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Mutating neoliberalism: the promotion of Italian investors in Slovakia before and after the global financial crisis.

Introduction

Geographers have long debunked a notion of neoliberalism as inevitable or paradigmatic, replacing it with a multiple and contextualized concept in which neoliberal ideology articulates itself with existing political economies (Springer 2014). In particular, A literature on 'actually existing neoliberalisms' has discussed the local level adaptations of policies inspired by neoclassical economic theories, including export-led development, curtailing of the welfare state, and fiscal and monetary conservatism (Harvey, 2010). In doing so, it argued that these policies do not 'trickle down' to the local context and, 'once it hits the ground,' work following a clearly pre-determined pathway. Rather, its specific trajectory depends on a rich variety of national and local responses which modify the mainstream theory and convert it into 'actually existing,' context-dependent realities" (Hirt et al., 2013: 5).

Thus far, the discussion on actually existing neoliberalisms has largely focused on domestic economic policies in specific countries. However, neoliberal policies often have a transnational reach, especially when dealing with export-led development and foreign direct investments (FDI). Thus, investigating those policies requires challenging 'methodological nationalism', i.e. the notion that the nation-state is the primary container of social processes (Beck and Grande, 2007: xii). In point of fact, this paper will investigate the transnational character of Slovakia's FDI policies. These policies have produced and mobilized a network of institutions including multiple Slovak and foreign actors belonging to both the private and public sectors with national and local reach. Collectively, we call the various assemblages of actors supporting FDI 'Investment Promotion Communities' (IPCs). IPCs include government agencies on multiple levels, financial institutions, consultancies, and business associations. Some actors, such as SARIO, the Slovak Investment and Trade Development Agency, promote all investors regardless their country of origin while others focus on specific ethnic groups or sector.

This analysis focuses on the particular IPC supporting FDI between Italy and Slovakia, before and after the global financial and economic crisis of 2009. Because these actors and the related policies operate on multiple levels, this paper discusses both national and local case studies. At a national level, it analyzes the interplay between Slovak agencies, Italian business associations, large banks, and consulting firms. At the local level, it considers the town of Kralovsky Chlmec in Eastern Slovakia, where the presence of Italian investors has been crucial to the town's economy since the 1990s. The authors' central thesis is that IPCs contributed to the resiliency of the neoliberal project, mutating specific policies to adapt to the post crisis conditions. In short, *Italian and Slovak transnational actors maintained the neoliberal principle of emphasizing foreign investments while changing its regulatory framework in order to adapt to new conditions in the international business environment.* Three research questions frame the argument:

1. What is the role of FDI - as a whole and especially from Italy - in the economic development of Slovakia?

2. How have Italian and Slovak institutions and services supported Italian investors, before and after 2009?

3. How did the town of Kralovsky Chlmec reflect national-level trends?

Answers to these questions contribute to the literature on post-crisis neoliberalism. Scholars have variably argued that neoliberalism has run out of ideas politically (Smith, 2008:2) but also that it is resilient and will take time to lose its hegemonic position (Aalbers, 2013). Additionally, the discursive representations of the crisis and the proposed solutions vary, but little new material is in fact being presented (Oosterlynck and Gonzalez, 2013: 1079). Similarly, Peck et al. demonstrated that responses to the crisis consisted chiefly of the recalibration of existing policies rather than in brand new developments (2013: 1095). Those scholars, and most of the existing literature on neoliberalism, share a critical stance against the market fundamentalist values embedded in neoliberal policies. This paper instead adopts a neutral stance, using the term neoliberalism to identify the guiding principles of Slovakia's economic policies after 1998. In so doing, it analyzes some of the conditions leading to neoliberalism resilience particularly, when the Slovak government, after 1998, established or reconfigured some institutions promoting FDI. Shaped by neoliberal rationalities, these institutions responded to the challenges of 2009 by furthering neoliberalism.

The resulting argument is similar to Sebastian Schipper's analysis of urban policies in Frankfurt am Main (Schipper 2014). His work investigated why policymakers in Frankfurt pushed for further neoliberalization after the crisis. In so doing, he argues that they did not respond to fiscal constraints or other 'hard' economic data; instead, their belief system and their embeddedness in neoliberal ideas shaped their choices (p. 237). Like Schipper's work, this paper highlights the power of neoliberal subjectivity and knowledge production: Slovak and Italian leaders are not yet able to think of new approaches to development. Pushing this argument further, it also shows how institutional reforms allowed a deeper entrenchment of neoliberal thinking. In a nutshell, the very nature of the IPC prevents entrepreneurs and officials from considering ideas of development rather than the neoliberal principle of attracting foreign investors. .

This study draws on twenty-two interviews conducted in 2005 and 2006, and nine follow up interviews conducted in 2012 with high level officials of Slovak agencies, local governments, and trade unionists, as well as Italian entrepreneurs, business service firms, banks, and business associations representatives. The original research was part of one author's dissertation research which analyzed the relationship between Italian firms and regional economies in selected areas of Central and Eastern Europe (CEE) (REF SUPPRESSED). Follow-up interviews were broader in scope and aimed at understanding the changes the interviewees experienced in the intervening four years. Interviews focused on business practices in Slovakia, the relationship between government agencies and the private sector, the influence of the European Union (EU) on Slovak policies, and the consequences of the financial crisis. The theme of this paper emerged out of interviewees' continued faith in FDI led development and from institutions' organic responses to the post-crisis environment. Snowball interviews began with an initial contact within a service firm that supports the internationalization of Italian firms in Slovakia. The institutional affiliation of one of the authors allowed access to government agencies at both the national and local level. Following the professional network of Slovak and Italian entrepreneurs, the authors 'discovered' the town of Kralovsky Chlmec in Eastern Slovakia, where there is a unique concentration of Italian investments. The predominance of Italian employers in the town manufacturing makes it especially sensitive to the policy shifts under investigation. The focus of the paper is on the IPC, rather than investors, as the authors were unable to follow up with several of the companies initially interviewed. The paper is organized as follows: the literature review discusses works on neoliberalism and 'actually existing neoliberalisms', focusing on CEE and post-socialist transformation. The second section analyzes the main trends of economic development in Slovakia during the post-socialist period, with an emphasis on the role of Italian FDI. The third and fourth sections describe the institutional framework backing Italian FDI before and after 2009. In the fifth section the case study of Kralovsky Chlmec is discussed. The conclusion section summarizes the findings, demonstrating how IPCs contributed to the embedding of neoliberal rationality among elites in Slovakia, and therefore contributing to the survival of neoliberalism after 2009.

