

Economic Competition in Visegrad Region – Causes and Consequences

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Military Competition vs. Economic Competition

- What is the difference?
- Quest for territory vs. Quest for non-territorial power (markets, profits, foreign direct investments)
- Cold War lessons
- Intensive competition in Visegrad since the end of 90s
- **THERE IS NO ALTERNATIVE - ?**

Economic Competition

- Not just to **make profit** but to **maximize** it by exploiting differences in local economies
- **“Dangerous obsession,”** which supports misallocation of resources and poor quality of policy making
- Growing inequalities between regions and between social groups

Economic Competition

- Taken as a fact beyond question and resisting
- Has been used to justify low salaries, increased work hours, cuts in health care and welfare - **policies with negative effect on people**
- Has been used to justify tax free zones, investment incentives, lowering environmental protection - **policies that benefit TNC**

Why Did We Get Into It?

- Prisoner's Dilemma
- IMF and the World Bank recommendations
- Condition for getting loans
- **Condition for political acceptance** from international community
- Lack of capital & Unemployment
- **No strategy of our own as a region**

Kick Away The Ladder

- **None** of the rich countries achieved their wealth by global competition
- USA, Britain, Germany, Scandinavia – had a long period of **national accumulation**
- Yet developing countries and transition economies are **pushed to compete**

What Is It We Really Want?

- **Economic Growth vs. Human Development**
- GDP never meant to measure economic success.
- Crime casualties, prison costs, environmental damage, divorce procedures, alcoholism, car accidents, health care costs – **GDP counts it all as positive.**

Human Development

- *“ Human development ... is about creating an environment in which people can develop their **full potential** and lead **productive lives** in accord with their needs and interests...is about **expanding the choices people have to lead lives that they value**... about much more than economic growth, which is **only a means**-if a very important one-of enlarging people’s choices.”* (UNDP)

Human Development

- Social stability
- Community life
- Secure jobs
- Safe streets
- Freedom from violence and forced migration
- Freedom from environmental degradation

They do not have direct market value = they are endangered by unrestrained competition.

Competition Transforms:

- Relations **between states**
- Relations between **state and its citizens**
- Relations between **state and capital (TNC)**
- Relations between **capital and people**
- Competition dictates **value** and structure of human and social relations.

Bidding Process

- Low transparency breeds corruption.
- “Special treatment” for “strategic” investor.
- Additional special agreements to the investment agreement (low commitment of investor, **no accountability** for not creating promised jobs etc.).
- Pressure and partial information from TNC, insecurity, stimulation of V₄ competition.
- Espionage & Moral hazard.
- Especially dangerous around elections time.

Welcome to
SLOVA-KIA



How Slovakia Got KIA

- *“direct stimuli **170 mil. EUR**, a promise to provide incentives to all subcontractors, infrastructure investment, highway construction of SKK 22 billion, airport reconstruction, **a newly built village** for the company’s management, **luxurious housing in Bratislava worth 40 mil. EUR**, pledge not to increase corporation tax and other related taxes for four years, pledge not to increase VAT on cars and **pledge not to increase employment and social protection.**”*

(from Drahekoupil, J.: Globalization and the State in Central and Eastern Europe: The Politics of Foreign Direct Investment)

Paralyzed Democracy

- Democracy identified with free market.
- Democracy subordinated to quest for profit.
- *“the nature of democracy is not determined by the casting of votes but by conversation, negotiation, mutual respect and understanding and thereof the growing idea of the **interests of the whole**”*

(Hal Koch)

National Interest?

- *“The expansion of production of Volkswagen .. is a matter of public interest.”*

(Ivan Miklos, 1999)

- *“Corporations operate only in their own interest. Sometimes these interests will coincide with those of disadvantaged groups, but only by disadvantaging another.”*

(Xing and Hersh)

Human Rights

- Expropriation of land ownership.
- Marketa Regecova, Jan Rajter, Nosovice, Teplicka n/V.
- Protection of political HR & undermining economic and social HR.

“Of all human rights failures today, **those in economic and social areas affect by far the larger number** and are the most widespread across the world’s nations”

(UNDP, 2000)

From Collectivization To Globalization



Race To The Bottom

- **Constant downward pressure** on taxation, welfare, labor conditions, minimal wage, environmental protection.
- Economic power and mobility of TNC enable them to **take advantage of competing national economies.**
- Labor as **production costs** vs. labor as **the time of people's existence.**

Capital and Labor Relations

- **Dirty, dangerous and difficult jobs**
- Individual freedom vs. investment freedom
- Protection of **property rights** vs. protection of **labor rights**
- Welfare of market vs. welfare for people
- Importance of **business affairs dominate over social affairs**

“Retreat of the State”



**Privatization
= reduction of
state
ownership**



**Capital
controls, new
technology,
know-how
and lots of
money**



**Mobility of
capital=no
accountability**



**Asymmetrical
power
relations
between state
and capital**



Erosion of Political and Economic Sovereignty

- Three “C’s”: **Credibility** of government is measured by the **consistency** of its economic policies towards investments and by the **confidence** of investors.
- *“The adaptation of states to serve global economic imperatives **may appear productive**, but the transition from welfare state to competition state is **undermining institutional and social sources of legitimacy.**”*

(Philip Cerny)

Why Should You Care?

- Economic interdependence.
- Transborder environmental damage, air and water pollution, food.
- Social distress with implications for social & political stability on national & global level.
- Missing out.

Concluding Remarks

- Regional strategy based on interdisciplinary analysis and social dialogue.
- Accept short-term losses as a cost of achieving greater, long-term good.
- Not just rule-players but rule-makers.

„we are each other’s world and destiny”
(K.E.Logstrup)

Thank you for your attention.

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