

# THE NEOLIBERAL WORLD ORDER IN CRISIS, AND BEYOND

Edited by  
Marko Hočevar  
Tibor Rutar  
Marko Lovec



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liberalism nationalism contradictions war globalisation

# **The Neoliberal World Order in Crisis, and Beyond:**

**An East European Perspective**

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POLITIKA





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## List of Abbreviations

BRICS	Brazil, Russia, India, China, South Africa
CCP	Chinese Communist Party
CEE	Central and Eastern Europe
CHR	Commission on Human Rights
GATT	General Agreement on Tariffs and Trade
EC	European Commission
ECB	European Central Bank
EU	European Union
IMF	International Monetary Fund
IR	International Relations
LIO	Liberal International Order
MNCs	Multinational Corporations
NATO	North Atlantic Treaty Organization
NGO	Non Governmental Organization
NIEO	New International Economic Order
OECD	Organisation for Economic Co-operation and Development
PRC	People's Republic of China
R&D	Research and Development
SOE	State Owned Enterprises
UN	United Nations
UNESCO	UN Educational, Scientific and Cultural Organization
UDHR	Universal Declaration of Human Rights
USA	United States of America
WTO	World Trade Organization
WB	World Bank



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# Introduction: One Liberal International Order, Many Different Visions: The Rise and Apparent End of an Era

Tibor Rutar, Marko Hočevar, Marko Lovec

## Introduction

The liberal international order (LIO) seems to be coming to a close. Its cracks started to show more prominently already at the turn of the 21st century, most notably with NATO's unsanctioned bombing of Yugoslavia and the unjustified invasion of Iraq by the USA, the foremost leader of the LIO. In 2008/2009, the general global financial crisis and specifically the eurozone debt crisis were further signs of systemic strain. A few years later, it had become clear that the USA's unipolar moment was about to end, with both Russia and China regaining their lost great-power status. Moreover, it was becoming undeniable that neither power is on the way to democratising or becoming a 'responsible international stakeholder'. Another decisive shift came in 2016 with the election of Donald Trump who ran for president on an explicitly anti-LIO platform, and the decision of the British to leave the European Union. Nevertheless, this was nothing compared to what would happen only six short years later when, in 2022, the collapsing order that was once argued to have brought unprecedented levels of peace and security to the (Western) world finally witnessed the outbreak of the most devastating war on European soil since the end of the Second World War.

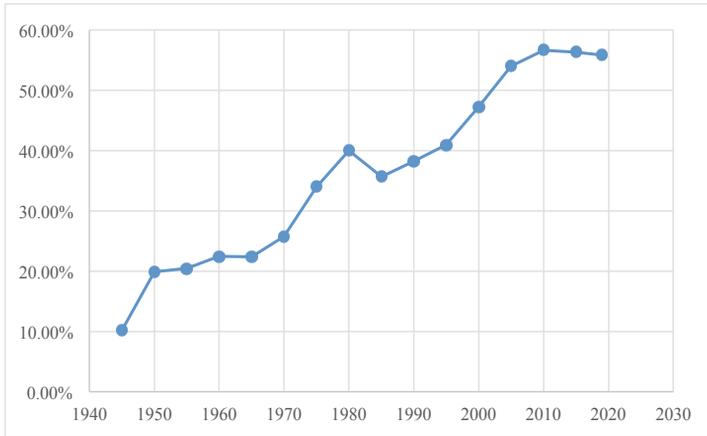
Yet, before pronouncing the LIO dead, one should be clear with regard to what it even is. An *international order* is simply a set of relationships or patterned behaviours between states, typically undergirded by formal and informal rules or, in a word: institutions. The *liberal* international order involves rules having to do with freedom and democracy, legitimate authority and respect for both personal autonomy and national sovereignty, free trade and capitalism, and multilateral cooperation and international law. Based as

it is on these liberal ideas, the LIO ostensibly represented a qualitative shift in the conduct of international politics. It embodied the end, or at least a significant downshifting, of the uncompromising power-political struggles between states that were at one stage believed to be perennial. One of its most famous diagnosticians described it thus:

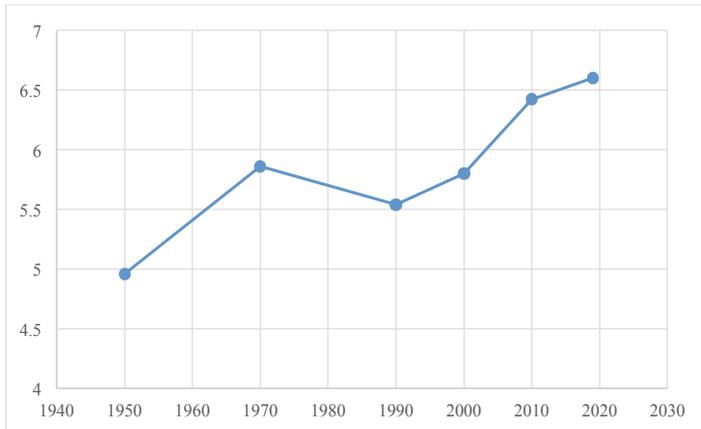
*There is a sprawling array of international institutions, regimes, treaties, agreements, protocols, and so forth. These governing arrangements cut across diverse realms, including security and arms control, the world economy, the environment and global commons, human rights, and political relations. Some of these domains of governance may have rules and institutions that narrowly reflect the interests of the hegemonic state, but most reflect negotiated outcomes based on a much broader set of interests. (Ikenberry, 2018: 20; emphasis added)*

It is generally agreed that the LIO was built after the Second World War ended in 1945, and then spread outwards with the end of the Cold War in the early 1990s (for a contrary opinion, see Mearsheimer, 2019). There is no denying the extent of change that unfolded. The period after 1945 has seen the greatest expansion of global trade, democracy, and multilateral organisations in human history. Between 1945 and 2008, trade openness increased five-fold, with the firm majority of global wealth now being embodied in imports and exports (see Figure 1.1; data from Klasing and Milionis, 2014; Feenstra et al., 2015).

Economic freedom, measured by the extent to which free-market principles are present in a society, increased across the world in the same timeframe by, on average, one-third (see Figure 1.2; data from Fraser Institute, 2022). Capitalism spread around the globe, especially in the final decade of the 20th century. The trade and economic growth that were, in part, unleashed by these world-historic changes not only benefited the rich. The share of the world population in extreme poverty (measured by the new robust “cost of basic needs” approach) declined almost linearly with the increase in world GDP (see Figure 1.3; data from Hasell et al., 2022), and at any rate the decline between 1945 and 2018 was enormous: from almost 45% of the world living in extreme poverty in 1945 to just 10% still doing so in 2018 (Moatsos, 2021).

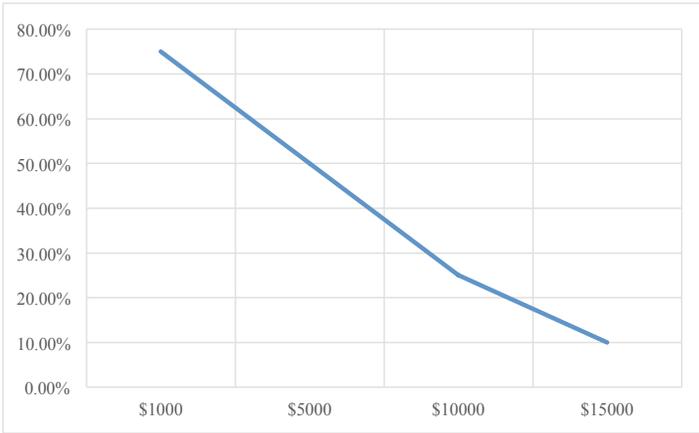
**Figure 1.1:** Trade openness index, 1945-2019

Source: see the text.

**Figure 1.2:** Economic freedom index, 1950–2019

Source: see the text.

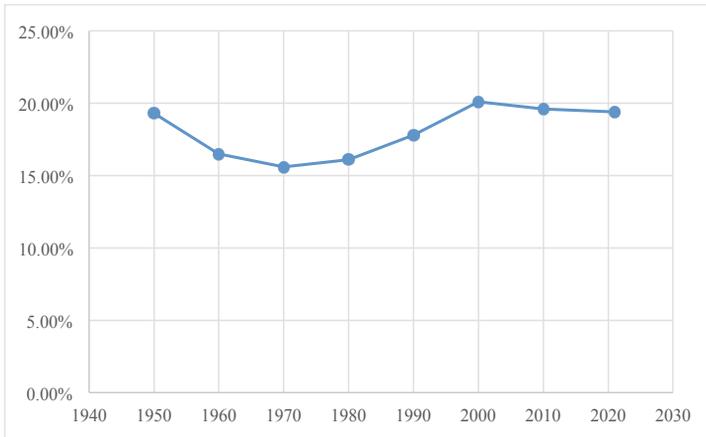
**Figure 1.3:** Share of world population living in extreme poverty at different stages of economic development (USD)



Source: see the text.

Income inequality reveals a more complicated picture. Income inequality within countries, when measured throughout the world, mostly exhibited a U-shaped pattern between 1945 and 2000. It declined sharply after the Second World War, stagnated in the 1970s, then started to rise again after 1980, while today it has again been stagnating for the past 20 years (see Figure 1.4; data from World Inequality Lab, 2022). A different measure of inequality, which looks at inequality between citizens of the world (instead of between citizens within individual countries), presents a different picture altogether. Such *global inequality* reached a historic peak around the end of the Second World War with a Gini index exceeding 70 (Milanović, 2016). It then stagnated at this high level up until the 1980s, when it decreased slightly and languished up until the year 2000 (ibid.). In the past two decades, however, global inequality has fallen by almost 10 points on the Gini index (ibid. and Milanović’s most recent working calculations).