Slovak neoliberalism: domestic policies with a transnational dimension

Neoliberalism comprises the policy applications of neoclassical economic theory, tracing back to the work of Milton Friedman and Friedrich Hayek (Hayek, 1944). As such, it identifies the free market reforms implemented in the early 1980s in the USA and UK, and their worldwide diffusion in the 1990s including: curtailing welfare programs and other redistributive policies; lifting barriers to trade, especially in the financial sector; reducing state intervention in the economy; and privatizing many public assets. (Harvey, 2010 and Lipietz, 2001). Since then scholars have used the term neoliberalism to critique the societal consequences of free market ideology. Their analyses have ranged from discussing urban policies (Leslie and Hunt 2013), to the reworking of state power and sovereignty (Springer 2013), even including new practices in religious charities and piety in Islam (Atia, M. 2012). The broadening of neoliberalism's research agenda have led scholars to propose that there is no single, 'one-size-fits-all' neoliberalism (Larner, 2003; Cochrane and Ward, 2012); rather, there is a myriad of 'actually existing neoliberalisms' (Brenner and Theodore, 2002), a process of 'neoliberalisation' (Gibson and Kong, 2005; Peck and Tickell, 2002), or a 'variegated neoliberalization' (Brenner et al., 2010).

These terms are, in part, responses to the conventional wisdom embraced by most international financial institutions in the 1990s and 2000s; governments outside of North

America and Western Europe can implement neoliberal reforms (or, in their wording, 'market economies') in a rather linear way (Aslund 2002, Blanchard, Froot and Sachs 1994). Instead, scholars highlighted that neoliberalism produces place-specific policies that combine the neoliberal credo with local, inherited, and path-dependent institutional structures, regulatory regimes, and cultures (Brenner & Theodore, 2002; Brenner et al., 2010; McCann and Ward, 2011). Scholarly work on actually existing neoliberalism includes Brenner and Theodore's work on urban neoliberalism (2002), a journal theme issue on Antipodean neoliberalism (*Geographical Research* 43, 1 2005), and a variety of studies on rural areas and the developing world (Igoe, 2007; Büscher & Dressler, 2012; Duffy & Moore, 2010), and the Pacific Rim (Ong, 1999, 2006; Yeung, 2002; Mitchell 2004).

More recently, works on actually existing neoliberalism include three journal theme issues: The *International Journal of Urban and Regional Research* (IJURR 37, 5, 2013) collected articles on the evolution of neoliberalism after the global financial crisis; *Singapore Journal of Tropical Geography* (2013: 33, 2) on urban spaces in Latin America and the Caribbean, and *Europe Asia Studies* (2013: 65, 7) on neoliberalism in Central and Eastern Europe (CEE) and the Former Soviet Union (FSU), where neoliberal ideas are interacting with neoliberalism's previously hegemonic archenemy, state socialism. Within this body of work, Rossi has interpreted the crisis in the framework of a Polanyan double movement. In his view, the State is responding to the crisis by reasserting its own regulatory role rather than returning to full fledge Keynesianism (Rossi, 2013: 1072). Together, these most recent works emphasize the concept of cities as laboratories for actual neoliberal policies (Peck et al., 2013, Rossi, 2013; Jaffe, 2012), the transnational flow of ideas and professional exchanges that underpin neoliberalization (Healey, 2013), and the geographical, policy-related, and cultural obstacles to the diffusion of neoliberal ideas (Hayter and Barnes, 2012). In CEE and FSU, Hirt and her colleagues identified three broad and overlapping ‘modulations’ of neoliberalism: resistance, appropriation, and purification (Hirt et al. 2013: 11). In a nutshell, they argue that local elite groups intensively confronted neoliberal ideas in the post-socialist period. In so doing, they have resisted against, modified to their own ends (appropriation), or even exaggerated in locally contingent ways (purification).

Closely related to these works, recent literature has discussed policy mobility, arguing that policies ‘travel’ globally in complex ways and during this ‘travel’, their core meanings can be altered through the mundane actions of those implementing them (McCann, 2011; Peck, 2011; Cochrane and Ward, 2012; Brenner et al., 2010; Cochrane and Ward, 2012’ McCann and Ward, 2011; Cook and Ward, 2011). Within this body of work, Cochrane and Ward (2012: 6) highlight the intersection of the local and the global in all instances of policy transfer, stating that ‘policy networks with extensive geographical reach are central to the construction of apparently local responses, while at the same time apparently global phenomena…are capable of realization only in particular, grounded and localized ways.’

Works on neoliberalism in Slovakia provide concrete examples of the intersection between local, regional, and transnational scales. Martin Sokol analyzed the attempt by the Slovak state to emulate Silicon Valley in Eastern Slovakia[1] (Sokol, 2013). His work shows the transnational scope and the flows of ideas involved in a specific neoliberal policy: first, political elites ‘borrowed’ ideas from international consultants, and applied Western policy blueprints thoroughly. In doing so they targeted diverse audiences across national boundaries: within Slovakia, they attempted to increase their domestic legitimacy as ‘true reformers;’ while outside the country they actively used the reforms as marketing tools to gain an international reputation

[1] Košice IT Valley

to attract more foreign investments. Second, policy implementation interacted with Eastern Slovakia's tradition and practices in unexpected ways incurring a very different outcome from the West.

Martin Sokol highlighted the transnational goals of the project in Kosice, designed to appeal to both domestic voters and foreign investors. The same kind of transnationalism characterizes many Slovak economic policies since the late 1990s. In particular, the election of 1998 marked a new phase of pro-EU and pro-market economy reforms, which very rapidly attracted high praises in the Western press and turned Slovakia into an 'investor paradise' (Smith and Rochovská, 2007: 6; Pickles and Smith, 2011). As a powerful indicator of Slovakia's new ideology, the government recruited many appointees from a local think tank named after one of the founders of neoliberalism, the Friedrich Hayek Foundation (Smith and Rochovská, 2007: 6). Adrian Smith and his coauthors analyzed the interaction between the new 'imported' reforms and older rationalities, including socialism. In so doing, they argued that the actual outcome of the reforms was 'domesticated': first local institutions interpreted and applied the reforms unevenly and second, households coped with the resulting hardships in creative ways, some of which were derived from their Socialist past (Smith and Rochovská, 2007; Stenning et al., 2010). Because of its transnational goals, the domestication of neoliberalism entailed two sets of relationships: the first one – the focus of Adrian Smith's work - is between households and an external environment affected by policies. The second one – and the focus of this paper – takes place between government officials and an international community of consultants, investors, and EU officials. In order to capture the dynamic relations among these actors, and recognizing the crucial role that foreign investors play in Slovakia's neoliberalism, this paper analyzes the institutional architecture underpinning Italian FDI in Slovakia before and after the financial crisis in 2009. The following sections provide examples at both the national and local levels by focusing on Italian and Slovak government agencies, public private partnerships, and consultancies in the capital city (Bratislava) as well as a small town in Eastern Slovakia (Kralovsky Chlmec-7, 685[2] residents).

