

Conference Paper for the International Conference 'A Great Transformation?
Global Perspectives on Contemporary Capitalisms'

EMBEDDED NEO-LIBERALISM(S) IN THE EU'S COHESION AGENDA: BRINGING THE PERIPHERAL DEVELOPMENT IN (EUROPEAN) ORDER

(4995 words excluding bibliography, early draft)

Daniel Šitera, PhD Candidate

Charles University, Prague/University of Leipzig (GSGAS)

Department of Political Science (ÚPOL)

U Kříže 8

158 00, Praha 5

Czech Republic

daniel.sitera@uni-leipzig.de

TABLE OF CONTENTS

1. Introduction	1
2. Embedded Neo-liberalism(s) in the Theory of (East) European Transnational Capitalism(s).....	1
3. Cohesion Policy's Embedded Neo-liberalism(s): From Redistribution to Marketization	5
4. Embedding Visegrád Dependent Capitalism through Cohesion Agenda?	9
5. Conclusion	12
6. Bibliography	13

1. Introduction

The EU Cohesion Policy has been for a long time neglected by the (*critical*) research on European integration. In the mainstream European Studies, this contrasts with the initial interest of multi-level approaches in the EU cohesion agenda where the empirical case of Cohesion Policy manifested an alleged ineptitude of intergovernmentalist approaches to properly analyze the European integration (e.g. Hooghe 1996). However, just as that initial interest faded – also due to the cohesion agenda’s movement eastwards –, it has remained confined to a rather narrow research oriented on public policy and various governance studies which prolonged the original discussions but complemented their already *problem-solving bias* with an emphasis on the topics of efficiency, added value, performance, etc. (e.g. Bachtler, Mendez, Wishlade 2013). This has been a praiseworthy act because these researchers try to prove the beneficial impact and focus on efficient functioning of cohesion agenda against the neo-liberal rhetoric when, however, simultaneously conceding to the dominant (neo-liberal) discourses. On the other hand, many of critical readings of European integration prevented the critical research of Cohesion Policy, as the EU’s only redistributive policy, as this kind of research seemed useless because the EU was already recognized too neo-liberal (Gill 1998) or too heterogeneous (Offe 2003). In effect, this excluded one of the major determinants in Europe’s peripheral development from the critical research and entrusted it to the research that approaches it as a black box isolated from Europe’s power relations (May and Nölke 2013).

Focusing on the Cohesion Policy and its Structural (and Investment) Funds¹, this paper attempts to further reinvigorate the focus on peripheral development in the critical research on EU, or critical European Studies, while simultaneously bringing (Comparative) Capitalism into the study of Cohesion Policy *per se*. For that purpose, I borrow the Polanyian concept of ‘embedded neo-liberalism’ which can be found in both literatures: critical European Studies (CES) and Comparative Capitalisms (CC) research (on East Central Europe). In particular, I employ the CC field’s expanding capacity of combined and complex inter-temporal and -spatial research (Šitera 2015) to claim that the Cohesion Policy has fixed multiple embedded neo-liberalism(s) in Europe’s geo-historically varied peripheral contexts whose recognition can enrich our understanding of European integration and its regularly changing nature.

2. Embedded Neo-liberalism(s) in the Theory of (East) European Transnational Capitalism(s)

There are two theorizations of embedded neo-liberalism which might be relevant in studying the impact of EU cohesion agenda on the dynamics of EU’s core-periphery relations in general and the East-Central European (ECE) capitalisms’ asymmetrical integration into the EU in particular. While the former theorization took place in the CES, the later emerged in the

¹ European Social Fund, European Fund for Regional Development, Cohesion Fund.

CC scholarship on ECE. Moreover, both literatures are influenced by a combination of Gramscian and Polanyian views on (extended) state and (market) society in a transnationalizing capitalism (Burawoy 2003), while remaining aware of each other, albeit not fully integrated. Foregrounding the Cohesion Policy, an empirical terrain rather neglected and unexplored by both fields, might thus encourage a further theoretical exchange between them. In effect, we could receive a far more nuanced understanding of (i) how the EU's neo-liberal order has been temporarily (re-)fixing/reproducing itself in Europe's peripheral places since the 1980s and (ii) how this has been a transnational yet variegated (geo-historically conditioned) process as well.

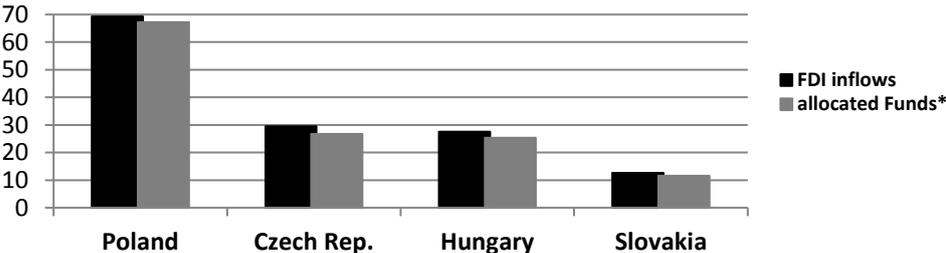
Departing from a sympathetic Gramscian critique of Polanyian concept of embeddedness, Bastian van Apeldoorn (2003: 160, 2009) theorizes embedded neo-liberalism as a result of transnational social struggle over the formation of EU as a regional market-making order since the 1980s. In this sense, the neo-liberal social forces² have succeeded in establishing a neo-liberal *hegemony* over Europe only by reconciling/embedding their own particular interests with the contradictory interests of Europe's labouring populations, rival transnational projects, and individual state projects/models of capitalism. Here, the idea of *social purpose* of EU is important. Embeddedness/hegemony is highly contradictory because it is sustained by dominant social forces on EU's transnational scale of governance in order to hollow out the national institutions of post-war 'embedded liberalism' (Ruggie 1982) to make Europe's populations and state intervention fit for the social purpose of EU as an ever-globalizing economy under the 'master discourse of competitiveness'. Since the export-oriented industrial capital dominated the decision-making over EU's embedded neo-liberalism, although gradually giving way to financialization, the embeddedness has resonated with the resilience of Europe's nation state as mainly a provider of skilled and accessible labour, physical as well as R&D infrastructures. In sum, Van Apeldoorn provides an exploration of EU's power relations on a transnational scale of domination but puts too much emphasis on the dominance of 'the transnational' (Van Apeldoorn 2004) over the EU's social purpose without inspecting duly its configurations across Europe's variegated capitalism and within Europe's inter-state relations (Ryner 2015: 11).

