strategic infrastructure projects may serve as a counterweight to China's active debt diplomacy, which turned out to have negative consequences for the Western Balkans in the form of a macroeconomic imbalance and increased indebtedness. A coherent concept with a stronger degree of coordination between the CEE countries in cooperation with China can be beneficial as well.

ENDNOTES

1 The EU-15 represents the group of EU member states which accessed the EU before 1 May 2004. It includes the following 15 countries: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, and the United Kingdom.

2 For the purpose of this paper, we refer to the substitution effect as *"the Chinese effect"*. To the best of our knowledge, this issue has not been examined in the empirical literature yet. However, a similar term (*"China effect"*) has been used in studies investigating the effect of China as a global leader on global innovation (see Woetzel et al. 2015) or the impact of trade and investment with China on the US economy (see Britton – Mark 2006).

3 The original 16+1 Initiative with the goal of enhancing the cooperation between China and the CEE region included: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Montenegro, Northern Macedonia, Poland, Romania, Serbia, Slovakia, and Slovenia. At the 8th CEE-China Summit in Dubrovnik (April 2019), the original 16+1 Initiative has been extended to the 17+1 Initiative by the accession of Greece, and this enlargement should have helped to create a transport corridor that would connect China and Europe (Xu 2019).

4 At the same time, there is no mention of China in the European Commission's press release about the Global Gateway, although this infrastructure spending plan seems to be an alternative to the BRI/17+1. A similar finding applies to the EU framework for screening of foreign direct investment (FDI), which has been operating since October 2020 with the aim to coordinate FDI actions within the EU member states.

5 Among the CEE countries, the most Confucius Institutes have so far been established in the Visegrad Group – six in Poland, five in Hungary, three in Slovakia, and two in the Czech Republic.

6 The analysis presented in the paper is focused on the member countries of the Visegrad Group, with the exception of Hungary; Hungary was excluded from the study due to the fact that no Chinese energy investments were present there at the time of the research, nor did any Chinese investor announce its intention to invest in the energy sector in Hungary.

7 From among the CEE countries, Estonia, Latvia, Lithuania, Slovakia, and Slovenia have already adopted the common currency – the euro.

8 The presented methodology enables us to quantify the relationship between the EU-15 and Chinese investment in the CEE region. However, we are not able to reveal any causal links between the strengthened political orientation of the CEE authoritarian populist and illiberal elite and Chinese FDI, as such links were suggested in discussions in academia/policy communities.

9 While transforming variables, we follow the approach of Eichengreen and Irwin (1995), who suggest adding value 1 before calculating logarithms of FDI due to the existence of zero/negative values (the same approach is also used by, e.g., Katsaitis and Doulos [2009] and Ly-My and Lee [2019]).

10 In our analysis, we consider both equity and debt instruments as included in our FDI variable. However, grants, and development and infrastructure loans provided by the Chinese government, where a direct investment relationship does not exist, cannot be included since it would introduce heterogeneity to the analysis (e.g., due to the different driving forces and effects of FDI and grants/development loans).

11 The institutional quality indicator published by the World Bank has been scaled by min-max normalization to simplify interpretation (the original indicators range from -2.5, which represents the worst possible institutional quality, to 2.5, which indicates the best possible result for the institutional quality of the country).

12 Bosnia and Herzegovina is also a part of the 17+1 Initiative; however, due to the unavailability of data for it, this country has been excluded from the data sample.

13 To estimate the econometric model, the generalized method of moments (GMM) is used - in particular, the system GMM estimator developed by Blundell and Bond (1998), which is intended to be used for the estimation of such short panel data. In the GMM system,

the number of individual units (i.e., countries) should be greater than the number of time units (i.e., years) – N>T. We therefore fulfill this condition (15>9) and the GMM estimator is suitable for this model specification.

14 At the 0.05 level of significance, the use of one lag of the dependent variable is sufficient (the Arellano-Bond test) and the instruments are valid (the Hansen test). At the same time, the number of instruments does not exceed the number of individual units (i.e., the CEE countries).

15 Campos and Kinoshita (2003) consider the following members of the CIS group: Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyz Republic, Moldova, the Russian Federation, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan.