Slovakia's neoliberal development: a FDIs-centered model

Since the beginning of reforms in the late 1990s, two aspects of neoliberal development have been persistent: first, Slovakia's policy makers were fundamentally successful, and achieved their goal of a steady flow of FDI, which sustained economic growth even after the crisis. Second, inequality, one of the features of neoliberalism, is also strong in Slovakia. In particular, reforms did nothing to ease the regional inequalities between the wealthier West and a much poorer East. EU membership in 2004 contributed to both trends, as it sanctioned the validity of neoliberal pro-FDI policies and removed them from domestic political debates. The global financial crisis in 2008 only momentarily stopped those trends and, by 2010, the country resumed sustained economic growth while maintaining (and sometimes increasing) regional disparities.

The region surrounding the capital city, Bratislava, displays both of the trends described above. As the richest region in the country it is experiencing both a fast-growing GDP per capita and a widening development gap compared to the poorer regions in the East (Figure 1). During the decade from 2000 to 2010, GDP per capita in the Bratislava region increased from 20,700 euro in 2000 to 43,100; in the same period, the data for the Eastern Slovakian region of Kosice are, respectively, 8,600 and 14,100 euro (Eurostat, 2013). Those regional imbalances are not at odds with the growth of Slovakia—they are constitutive of FDI-led development. In fact, Pástor,

[2] Statistical Office of the Slovak Republic, 2011

Šipikal and Rehák showed that Kosice has become a pole of attraction of FDI because of a set of conditions linked with its lower GDP per capita combined with investments from the richer West. These include the availability of a skilled labour force with considerably lower wages than Western Europe and North America; the widespread knowledge of foreign languages; the geographic and cultural proximity to Western Europe; and the relatively well-developed transport and communication infrastructure in the region (Pástor, Šipikal and Rehák, 2013).

FDI led development and regional inequalities led to one of the fastest growth rates in Europe. In the early 2000s, Slovak GDP per capita was around half of the EU average but by 2006 it reached 63.5 % (figure 2). The growth of the Bratislava region in particular was spectacular, rising from 109 % to 176 % of the EU average from 2000 to 2010. Though less impressive, even the poorer eastern Slovak regions grew faster than the average of the EU: for example, the Kosice region improved from 45 % of the EU average in 2000 to 58% in 2010 (Figure 2). Moreover, the growth and regional imbalances reflect upon the wage levels: in 2012, the average monthly salary in Slovakia was 900 euros, the highest in the Bratislava region (1104 euro), the lowest in the Eastern Slovakia (Presov region, 729 euro) (Statistical Office of the SR, 2012).

Foreign investments are both the engine and a source of vulnerability for Slovak development. From the standpoint of Slovak policy makers, FDI are necessary to acquire resources to upgrade production facilities, technology transfer, and to integrate Slovakia into the global economy (National Bank of Slovakia, 2001). They are also one of the main channels shaping knowledge and innovation flows throughout CEE's regional economies due to the limited local knowledge and innovation endowments (Šipikal and Buček, 2013). Therefore, most CEE follows a development model based on FDI (Bandelj, 2008) and thus Slovakia competes fiercely with its neighbors—the Czech Republic, Hungary, and Poland – to attract them (National Bank of Slovakia, 2001). However, scholars blamed the reliance on external sources of credit and overdependence on FDI as the contagion of the financial crisis in 2008 (Smith and Swain, 2010).

Notwithstanding the risks of depending on foreigners, Slovakia was one of the least affected countries by the financial crisis and the aggregate flow of investments registered only a temporary slowdown (Figure 3). The adoption of the euro in 2009 reduced currency exchange risks and tightened fiscal discipline fostered an even more neoliberal and pro-business environment and balanced the negative effects of the crisis. Overall, FDI flows in Slovakia followed an upward trend in all regions (both the wealthier West and the lower wage Eastern Slovakia) from the beginning of neoliberal reforms to the most recent data available (Figure 3). Investments are concentrated in the automotive industry (Volkswagen, KIA Motors, PSA Peugeot Citroen) and electronics (Sony, Samsung); however, increased wage levels following the adoption of the euro have led to disinvestments in more traditional and labor intensive sectors such as textiles and clothing (Interview Entrepreneur, EDAS, June 27, 2012).

Among foreign firms investing in Slovakia, Italians are a major player. In 2011, the cumulative volume of Italian investment was 8.2% of the whole FDI stock, 4th after the Netherlands, Austria, and Germany. Italian firms generate around 6% of the whole GDP of Slovakia, thanks to a few large companies in the banking and energy sectors and more than 400 active small and medium enterprises (National Bank of Slovakia, 20.5.2013). Relatively affordable wages and geographical proximity with the Russian, Balkan, and North European markets are among the most important reasons why Italians invest in Slovakia (Unicredit, 2012). The following sections will analyze the institutional architecture supporting FDI, looking at both the Slovak government and the initiatives of the Italian community. In doing so, they will analyze the responsiveness of neoliberal institutions to the financial crisis, both at a national level and in a community in the lesser developed area of Eastern Slovakia.

Supporting Italian investments in the Slovak state: an institutional and ideological framework

The previous sections demonstrated that Slovak economic policies were successful within the parameters of neoliberalism – as inequality coexists with an open, FDI based economy and with sustained economic growth. The Slovak government achieved this 'success' by building institutions designed to work at transnational level. First of all, it transformed some government agencies using funds from the EU; it then hired new personnel that changed the ideology and the ways in which those agencies work; and finally, it looked favorably at the establishment of 'ethnic' institutions supporting investors. Their employees constitute a loosely defined professional community: many of them know each other, they share similar expertise (college education, multilingualism, grant writing, consulting), and, in some cases, circulate between various public agencies and consultancies, both Slovak and foreign owned. It is apparent then that they are an investment promotion community (IPC). Ultimately, the cumulative work of the IPC allowed the successful reproduction of neoliberal, FDI centered development after the financial crisis.

Geographers have already shown the importance of consultancies in supporting FDI. Ian Drahokoupil (2009) demonstrated an internationally oriented service sector composed of intellectuals, business consultants, and policy analysts (that he calls the 'comprador service sector,' p. 3) was instrumental in aligning domestic policies with the demands of international business. Others have demonstrated that the EU played a crucial role in the emergence of a new, pan-European service sector devoted to the management of EU and other grants (Lovering 1999; Sellar et al., 2011). This section analyzes the Italian IPC as a conjunction between comprador and grant-managing service sectors, and as a carrier of ideological change. The following section is dedicated to the post 2009 environment.

In Slovakia, the most important neoliberal reforms favoring the emergence of the IPC were: a flat tax rate of 19 %, new labor laws with increased flexibility, the law to incentivize FDI – including subsidies for the less affluent Eastern regions, and the constitution of SARIO, the Slovak Investment and Trade Development Agency (SARIO, 2013). SARIO provides an interface between the Slovak government and potential investors in which the high-level agency officials reach out to potential investors while its project managers help them access State subsidies and both locate and acquire real estate. Compared with the reality of State socialism before 1989, but also with the early years of the post-socialist transformation during the 1990s, SARIO's project cycle represents a Copernican revolution in the working of the Slovak State. The bureaucracy shifted from a centralized, top-down organization in which the State exercised authority over citizens and firms alike, to a situation in which a State agency acts as the 'first employee' of foreign companies. In particular, SARIO competes with similar agencies from neighboring countries to attract investors. Its employees begin by interviewing potential investors in order to understand their critical needs; then they assign a project manager to the investor, who:

> organizes the visits, offers real estate based on the needs of the company, deals with the owners of the real estates, he cooperates with the regional managers of the specific regions, collects information about the level of education and availability of labor force; he … [works with] the state aid department if the investor looks for state aid (interview project manager, SARIO, June 30, 2006).