In contrast but not opposition (Bohle 2006), Bohle and Greskovits (2007, 2008, 2012) deploy the concept of a (dependent) embedded neo-liberalism to denote the Visegrád model of capitalism (in Czechia, Hungary, Slovakia, Poland). For Bohle and Greskovits, embeddedness reflects Visegrád states' ability to reconcile the EU's neo-liberal marketization with a quasi-socially-oriented welfare and democratic order in comparison with other countries on Europe's eastern periphery. Such embeddedness developed mostly in congruence with EU's neo-liberal marketization because the Visegrád (post-socialist) capitalist institutions were only in the making when simultaneously transnationalized. With a deliberate EU's enforcement

² Very roughly a hegemonic historical bloc of export-oriented TNCs, increasingly neoliberal, yet divided European Commission (Hooghe 1998), and state managers from Europe's Western/Northern core countries: Germany, Britain, Benelux, and Scandinavia.

(Medve-Bálint 2014), the Visegrád state managers in tandem with West European TNCs succeeded in introducing industrial policies which transformed the local socialist industrial legacy into “Europe’s largest transborder clusters of complex-manufacturing export industries” (Bohle and Greskovits 2012: 138). Hence, more or less dumping its own national capital or supporting its subcontracting orientation, Visegrád industrial policies have been configured to serve the transnational enterprises’ (TNC) strategies of global cost-oriented competitiveness where Visegrád states provide skilled but relatively cheap labour and less innovative but highly adaptive subcontracting sectors; with exceptional cases able to rival the core companies in global markets. All in all, while the intra-Visegrád race over FDI has a tendency to lead to the bottom (Bohle 2009), with embedded neo-liberalism representing a highly fragile (liberal-)democratic capitalism, Greskovits and Bohle’s understanding of embeddedness focuses on the capacity of some of Europe’s peripheral states to reconcile, at least temporarily and partially, their asymmetrical transnationalization with the socio-economic demands of national democracy.

Graph 1: FDI stock and allocated capital in Structural Funds (2007-2013/15) (bill. EUR)



Source: own preparation, European Commission and Central Banks

* The absorption rate of the allocated structural funds stands (in 2015) as such: 95 per cent in Poland, 86,5 per cent in Czechia, 86,3 per cent in Hungary, and 77,4 per cent in Slovakia. Structural funding must be blended with 15 or 25 per cent of additional national/domestic funding in individual investment projects.

Learning from both theorizations of embedded neo-liberalism, the Cohesion Policy can constitute an empirical bridge for further discussion. Van Apeldoorn is rather silent on the topic of Cohesion Policy due to his overemphasis on the class agency of transnational capital and exclusive focus on Europe’s core social forces. Yet, his conceptualization of embedded neo-liberalism as a transnational variety of German-like neo-liberal *Ordnungspolitik* (Van Apeldoorn 2003: 165-166), especially in terms of EU’s industrial policy, can improve our understanding of the changing social purpose in EU’s core-periphery inter-state relations through the Cohesion Policy. As well, although the Cohesion Policy should be a concern of those interested in Europe’s peripheral capitalisms and even though Greskovits and Bohle are recognizing the EU as a stabilizing factor in ECE, they also do not single out the Cohesion Policy

as important for their conception of embedded neo-liberalism due to their firm-centric preoccupation (Ebenau 2015) with, inter alia, FDI (Graph 1: 3). Nonetheless, thanks to them, we can grasp that Visegrád state managers have established socio-spatially distinct industrial policies to compete over industrial FDI, while trying to appease their own population's demand for welfare. Here, the continuing industrial nature of their economies preserves a higher social cohesion and relatively active state management in the re-production of the region's skilled labour, physical infrastructure and R&D adaptability as a Visegrád locational advantage.

From that viewpoint, we might arrive on a twofold conclusion. First, we can study the periodically changing social content of Cohesion Policy as a reflection of the regularly changing socio-economic content of EU *per se*. Thus, the embedded neo-liberalism *inside* as well as *outside* the Cohesion Policy is not a single and isolated constant but changing over time along the new configurations of trans-national social power relations of EU governance. Second, as such relations are developing unevenly, the Cohesion Policy's social purpose is not only *exclusively* dependent on diffusion along the transnational scale of domination but *always* re-negotiated across all scales of EU's governance, with primary scale of core-peripheral state negotiations, and later variously embedded in different geo-historical contexts or variations of 'actually existing capitalism' (May and Nölke 2013) during the unceasing – complementary as well as conflicting – process of integration with each other just as into the EU's market-making order on a whole.