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NOTE

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Book Reviews

Kušić, Katarina – Záhora, Jakub (eds.): Fieldwork as Failure: Living and Knowing in the Field of International Relations

1ST EDITION, BRISTOL: E-INTERNATIONAL RELATIONS, 2020, 178 PAGES,
ISBN 978-1-910814-53-6 (AVAILABLE AT: HTTPS://WWW.E-IR.INFO/PUBLICATION/FIELDWORK-AS-FAILURE-LIVING-AND-KNOWING-IN-THE-FIELD-OF-INTERNATIONAL-RELATIONS/)

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Autobiographical International Relations (IR) is arguably becoming a burgeoning field, and it is inhabited especially but not exclusively by scholars performing fieldwork in political science and international relations. The autobiographic accounts range from a semi-fictional autobiographical narrative (DAUPHINEE 2013) and stories of becoming an IR researcher (E.G., INAYATULLAH 2011) to elucidation of what it takes to do fieldwork (KRAUSE – SZEKELY 2020). Three different layers can be discerned in the autobiographical texts. The first layer is concerned with methodology. The authors are sharing the good and the bad of fieldwork with their fellow researchers, offering practical advice or warning against making some common mistakes. They explain how to navigate both in the field and while translating the mosaic of fieldwork notes, fleeting images and hard-won emotions into coherent academic writing back in the safety of the university. The second layer is supposed to unveil the magic process of discovery, how the authors arrived at their knowledge and arguments, and how the circumstances of the fieldwork transformed both the research design and the preconceptions of the researcher. And the third layer is attempting to bring the researcher into the text. Whereas in mainstream academic texts, *"the writer presents herself/himself as absent, as distant, and as indifferent to the writing and ideas"* (INAYATULLAH 2011: 5), autobiographical, narrative and reflexive works attempt to include the researcher not only as an inherent part of the research process but also as an inextricable element of the final manuscripts. The reviewed volume clearly accentuates the third layer, the personalities of the researchers and their bodies and souls involved in the fieldwork. As the title indicates, the central topic in navigating the collected texts was the concept of failure while doing fieldwork. Therefore, the goal of the book is to unravel to what extent fieldwork can be understood as a mechanical data gathering and to what extent it is contingent on factors susceptible to accidents, emotions and (human) errors. That can be considered as a bold move. Writing about failure in doing academic work is uncommon, as it is usually the success that gets published. Moreover, the failures that are the subjects of the chapters are reflected upon on a very intimate level.

This collection of deeply personal testimonies is edited by Katarina Kušić and Jakub Záhora, who, at the time of conceiving the idea of the book, were in the early stages of their scholarly careers. Katarina Kušić studied International Politics at Aberystwyth and is currently a Visiting Scholar at the Center for Advanced Studies — Southeast Europe (University of Rijeka), a co-convener of the BISA South East Europe Working Group, and the Communications Officer for the *Journal of International Relations and Development*. Jakub Záhora read International Relations at SOAS in London and Charles University in Prague and is currently a visiting Ernst Mach Fellow at the Austrian Institute of International Affairs. Most of the contributors of the individual chapters can be similarly considered as early career researchers.

Following the introduction by the two editors, the book is divided into four sections and concluded by a reflecting chapter. The first section, titled "Successfully Making the Researcher," includes three chapters and explores the meaning of being a researcher – both for the scholars themselves and for their interlocutors. All three of the treatises in this section underline the importance of the researchers' bodies being present in their fieldwork, albeit from different perspectives. Jan Daniel and Sezer Idil Göğüş in their respective chapters stress the intersubjectivity of the fieldwork encounters and the expectations of the researcher(s) and interlocutor(s), which may either create an atmosphere of trust, openness and sharing or, on the contrary, remain on the level of rejection, reluctance or hostility. Both authors stress that many of the perceptions and expectations of the interlocutors are exogenous to the research encounters and therefore outside of the control of the researchers themselves. Therefore, despite careful preparations, interviews may go wrong because the researcher is not considered soldierly or laddish enough (pp. 18–19) or because they wear glasses (pp. 32–33). Yet at other times, if the researcher shows distress and weakness, it invites the empathy of the interlocutors and helps to create a welcoming setting for the collaboration (pp. 23–24). The body or rather the soul of the researcher is also highlighted in the very intimate chapter by Jakub Záhora. By sharing his (field)notes from his periods of serious depression, he draws attention to both the emotional strenuousness of fieldwork, especially in areas hit by conflicts, and the lack of institutional support for maintaining the mental health of scholars. His revelations of how his illness helped him to grasp his alterity are illuminating. As other chapters in the volume show (e.g. those by Emma McCluskey and Ewa Maczynska), researchers may find themselves in a situation where they feel resentment or incomprehension towards their interlocutors. It was the distance and incommensurability between his two different selves (the self-in-the-extremely-serious-mental-health-condition and the-relatively-improved-self) that enabled Jakub Záhora *"to harness empathy"* (p. 44) for groups he had previously had to work hard to comprehend.