This change of perspective was a crucial moment for the embeddedness of neoliberal rationality in Slovakia.

The neoliberal value of the State as guarantor of the free market could be put in practice because medium and low-level officials bought into it, largely because EU regulations and EU funding programs pushed them towards neoliberal rationalities. In particular, EU regulations prescribed a stronger role of regional governments. In Slovakia, this led to the emergence of a new layer of bureaucracy. However, these new agencies were constrained between the neoliberal principles of low taxes and sound budgets and the large competencies mandated by the EU. Thus, they established economic development departments entirely dependent on competitive EU grants for their operations. Grants mostly financed industrial parks and business incubators benefiting FDI (interview Head of the Regional Development Department, Kosice Self-Governing Region, June 23, 2006). :

EU grants did more than provide region-level officials with funds for industrial parks. They also created an incentive to collaborate with the investors because their participation in an industrial park project would increase the likelihood of an award. Moreover, they pushed officials to work with foreign colleagues from similar agencies in Western Europe and CEE. Cumulatively, projects became training grounds where officials learned neoliberal rationalities, worked with investors, and built transnational linkages with other FDI promoters. The following projects carried by the Kosice Self-Governing Region in Eastern Slovakia illustrate the development of new skills for state officials:

> We prepared a large project. The first step is a very detailed analysis of the investments environment in the Kosice Region. In the second step, we understand that city managers do not have enough language skill to communicate with investors. So, the second stage will be to train around twenty people to prepare them to communicate and then to provide services for FDIs. … [in another project we] are trying to get better knowledge [about supporting small businesses] from

> [the government of Emilia Romagna [Region in Italy], and also to help our partners in Ukraine to get the practices from our environment. … [it follows a description of other joint projects with Western partners] (interview Head of the Regional Development Department, Kosice Self - Governing Region, June 23, 2006).

Attracting investors required more than low taxes and a friendly bureaucracy; it also required easing the relationship between foreign firms and local labor. More precisely, it required overturning State socialist rationality in which foreign capitalists were seen as exploiters and employment as a right, with a new rationality in which the individual worker is responsible for the well-being of the company. In most cases, the lack of a job guarantees this behavior and the patient work of the early investors slowly modified workplace attitudes, as the account of an Italian entrepreneur owning a clothing manufacturer since 1991 demonstrates:

> In the beginning [labor productivity] was different from Italy. When time passed by, the management of the labor force became closer and closer to ours. [We changed things with] good common sense, step by step. …. In the earliest years they stopped working half hour before [the end of the shift]. Then gradually we changed things, now we stop five minutes earlier. You need good common sense to do this, I don't want to be like a watch dog, you need cooperation. (interview Italian entrepreneur, apparel firm, July 14, 2006).

One of the firms interviewed in 2005 drew a direct connection between the transnational grant system described above and the new attitudes on the shop floor:

> [This company] won a grant from … the Italian government. …In our project… we gave special attention to the mindset of the labor force … Slovaks spent forty years in a system where everybody is a waged worker, and nobody is unemployed. Many of them perceived as 'exploitation' the work of capitalists. We taught them that with our work we create the well-being of the company, which in turn creates their own well-being. Besides this, we taught the cadres to communicate with the workers, to include them in the decision making process [Interview Slovak Director, Italian owned clothing firm: September 2005]

Adrian Smith and his coauthors noticed that the domestication of neoliberalism has two intertwined faces: from one side, regional, national and international elites adapt the content of the ideology to fit their own purposes (Stenning et al., 2010: 3); but on the other hand, households negotiate neoliberalism in various ways to make it more tolerable (2010: 31). The two firm level interviews illustrate the importance of the workplace in foreign firms as a junction between elite and household domestication of neoliberalism – i.e. they were places in which ideology reinforced new professional practices, thereby benefiting the investors.

Altogether, neoliberal reforms provided investors with low taxes, subsidies, and a compliant labor force. It also transformed the structure of the Slovak bureaucracy, producing institutions dedicated to investors. In so doing, it changed in fundamental ways how officials work, providing them with skills and opportunities to participate in transnational networks with other officials and investors. Investors responded by creating their own organizations to network with Slovak officials. The case of Slovakia is not unique. Scholarship on Greek (Kamaras, 2001; Kalogeresis and Labrianidis, 2010) and Italian (REF. SUPPRESSED, 2009 and 2012) entrepreneurship in CEE highlights that foreign investors and expatriate entrepreneurs[3] tend to establish some kind of organization to interface with the host governments, partners, and labor. These organizations are especially useful to small and medium sized enterprises because they allow the smaller investors to navigate foreign-language environments, as well as unfamiliar systems of both spoken and unspoken norms. Therefore, they tend to be ethnic-specific (REF. SUPPRESSED, 2012).

In Slovakia, Italians built a system mixing private consultancies and public agencies of the Italian State to support their investments. The most important of these are a large consulting firm (EDAS, private), a large banking group (Unicredit, private), the Italian-Slovak Chamber of Commerce (public-private), the Institute for Foreign Trade (ICE, public), and the Institute of Italian Culture (public). Together with SARIO, they constitute the IPC. These actors,

[3] Kamaras (2001), Kalogeresis and Labrianidis (2010b), and Sellar (2012) draw a distinction between expatriate entrepreneurs (also called 'capitalist diaspora' by Kamaras) and foreign investors. The first are owners of small firms who fully relocated to a country other than their own, the latter are generally owners or CEOs of larger firms that maintain the headquarters in the home country. Most of the firms interviewed in this study maintained headquarters in Italy, and sent one of the owners, or a close associate, to live permanently or semi-permanently in Central and Eastern Europe. l

independent from each other, provide Italian investors with complementary and overlapping services. Private actors worked closely with investors, selling (in their own words) cultural mediation and place-specific knowledge. In particular, EDAS has been active since 1991, providing "support to Italian businesses … from a juridical, economic and accountability points of view… and 'cultural' support… helping entrepreneurs to understand norms and customs" (interview entrepreneur, EDAS, September 26, 2005). Unicredit established the 'New Europe Desk' division in 2000; such a unit is present in all Unicredit controlled banks in CEE, and it was originally aimed at attending the specific needs of Italian investors (REF SUPPRESSED, 2012). A public-private entity, the Italian-Slovak Chamber of Commerce provides a forum for Italian investors; a connection between the investors, the embassy, and the Slovak government; and limited lobbying when needed. The chamber has a hybrid public-private legal structure that is designed to allow official recognition by the Italian State. Its development followed the typical pattern of similar organizations throughout CEE: it started in 1997 as a private association of entrepreneurs. After two years, it made an official request of recognition to the Italian Ministry of International Trade, thereby becoming a private subject with a public dimension, i.e. a private subject under Slovak law but assimilated as a public subject under the Italian law.[4] Their particular organization makes them a special case in international law and at the same time embodies the transnational nature of the IPC.