In sum, the inquiry into the Cohesion Policy, when avoiding the trap of holding it as isolated from Europe's power relations, could generate a more nuanced understanding of how it has supported the embeddedness/reproduction of EU's neo-liberal order on its peripheries and Visegrád states in particular. Following Van Apeldoorn's notion of embeddedness, Cohesion Policy has served especially as a co-optation instrument which hegemonically incentivizes, on interrelated discursive and material levels, a continuing but regulated marketization of labour, land, money, and knowledge on Europe's periphery to enable their valorisation by core transnational capital and local, peripheral subcontracting capital. Learning from Greskovits and Bohle's embeddedness, such a form of transnational marketization of East European periphery cannot be denied but the Cohesion Policy must be also viewed in relation to ECE as also serving its institutional stabilization in the EU's Economic and Monetary Union (EMU) as a general interest of foreign capital and local populations at once. Reading from that context, we can recognize together with Polanyi that embeddedness has not been historically only an interest of those in *socializing* countermovement but also those encouraging *marketizing* movement (Polanyi 2001: 155):

"If the needs of a self-regulating market proved incompatible with the demands of laissez-faire, the economic liberal turned against laissez-faire and preferred [...] the so-called collectivist methods of regulation and restriction"

3. Cohesion Policy's Embedded Neo-liberalism(s): From Redistribution to Marketization

Taking embedded neo-liberalism as a constant would thus prohibit us asking broader questions about the change of/in social purpose as well as institutional form of the Cohesion Policy or the whole EU in time. Instead, we might recognize an uneven process of neoliberalization (Brenner, Peck, Theodore 2009) or paradigmatic shifts of/in embedded neo-liberalism(s) from one programming period/financial framework to another in the following EU agendas: Europe 1992 (Delors I), Delors II (1994-1999), Agenda 2000, Lisbon Strategy (2004/2007-2013), and Europe 2020. In general, these shifts have gone from an initial vision of Cohesion Policy as a dirigist supranational redistributive policy to a neo-liberal *Ordnungspolitik* which employs ever more technologies of surveillance and governance to transform the original redistribution consensus into a marketing instrument for the reregulation of existing socio-economic inequalities in EU's core-periphery relations: to materially fix and semantically normalize the EMU in Europe's peripheries when simultaneously bringing the peripheral development in sync with core development trajectories. In effect, we might follow shifts in the (i) volume of resources, (ii) social purpose/content and scope, and (iii) institutional form of the cohesion agenda.

The formation of Cohesion Policy has historically emerged as a 'compromise equilibrium' (Gramsci 1971) for arranging an asymmetrical but consensual integration of peripheral populations into the Single Market and the EMU, while simultaneously increasing the structural tendency (Glassman 1999) of core states to dominate EU scale of governance and the Commission's power to transnationalize the state-organized development policies in peripheral states. Designed by the Commission, the Cohesion Policy's purpose was originally settled by intergovernmental negotiations as a side-payment of core states, the net contributors to the EU budget, to peripheral states, the net receivers, in exchange for the peripheral consent to Europe 1992 agenda with the endpoint in Maastricht Treaty (Marks 1993, 1994). Meanwhile, the transnationalizing context of core-periphery relations and the inter-governmental negotiations per se enabled the Commission officials to manoeuvre themselves into an intellectual agenda-organizer of the intergovernmental negotiations, while assuming a principal role in the post-negotiation planning and command during the programming periods (Bachtler and Mendez 2007). Thus, the EU cohesion agenda's embedded neo-liberalism(s) have become overdetermined by the peripheral dependence on cohesion transfers as the peripheral states regularly conceded to the core state's and Commission's visions of the changing content and volume of Cohesion Policy during the negotiations as well as programming periods.

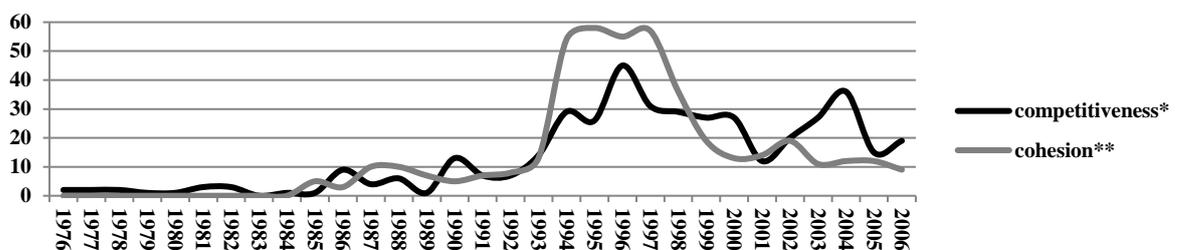
As for the volume, the Cohesion Policy is based on an *extra-economic* consensus which differentiates the cohesion transfers from other circuits of *economic* capital such as the FDI, debt, and trade. Negotiated as an inter-state redistribution to be organized by the Commission, cohesion transfers represent *extra-economic* investment for the sake of sustained regulation of uneven development in the EMU. However, such redistribution

consensus has gradually eroded; a result of the general trend of restraining EU budget with an austerity bias towards financial discipline and the core's appeal on burden-sharing (Bachtler, Mendez and Wislade 2013). Thus, although the establishment of Cohesion Policy had correlated with the *expansion*/doubling of the cohesion and Community budget (Delors I), the following budget (Delors II) underwent *dilution* when the projected rise in the Community budget (in per cent per of EU's GNP) failed but the cohesion budget still doubled. However, with the cohesion agenda moving eastwards from the so-called Cohesion Countries (Greece, Spain, Portugal, and Ireland) and the increasingly neo-liberalized German state refusing, along with Austria and Netherlands, to play the 'paymaster' of EU (Bachtler, Mendez, Wislade 2013: 63), the Agenda 2000 announced a de facto *retrenchment* period. This happened also due to the paymasters' call on the stabilized EU budget and the introduction of capping ceiling setting the maximum allocation per country on 4 per cent of GDP with the further decrease to 2,35 per cent in Europe 2020 framework. Thus, the embeddedness of neo-liberalism has been systematically undermined in volume over time.