**Figure 1.4:** Income share of the top 1% across the world (measured within countries), 1950–2021

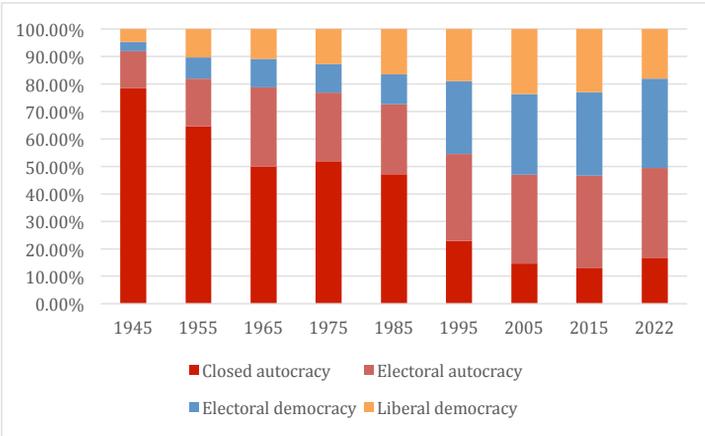


Source: see the text.

This was also roughly the period of the third wave of democratisation (1974–2007), which saw the collapse of closed autocracies and the rise of both electoral and liberal democracies (see Figure 1.3; data from V-Dem 2023). At the same time, the biggest multilateral organisations, such as the United Nations, the International Monetary Fund, the General Agreement on Tariffs and Trade and, subsequently, the World Trade Organization, the Organisation for Economic Co-operation and Development, the World Health Organization, and others, were being created and strengthened.

The LIO has also seen relative peace. In any given year, the number of interstate conflicts and wars remained miniscule, around 2 (Roser et al., 2016). Great powers also stopped fighting each other directly, whereas in previous centuries devastating wars between great powers were common; between 1500 and 1800, great powers were fighting each other around 80% of the time in any given 25-year period (Pinker, 2011; Levy, 1982). Rates of violent mortality have also plummeted compared to earlier decades. According to the *Conflict Catalog*, between 1950 and 2000 the 15-year moving average of the military and civilian death rate fell from around 30 per 100,000 to 2 per 100,000. During the First and Second World Wars, the moving average peaked at around 100 per 100,000.

**Figure 1.5:** The fall of dictatorship and the rise of democracy, 1945–2022



Source: see the text.

Nevertheless, the LIO has never been completely peaceful, nor liberal. First, the number of civil conflicts rose sharply from about 10 in any given year to around 50 between 1950 and 2020. Fortunately, violent mortality did not rise on account of this shift, albeit this was because the shift referred to an increase in *smaller* and *less deadly* conflicts. Second, the relatively low levels of violent mortality seen under the LIO are not really historically unprecedented. For instance, we can point to several decades of peace in the 19th century that were just as non-violent as the period since the Second World War (Roser et al., 2016). Third, the world’s foremost liberal leader, the USA, engaged in dozens and dozens of overt and covert interventions in foreign elections and regime changes between 1946 and 2000 (Levin, 2016; O’Rourke, 2020). In fact, half of all military interventions in US history happened after 1946, although the share of multilateral interventions has grown significantly in the post-1990 era compared to either the pre-1945 or 1945–1989 periods (Kushi and Toft, 2022).

Despite these and other nuances that complicate any exceedingly simplistic and congratulatory narrative about the LIO, it is clear that there is something special about the post-1945 period. Still, many pressing questions remain. What has been responsible for the seemingly incredible shift in world politics? Was the construction of the LIO simply a continuation of

power politics by other means, or did the LIO truly give international relations a fundamentally different dynamic? Was the LIO built to last, or was it doomed for an inevitable decline since the start? Which are the most salient contradictions besetting it? Before these questions are addressed in detail in the following chapters of this edited volume, it is first useful to turn to the rich theoretical tapestry that constitutes the study of international relations. Which are the main perspectives, and what do they have to say about the nature of the LIO?

## **Different conceptions of the LIO**

### *The three grand paradigms*

A classical way of distinguishing different theoretical perspectives in the field of international relations is to group them under three broad headings: realism, liberalism and constructivism (Walt, 1998).

Realist theories, such as classical realism and structural realism, typically assume that states are the main actors in international relations. Given that, according to realism, states are rationally self-interested and embroiled in insecure relationships with other states, they – at least under conditions of anarchy – compete for security by either maximising or at least maintaining their share of military power. As a consequence, the institutions, alliances and orders that states build mostly, perhaps even entirely, reflect the underlying distribution of power within the international system. In other words, nothing qualitatively new ever happens in the realm of world politics; all that changes is the balance of power. Further, realist theories predict that any brief breaks in the form of cooperation and peace that might come out of a particular configuration of power will inevitably end and be replaced by competition, conflict and war; and while cooperation and peace last, they are mostly in the service of the selfish interests which great powers pursue. Of course, there are many interesting and important differences between various types of realist theory, say classical and structural realism, or between defensive and offensive structural realism. Moreover, some wonder whether contemporary realism still remains a coherent body of scholarship since it has started to borrow explanatory factors and logics from other schools of thought (see Legro and Moravcsik, 1999).

In the realist account, therefore, the LIO did not represent the ushering in of a completely new age of international relations (Waltz, 2000;

Mearsheimer, 2001; 2019). The changes that happened are accountable in the relatively simple terms of power distribution, such as the transition from multipolarity to bipolarity (during the Cold War), and then from bipolarity to unipolarity (in the three decades after the Cold War). For instance, the relative peace established under the LIO was not due to the spread of some special new social factor like democracy or capitalist trade, nor to the cooperative magic of multilateral organisations. Instead, it can be explained with reference to the changing polarity of the system; balanced bipolarity should see more peace than unbalanced multipolarity, and unipolarity even more so, at least in those parts of the world aligned with the sole great power. At the same time, in the realist account, one would expect state behaviour under the LIO to be characterised by all types of hypocrisy and contradictions. For instance, it would be a matter of course for the leader of the order, the USA, to try and dominate parts of the world in the cut-throat pursuit of security or power maximisation, even if this goes against liberal ideological principles.

Liberal theories share some of their central assumptions with realism. They, too, consider states to be the principal actor in international relations, although some influential domestic social groups, such as the capitalist class, also play an important role (albeit only through their influence on the state). Moreover, liberals consider states to be self-interested and rational, and do not deny the existence of anarchy and considerations of power and security. However, much more than realists, liberals also pay attention to the causal influence of broad domestic social structures on the dynamic of international relations. State behaviour is largely determined by whether the state is democratic or autocratic in nature, it possesses a capitalist economy, and it is a large trading partner. The more democratic, economically free, and interdependent, the greater the chances that the state will not be bellicose, will experience peace, and have robust networks of alliances. Accordingly, liberals are much more hopeful than realists in that, at least under certain conditions, international relations can start experiencing enduring peace, cooperation, and security. In general, liberal theory is more inclined to predict that – even though states must pay attention to how much military power they have, and what the balance of power in the system is – security can at least in principle best be pursued not through competition and power maximisation but economic cooperation, political freedom, and multilateral agreements.

This means that for liberals the LIO is a qualitative break in the history of international relations (Keohane, 1984; Ikenberry, 2000; 2018). Not only did it introduce a real possibility of enduring peace and cooperation between nations, and the waning of the old *realpolitik*, it also demonstrated the powerful influence of social factors like democracy and capitalism on international relations. In the view of liberals, it was not the underlying distribution of power or system-polarity that was most responsible for the relative peace and cooperation witnessed under the LIO. Instead, the power of democracy, trade, and international organisations should be celebrated as the glue that has maintained peace.

The differences between realism and liberalism are then chiefly due to their different causal focus (i.e., international or domestic) and the different avenues (i.e., cooperation or competition) the two perspectives postulate while theorising how states can optimally achieve their goals. Yet, despite these differences, realism and liberalism are both materialist and rationalist in nature. That means they presume that the relevant actors – typically states – behave rationally in the pursuit of their goals, and that these goals are fairly simple; namely, they are a set of easily recognisable material interests like economic growth or military power.

Constructivist theories, in contrast, fundamentally question that basic assumption. Constructivists argue that states are not necessarily the principally important actor, that the key actors should not be assumed to be rationally self-interested, and that the goals they pursue are neither simple nor given. Instead, actors, their behaviour and the goals they pursue are all profoundly socially constructed. All of these variables are highly context-dependent and constantly changing, dependent as they are on being created and recreated on the basis of ideas, norms, discourses and identities.

From a constructivist perspective, the LIO is then seen as having been created on the basis of new norms and ideas that emerged after the end of the Second World War. Instead of the LIO being a reflection of the balance of power and the interests of its leader, the USA, or of being a mere extension of domestic democratic and capitalist structures on the international stage, it can be viewed as the product of certain elite ideologies that were pursued by various domestic and international, state and non-state actors. These original ideologies themselves, in turn, started shaping and changing the prevailing discourse and identities of other, including popular, actors and thereby led to the entrenchment and spread of the LIO through time.