The second section bears the title "Situating Knowledge" and similarly contains three chapters, though they are rather disparate. The first one (Chapter 4 in the book) is in the form of a *"stylised conversation"* (p. 50) between Johannes Gunesch and Amina Nolte. In their conversation they attempt both to conceptualise and to deconstruct failure as they contemplate many different aspects of failing in fieldwork and in academic research in general. It helps greatly to maintain the dynamic of the chapter that the two authors come from different disciplines (Political Science and Sociology/Anthropology). Arguably, this chapter is so rich in the topics it addresses that it would deserve a more prominent position within the book, either as one of the introductory chapters or as a concluding one. The second chapter of the second section (Chapter 5) is written by Holger Niemann, who discusses the positionality of the researcher and the resulting (often obtained) partiality. While doing his fieldwork at the United Nations, he gained access to the UN as a civil society representative. That particular status enabled him to enter the UN premises, hold interviews with various interlocutors and take part in official meetings. But the civil society representative status also restricted his access to certain places, compelling him to take assigned routes or elevators within the UN buildings, and it forced him to be only a distant observer of the Security Council negotiations. Therefore through his status he could discover only certain aspects of the UN, and his research was doomed to a degree of partiality, though it was not necessarily to the detriment of his final manuscript. In Chapter 6 Lydia C. Cole explores instances of affective responses that *"run contra to myths of an unencumbered, unemotional researcher"* (p. 78). She discusses her two fieldwork encounters where real or perceived emotions that she, as the researcher, took note of changed the dynamic of the interview and opened a different perspective through which she could understand the substance of what she was investigating. In this way she argues that affective responses should not be regarded as research failures but as a *"potential site for learning and unlearning our preconceptions, experiences, and training"* (p. 88).

The third section, "Understanding and Connecting," is opened by Emma McCluskey and her fitting reflection on the (im)possibility of understanding and connecting with interlocutors invariably, notwithstanding the possible reciprocal distrust or even aversion between the interviewer and the interviewees. McCluskey poses a troubling question: whether overhauling the research design in order to be able to interrogate more approachable social groups can be considered a research failure. Perhaps an even more disquieting topic, which is highlighted in this chapter, concerns the researcher's dilemma of whether to exclude some fieldwork experience and findings from the final text. What should be done with evidence that may contradict the desired outcome of a project, especially a project that is not strictly academic, but more practice-oriented like the one performed by McCluskey that aimed to re-humanise migrants? She saw the danger of encouraging the far-right narrative of undeserving migrants by including some of the events she witnessed in a refugee camp in her report, and decided against it, supported by her peers. Another issue that appears in her chapter is taken on by Desirée Poets, the author of chapter 8 – the question of commodification of knowledge production and of making a living from the failings and sufferings of others. Poets perhaps reverses that problem by reflecting on her failure to make her research meaningful and relevant to both academia and the communities where she performed her fieldwork. In her second fieldwork vignette, Poets underlines the difficulty of dealing with sexual harassment during fieldwork, emphasising the lack of institutional support for researchers in this regard. The third chapter of this section questions the process of reflexivity. Ewa Maczynska blames her own attempt at maximum reflexivity for her not being *"able to make sense of where [she] failed without running the risk of reproducing the very dynamics that led [her] to fail in the first place"* (p. 116). She argues that the reflexivity that (white, European) researchers apply when dealing with the marginalised (persons of colour, Muslims, immigrants) may in fact result in reproducing the European gaze, while disrespecting the *"multiple and complex axes of privilege and oppression"* of each individual stakeholder of the fieldwork project. Danielle House, in Chapter 10, communicates to a great extent with Desirée Poets as they both attempt to reconcile the requirements of the academic environment and the needs of the communities where the field research is conducted. House was perhaps more successful in her collaboration with the communities she researched, which she skilfully portrays; however, it was to the detriment of her advancement in academia.