Moreover, there has been a transmutation into an *Ordnungspolitik*-like institutional form reflecting the structural tendency of certain core states to dominate EU policies and the Commission's transition from the intended 1980s Euro-mercantilist supranational dirigisme to the post-1980s neo-liberal transnational governance based on new technologies of surveillance and governance. Both institutional forms shared, nonetheless, identical purpose in guaranteeing that the cohesion transfers be invested in compliance with 'Community Structural Policies' (EC 1992). This reflected core states' general doubts and neo-liberal critique that the recipient states lacked administrative capacity to invest the transferred resources efficiently. Thus, already in the 1979 reform of Regional Policy, the Commission was authorized to publish 150- to 300-page long Periodic Reports (EC 1981), to be replaced by Cohesion Reports (EC 1996) and annual Progress Reports (EC 2002), which gave the Commission officials a primacy in 'mapping space' (Harvey 1996: 111) to regularize the uneven development in the EU – thought the proliferation of maps, graphs, and other benchmarking means – as a governable process. Interrelated with such surveillance, there have been emerging new technologies of power such as integrated approach, concentration, and programming (Smyrl 1998), partnership (Thielemann 2002), earmarking, additionality, decommitment, n+2 rule, auditing (self- and peer-reviewing), and focus on ex-ante and ex-post conditionalities (Mendez and Bachtler 2011, Bachtler and Ferry 2013). These 'soft' technologies have gradually 'hardened', especially since the 2007 'lisbonization' of Cohesion Policy (Mendez 2011), that complied with the core states' and neo-liberal calls to prove its 'added value' and the Commission's view of new ECE members as needing a development guidance due to their transition status (Smith 2002). Hence, the maturing of EU's cohesion governance established an asymmetrical 'intersubjective space-time' (Harvey 1996: 216) where the Commission could structurally prioritize its temporalities, spatialities, and strategies of cohesion investment, while peripheral state managers overtook much of the responsibility for its outcomes.

With the changing form, there has been a simultaneous change in the social purpose deriving from the intermingling of cohesion (embeddedness) and competitiveness (neo-liberalism) discourses that entered *en masse* the vocabulary of EU integration in the mid-1980s (Graph 2: 8).³ Analysing the Periodic, Cohesion, and Progress Reports (1991, 1994, 1996, 1999, 2001-2014), the discourse of competitiveness has gradually mastered the cohesion agenda, while cohesion remained as a catch-phrase in title but was replaced with market-oriented convergence in body early on. As such, the Cohesion Policy's socio-economic content transformed into strategic and spatial selectivities of post-Fordist Competition States as described by Brenner (2004) and Jessop (2003) with increasing bias towards macroeconomic stability combined with a supply-side investment based, at least since 1992, on the intra-European competition over FDI.

Graph 2: Occurrence Rate of *Competitiveness* and *Cohesion* in Annual Reports of Structural Funds, 1976-2006 (number of occurrences per annual report)



Source: own elaboration; Annual Reports to ESF (1976-1988), EDF (1976-1988), Structural Funds (1989-2006)***

* including affiliated terms 'competitive' and 'competition'; excluding 'Competition Policy'

** excluding 'Cohesion Fund' and 'Cohesion Policy'

*** Since 1989, there is one annual report per year summarizing investment activities in the realm of all structural funds.

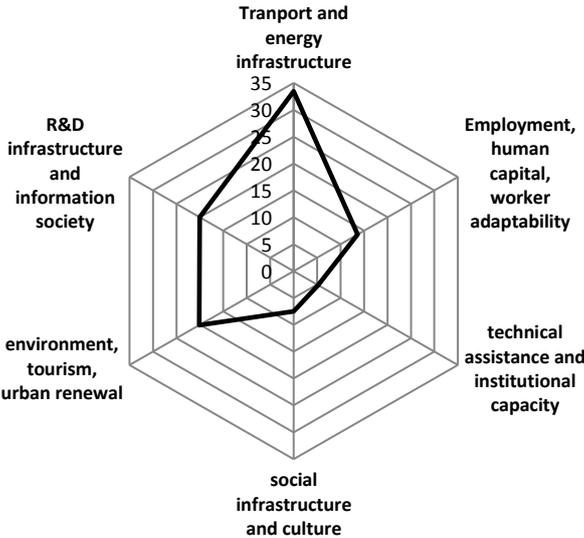
Yet, the discourse of competitiveness metamorphosed over time: Since the mid-1980s until the mid-1990s, peripheries had to structurally adjust to the intra-European competition in the EMU. Since the late 1990s to the 2007 crisis, the push to the structural adjustment was expanded to the, largely undefined, global competition. Since the 2007 Progress and later Cohesion Reports, competitiveness received further explicit recognition in the new 'Lisbon' benchmarking methods. With the dire effects of crisis acknowledged – albeit mostly in terms of convergence in, e.g., (un)employment rates – and the discourse of inclusive growth (re-)employed, the crisis was understood as *external* global issue, not really in connection with the systemic problems of EMU as such. In this sense, the higher competitiveness offered a way to socio-economic stabilization, while the so-called 'global competitors' were recognized as a new way to compare EU's general and peripheral (under)performance. As well, the

³ The term (*economic and social*) *cohesion* appears firstly in the Single European Act of 1986. In the realm of Structural Funds, it appears firstly in the 11th Annual Report of ERDF of 1985 (EC 1986: iii), the 16th Annual Report of ESF of 1987 (EC 1988: 4), and the 3rd Periodic Report of 1987 (EC 1987: 1).

reports increasingly emphasized the combination of structural investment together with sound finances along the lines of Stability and Growth Pact. Hence, the Cohesion Policy moved from a developmental vision of cohesive adaptation/catch-up to the EU’s *internal* marketization into an investment for peripheral export-oriented resilience to the intensifying *external* competition.

Here, the pursuance of ‘added value’ was to integrate the Cohesion Policy with the general socio-economic content of EU governance. This was expressed in the gradual translation of competitiveness into temporarily dominant brands of fixed capital (Harvey 1982): (i) physical, (ii) human, (iii) innovation and (iv) environmental capital (i.e. stock, capacity, network, infrastructure): Encrypted in TENT-T lobbied by the business “infrastructure lobby”, physical capital predominated at the end of 1980s (Jensen and Richardson 2004: 76, 106). By the end of 1990s, the neo-liberal restructuring of labour markets highlighted human capital as complementing the peripheral ‘communitarian neo-liberalism’ in employment policies (Bieling 2003). Since the 2000s, innovation capital in a broader meaning has come into foreground due to the Lisbon Agenda’s aim at making the EU the most competitive knowledge-based economy in the world (Van Apeldoorn and Hager 2010) which Europe 2020 updated into the discourse of smart specialization and digital growth. Moreover, the discourse of green growth has played an important role since the onset of cohesion agenda, while environmental sustainability gradually integrated into the competitiveness discourse. Thus, the Cohesion Policy moved from the vision of 1980s supranational whole-European ‘Community Structural Policies’ to the post-1980 investment, with demand-side effect acknowledged but understood as secondary, which serves the needs to fix the changing set of capital(s) in Europe’s peripheral development; including the Visegrád one (Graph 3: 8).