Finally, the embassy, ICE, and the Italian Cultural Institute are full public agencies of the Italian State. Together they perform promotional activities on behalf of the whole Italian community which remain beyond the scope of private consultants. ICE is charged with providing Italian investors information about opportunities in Slovakia and promoting the 'Made in Italy' brand and the latter with organizing language training courses and events concerning Italian culture.

[4] Law 519 1970

They also provide the infrastructure to organize trade fairs and other promotional events which play a crucial role in sustaining transnational business and flows of knowledge and innovation between regional economies (Barthelt and Schuldt, 2008).

Prior to the financial crisis, Slovakia had become an ‘investor paradise’ by wholeheartedly adopting neoliberal policies. Thanks to EU funding programs, the bureaucracy was thoroughly restructured by establishing new agencies and fundamentally changing how state officials work. Once part of a centralized state, they had to adopt a new attitude of constant networking across national boundaries with similar agencies in the EU and with the investors. These changes involved the workplace culture, where foreign companies slowly introduced neoliberal values of efficiency and workers’ participation in the company’s mission. Meanwhile, welcomed in the new neoliberal state, Italians organized their own set of public agencies and private consultancies to support their investments. However, these institutions did not necessarily collaborate extensively with each other and with SARIO to attract investors, and thereby constituted a rather loose IPC. Instead, the interviewees indicated the presence of informal networks of bilingual Slovak and Italian professionals that traded information about opportunities and occasionally moved to new jobs between these institutions and the larger Italian-owned companies. This peculiar environment contributed to the large number of investors attracted to the area until the global financial crisis of 2009 changed the situation.

The world after 2009: institutional responses to a changing context

The Slovak and Italian institutions interviewed in this research experienced the global financial crisis as a halt of investments in 2009 followed by a recovery that involved a qualitative change in the pool of investors. As a result, the Slovak government modified some laws and

SARIO, as well as the Italians, implemented new strategies to better target the changing population of investors. Those strategies included more explicit networking between Slovak and Italian institutions, the provision of services targeting smaller firms, and tightening the relationships within the IPC. More importantly, the IPC itself became a tool for further neoliberalization by providing Slovak lawmakers information on the changing needs of foreign investors.

Moreover, SARIO played a crucial role in informing lawmakers, who then implemented rapid policy changes. In particular, SARIO project managers detected the following:

> [Before the crisis] we were used to get large investments, now we are getting more and more SMEs, we shifted from projects employing 2,000 people or more to around 150-200, maximum 400 people. The automotive is still the most important sector, but we are not getting the large companies anymore. What we are getting are the suppliers of the large companies that are already here. (interview Project manager, Business Development Department, FDI section, SARIO, June 27, 2012).

Responding directly to this information, Slovak lawmakers eased the conditions under which smaller investors can obtain State subsidies (interview Project manager, Business Development Department, FDI section, SARIO, June 27, 2012). At the same time, SARIO implemented a new strategy which focused on promoting networking with investors and providing access to legal and tax advisors, both crucial for smaller firms. Additionally, they focused on targeting existing investors, encouraging them to expand their work in Slovakia:

> Our strategy has changed. We are focusing on the expansion of existing investments. They are successful companies; we want them to keep growing. Specifically, we established a corporate development department to encourage such growth. It organizes marketing events, business cocktails with investors; it is attempting to connect schools and companies to adjust school programs. It also matches ministries with investors. It also established the investment Support Association (ISA), which includes us, the investors, and legal/HR/tax advisors (interview Project manager, Business Development Department, FDI section, SARIO, June 27, 2012).

Within a neoliberal rationality the results of the coordinated activity between lawmakers and SARIO were positive: in 2002-2008, SARIO supported an average of thirty new investors every year; in 2009 at the height of the crisis they completed eight investment projects. However, they began recovering as early as 2010, reaching twenty six projects in 2011 (interview Project manager, Business Development Department, FDI section, SARIO, June 27, 2012).

Italian investors experienced the crisis in a way that mirrors SARIO. First of all, Italy's domestic market shrank and tax revenues plummeted and then young, educated Italian professionals began to migrate (Today 2013). Decreased tax revenues and soaring debt led to deep cuts in the Italian public sector, which caused the ICE office in Bratislava to close. Crisis also meant a contraction of credits for Italian businesses, estimated at only - 2.5% in 2012 (Del Principe et al. 2013). Lack of credit combined with decreasing sales in Italy halted the flow of new investors. However, it also pushed companies already established in Slovakia to further invest and further globalize. In fact, those companies needed to compensate the loss in sales and could finance their expansion only thanks to their access to the banking system in Slovakia (interview General Secretary, Italian-Slovak Chamber of Commerce, June 26 2012). Companies and consultants in the IPC had also access to a larger pool of educated Italians, who were willing to expatriate and were seeking internships abroad (Interview Entrepreneur, EDAS, June 27, 2012). Ultimately, the financial crisis in Italy pushed Italian companies to follow a more radical version of the trends detected by SARIO. Slovak project managers detected a slowdown of new investments and a strengthening of the supply chain of existing companies; new Italian investments stopped altogether and the existing companies invested more.

The Italian IPC modified their services to thrive under the new conditions. Unicredit expanded its market and, after the merger with the Austrian-German group HVB in 2005, it renamed the 'New Europe Desk' the 'International Desk.' In so doing, they complimented their traditional focus on Italian investors with supporting all kinds of cross-border investors. The crisis also brought changes to their Italian clientele and the bank responded by adopting strategies similar to SARIO's:

> …. [Besides this] our customer base has changed. Until 2008 Slovakia has attracted a very large amount of new [Italian] foreign investments… In 2010-11 FDIs started again, but mostly made by companies who were already here. … To respond to the crisis, Unicredit has started specific initiatives to support investments, such as Eastgate, in which we bring to Italy the heads of the International desks, business consultants and selected groups of businesspeople to arrange meetings between potential customers and suppliers (Interview Head of International Desk, Unicredit Bank Slovakia, June 28 2012)

Besides the obvious resemblance between Eastgate and the work of SARIO's Corporate Development Department, the interviewee mentioned SARIO's policies at length in other sections of his interview. The investment promotion community in Bratislava is small and there are plenty of opportunities to exchange information and to imitate practices.