***Digging deeper and beyond the paradigms***

In actuality, the theoretical terrain of international relations is much more complicated than the above three-way division makes it seem (for varied textbook treatments see, for example, Jackson and Sørensen, 2007; Dunne et al., 2013; Sharp, 2018; Grieco et al., 2022). Theories such as Marxism, the English School, feminism, postcolonialism, poststructuralism, and many others are difficult to neatly categorise as falling under one of the three umbrella terms. One can hence legitimately ask whether the overarching typology should be recast in a completely different way, such as the distinction between positivist and post-positivist approaches, or between rationalist and constructivist theories, while noting that even these are not completely satisfactory. For the purposes of this introduction, we shall continue with the original tripartite division while also allowing individual theories to speak for themselves apart from the division.

Marxism falls somewhere between realism and liberalism. On one hand, Marxism tends to accept the partial validity of realism, contending as it does that state behaviour in international relations cannot be simply reduced to the “economic logic” or the imperatives of capitalist production (namely, profit-seeking and economic competition), but instead affirming that there is also an irreducible “territorial logic” or the pursuit of power for state-security reasons that states will engage in (see the diagnosis in Pozo-Martin, 2007). This is most clear in Marxist theories of new imperialism, such as those of Harvey (2003) and Callinicos (2003). Some Marxists have responded and tried to downplay how much realist thinking is present in Marxism (see, for example, Callinicos, 2007), although in the end they do admit that there is an irreducible “realist moment” built into Marxism (ibid.: 542). On the other hand, Marxism is much closer to liberalism. Domestic structures and processes, such as capitalism and exploitation, are considered to be of the greatest analytical importance when Marxists are diagnosing relations between states.

In the context of the LIO, Marxist theories of dependency and unequal exchange, world-systems analysis, and theories of neo-colonialism are perhaps the most appropriate since they focus on interstate trade and capitalism. These are discussed at length in Chapter 2, which follows this introduction. Their analytical upshot is that the same old phenomena of state predation and plunder – originally stemming from the process of exploitation within societies – recurred under the LIO, but that they have now assumed a different,

new and more covert form than exhibited in the past. However, just as important are Marxist theories inspired by the seminal work of Gramsci in his famous *Prison Notebooks* on the concept of hegemony. This work was introduced into international relations by Robert Cox (1983) in the 1980s and is usually labelled “Neo-Gramscianism” (also see van der Pijl, 1998). A more detailed exposition follows in Chapter 3 of this monograph.

Next, the English School, originally conceived as a bridge between realism and liberalism, is perhaps most readily associated with the use of terms like “liberal world order.” The English School refers to the realist assumption of an international system based on states and a balance of power, yet it also stresses the existence of an international society, i.e., common norms and rules that bind states, prevent excessive violence and conflict, and allow the international system to function smoothly and effectively. The importance of rules and norms explains why the English School is sometimes called “liberal realism”. Moreover, the focus on ideas, norms and institutions as social elements makes the English School a precursor to the constructivist school of thought.

The English School is a broad and diverse body of doctrine, with the main dividing line usually being between pluralists, who emphasise the importance of different kinds of social contracts within individual countries and therefore take a more minimalist and sovereign equality-oriented approach to what international society should account for, and solidarists who stress norms that transcend state interests as represented by ruling regimes, such as the need to protect fundamental rights and freedoms and to address inequalities in the interest of international peace, stability and development, even when doing so would transcend the interests and sole authority of individual sovereigns. Issues like humanitarian intervention have occupied the centre of controversy and debate between the two blocs for obvious reasons.

In the English School, the concept of order refers to a practice of relations in a particular international system that adheres to certain norms and rules. The notion of liberal order would take into account elements such as free trade, private property and free initiative, the protection of basic personal rights and freedoms from abusive authorities, the binding nature of agreements entered into free from any coercion, regulation and prohibition of the use of any arbitrary violent measures, especially acts of aggression and the use of military force.

It is an open question whether there has ever been a liberal international order in the strict sense of the word; rather, one could observe the rise of

regional liberal orders (e.g., Atlantic, Western European...) and the spread of certain liberal norms in the post-Second World War period and especially since the 1980s. Even though the evolution of liberal order(s) is related to systemic developments like the role of the USA's hegemony, it cannot be explained by systemic factors alone, since US hegemony began to wane as early as in the 1970s, and since certain liberal norms and values such as those of free trade and private initiative (commonly associated with capitalism) seemed to outlast the systemic changes. The question is more about the specificity of the norms and values held by individual influential countries (such as the USA), and even about the violation of certain of these norms by those same countries, as opposed to a more pluralistic vision of international society based on more fundamental norms of sovereign equality. Similarly, in line with the English School, the (d)evolution of the liberal order(s) over the past decade should be seen not only as a result of growing rivalry between powers, but as a struggle over norms that (dis)unite the society of states as well (Buzan, 2020). The English School is further discussed in Chapter 4 with regard to the role of hegemony in the major debates of IR, while Chapters 10 and 11 examine non-Western perspectives on the LIO which hold relevance for the more pluralist account of international society.

While applying our original tripartite scheme, poststructuralist approaches to international relations can mostly be seen as fitting in with constructivism, even though they also represent a significant radicalisation of it; at the same time, poststructuralism has very little in common with either realism or liberalism. Like the constructivists, poststructuralists challenge the idea of an objective, given reality and thus eschew any simple talk of anarchy, material interests, economic growth, or balance of power. Social actors are constantly trying to interpret and reinterpret reality and thus the central poststructuralist suggestion is that we focus more on actors' subjective perception of reality instead of taking facts for granted and assuming that their causal impact on the decisions and behaviours of social actors is straightforward (Campbell, 2013). Poststructuralists seek to understand why, among all the different ways relations between states, their goals and behaviour *could be perceived*, they *end up being perceived* only in some, but not other, ways. How and why do perceptions of state and other actors change through time and social context? Perhaps most importantly, how does social power shape subjective perceptions? How could it be leveraged to change it in a different direction? Further, why do scholars conceptualise international relations as

they do? Why are some theories more prominent than others, and why have some dichotomies, such as West/East or developed/undeveloped, become so entrenched in the field?

As some of these questions indicate, poststructuralism is a thoroughgoing philosophical reflection, or a meta-theory, about international relations and how they have been theorised so far, as much as – if not even much more so than – it is a concrete theory of how and why states behave like they do. For this reason, it is hard to say what a particular poststructuralist theory of the emergence, spread and collapse of the LIO would look like. Yet, what is clear is that subjectivity, discourse, interpretation and social power are the key terms with which poststructuralists would diagnose and critique the LIO.

As a radical version of social critical theory, poststructuralism has concentrated on the arbitrary and political nature of any attempt to order society, beginning with the use of language and ideas to produce knowledge about things. Relatedly, while postcolonialism and feminism are broad fields of inquiry in which different social science theories are applied to the issues of gender and the North–South division, the idea of the need to de-naturalise and de-objectify the apparent facts, to expose and politicise the existing hierarchies, and to use counter-knowledge to develop an alternative practice is central to both fields. Two chapters in this book take a more socially radical perspective: Chapters 6 and 12 discuss democracy and human rights, tenets of the LIO, from the perspective of actual LIO-related constraints placed upon the popular will and the right to be.

## **The issue of domestic policy and sovereignty**

The concept of the LIO blurs the lines between IR, which typically revolves around anarchic and state-based structures of the international community, and domestic politics, where hierarchical structures, commonly shared norms, and rules typically play a larger role. The postwar Atlantic order was based on the norms and rules of free trade and individual rights and was supported by centrist liberal democratic political forces that lost ground to ‘illiberalism’ in the context of various globalisation crises and socioeconomic and cultural changes, when nationalism and authoritarianism gained prominence (Ikenberry, 2018).

At the heart of the change is the concept of sovereignty, which is a traditional concept in IR. It refers to the state’s actual control over its territory,

including the creation and effective enforcement of laws. The concept of sovereignty has evolved over time. Increasing interdependence and the role of international regimes, institutions and non-state actors have relativised and changed the exclusivist understanding of the concept. During the recent globalisation crisis, the concept has come to the surface again in the form of 'popular sovereignty'. It has been argued that some aspects of modern global governance, such as the overarching authority of multilateral institutions and international organisations, as well as external intervention for liberal reasons (economics, human rights), were waged against consent of the governed as a necessary source of legitimacy (Colgan and Keohane, 2017). In response, there is growing resistance to the restriction of sovereignty by powerful institutions and a belief in strong indigenous leaders who are directly accountable to 'the people' (Colgan and Keohane, 2017).

Even authors belonging to the liberal tradition now argue that globalisation has challenged democracy and the functions of the state; the winners of globalisation, who are protected by international regimes and organisations and are highly mobile, no longer need national democracy to protect their interests, while the losers of globalisation cannot use democracy to advance their interests (Goodhart and Bondanella, 2011; Krastev, 2018). The result of this obsolete status of national democracy has been a decline in the participation and legitimacy of national authorities and institutions, which have then faced an existential crisis. The forces of globalisation have led to intense economic competition and cultural diversity on the demand side, prompting socioeconomic instability and cultural backlash, and constrained political space on the supply side in the form of pressures on redistributive and national conservative politics, thereby constraining the role of traditional left and right wing politics, while also increasing competition between different vertical levels of authority (Colgan and Keohane, 2017). The losers of globalisation and (part of) the political elites responded by pushing popular sovereignty against the established centrist-liberal (inter)national elites and institutions in terms of taking back control and nationalist policies against the liberal norms, rules and authorities of international organisations, which was explained as an "illiberal democratic response to undemocratic liberalism" (Mudde and Kaltwasser, 2017: 116).