Graph 3: Breakdown of Structural Funding in Visegrád Countries (per cent of total investment)



Source: own preparation; National Strategic Frameworks (DG Regio)

In conclusion, this chapter tried to highlight the complex change of embedded neo-liberalism(s) in the Cohesion Policy and EU in general. Such change has been a gradual movement from the cohesion-based *equalising* spatial redistribution into the competition-based *differentiating* spatial marketization (paving the way to post-2020 financialization where peripheries borrow for their development). Although peripheral states became the major beneficiaries of cohesion agenda, such material dependence only prolonged their consensual but asymmetrical position in the EU's market-making order with their development overdetermined *by* the Commission and core states and *in favour* of transnational capital. This has not formed a one-sided imposition, but a complex and reciprocal expression of the transnational context of core-periphery relations where the core- and neo-liberal-based hegemony is an "educational relationship" in which "every teacher is always a pupil and every pupil a teacher" (Gramsci 1971: 349-50). Thus, the burgeoning new technologies of cohesion governance reached its new horizon when Danuta Hübner, Poland's Commissioner, oversaw the Cohesion Policy. This point shows that the Cohesion Policy has indeed aimed to institutionalize a social relation above, across, and through the peripheral states that would make the continuing inequalities (and their developmental solution) in Europe an intersubjective and depoliticized fact of EU's existence.

4. Embedding Visegrád Dependent Capitalism through Cohesion Agenda?

Taking into account the aforementioned, one must contemplate the changing purpose of EU cohesion agenda's embedded neo-liberalism(s) in the different socio-spatial contexts of Europe's peripheries. Such analysis must be also aware of "the interaction of national capitalisms with each other, particularly in the context of an international institution such as the Economic and Monetary Union" (Nölke 2015: 6). Thus, this section strives to explain how the cohesion agenda co-constituted and stabilized the form of Visegrád state organized around the management of foreign-owned export-oriented sectors and economy in general, as described above, especially since EU's 2004 eastern enlargement. Moreover, it explores the contradictory nature of Visegrád development, fixed through the entanglement of *extra-economic* Structural Funds and *economic* FDI, which becomes more embedded only when increasing its dependence at the same time.

Starting with PHARE (Poland and Hungary Aid for Economic Restructuring) in the early 1990s, the structural funds tended to promote a stable social, economic, and 'ethico-political' climate favourable mainly to the inflow of West European FDI into Visegrád states (Ther 2016: 160, Drahekoupil 2009: 116-117, Vliegthart and Horn 2009). In this sense, they served to establish new material, social, and intersubjective (cultural) relations that favoured mutual integration of EU and Visegrád economies (Bandejl 2002). Thus, the increasing aid-to-become-cohesion inflows inevitably conspired to the gradual "relocation of German economy eastwards" (Bohle 2009) that gradually integrated the Visegrád states into a "neo-mercantilist German space" (Jessop 2015: 20, 30) including the Netherlands, Austria, and the Visegrád

countries. Here, Visegrád states play not only but a 'prolonged assembly table of German industry' (Ther 2016: 266) which can then valorise Visegrád skilled but cheap labour as well as highly technologically adaptive subcontracting sectors for its own global strategies of cost-oriented competitiveness. As the Visegrád industrial policies, combined with later unrestricted repatriation of TNC's profits (Galgóczi, Drahokoupil and Bernaciak 2015), serve to favour (West European) TNCs over domestic capital while bringing Visegrád states into an intra-regional race to the bottom (Bohle 2009, Table 1: 10), this exemplifies how the core states' such as German state's net contributions to the Cohesion Policy temporarily stabilize the asymmetrical and otherwise socio-economically exhausting integration of Visegrád states into Germany's export-oriented bloc.

Table 1: Dep. Market Economy/Dependent Development State in Visegrád Capitalism (2007-2013)

Institution	Dependent Market Economy	Cohesion Policy	Operational Level in Czechia*
<i>Coodrination mechanism</i>	dependence on intrafirm hierarchies within transnational enterprises	dependence on the Commission; inclusion into the networks of cohesion bureaucracies	technologies of governance: programming, partnership, evaluation, earmarking, etc.
<i>Primary means of rising investment</i>	foreign direct investments; foreign-owned banks	Structural Funds (ESF, ERDF, Cohesion Fund)	Operational Programmes (OPs); Regional Operational Programmes (ROP)
<i>Corporate/Public Governance</i>	control by headquarters of transnational enterprises	public-private networks of bureaucracies and partnerships	OP Technical Assistance; Integrated Operational Programme
<i>Industrial relations</i>	appeasement of skilled labor; loose labor regulation	normalization of flexible labor market; co-opted labor unions	OP Human Resources and Employment; OP Education for Competitiveness
<i>Education and training systems</i>	limited expenditures for further qualification	active labour market policies, investment in education and training systems	OP Enterprise and Innovations for Competitiveness; OP Research and Development for Innovation
<i>Transfer of innovation</i>	intrafirm transfer within transnational enterprise	investment in knowledge-based economy and innovative infrastructure	OP Enterprise and Innovations for Competitiveness; OP Research and Development for Innovation
<i>(State) Industrial policy</i>	Incentives (tax holidays, land grants, tax cuts for business) to attract transnational enterprises	Supply-side investment in physical (OP Transport), human (above), innovation, and environmental (OP Environments) capitals with demand-side side-effects	
<i>Form of Integration into EMU</i>	Assembly platforms for semistandardized industrial goods; second rank service sectors	Integration into EMU as a case of asymmetrical transnationalization of state. Overdetermined development by Europe's transnational actors and core states	

Source: own elaboration; Dependent Market Economy (Nölke and Vliegenthart 2009: 680) and (State) Industrial policy (Bohle 2009: 180).