The fourth section, "Writing as Translation," consists of two chapters. In the first one, Renata Summa elaborates on the issue of legitimacy of a researcher from several perspectives. On the one hand, young scholars must defend their belonging in a scholarly community. Therefore, doing fieldwork becomes a legitimising experience for them vis-à-vis their academic peers. However, at the same time, the scholar becomes scrutinised in the field itself regarding their legitimacy. Moving on to the next chapter, being Brazilian and doing fieldwork in Sarajevo, Renata Summa repeatedly faced the question of *"why would anyone from Brazil be interested in Bosnia?"* (p. 141). Referring back to the first two chapters, the Brazilian identity of the researcher, something she could not change, became an inherent part of the research project, for better or worse. Another theme appearing in this chapter is the (im)possibility of transferring the multi-layered knowledge gained during fieldwork into a coherent, levelled text. Katarina Kušić follows this up in the next chapter by contemplating including herself in the final version of her Ph.D. thesis. She initially decides against it for her fear of the thesis not being accepted by the examiners and also of the thesis being perceived as not objective enough. However, she excludes herself from the text also to avoid her personal stories being turned *"into something to be consumed"* (p. 157), given the trend of commodification of success in neoliberal academia.

Chapter 13 is the only one in the last section, titled "Concluding Reflections," and is authored by Berit Bliesemann de Guevara and Xymena Kurowska. After a short vignette from the field, which describes how an initial failure turned into a successful project delivery, the authors conceptualise four socio-political facets of fieldwork failure: (1) structural conditions and epistemological script, (2) contingency, or circumstances, (3) anxiety and (4) privilege, and they argue for reinscribing fieldwork failure through several strategies – micro-tactics, exposure, and the capacity of surprise and reflexivity through positionality (p. 171), strategies that were amply applied by all the contributors to the volume.

Most of the chapters touch on more than one aspect of fieldwork failure and that is why it must have been difficult to structure the book into the sections. Some chapters pursue similar topics and yet are in different sections: Sezer Idil Göğüş and Renata Summa both deal with the foreignness of the researcher, Desirée Poets and Danielle House both examine the impact on researched communities, and Jan Daniel, Emma McCluskey and Ewa Maczynska all discuss their (in)ability to bond with their interlocutors. But the question of order does not in any sense reduce the depth and breadth of the fieldwork failure investigation put forward by this volume. All the authors deserve respect for sharing intimate experiences and their reflections of their perceived failures. Some, if not most of these failures are not necessarily connected to fieldwork only but are familiar to those doing social science, though perhaps in different settings. It is applaudable that by disclosing their supposed failures, most of the authors refrain from the temptation to turn these defeats into victories, though most of the final results of their fieldwork could be considered successes (= publication). Though it is disquieting, by disclosing their failures and treating them as failures, the authors together created a poignant volume to be shared with fellow researchers.

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Alpaslan Özerdem – Roger Mac Ginty (eds.): Comparing Peace Processes

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Conflict resolution and peace processes (CRPP) represent a topic that is, at least in the realm of international relations and politics, heavily discussed and often as enticing as the conflict itself. Therefore, CRPP are tackled by various scholars and publications, one of them being the book *Comparing Peace Processes*, edited by Alpaslan Özerdem and Roger Mac Ginty. As the title of the publication tells us, the group of 22 authors (including the editors) takes up the challenging task of comparing various peace processes because *"[a]lthough comparison between peace processes is difficult, it is useful – indeed, imperative […]. What works in one context may not work in another, but it can be modified and right-sized to fit another context"* (p. 2). The number of contributing authors suggests that they don't form a coherent group connected to one particular university, foundation, or institution. Indeed, their backgrounds and academic affiliations vary. However, all of them have working experience either directly in conflict and peace studies or in similar areas. Especially the editors – Alpaslan Özerdem and Roger Mac Ginty – have years of experience in the field of research and publishing.