Crises in the LIO, such as the global financial and economic crisis and migration pressures, acted as triggers for sovereigntist impulses because in these crises there was a gap between international governance, which is often

slow and complex, and the national system of representation and pressure on national elites (Chryssogelos, 2017).

This development took place in the specific context of global power shifts during which the USA lost its hegemony to the rising China and the more assertive role of Russia. Huntington (1991: 17–21), referring to the post-1980s' wave of democratisation, argued that a reverse wave would occur as the USA, Europe and others have failed in the form of economic setbacks, intensified social conflict, polarisation, and terrorism in the face of the pull of the remaining authoritarian powers.

The question of nationalist and sovereigntist foreign policy responses is complicated by the disciplinary divide between the focus on the international system (IR) and domestic party politics (comparative politics). Treating foreign policy as an extension of domestic policy or as a 'continuation of domestic policy by other means' is based on the classic Allisonian decision-making model in which state influence in the international community is based on socialised national interest through rational cost-benefit analysis (the Rational Actor Model), as opposed to an instrumental view of foreign policy as 'just another arena of domestic policy' that requires the 'black box' to be opened (the Government Politics Model). According to available research, one of the few consistent patterns shows that popular sovereignty movements tend to be more left-wing in the Global South due to pressures from financial institutions and transnational corporations, and more right-wing in the Global North due to pressures from migration on the welfare state (Chryssogelos, 2017). In addition to the comparative perspective, there has been growing literature in recent years on regional patterns and on policy transfer and learning as a middle ground between IR and domestic policy.

With respect to IR, the influence of popular sovereignty forces has been considered limited since they have not yet had an impact on war and peace decisions. Popular sovereignty forces have even been perceived as 'dogs that bark but do not bite', as evidenced by their high degree of pragmatism and cherry-picking approach, which shows a high degree of 'socialisation' in the existing international order (Verbeek and Zaslove, 2015; Chryssogelos, 2017). However, this does not mean that these forces are benign, as the Trump Administration and Brexit have demonstrated. More general negative effects include inconsistency and rapid changes in existing foreign policy, the overprioritising of domestic policy, and poor diplomacy (Cadier, 2019).

The rise of sovereignism and nationalism brought with it certain tendencies toward the concentration of power among national authorities, increasingly personalised in the form of ‘strongmen’. While the focus on effective rule can be explained in the context of international crises and the constraints of international governance, the short-term focus driving de- and re-institutionalisation risks reinforcing the role of power as opposed to the power of rules and causing a spiral of further instability and crises. Once politicians are in power, they cannot be expected, as rational actors, to make benevolent efforts to improve accountability, but to use the authorities in ways that keep them in power. This includes incentives to exploit dependency symmetries in bilateral relationships and externalise costs, as well as to use various polarising strategies and exclusive definitions of interests to limit representation.

It could be argued that especially when the role of international actors was strong and national institutions were weak, as in Eastern Europe, the LIO crisis became an opportunity for new authoritarian rulers, neotraditional identities, and alignment with authoritarian regimes. While it was initially argued that a certain degree of ‘liberal autocracy’ was necessary to enable liberal democratic developments in post-communist countries (Zakaria, 1997), more recently the limited contestation of norms and rules imposed by domestic technocratic elites has been blamed for the illiberal turn in Eastern Europe (Krastev, 2018). Existing research on the foreign policy of regimes pushing the popular sovereignty agenda in the region CEE shows that systemic factors play an important role on the international level and ‘politics as usual’ on the national level: populist governments mainly changed the style and rhetoric of their foreign policy, and electoral successes of a more nationalist foreign policy directed against systemic pressures were limited to policy areas such as migration. This topic is discussed in more detail in Chapter 8 of this book.

## **European integration at the intersection of globalisation and the illiberal backlash**

The EU, as the most important achievement of liberal internationalism, has been hit hard by the crises of globalisation and the illiberal backlash. The EU crises – the eurozone, the migration crisis, Brexit, the rise of illiberalism in CEE, as well as the COVID-19 pandemic and the Ukraine crisis – which started as global crises that transformed into EU crises due to the EU’s

specific dysfunctionalities, could be understood as critical junctures, namely, turning points that would divert European integration from the path of an 'ever deeper and larger' union set by the previous supranational-centralist institutional orientation.

According to Zeitlin, Nicoli and Laffan (2019), the crises faced by the EU are more than typical critical junctures that have led to new grand bargains in the past. Instead, they are broader political crises that threaten to divert the European integration project from its historical course. The mentioned crises have supported arguments that European integration has gone 'too far' since the EU was set up in the 1990s. In particular, in contrast to the market integration of its predecessor, the European Economic Community, the European Union became a kind of superstate, gaining powers in core state competencies (Genschel and Jachtenfuchs, 2018) such as monetary affairs (eurozone) and borders and citizenship (Schengen). The euro and Schengen, as the central projects of the Maastricht EU (along with Eastern enlargement), were precisely the policy areas where crises occurred. This was due to the partial transfer of sovereignty that resulted in semi-made policies and governance structures that lacked (a) accountability enforcement and (b) solidarity mechanisms to redress imbalances which, together with a lack of (democratic) accountability, triggered a broad political crisis (Jones, Kelemen and Meunier, 2016).

Not only policymakers, but also theories of European integration have been blamed for the rise of anti-integration sentiment. While European studies and particularly theories of European integration have been influenced by both IR (anarchic view) and comparative politics (hierarchical view), the 'grand theories' of integration have been heavily influenced by liberal internationalism. Instead of corresponding to a diversity of perspectives in IR and domestic politics, ranging from realism to Marxism, the grand theories of integration – neofunctionalism, liberal governmental theory, and postfunctionalism – expressed different variants of progressive liberal thought, which is why they were accused of having a pro-integration bias in the wake of the EU's crises (Boerzel and Risse, 2018a).

Neo-functionalism explains European integration as the result of the functional transfer of powers to supranational centres, leading to a shift in the perceived legitimacy and lobbying activities of various interest groups and generating spillover effects for other policy fields. Liberal governmental theory argues that the two-level game (domestic and international negotiations)

provides governments with a unique source of power that permits them to determine the winners among national interest groups by exploiting the government's exclusive role in international negotiations, while taking into account the relative dependency asymmetries that define governments' international powers and the role of supranational authorities in serving the credibility of commitments. Postfunctionalism contends that support for the further transfer of power to the supranational level was based on a permissive consensus among elite decision-makers and that the crises led to increased politicisation and the emergence of 'constraining dissent'. Importantly, these theories directly endorse the devolution of power to supranational technocratic authorities (neofunctionalism), portray European integration as a source of state governmental power (liberal governmentalism), and downplay criticism by pointing to different patterns of contestation (postfunctionalism). Although all three theories acknowledge the possibility of disintegration – for neofunctionalism this is 'spillback', for liberal governmentalism it is the blocking of decision-making on the EU level, and for postfunctionalism it is the repoliticisation of the transfer of powers, these options have played a marginal role in these theories (Boerzel and Risse, 2018a).

However, research on the EU's crises does not necessarily support the charges against the liberal-progressive 'grand trio' of European integration theories because these theories can actually help to shed light on: (a) the actual demand for an EU-level response by member state governments and citizens; and (b) the capacity of EU institutions to respond effectively, as reflected in specific differences in how the EU has responded to individual crises.

Schimmelfennig (2018) starts with the premise that the crises of the euro and the Schengen area, two major European integration projects of the 1990s, were triggered by external shocks that revealed internal EU dysfunctions that led to distributional issues and politicisation. In the case of the 2011–2013 euro crisis, it was the absence of a lender of last resort and the lack of control over fiscal policy that produced tensions over who should pay for the bailouts and necessary structural adjustments. The 2015–2016 migration crisis was about the lack of control over the responsibility of the first country of entry and disagreements on burden sharing and the goals of migration policy generally. The relevance of liberal grand theories can be seen in the different responses to these crises – further integration after the eurozone crisis and the nationalist response of governments to the migration crisis. In the case of the euro crisis: (a) the strong interdependence

of countries and the lack of a viable individual exit strategy to counter the strong pressure from capital markets; and (b) the capacity of existing supra-national institutions such as the ECB to act led to a ‘neofunctionalist moment’, which included new institutional developments like the decision of the ECB to ‘do whatever it takes’ to save the euro in 2012 and the introduction of new mechanisms to support financial stability, fiscal rules, and the banking union in subsequent years. These developments were at odds with alternative arguments that the euro was a one-size-fits-all policy and that the structural economic imbalances among the countries were too large to overcome, risking further economic and political crises.

In contrast, during the migration crisis, countries were able to act effectively on their own by closing their borders, while EU-level institutions such as the Schengen system, the European Asylum Support Office and Frontex continued to play quite a weak role, explaining the lack of further integration in this area. Research based on liberal government theory has shown how the asymmetric impact of the Schengen crisis on different countries and the adherence of several countries to the status quo led to a negotiation situation in which there were insufficient opportunities for more substantial policy changes, such as an additional transfer of powers to the EU level (Biermann et al., 2017). As a result, asylum policy remained largely in the hands of member states, and the lowest common denominator of stopping immigrants at the EU’s external borders in exchange for free movement within the Schengen area was seen most strongly after 2015.