* Similar logic of OPs (and various priority axes) can be found in other Visegrád states.

Moreover, apart of the supply-side preoccupation with the Cohesion Policy as a provider of fixed capital - social and physical infrastructures - for increased mobility of West European TNCs, the cohesion investment produces demand-side effects as well. The policy brings huge amounts of investment capital (Graph 1: 3) up to 4 or 2,35 per cent of GDP that must be invested on a short period of time. Moreover, the inflowing capital has an enabling effect because it has amounted, e.g., to the 90 per cent of all public investment in Slovakia and Hungary as well as around 55 per cent in Czechia and Poland in the period 2012 and 2013 (EC 2014: xvi). Given the unprecedented internationalization of Visegrád economies in all their economic sectors, the Cohesion Policy boosts demand-led development in Visegrád states that is also valorized by West European TNCs. This brings the issue of dependent development in the foreground.

In the Visegrád region, the 'Dependent Market Economies' (Nölke and Vliegenthart 2009) are complemented with a dependent development state (Table 1: 10). Such dependence is primarily material but also further normalized through a continuing asymmetrical transnationalization of Visegrád state (Shields 2012). This form of transnationalization has progressed through the formation of cohesion bureaucracies within the state apparatus but also civil society (consultancy agencies, universities, business associations, labour unions, etc.) on national as well as subnational scales of Visegrád governance.⁴ These bureaucracies form a nodal point which (i) connects the Visegrád state managers to the broader ideational as well as material flows of cohesion agenda and (ii) realizes the Commission's/DG Regio's proxy implementation of programming periods through the aforementioned technologies of governance. Nonetheless, such bureaucracies renegotiate as well such command with Visegrád state hegemonic projects. Indeed, the cohesion bureaucracies in Czechia, known among their colleagues as 'fondaři' (those who do funds) and recognized as a distinct category with higher remuneration but also higher risk, "are almost omnipresent here at the ministry".⁵ Thus, during the Czechia's programming period 2007-2013/15, although the Ministry of Regional Development functioned as the 'national coordination authority' and the Ministry of Finance as 'national audit authority', cohesion bureaucracies spanned all ministries. In this sense, every ministry administered an Operational Programme (OP) (Table 1: 10) which required to establish autonomous sections (highest administrative unit with own Deputy Minister) and a network of specialized departments. In this sense, the material dependence on cohesion transfers exposes Visegrád bureaucracies to the *external* influences that are incomparable with core member states which are not a part of cohesion funding.

Hence, the cohesion funding upholds embedded neo-liberalism in Visegrád states mostly along the lines of 'state-foreign capital nexus' (Pavlínek 2016) when aiming at the material and ideological support of Visegrád state FDI-oriented projects (Drahokoupil 2009). Indeed, the Cohesion Reports have been constantly imagining FDI as the only way for Visegrád states to

⁴ To give an example (Ministry of Regional Development 2006: 3-4).

⁵ Interview with a policy officer employed at the Ministry of Industry and Trade, Prague, September 2016.

economically upgrade – thus highlighting the need to modernize Visegrád social and physical infrastructures (Graph 3: 8, Table 1: 10). However, the "joint uses [of fixed capital and consumption fund] are always possible" (Harvey 1982: 229) in this sense. Although a market-enabling rather than market-correcting instrument, the Cohesion Policy recognizes the need of reproduction of Visegrád (i) transport and energy infrastructures, (ii) skilled, healthy, and inclusive populations as a consequence of improved educational, cultural, and health infrastructures, (iii) technologically adaptable small and medium-sized enterprises (SMEs), (iv) and environmental renewal following the socialist industrial past. Although the cohesion policy enables further marketization of all possible fictitious communities on Europe's peripheries, it also represents the only strategic source of developmental intervention in Visegrád states. This makes the absence of structural funds almost unimaginable but also "increases frustration to realize that the 'OP Enterprise and Innovations for Competitiveness' receives the four times higher demand for funding by SMEs than it is able to satisfy".⁶

In sum, the entanglement of *economic* FDI and *extra-economic* Structural Funds has further prolonged the contraction of dependent embeddedness in Visegrád states which becomes ever more overdetermined by the strategic calculations of Europe's core states and dominant transnational actors. On the one hand, the cohesion funding helps the Visegrád state managers to displace the consequence of their race over the FDI into future, while reconciling the asymmetrical integration into the EU's market-making order with the material demands of national democracy as much as it is possible in sub-core/semi-peripheral models of capitalism. This allows them to remain firmly integrated with the EMU and German neo-mercantilist space in particular. On the other hand, this comes at price of continuing asymmetrical transnationalization of Visegrád state and dependence on the external development and decision-making elsewhere.

5. Conclusion

This article tried to discuss the concept of embedded neo-liberalism in relation to the EU Cohesion Policy to theoretically deepen and empirically broaden the mutual exchange of the Critical European Studies and Comparative Capitalisms Research (on ECE in particular). As the analysis of the EU Cohesion Policy shows, the concept of embedded neo-liberalism has regularly changed in space and time. There is thus diversity of/in embedded neo-liberalism(s) that were co-constituted by the Cohesion Policy on Europe's peripheries. Accepting such a diversity provides us with a much more nuanced understating of the changing social purpose of Cohesion Policy but also the EU per se.