Even though the reader intuitively understands what the goal of the publication is, the introductory chapter does not explicitly state it. Thus, the reader is left only with the aforementioned statement about why it is important to research peace processes without being specifically told what to expect from the book itself. The absence of a clear definition of the goal also makes it more difficult to grasp the whole essence of the publication and simultaneously appreciate its added value. Similarly to the goal of the book, the research method is not specifically mentioned either; however, the second part of the introduction provides the reader with an explanation of how to compare peace processes, thus giving the reader a hint of what research method is used in the book. The authors combine three key ways to compare peace processes: 1. a side-by-side comparison of peace processes as case studies of conflicts, 2. identification of an important issue within the peace process and comparison of particular peace processes with regard to that issue, and 3. examination of procedural issues – e.g. negotiations – and their comparison. As they state: *"In this book, our case study-led approach delves into issues areas in peace processes as well as procedural issues. To maximaze comparison, we take a structured approach: the chapters – on the instruction of the editors – touch upon a set of key peace process elements (such as the pre-peace process context, or the negotiations)"* (p. 3). Accordingly, the book is divided into 18 chapters. Each one contains a case study of a particular conflict and the related peace process. The basic structure of all the chapters is similar – 1) the introductory part, 2) the conflict analysis, 3) the conflict resolution process, 4) lessons to be learned – with each one having certain specifics based on the researched case. The only exception to this statement is the concluding chapter, which is organized around 11 variables set by the authors. Each variable is given a numeric score on a case-to-case basis and, as a whole, the variables should subsequently help the authors to assess *"the extent to which a peace process can be judged a 'success' or 'failure'"* (p. 4).

The body of the publication, i.e. the case studies, presents very interesting and detailed analyses of all the conflicts and the subsequent peace processes. The similar structure of the chapters bears fruit as it is easy for the reader to orient him- or herself in the text. Moreover, thanks to the structure, it is also possible to pre-compare the cases even before the concluding chapter. The big positive lies in the "lessons to be learned" sub-chapters. They sum up the most important findings of each chapter and allow the reader to reflect on the chapter in its entirety. The set of selected cases constitutes a mixture of well-known and less well-known conflicts and peace processes. Unfortunately, the criteria behind the selection of the cases are absent. This fact leaves the reader wondering why the authors selected specifically those cases and not other ones. The same logic applies to the number of selected cases. However, it needs to be said that the aforementioned mixture is quite balanced. Understandably, due to the number of selected cases, they are, in many senses, diverse. In terms of geography, the authors cover cases from Europe, Africa, Asia, and Latin America. There are cases where a peace accord (in some shape or form) was achieved (South Africa, Colombia) and cases where this did not happen (Afghanistan), cases that are finished (Sri Lanka, Northern Ireland) and ongoing ones (Israel and the Palestinians), etc. The list of differences can go on and on. Each chapter (as well as the case within it) is interesting in its own way; however, I prefer the ones that copy the aforementioned basic structure (without a slew of additional sub-chapters), pay more attention to the peace process than the conflict itself, and provide the reader with some "extra" piece of information that is not to be found elsewhere. Thankfully, the vast majority of the chapters fulfil at least the first two points. As an example of my preferred type, I can name the chapter on Bosnia-Herzegovina. Dejan Gruzina, the author of this chapter, uses the four-sub-chapter structure described above. He gives substantial space to the conflict resolution process, and in his discussion of it, he points out the highs and lows of the Dayton Agreement and the role of the USA. Last but not least, at the end of the introductory sub-chapter, he provides the reader with some research questions that his chapter should answer. This fact makes the whole chapter unique and even more interesting. In contrast, to demonstrate the features of the "problematic" chapters, I can use the examples of the ones on Liberia and Afghanistan. The former is 13 pages long and divided into 12 subchapters in total, which means that the number of subchapters is too high, considering the chapter's relatively brief length. Moreover, such a high number of subchapters is not needed at all. The titles of most of the sub-chapters distract the reader and keep him/her from immersing him-/herself in the text rather than helping him/her to get a better orientation in the chapter. The latter chapter – on Afghanistan – is mentioned here due to different reasons. Although, like all of the other chapters, the Afghanistan chapter is full of interesting and detailed information, the reason for its inclusion in the book is confusing. Its conflict resolution sub-chapter is very short because there has been no real conflict resolution in this case. Some demands that would possibly enable the peace process were made by both of the belligerent sides but those were never met. Hence, the substance for the analysis is missing.