Postfunctionalism can further explain the euro and Schengen crises from the perspective of different patterns of identity politics contestation (Boerzel and Risse, 2018b): In the euro crisis, the depoliticisation of monetary policy initially led to even greater politicisation, but the discourse of the (EU-based) order, rules and solidarity ultimately prevailed, in contrast to the Schengen crisis when nationalist and identity politics discourses prevailed and supported the corresponding institutional and political developments.

The rise of illiberalism and Brexit can also be convincingly explained in terms of liberal grand theories of European integration (Hooghe and Marks, 2019). Brexit was explained as either a mistake or that not much would change for the UK in terms of its specific position in the EU (a series of exemptions and opt-outs from Community policies). Moravcsik, the founder of liberal governmental theory, even famously argued that the EU was like the Hotel California: You can check out at any time, but you can never leave.

Meanwhile, the rise of illiberalism was explained by the weak definition of EU competences in the treaties (e.g., ambiguities regarding the Article 7 procedure) and weak conditionality in the post-accession period, in comparison to the strict rules for common policies such as the market, where there were few violations. In addition, the EU institutions were an important lever in supporting domestic opposition to authoritarian tendencies.

From a party politics perspective, the critique of the pro-integration orientation of the grand theories has pointed to the replacement of the traditional party divide (left wing vs. right wing) with the new transnational divide (globalism vs. sovereignism) based on opposition to trade, integration and migration, which has placed the EU at the centre of politicisation (Hooghe and Marks, 2018). The EU's crises were a catalyst for growing discontent with liberal-leaning elites who benefited from the pro-integration orientation and for the increasing politicisation of left and conservative political forces that were squeezed out by the EU's centrist-liberal orientation (Hutter and Kriesi, 2019). Yet, research shows that the euro crisis was politicised mainly in the southern member states where traditional cleavages still existed to a greater extent, while the migration crisis was politicised in the north and along new party cleavages (Hutter and Kriesi, 2019). As the euro crisis eventually led to further integration, while the migration crisis did not result in changes to the nationalist status quo, the EU's response was in line with the (evolving) political cleavages. Hutter and Kriesi (2019) note that the countries of CEE are an exception to this pattern of politicisation, which they explained with the underdevelopment of their party systems to which the EU's crises actually brought some structure. Chapter 6 of this book examines the evolution of the challenge to the EU from 'populist' and 'radical' Eurosceptic parties, i.e., parties that challenge the liberal-centrist political mainstream.

Finally, in response to growing contestation, EU institutions have increasingly adopted a political rather than a purely technocratic posture, highlighting the EU's evolution as a political system. Schmidt (2019), for example, pointed to the somewhat overlooked stronger politicisation of relations between the EU institutions themselves. In response to Brexit and the rising anti-integration sentiment, Jean-Claude Juncker's Commission published a White Paper on the Future of the EU that outlined various integration scenarios such as disintegration, differentiated integration, a multi-speed Europe, and federalisation. Interestingly, the stronger politicisation of integration, the response of EU institutions, and the consideration of nationalist alternatives – the Eurosceptic

parties that have become major players in a number of EU member states – have led to an apparent U-turn in support for the EU, as demonstrated during the COVID-19 pandemic. The initial nationalist response to the crisis in the form of border closures and the national procurement of medical equipment did not really provide additional support for EU governments (Krastev and Leonard, 2020). According to Youngs (2020), right-wing populists in several Western EU member states lost support in the early stages of the health crisis. While the EU's role was initially criticised, even more respondents were critical of the fact that the EU was not there to act (Krastev and Leonard, 2020). The perceived intensification of the geopolitical rivalry with Russia and China and the transformation of the health crisis into an economic crisis similar to the past euro crisis further strengthened support for an EU approach. In contrast to certain previous trends, support for national governments and for the community approach correlated, suggesting that the EU was perceived as the most important lever for governments (individual countries from CEE were an exception to this trend) (Krastev and Leonard, 2020). As another sign of learning from past experience, unlike in earlier crises, the EU also responded relatively quickly and effectively by proposing the Recovery and Resilience Plan, which became part of the new Commission's integration agenda and policy, embodied in the European Green Deal – Next Generation EU, following the surge in electoral support for green parties in several member states and at the 2019 European Parliament elections, as well as increasing awareness of the emerging climate crisis.

In this context, Russia invaded Ukraine in 2022. This raised questions such as the need for the EU to reduce its dependence on (authoritarian) regimes and become a more autonomous and decisive actor in a world ever more characterised by geopolitical rivalry between democracies and autocracies, while at the same time strengthening the USA's role as a leading force in Euro-Atlantic relations and reliance upon the North Atlantic Alliance for security and defence. This issue is discussed in more detail in Chapter 9.

## **The Central and Eastern European perspective: from neoliberal shock therapy to populism**

The fall of the Berlin Wall marked a global shift towards the 'end of History' (Fukuyama, 1992), while it also gave way to the 'third wave of democratisation' in Europe (Huntington, 1991). All post-socialist countries in Europe

adopted various forms of liberal democratic political systems as well as a capitalist, market-based economy. This was done without democratic decision-making but as a self-perpetuating and commonsensical coupling of the political and economic systems. The EU accession processes have been of vital importance, when viewed together with the internal class power relations in these countries, for understanding the transition from socialism to capitalism. The EU accession of these countries of 2004 was understood as the end of their path and as a ticket to prosperity and development. However, as was the case of the transition processes in the 1990s, the first decade and a half of EU membership also produced contradictory social and economic outcomes in these countries.

In this short overview, we focus only on five CEE countries, namely Slovenia and the V4, because these countries have adopted what Bohle and Greskovits (2012) called the semi-core specialisation within the global capitalist economy and also because in the comparative case studies in this monograph we focus mostly, but not exclusively, on these five countries. This is just a quick overview of some of the characteristics of the integration processes, while a more detailed and also broader comparative study with other CEE countries has been explored elsewhere (Lane and Myant, 2007; Lane, 2007; Knell and Srholec; Buchen, 2007; Drahokoupil, 2009; Bohle and Greskovits, 2012; Drahokoupil and Myant, 2015).

### *Transition to capitalism and EU accession*

The transition from socialism to capitalism in CEE has been scrutinised by many different scholars (for the most notable studies, see: Drahokoupil, 2009; Lane and Myant, 2007; Bohle and Greskovits, 2012). The important role of the EU in these processes has been emphasised because the transition to capitalism coincided with the EU accession processes and the interests of transnational social actors in expanding capitalist markets to new territories, while the interests of various national actors and institutional legacy also played an important role in shaping the specific varieties of capitalist transitions in CEE.

First, in 1994 the EU adopted the Copenhagen criteria and opened the process for the former socialist countries to become EU member states. This had a profound impact on the political and economic dynamics in these countries because they had to conform to the newly established mechanisms and policy projects. Thus, in order to become EU member states, the CEE

countries did not only have to adopt a liberal democracy and capitalist market economy but also conform to the interests and policy projects of the EU and of the older, core EU member states – the creation of the Single Market and the EMU. Since these two were based on strong neoliberal foundations, this also meant that the policies in CEE had to comply with the prevailing neoliberal logic of the EU.

Yet, this did not mean that uniform processes in CEE were put in place: while Slovenia began implementing more neoliberal policies at the turn of the millennium, it certainly adopted the most embedded form of capitalism; the Visegrad countries implemented a more neoliberal form of capitalism, which was still embedded, but certainly less embedded than in Slovenia and especially with less powerful neo-corporatist institutions; the Baltic countries adopted the least embedded neoliberalism in relation to weak state institutions and a strong pro-market drive (Greskovits, 1998; Bohle and Greskovits, 2007; Bohle and Greskovits, 2012; Lane and Myant, 2007; Knell and Srholec, 2007; Lane 2007; Drahekoupil, 2009).

Second, all of these countries, except for Slovenia, adopted a model of transition based on strong FDI-led growth and development. The CEE countries opened their borders up to the entrance of foreign MNCs and adopted very liberalised market deregulation approaches following the advice of the famous economist Jeffrey Sachs<sup>1</sup> and the EU accession criteria and policy recommendations. The skilled yet much cheaper labour than in the core EU countries or in the USA enabled the various factions of the European and truly transnational capital to expand in these countries and promote a new developmental model based on cheap labour and high profits (see: Holman, 2001; Bieler, 2006; Ivanova, 2007; Nölke and Vliegenthart, 2009; Bohle and Greskovits, 2012).

Third, an important aspect of the specific transition to capitalism in CEE was the positioning of these countries in the global supply chains. Namely, it is true that, when considering the complexity of their output and exports, the CEE countries often, especially Slovenia and the V4, resemble similar productive tasks as in the core-EU states. Although this integrated the CEE countries into world capitalism and also placed them relatively high up the value chain, they also became completely dependent on FDI for growth and

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1 Sachs had been on tour in Eastern Europe where he was promoting the radical and immediate implementation of capitalist institutions – the shock doctrine – disregarding the social consequences.