The post-crisis investment promotion strategies described thus far seems to indicate that Slovak agencies and Italian IPCs are locking in the neoliberal logic of foreign-investor led development. In fact, even though some are detecting that the current model has reached its peak, they responded by neoliberalizing further. Instead of questioning FDI, they are extending their networks beyond Slovakia. For example, Unicredit is already focusing on all sorts of cross-border investments support, including regional flows within CEE. At the same time, EDAS' founder and owner is planning to expand its activities much further:

> In Central and Eastern Europe we are at the end of a rich experience that started twenty years ago [Fall of Communism]. Coming here, Italian SMEs have learned to internationalize, now they need a further input to broaden their horizon. EDAS goal is to lower social and cultural barriers to help enterprises to establish a good interface with the local realities where they are investing. … [Now] we are looking for new opportunities for Italian SMEs… Twenty years ago, Central and Eastern Europe provided a revolutionary opportunity, now it is a tight circle that needs to be broadened…. We have a good starting point in Brazil (Interview Entrepreneur, EDAS, June 27, 2012).

Previous scholarly work indicated that in the 1990s CEE offered the ideal conditions for attracting SMEs investments (Sellar, 2012). The interviewee now claims that not only has Slovakia reached its peak but also that some firms are ready for further globalization.

Essentially, this section has unpacked part of the story behind the statistics showing the continued success of Slovakia's FDI-based development. It shows that SARIO and other members of the IPC furthered neoliberalization by providing the Slovak government with timely and accurate information about changing conditions in the market. Therefore, policy responses were equally rapid and effective. However, IPCs also further entrenched the neoliberal rationality of an FDI-based development model. Elites and the public alike have grown so accustomed to this model, that there is no public debate about alternatives. Although there are warning signs against continuing to rely upon FDI, the actors who can perceive those signs are thinking transnationally. Thus, they prefer to expand their work beyond Slovakia rather than questioning an established "conventional wisdom". The following section discusses how one particular community experiences similar processes: the small town elite in Kralovsky Chlmec embraced neoliberal rationality as thoroughly as national level policy makers did.

Local manifestation of national trends: the case of Kralovsky Chlmec

The national-level actors and trends described in the previous section provide the framework for the local-level interactions between investors and the receiving communities. Once the investment decision is made, the actual implementation depends on day-to-day interactions between Italian and Slovak entrepreneurs as well as town-level officials. At the local level, foreign investments meant an encounter between neoliberal-minded actors that required some cultural mediation. The resulting interactions between investors and local constituencies are heavily affected by exogenous factors, including the crisis of 2009. The small town of Kralovsky Chlmec in Eastern Slovakia (Kosice region) illustrates these points.

By the end of 1989, Kralovsky Chlmec had a non-competitive but intact metalworking industry that had just lost the Soviet market. The story of the neoliberal transformation of Kralovsky Chlmec began with an alliance between a local pediatrician – who had travelled to capitalist countries and spoke English – and the director of the main Socialist enterprise, a metalworking plant that produced reels. Together with the mayor of Kralovsky Chlmec, they travelled to Italy to look for business partners. Their story is as follows:

> [Pediatrician] To start any kind of [entrepreneurial] activity here we needed: first, technology, and second, the markets. Since we had none of those, we turned to foreign companies. Here we had tradition in reels, and we produced low quality ovens for bakeries. Thus, we contacted the first company in Italy, which produced ovens for bakeries. We went to visit them, and then they came here… We took a brochure in a fair, and we called them. ... After a couple of phone calls, they came here to see the plants, equipment and machinery. Together, we established a joint venture (Interview Dr. Stefan Andras, Pediatrician, July, 9 2006).

> [Mayor] Before becoming mayor I worked with Italian entrepreneurs since 1992. In August 1992 we went to Italy, four people in one car … there was a company there …, which produced reels, from very small to big sizes. [After our visit] We established an Italian-Slovak joint venture (Interview Mayor of Kralovsky Chlmec, July 6, 2006).

Throughout the 1990s and early 2000s their experiment had been extraordinarily successful. By 2006, Kralovsky Chlmec had six Italian-owned or Italian-Slovak joint ventures, accounting for around 80% of the town's employment in manufacturing (Interview Mayor of Kralovsky Chlmec, July 6, 2006). The following interviews with Slovak and Italian businesspeople show that reputation, participation in informal networks, and creative solution to cultural issues helped attract investors:

> I was director in [name of the Italian-Slovak joint venture]; [I had a colleague in Italy], who was responsible for production. We were in touch every day; because each time there was a technical problem here in Kralovsky Chlmec I called him... He accepted an offer from a friend in Italy, and switched to another company. We had a very close relationship, we were like brothers, and thus he proposed me to start a new company in Slovakia…. So, only because of personal relationship a new company started (Interview mayor of Kralovsky Chlmec: July 06, 2006).

> Italians began to come here in 1990, to cooperate with already existing Slovak companies. They met in fairs, and the information spread through an informal pass-the-word. All companies here come from Central-Northern Italy, Parma, Bologna, Brescia. (Interview Italian entrepreneur #1, Kralovsky Chlmec, October 10, 2005).

Another Italian entrepreneur, producing apparel, pointed out that national level data helped him to choose Slovakia, while personal relationships brought his business to Kralovsky Chlmec:

> [In the 1990s] The prices of foreign subcontractors became more competitive [than Italian firms. Therefore], we decided to produce in Eastern Europe. We asked a consultant to do analysis of the area. We considered Slovakia and Romania. From that research came out that Slovakia has higher wages than Romania. However, productivity here was higher. … Another important aspect of Slovakia was the low rate of absenteeism, which was a quite widespread in Romania… We came to Kralovsky Chlmec because we knew Suzana. She was our interpreter [when we first came], we trust her, so we decided to open here (interview Italian entrepreneur #2, July 09, 2006),.

A third entrepreneur, producing hard liquor, highlighted that location and informal networks that led his company to Kralovsky Chlmec:

> We decided to establish here to have a better access to the Russian market, because of the good railway connection with Ukraine. We didn't do any survey. We based our decision on people introducing us to people. We did everything with the help of private consultants, using very little of the government's channels: it is much better to trust friends (Interview Italian entrepreneur # 3, October 05, 2005).

Besides networking with Italians, leaders in Kralovsky Chlmec understood the need of their Italian partners of 'cultural services,' i.e., Italian speaking labor and bookkeeping in Italian language, and provided them:

> The first language of communication was English; then, while the work was growing, we shifted to Italian. We set up Italian classes... All the employees were asked to go to class on Saturday afternoons and Sunday mornings to learn Italian… Then, we translated all the accounts in Italian..... [Finally] we developed a new software to produce balance accounts in Italian language daily. The program is web-based, so our partners from Italy can see the cash flows every day. (Interview Dr. Stefan Andras, Pediatrician, July 9, 2006).