Regarding the formal side of the text, I appreciate that at the end of each particular case study chapter, there are references. Thus, it is clear which set of sources was used in the said chapter. The same logic is used with regard to the notes. In this case, however, the result is not so convincing. Being forced to turn to the end of the chapter every time a reference is made in the text may become quite tiring. Subsequently, the reader may start to completely ignore the references and thus make their presence redundant. Putting the notes at the bottom of the pages where they are referred to would seem like a better solution.

In the concluding chapter, the authors admit to the difficulties connected to the comparison of the cases, which vary from one to another quite a lot. Of course, some of the cases are more similar than others, but the conditions of each peace process are unique. The authors also tackle the question of numeric assessment of the variables and its arbitrary and subjective character. They also provide the reader with two tables. The first one summarizes the most important facts regarding each case study, which I find very helpful. The reader can't remember 18 distinct cases so this is a way to refresh his/her memory. The second one contains the numeric assessment of the variables for each case with the number 1 meaning low attainment and the number 5 high attainment. This table is then followed by a comparative analysis based on each variable. As I mentioned before, the authors discuss the arbitrary character of the numeric assessment and its repercussions. The numeric assessment itself can be helpful but I was missing a better explanation of each number's meaning with regard to a particular variable. For example, for the first variable – the level of symmetry between the parties (of the conflict) – I would imagine that ideally, the authors would state something like: the number 1 means a radical asymmetry between the parties without a real possibility of a sustainable conflict resolution, the number 2 means a notable asymmetry between the parties with a possible solution depending on the third party's support to the weaker side, etc. Without any more specific explanation of the assessment, the numbers are just numbers. This statement comes to light in the comparative analysis sub-chapter. Due to the high number of case studies, the analysis for each variable is very brief. If the numeric assessment had an explanation, the brief character of the analysis would not matter that much because the reader would be able to imagine what a certain number means. However, this is not the case so the reader must settle for a brief commentary on only some of the analyzed cases.

In general, the book *Comparing Peace Processes* represents an interesting probe into the topic of peace processes and their comparison. It contains diverse information about various conflicts that (in most cases) were connected with a successful or unsuccessful peace process. The authors present well-known cases (South Africa, Bosnia-Herzegovina) as well as some less well-known ones (Mindanao, Liberia). Unfortunately, in my view, the introductory and concluding parts of the publication are negatively affected by the (possibly) excessive ambition of the authors. Firstly, they decided to apply more than one method for comparing peace processes. Secondly, they analyzed a total of 18 case studies. Thirdly, they included a numeric assessment system without a proper explanation of the values that can be acquired by particular variables. It is important to note that such ambitious practices can work. However, for this to be the case with the discussed publication, it would have to be much longer. When it operates with its present length, the result seems half-baked. The authors' promising start stopped somewhere in the middle and thus left their ideas incomplete. If the authors chose the "less is sometimes more" strategy and decided to cut the number of case studies and pick only one method of comparison (for example, a comparison of only a few particular important issues within the peace processes), the final result may have been clearer and more coherent. But even with this particular criticism, I would recommend the book to people who are interested in the topic of conflict resolution and peace processes, or want to simply explore various conflicts and their dynamics. The case studies offer invaluable information about many cases that would be otherwise rather hard to find. Lastly, from the theoretical and methodological point of view, the book may function as a starting point for scholars who want to try to improve upon the authors' approach to researching peace processes.

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