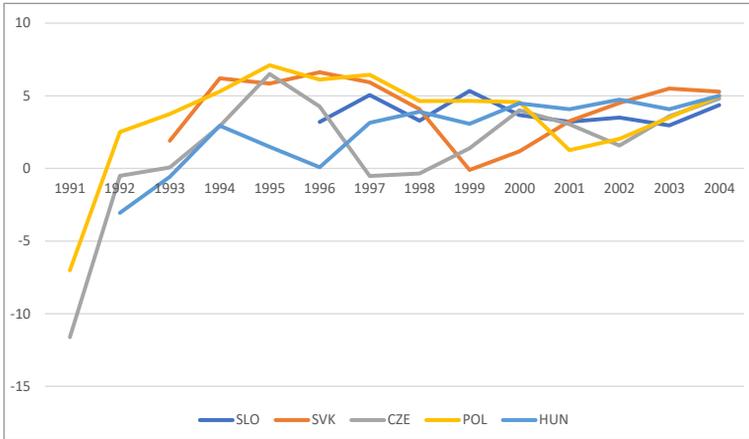
for employment, while the R&D in these countries also became highly integrated within the MNCs' developmental models based on the transfer of new production from core countries (Nölke and Vliegenthart, 2009; Bohle and Greskovits, 2007; 2012). However, there is "a different degree of sophistication and skills, or human capital" involved in these productive processes (Drahokoupil, 2009: 57).

Fourth, the majority of the CEE countries adopted a very liberalised and open policy regarding the entrance of foreign financial institutions. Many domestic banks were sold off to foreign financial institutions at relatively low prices. This gave rise to the high dependence of the economy on foreign financial institutions (Becker et al., 2010; Becker and Jäger; 2012; Becker, 2013).

Fifth, besides these broader patterns of dependent integration with the strong help of the EU, most CEE countries also went through a specific process. Namely, although a crucial element of the capitalist mode of production is to have a capitalist class, that is, the owner of the means of production, in the 1990s the CEE countries adopted a new strategy – building capitalism without making a true domestic capitalist class. This did not mean that private ownership did not exist, but that private ownership was put into the hands of foreign capitalist classes, while the importance of the cultural bourgeoisie, which was not the same as the economic bourgeoisie, was emphasised as playing a vital role in these societies. This has been labelled the process of "making capitalism without capitalists" (Eyal, Szélenyi and Townsley, 1998). Yet, this certainly did not mean that these countries did not adopt and not pursue pro-market policies, but was defined more as a process in which broad elements of the intelligentsia were completely "committed to the cause of bourgeois society and capitalist economic institutions" (Eyal, Szelenyi and Townsley, 1998: 1).

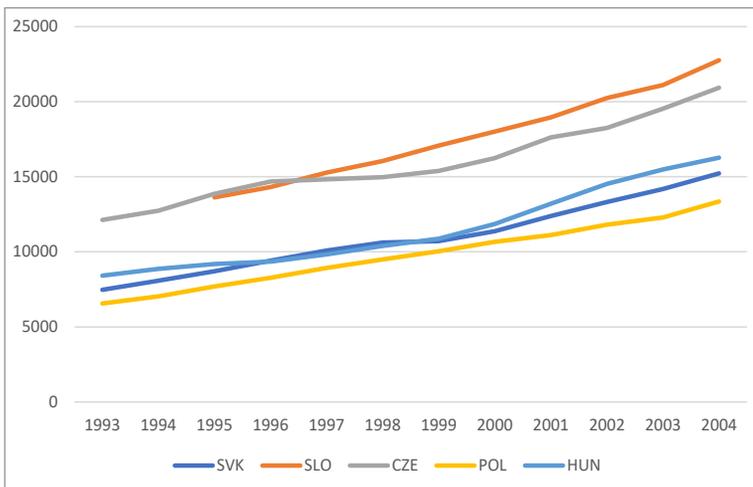
In the period from the early 1990s until 2008–2009 and the global financial crisis, these dependency trajectories, the economic and social outcomes of the transition period, and accession to the EU produced contradictory outcomes in the CEECs.

**Figure 1.6:** GDP growth (annual %)

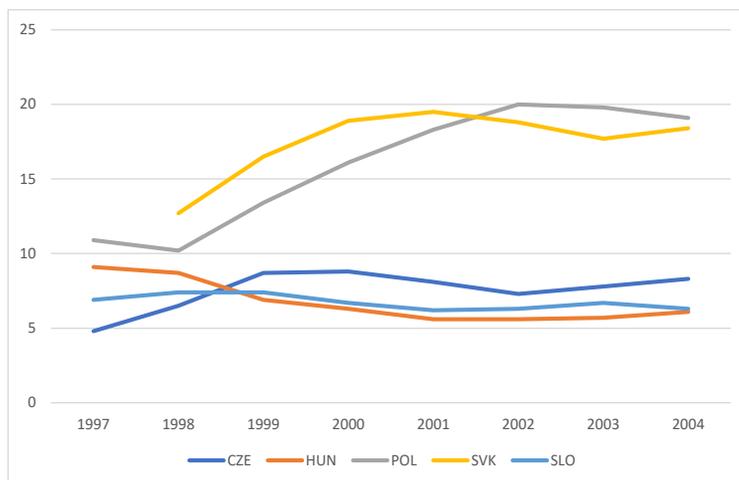


Source: World Bank (2023a).

**Figure 1.7:** GDP per capita, PPP (current international \$)



Source: World Bank (2023b).

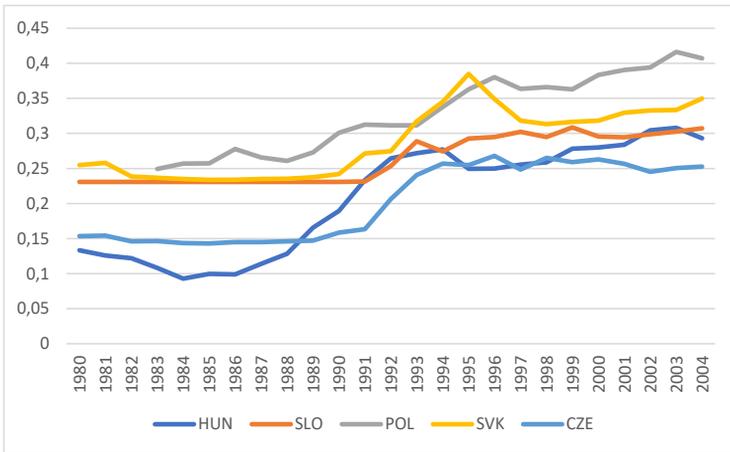
**Figure 1.8: Unemployment rate (%)**

Source: OECD (2023)

The transition from socialism to capitalism has caused inequality to rise in the CEE societies (Kopasz et al., 2013; Bukowski and Novokmet, 2017; Miljić, 2020). Moreover, as the figures below show, there has been an important rise in income inequality in these countries measured by Gini as well as in terms of share of national income. However, when we look at wealth inequality, we cannot see important changes within these countries in the period until their accession to the EU.<sup>2</sup>

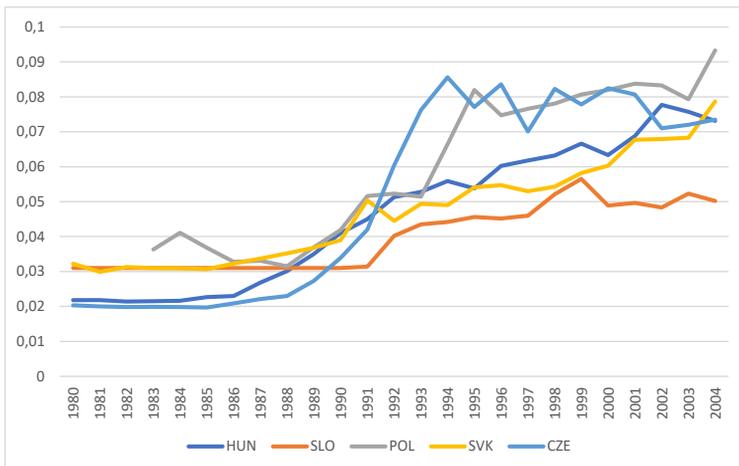
<sup>2</sup> For a comparative analysis of the changes of the welfare regimes in the CEECs, see Ceram and Vanhuysse, 2009.

**Figure 1.9:** Gini coefficient – post-tax national income



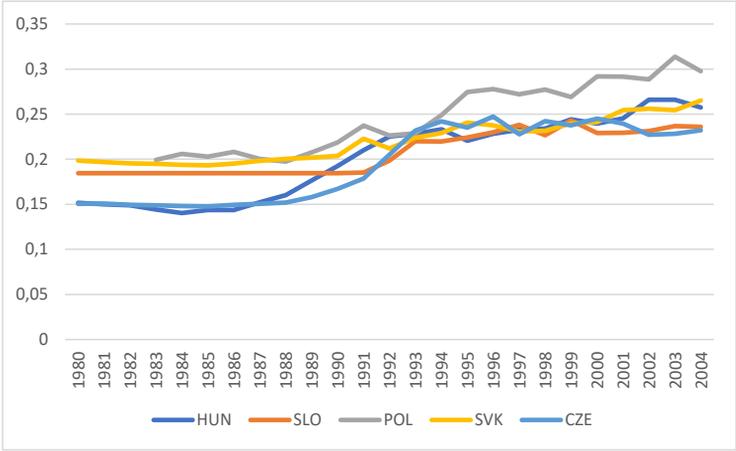
Source: World Inequality Database (2023a).