Thus, we can observe that moving geographically eastwards and temporarily to the present time, the embedding effects of Cohesion Policy have eroded. While the Cohesion Policy supported the embedding of neo-liberalization in Southern Europe until 2004/2006, the Visegrád FDI-based economies, along with other ECE economies, have been able to embed

⁶ Interview with a high-ranking official of the Czech-Moravian Confederation of Trade Unions, Prague, November 2016.

their own neo-liberalization in a broader sense until 2020. This all had come at prize of continuing material, and thus ideational, dependence on the Europe's core states and dominant transnational actors. Just as in the case of southern periphery in the post-crisis Europe, such dependence can be deeply harming for Visegrád states in the years to come. In the post-2020 EU, the cohesion agenda is to be transformed mostly into a financialized instrument where states borrow for development. Moreover, the FDI are becoming increasingly exhaustive as the investment flows have been continually stagnating, while the repatriation of profits tended to intensify.

6. Bibliography

- Bandelj, N. (2002): 'Embedded Economies: Social Relations as Determinants of Foreign Direct Investment in Central and Eastern Europe', *Social Forces* 81:2, pp. 411-444.
- Bachtler, J. and C. Mendez (2007): 'Who Governs EU Cohesion Policy? Deconstructing the Reforms of the Structural Funds', *Journal of Common Market Studies* 45:3, pp. 535-564.
- Bachtler, J., C. Mendez and F. Wishlade (2013): *EU Cohesion Policy and European Integration: The Dynamics of EU Budget and Regional Policy Reform*, London: Routledge.
- Bachtler, J. and M. Ferry (2013): 'Conditionalities and the Performance of European Structural Funds: A Principal-Agent Analysis of Control Mechanisms in European Union Cohesion Policy', *Regional Studies*, pp. 1-16.
- Bachtler, J., C. Mendez, and H. Oraže (2013): 'From Conditionality to Europeanization in Central and Eastern Europe: Administrative Performance and Capacity in Cohesion Policy', *European Planning Studies*, pp. 1-23.
- Bieling, H.-J. (2003): 'European employment policy between neo-liberal rationalism and communitarianism' In H. Overbeek (ed.) *The Political Economy of European Employment: European integration and the transnationalization of the (un)employment question*, New York: Routledge, pp. 51-74."
- Bohle, D. (2006): 'Neoliberal Hegemony, Transnational Capital and the Terms of the EU's Eastward Expansion'. *Capital & Class* 30:1, pp. 157-86.
- Bohle, D. and B. Greskovits (2007): 'The State, Internationalization, and Capitalist Diversity in Eastern Europe', *Competition and Change* 11:2, pp. 89-114.
- Bohle, D., H. Radice and S. Shields (2007): 'State, Capital and Labour in Transition: The Political Economy of Capitalist Diversity in Eastern Europe', *Competition & Change* 11:2, pp. 81-7.
- Bohle, D. and B. Greskovits (2008): 'Neoliberalism, Embedded Neoliberalism, and Neocorporatism: Towards Transnational Capitalism in Central-Eastern Europe', *West European Politics*, 30:3, pp. 443-66.
- Bohle, D. (2009): 'Race to the Bottom? Transnational Companies and Reinforced Competition in the Enlarged European Union' In J. Drahokoupil, B. van Apeldoorn and L. Horn (eds.), *Contradictions and Limits of Neoliberal European Governance: From Lisbon to Lisbon*, London: Palgrave Macmillan.
- Bohle, D. and B. Greskovits (2012), *Capitalist Diversity on Europe's Periphery*, Ithaca: Cornell University Press.

- Brenner, N. (2004), *New State Spaces: Urban Governance and the Rescaling of Statehood*, Oxford: Oxford University Press.
- Brenner, N., J. Peck, N. Theodore (2009): 'Variegated Neoliberalization: Geographies, Modalities, Pathways', *Global Networks* 10:2, pp. 182-222.
- Burawoy, M. (2003): 'For a Sociological Marxism: The Complementary Convergence of Antonio Gramsci and Karl Polanyi', *Politics & Society* 31:2, pp. 193-261.
- Drahokoupil, J. (2009): *Globalization and the State in Central and Eastern Europe: The politics of foreign direct investment*, London: Routledge.
- Ebenau, M. (2015): 'Directions and Debates in the Globalization of Comparative Capitalisms Research' In Ebenau, M., I. Bruff and Ch. May: *New Directions in Comparative Capitalisms Research: Critical and Global Perspectives*, London: Palgrave, pp.45-61.
- European Commission (1981): *The regions of Europe. First periodic report on the social and economic situation of the regions of the Community*, Brussels: European Commission.
- European Commission (1986): *European Regional Development Fund: 11th Annual Report of 1985*, Brussels: European Commission.
- European Commission (1986): *European Regional Development Fund: 11th Annual Report of 1985*, Brussels: European Commission.
- European Commission (1987): *Third Periodic Report on the Economic and Social Situation and the Development of the Regions of the Community (Regions of the Enlarged Community)*, Brussels: European Commission.
- European Commission (1988): *European Social Fund: 16th Annual Report of 1987*, Brussels: European Commission.
- European Commission (1992): *Community structural policies: assessment and Outlook. Communication of the Commission*, Brussels: European Commission.
- European Commission (1996): *First Report on Economic and Social Cohesion*, Brussels: European Commission.
- European Commission (2002): *First progress report on economic, social and territorial cohesion*, Brussels: European Commission.
- European Commission (2014): *Sixth report on economic, social and territorial cohesion*, Brussels: European Commission.
- Galgóczi, B., J. Drahokoupil and M. Bernaciak (eds.) (2015): *Foreign investment in eastern and southern Europe after 2008: Still a lever of growth?*, Brussels: ETUI
- Gill, S. (1998): 'European governance and new constitutionalism: Economic and Monetary Union and alternatives to disciplinary Neoliberalism in Europe', *New Political Economy* 3:1, pp. 5-26.
- Glassman, J. (1999): 'State power beyond the 'territorial trap': the internationalization of the state', *Political Geography* 18, pp. 669-696.
- Gramsci, A. (1971): *Selections from the Prison Notebooks*, London: Lawrence & Wishart.
- Harvey, D. (1996): *Justice, Nature and the Geography of Difference*, New York: Blackwell.
- Harvey, D. (2006) [1982]: *Limits to Capital*, London: Verso.
- Hooghe, L. (ed.) (1996): *Cohesion Policy and European Integration: Building MultiLevel Governance*, Oxford: Oxford University Press.