In the post-2009 environment, Kralovsky Chlmec experienced trends similar to the rest of the country: the enterprises established in the 1990s are, by and large, still active (in a follow-up visit in 2012, the authors recorded only one closure among Italian and Italian-Slovaks joint ventures), but the town did not attract further investments. Local leaders blame the new administration, which failed to attract the funding necessary to establish an industrial park from the EU:,:

> [When] the previous mayor went back to his business, and I replaced him, I kept working on the industrial zone project. We haven't been successful yet. With the industrial zone we are trying to attract investors and offer them subsidies. … We have enough [tax revenue] to pay our salaries and for the ordinary functioning of institutions, but we don't have any money left for special projects… the scarcity of internal funds is a big problem. As you well know, the EU structural funds require a co-payment of 5%, and on projects of several million euros that becomes big money, so there are less opportunities for a small city (interview new Mayor, Kralovsky Chlmec, June 22, 2012).

Similar to the national level IPC discussed in the previous sections, leaders in Kralovsky Chlmec remain committed to the neoliberal logic of FDI led development. In his 2012 follow up interview the pediatrician-turned-business-leader outlined a vision for the town's future based on attracting subsidies from the EU and the Slovak government. In his view, carefully deployed subsidies will create the conditions to attract investments. Even more interestingly, at a time of rapid wage increases (Smith et al. 2008), he defended the town's ability to offer a skilled but low-wage labor force to investors:

> We are still competitive as for wages. A big Italian entrepreneur back in 1995 told me that Slovakia would have had ten years of competitiveness on low wages. I disagreed with him. Indeed, in real terms our wages have yet to double since 1990. A normal worker makes around 500 euros per month (Interview Dr. Stefan Andras, Pediatrician, June 22, 2012).

Moreover, a follow up interview with one of the Italian entrepreneurs show a constant commitment to the investment in Kralovsky Chlmec but also a push to further globalization in order to better cope with the crisis in Italy:

> We are an international company [in the agro-machinery business], we sell 85-90% of our products outside Italy, so we are not suffering the crisis as much. However, it is difficult to sell in Europe these days, so we are expanding in new markets. Thus we are responding to the crisis by widening the geographical scope of our sales and increasing our product range (interview Italian entrepreneur #4, Kralovsky Chlmec, 06-22-2012).

In summary, Kralovsky Chlmec's local leaders and Italian investors created their own transnational networks, and thereby followed a similar neoliberal logic as their national leaders. They entered post-socialist transformation in the 1990s by establishing linkages with Italian investors and they sustained those networks and investments for two decades through skillful cultural mediation and initiatives aimed at making the Italians feel at home. In the post-crisis environment, they keep thinking within the parameters of FDI based development, despite being unable to attract further investments.

Conclusion

The recent literature on neoliberalism after the financial crisis has pointed out the crisis of free market ideology as well as the maintenance and refinement of neoliberal policies. Simply put, the 'ideology of neoliberalism may have failed, but that neoliberal practice is alive and kicking' (Aalbers, 2013: 1083). Rossi described post-crisis neoliberalism as a stunted Polanyan double movement, in which the State has improved some of its regulatory functions, but without questioning the overarching neoliberal principles. A parallel literature shows that 'actually existing' neoliberal policies are highly context specific as well as 'domesticated' by various stakeholders, who articulate neoliberal ideology with existing political economies. Focusing on FDI policies in Slovakia, this paper argued that the encounter between neoliberal ideology and Slovak political economy allowed the post-2008 recalibration and survival of neoliberal policies. In particular, neoliberal reforms entailed a dense restructuring of institutions at all levels, which included the constitution of investment promotion communities (IPCs). IPCs were designed to operate at a transnational level, to act in collaboration with investors, and to communicate the needs of investors to Slovak lawmakers in a timely fashion. Thus, they constituted a framework that entrenched the rationalities of FDI based development among elites at all levels. The argument builds on an analysis of the IPC supporting Italian investors, including case studies from national and regional institutions as well as firms active in Kralovsky Chlmec. The results of the empirical analysis follow.

1. Since the late 1990s, Slovakia has utilized a FDI centered model of economic development. Italy is one of the major players among foreign investors in Slovakia and Italian investments alone are responsible for around 6% of the Slovak GDP. It can easily be argued that the whole point of the neoliberal reforms that Slovakia has adopted since 1998 (and never abandoned, even under left-wing governments) has been to build a reputation of a 'paradise for investors', as well as speeding up membership in the EU. In summary, Slovakia's choice proved successful, and its GDP per capita is steadily converging towards the EU average. However, regional imbalances have worsened and some of the leaders interviewed in this paper expressed some hesitation against the long term viability of FDIs.

2. Slovakia has adopted neoliberalism wholeheartedly, but in so doing it has developed a set of country-specific institutions. In line with Beck and Grande's argument against methodological nationalism, these institutions are not purely Slovak, but live in a transnational space that breaks the boundary between domestic and foreign. In particular, building the institutional support behind Italian FDI required: a. the encounter of different transnational elites who shared the neoliberal belief in open economies; b. the presence of EU funding programs that enabled (or disabled, in the case of Kralovsky Chlmec) the financing of projects beneficial to investments; and c. the development of ethnic-specific interfaces between Slovak and Italian

businesspeople – such as SARIO, Unicredit, EDAS, and, at the local level, the language training and bookkeeping programs developed in Kralovsky Chlmec. Those institutions, collectively named IPC, played a key role in entrenching the neoliberal rationality of FDI led development among Slovak elites, to the point that even after the 2008 global financial crisis there is no obvious public debate questioning the model.

3. Analyzing how the IPC responded to the crisis, this paper shares with Sebastian Schipper (2014) an appreciation for the power of neoliberal subjectivity. In particular, Italian FDI rest upon a professional community that has slowly developed around some key public and private employers since the 1990s. This community hasn't changed much since the 2009 crisis; thus, it responded to the crisis by deploying its own professional skills, matured within the parameters of neoliberal ideology. Moreover, investors perceive the crisis in Italy in terms of budget cuts for public agencies and a shortage of credits and sales in the private sector. Thus, those who have the means are responding to the crisis with further FDI and further globalization to compensate the losses in the Italian markets. Therefore, both the IPC and the investors they serve have a vested interested in responding to the neoliberal crises with increased globalization and more refined neoliberal policies. As a result, even those who are questioning the long term viability of FDI led development in Slovakia are extending their transnational networks, because their goal is to support investors beyond Slovakia rather than questioning the model itself. To summarize, thanks to the IPC and its multi-scalar work, *local leaders have domesticated the neoliberal principle of emphasizing foreign investments to their own needs and tweaked them to the new demands of the market, but they have yet to truly question neoliberal principles.*