**Figure 1.10:** Post-tax national income share (top 1 %)



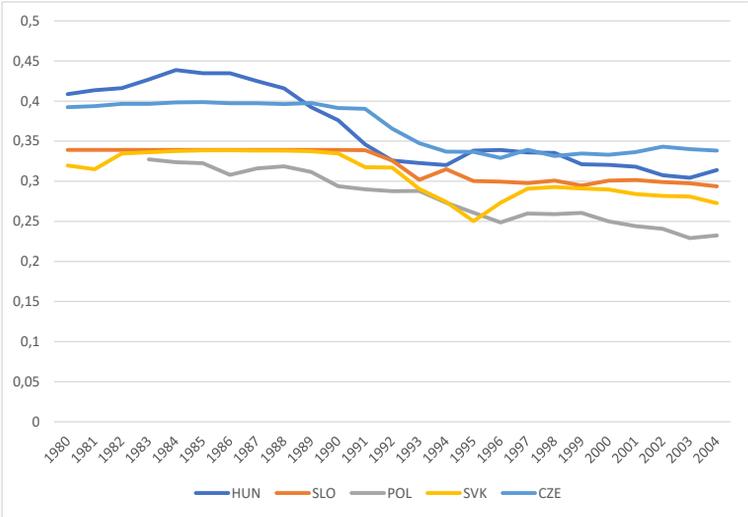
Source: World Inequality Database (2023b).

**Figure 1.11:** Post-tax national income share (top 10 %)



Source: World Inequality Database (2023c).

**Figure 1.12:** Post-tax national income share (bottom 50 %)

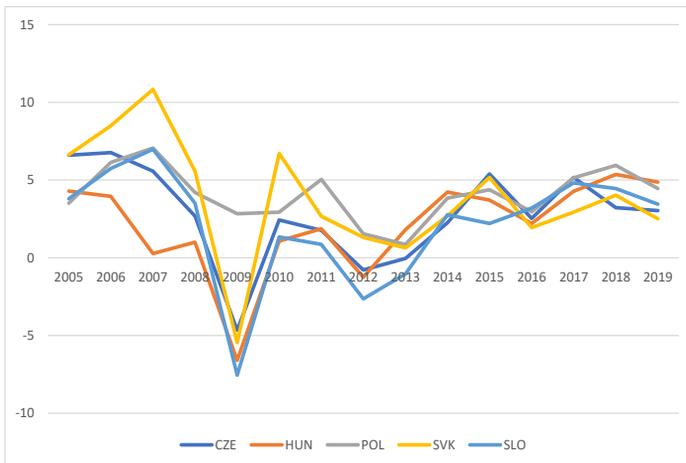


Source: World Inequality Database (2023d).

## The crisis of 2008 and the rise of illiberal democracy in CEE

Bohle and Greskovits (2012: 46–47) claimed that Slovenia and the Visegrad countries were specific examples of semi-core integration into the capitalist world system, based on the relatively high complexity of their manufacturing and manufacturing exports, while other CEE countries represented more typical semi-peripheral cases based on lower complexity in manufacturing and exports. Due to their high dependency on foreign capital – MNC’s, FDI and ownership of financial institutions, the Visegrád countries have also been labelled “dependent market economies” (Nölke and Vliegenthart, 2009: 46), a unique model of capitalism, besides the typical VoC dichotomy of LMEs and CMEs. Crucially, because of these dependency trajectories Becker (2016) argued that the CEECs became “Europe’s other Periphery”. However, this integration and particular position of the CEECs, despite being dependent on foreign capital and the EU, changed importantly during and after the crisis of 2008.

Figure 1.13: GDP growth (annual %)



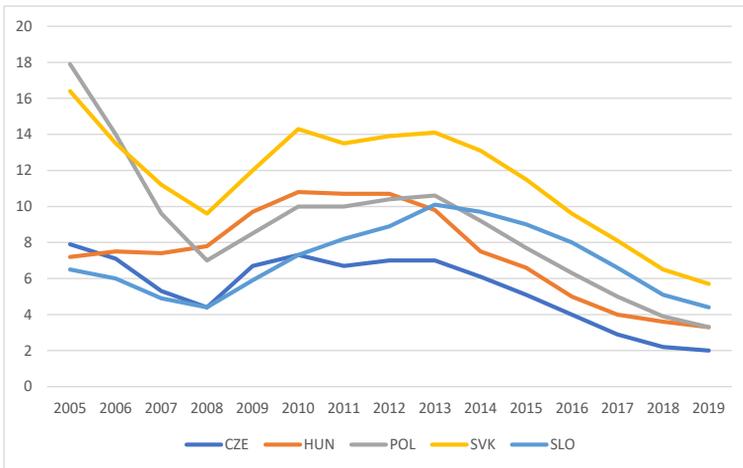
Source: World Bank (2023a).

When the crisis of 2008 broke out, the CEECs were hit severely. All countries experienced deep recessions, leading to big problems within the

respective countries. Namely, the debt-to-GDP ratio began rising and the current deficit grew significantly. The crisis affected Slovenia and Hungary strongly, Poland and Hungary nationalised many of their financial institutions. Slovakia and Czech Republic were hit by the crisis primarily through their export orientation and manufacturing export. Still, the processes of convergence of the CEECs with the core EU slowed down after the crisis (Dale, 2011; Alcidi, 2019; Andor, 2019).

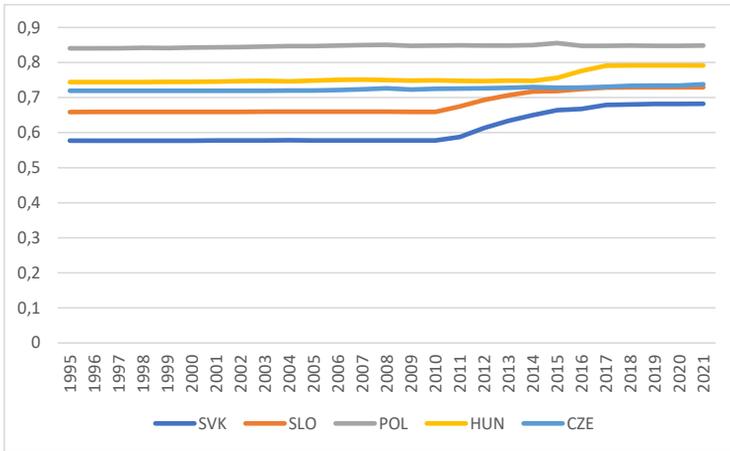
While unemployment grew again during the crisis, the main element mitigating this rise in unemployment was emigration from these countries to other, more core EU countries (see: Atoyan et al., 2016). Still, one important aspect of the crisis and post-crisis period stands out. Namely, wealth inequality that increased significantly in various percentile shares shows that there has been a steady concentration of wealth in the hands of the few, while the Gini coefficient for wealth inequality also grew importantly in the last decade.

**Figure 1.14:** Unemployment rate (%)



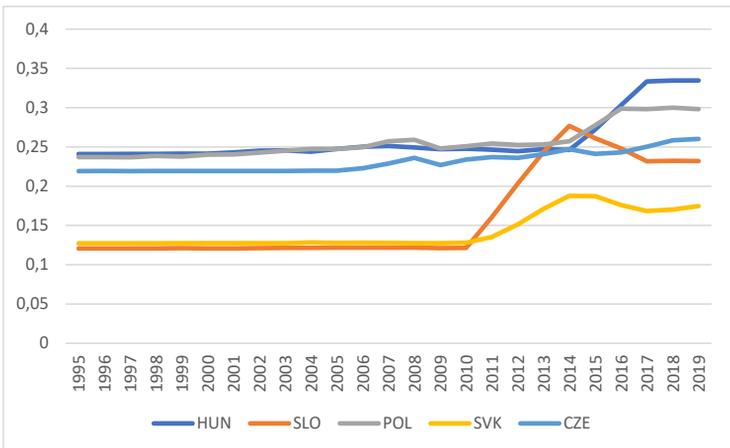
Source: OECD (2023).

**Figure 1.15:** Gini coefficient – net personal wealth

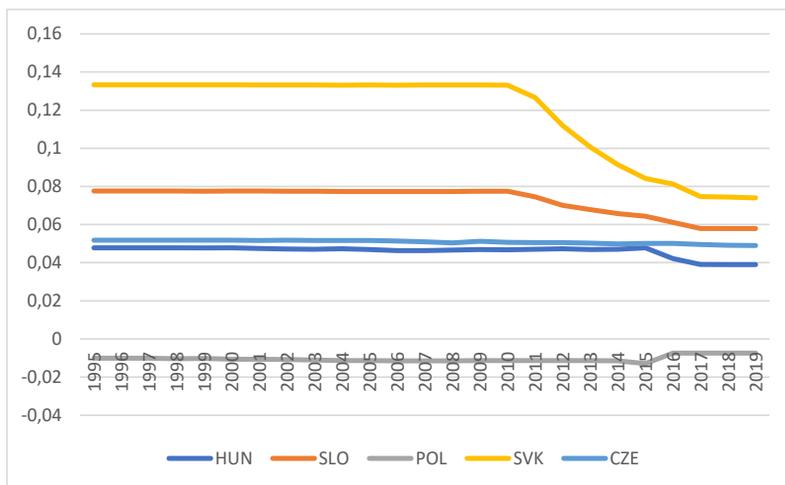


Source: World Inequality Database (2023e).

**Figure 1.16:** Net personal wealth share (top 1 %)



Source: World Inequality Database (2023f).

**Figure 1.17:** Net personal wealth – bottom 50 %

Source: World Inequality Database (2023g).