- Hooghe, L. (1998): 'EU Cohesion Policy and Competing Models of European Capitalism', *Journal of Common Market Studies* 36: 4, pp. 457–77.
- Jensen, O.B. and T. Richardson (2004): *Making European Space: Mobility, Power and Territorial Identity*, London: Routledge.
- Jessop, B. (2003): *The Future of Capitalist State*, Cambridge: Polity Press.
- Jessop, B. (2015): 'Variegated Capitalism and the Political Economy of Austerity' In R. Westra, D. Badeen, and R. Albritton, *The Future of Capitalism After the Financial Crisis: Varieties of Capitalism Debate in the Age of Austerity*, New York: Routledge.
- Marks, G. (1992): 'Structural Policy in the European Community' In A.M. Sbragia (ed.): *Euro-Politics. Institutions and Policymaking in the 'New' European Community*, Washington: Brookings Institution, pp. 191-224.
- Marks, G. (1993): 'Structural Policy and Multilevel Governance in the EC' In A.W. Cafruny and G.G. Rosenthal (eds.), *The State of the European Community. The Maastricht Debates and Beyond*, Boulder: Lynne Rienner Longman, pp. 391-411.
- May, Ch. and A. Nölke (2013): 'Kritischer Institutionalismus in der Vergleichenden Kapitalismusforschung: Konzeptionelle Überlegungen und Forschungsprogramm' In I.Bruff, M. Ebenau, Ch. May and A. Nölke (eds.), *Vergleichende Kapitalismusforschung: Stand, Perspektiven, Kritik*, Münster: Westfälisches Dampfboot, pp. 103-118.
- Mendez, C. (2011): 'The Lisbonization of EU Cohesion Policy: A Successful Case of Experimentalist Governance?', *European Planning Studies* 19:3, pp. 519-537.
- Mendez, C. and J. Bachtler (2011): 'Administrative Reform and Unintended Consequences: An Assessment of the EU Cohesion Policy 'Audit Explosion'', *Journal of European Public Policy* 18:5, p. 746-765.
- Medve-Bálint, G. (2014): 'The Role of the EU in Shaping FDI Flows to East Central Europe', *Journal of Common Market Studies* 52:1, pp. 35–51.
- Ministry of Regional Development (2006): National Strategic Reference Framework of the Czech Republic, 2007 - 2013, Prague: Ministry of Regional Development of the Czech Republic.
- Nölke, A. and Vliegthart, A. (2009): 'Enlarging the Varieties of Capitalism The Emergence of Dependent Market Economies in East Central Europe', *World Politics* 61:4, pp. 670–702.
- Nölke, A. (2016): 'Economic causes of the Eurozone crisis: the analytical contribution of Comparative Capitalism', *Socio-Economic Review* 14(1), pp.141-16.
- Offe, C. (2003): 'The European Model of "Social" Capitalism: Can It Survive European Integration?', *The Journal of Political Philosophy*, 11:4, pp. 437–469.
- Pavlínek, P. (2016): 'Whose success? The state–foreign capital nexus and the development of the automotive industry in Slovakia', *European Urban and Regional Studies*, pp. 571-593.
- Polanyi, K. (1944/2001): *Great Transformation: Political and Economic Origins of our Time*, Boston: Beacon Press.
- Ruggie, J.G. (1982) 'International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order', *International Organization* 36:2. pp. 379–415.
- Ryner, M. (2016): 'Europe's Ordoliberal Iron Cage: Critical Political Economy, the Euro Area Crisis and its Management', *Journal of European Public Policy* 22:2, 275-294.

- Shields, S. (2012): *The International Political Economy of Transition: Transnational social forces and Eastern Central Europe's transformation*, London: Routledge.
- Smith, A. (2002): 'Imagining geographies of the 'new Europe': geo-economic power and the new European architecture of integration', *Political Geography* 21, pp. 647–670.
- Smyrl, E.M. (1997): 'Does European Community Regional Policy Empower the Regions?', *Governance* 10:3, pp. 287–309.
- Šitera, D. (2015): 'On New Travels in Space-Time: Theoretical Rediscoveries after the Crisis in (Comparative) Capitalism(s)', *New Perspectives* 23:2, pp. 77-92.
- Smith, A. (2002): 'Imagining Geographies of the 'New Europe': Geo-economic Power and the New European Architecture of Integration'. *Political Geography* 21:5, pp. 647–670.
- Ther, Philipp (2016): *Die neue Ordnung auf dem alten Kontinent: Eine Geschichte des neoliberalen Europa*. Berlin: Suhrkamp Verlag.
- Thielemann, E. (2002): 'The Price of Europeanisation: Why European Regional Policy Initiatives are a Mixed Blessing', *Regional and Federal Studies* 12:1, pp. 43-65.
- Van Apeldoorn B. (2002): *Transnational capitalism and the struggle over European integration*, Routledge: London.
- Van Apeldoorn, B. (2004), 'Theorizing the Transnational: A Historical Materialist Approach', *Journal of International Relations and Development*, 7:2, pp. 142–176.
- Van Apeldoorn, B. and S. Hager (2010): 'The social purpose of new governance: Lisbon and the limits to legitimacy', *Journal of International Relations and Development* 13, pp. 209–238.
- Vliegthart, A. and L. Horn (2007): 'The Role of the EU in the (Trans)formation of Corporate Governance Regulation in Central Eastern Europe – The Case of the Czech Republic', *Competition & Change* 11:2, pp. 137-54.

OTHER DOCUMENTS:

- Annual Reports: European Regional Development Fund (1975-1988).
- Annual Reports: European Social Fund (1975-1988).
- Annual Reports: European Structural Funds (1989-2006).
- Reports on Social and Economic Cohesion (1996-2014).