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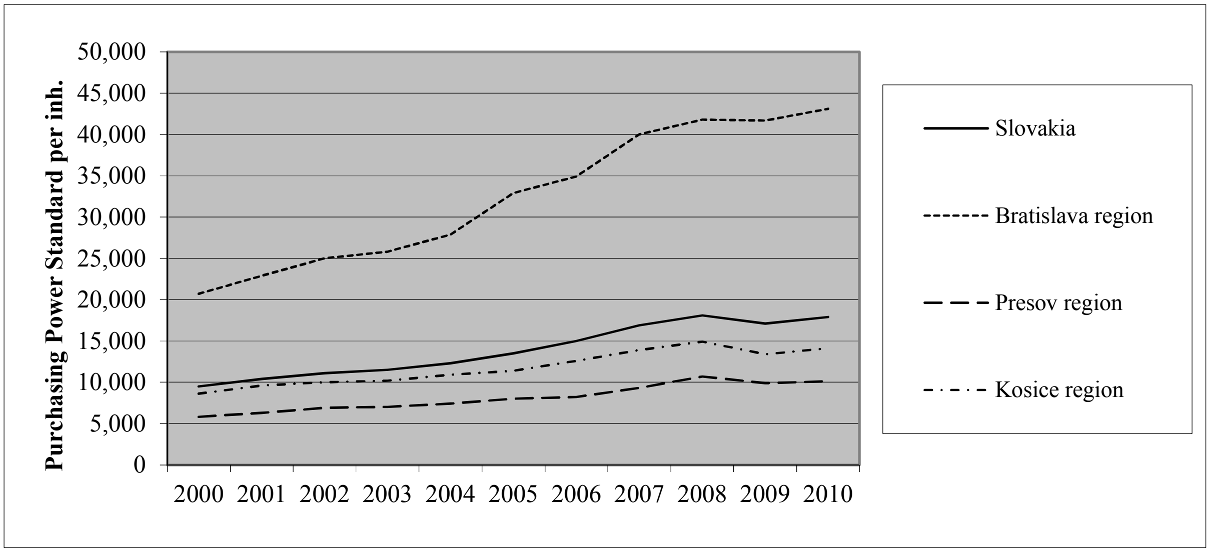
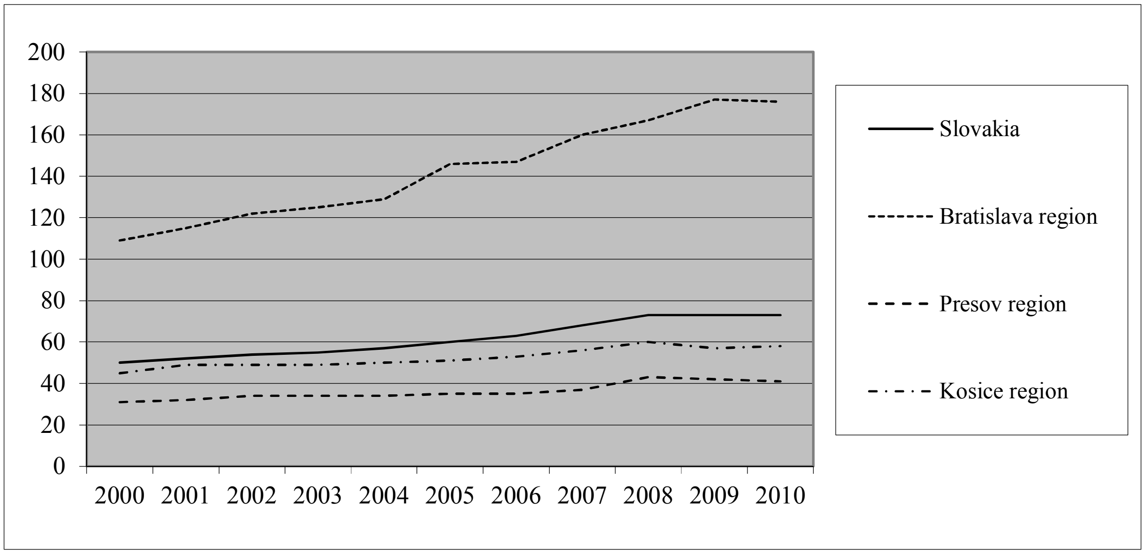
Figure 1: GDP in Slovakia by regions (PPS per inhabitant)



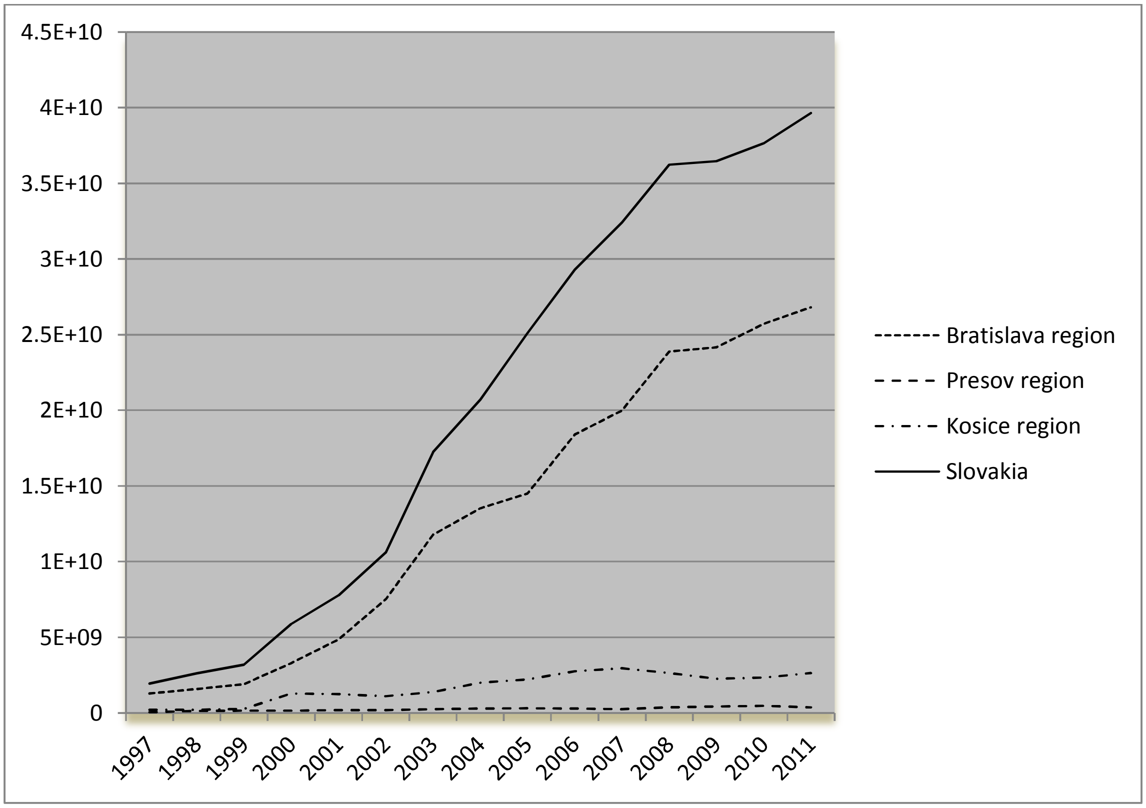
Source: authors elaboration of Eurostat, 2013

Figure 2: GDP in Slovakia by regions (PPS per inh. in % of the EU average)



Source: authors elaboration of Eurostat, 2013

Figure 3: Volume of inward FDI to Slovakia by regions in 1997-2011(in euros)



Source: Statistical Office of SR, 2013