Moreover, the question of the limits of FDI-led and export growth based on lower productive costs and wages, together with the crisis and post-crisis periods, also made researchers question the continuation of the low-wage competitive model and the possibility of the emergence of the middle-income trap in the CEECs (Galgóczi and Drahokoupil, 2017; Györfy, 2022). The topic of the positioning of the CEECs in global value or supply chains has continued to be an important topic in the analysis of CEE and the specificities of respective types of capitalism: “GVC participation of the CEE-11 is strongly driven by backward linkages resulting in downstream position of all CEE-11 counties throughout the 2005–2015 period. Thus, compared to the old EU member states, the CEE-11 are in general positioned in more downstream stages of value chains”<sup>3</sup> (Zajc Kejžar et al., 2019: 4).

3 “Except for Slovakia, all countries have moved closer to the EU average, but this quantitative similarity hides significant divergence—while the Czechia, Slovenia and Estonia are on track towards a knowledge-intensive, high-quality growth model, the rest of the region continues to compete primarily on a cost basis. Without increasing productivity, growth becomes a function of attracting additional labor and capital into the region, which has clear limits given the declining population and the expected decline of FDI-flows due to the new technological revolution” (Györfy, 2022: 110).

When we consider these elements of economic development and inequalities together with the dependent and semi-colonial integration into the EU and capitalist world system of the CEECs, one can begin to grasp probably the most important political and economic consequences in the CEECs after the economic and financial crisis. Namely, in the last decade CEE has been one of the world regions where many different right-wing populist parties and politicians have emerged, while extreme nationalist/neo-fascist parties have sometimes also arisen as important political actors. FIDESZ, Law and Justice (PiS), SDS, Orbán, Janša, Fico and Babiš in Slovakia and the Czech Republic, just to name a few of the parties and politicians that are usually, and rightly so, denoted as populists, while some of them even argue for an illiberal democracy. Although characterised by the rejection of liberal values, strong opposition to liberal civil society NGOs, strong opposition to the acceptance of migrants and refugees in the EU, frequently strong nationalists and conservatives abolishing various independencies of state institutions (most usually of the judiciary), in terms of economic policies they have followed different strategies. In economic terms, some embraced following the EU-propagated neoliberal mantra and became more subdued to the EU, while others began implementing different policies, creating strong alliances with crucial economic domestic actors, and often relying on China and/or Russia for strong investment and cooperation (Kalb, 2010; Dale, 2011; Bugarič, 2020; Toplišek, 2020; Feldman and Popa, 2022).

These parties and politicians have typically been called ‘*enfant terribles*’ of the EU. Although sometimes understood in completely culturalist ways, in terms of underdevelopment, backwardness and unachieved modernisation, the rise of populism in the CEECs cannot be understood beyond and without focusing on the economic developments in these countries, specific dependency relations and the attempts to abolish them, while focusing on the specific class relations and new coalitions within these countries.

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While in the 1990s the hegemonic project within the EU was the implementation of “embedded neoliberalism” (van Apeldoorn, 1998), the “mode of incorporating eastern Europe, up to now, has resulted in the export of a much more ‘market-radical’ variant of neoliberalism” (Bohle, 2006: 58). Murrell even claimed that, “taken as a whole, this is the most dramatic episode of

liberalization in economic history” (Murrell, 1996: 31). During these processes of transition and EU accession, the CEECs “developed the characteristics of /.../ dualistic economic structures, high unemployment and precarious growth perspectives” (Bohle, 2006: 74).

If for the USA and the core EU liberal countries the end of history came with the downfall of the Berlin Wall and the end of socialism in Europe, for most CEECs the end of history came in 2004 when these countries became members of the EU, while they all also became, some even earlier, members of NATO. The CEECs became fully integrated into economic integration, albeit in a very dependent manner, which has been one of the crucial parts of the liberal world order and part of the military alliance that survived the Cold War and was a critical defender of the liberal international order. However, this end of history and the transition to capitalism accompanied by EU accession was a two-edged sword: while it helped these countries increase their GDP and GDP per capita growth, this newly produced wealth has been ever more unequally distributed in these countries, as first manifested in the rise in income inequality up to around 2004, while after the crisis of 2008 it has been more and more evident in the form of rising wealth inequality (Gini and also wealth share of different percentiles and percents).

Thus, the specific integration path into the EU as well as the global financial and economic crisis of 2008 opened up many political, economic and societal contradictions in these countries and caused the rise of populism, which has usually been framed in culturalist and underdevelopment terms, while the economic and social reasons for the ascent of populism have usually been disregarded. In this respect, the CEECs have gone through the shift from initially being the ‘exotic Other’ to becoming the ‘stigmatised brother’ within Europe (Buchowski, 2006).

However, in order to become less stigmatised and less dependent – not only in economic terms but also in the framework of self-understanding, it is necessary that this broader region also produce knowledge about oneself and to (self-)reflect on the specific CEE political and economic processes, while also addressing the crucial questions of the LIO from the point of view of the CEECs.

## Structure of the book

This book is divided into three parts, with Part I setting the stage by examining individual theoretical arguments and concepts within the framework presented in this introductory chapter, Part II looking at the EU and the CEE region as the focus of this volume, and Part III attempting to go beyond the 'Western' or 'European' perspective, both literally, by focusing on other regions, and in terms of going beyond the views that underlie the existing LIO. Each of the three parts is further divided into sections and chapters, as explained below.

In 'theoretical' Part I, section (a) targets the question that separates the liberal from the realist and critical theoretical perspectives: whether and to what extent has the postwar LIO increased the welfare of different countries and social groups in both absolute and relative terms. In Chapter 2, Tibor Rutar argues that at least the strongest and most dogmatic of the critical charges against the LIO are not supported by the empirical evidence, while acknowledging the potential relevance of more nuanced critiques that focus on the relative impact on individual countries and social groups in particular spatial and temporal contexts. In this context, Marko Hočevár examines the position of the CEECs after independence in Chapter 3. He relates his critical examination to the far-reaching changes in global economic regulation since the 1970s commonly associated with neoliberalism, which was often uncritically adopted by the CEECs during their transition.

Section (b) in the theoretical part of the book addresses key concepts and theoretical perspectives that might shed further light on the LIO crisis. In Chapter 4, Patrik Marčetič examines hegemony as a meta-concept that plays a positive role in the liberal and more hierarchical vision of international politics, in contrast to its perception in terms of dominance and the seeds of its own destruction in the more state-centred and structuralist realist and Marxist traditions. In Chapter 5, Srdjan Orlandić attempts to move beyond the materialist-rationalist and structuralist perspectives on international politics by instead proposing a critical social constructivism, a radically progressive liberal theory that on one hand is associated with the inability of IR theories of realism, liberalism and Marxism to predict the end of the Cold War and, on the other, holds the potential to address the pitfalls of the globalisation era associated with the current LIO and to conceptualise further social change.

The second part of this volume concentrates on the EU and CEE – the former being the greatest achievement of liberal internationalism, the latter being a region that, by adopting liberal norms and values as part of the EU integration process, demonstrates the EU's transformative power and its ability to reproduce itself in its neighbouring countries. Section (a) examines certain blind spots in the engagement with the EU. In Chapter 6, Melika Mahmutović and Marko Lovec examine the accusations made by parties labelled populist and Eurosceptic against the Maastricht Treaty that established the EU over the past 30 years to show, in retrospect, that they were not always wrong and were sometimes ahead of their time, revealing the importance of the debates on the EU's democratic deficit. Similarly, in Chapter 7 Ana Podvršič shows that semi-democratic regimes in the EU, the extreme version of which is represented by Viktor Orbán in Hungary, are not only about nationalism and conservatism, but also about the socioeconomic inequalities and inclusion that were not addressed by mainstream politics.

Section (b) in the second part of the book focuses on how current developments in the LIO are affecting the EU and CEECs from the outside in. In Chapter 8, Faris Kočan and Ana Bojinović consider the impact of the rising illiberalism on the international level on the foreign policy strategies of the CEECs, where Eurosceptic and illiberal parties have become a major political force. In Chapter 9, Jelena Juvan looks at the impact of Russia's war in Ukraine on the evolution of the EU's security architecture. The invasion of Ukraine by the illiberal Russian regime was a shock to the EU which, despite having gradually developed its own security and defence policy, has relied heavily on US and North Atlantic Alliance military deterrence and historically invested in developing soft power capabilities (persuasion) rather than hard power capabilities (military coercion).

As explained earlier, the third part of this book attempts to move beyond the spaces and concepts associated with Western liberal internationalism. Section (a) here concentrates on actors and identities outside the West. The focus is on two cultures that have most often been presented as posing the biggest challenge to Western liberal civilisation from the outside. The first chapter in this section, Chapter 10 by Blaž Vrečko Ilc, examines China as an emerging power and the ways in which it challenges Western views of the economy. The second chapter in this section (Chapter 11) by Primož Štrbenc looks at the Middle East and the interaction between economic neoliberalism and the Muslim world and culture as the more traditional opponent of the Western LIO.

The second section (b) of the final part of the book attempts to test the 'progressive' character of the LIO by questioning its limitations, such as its commitment to sustainable and inclusive development and to the greatest individual rights and freedoms. In Chapter 12, Ajda Hedžet highlights the limitations of the human rights concept as it is commonly understood in the Western LIO. In Chapter 13, Matjaž Nahtigal explores how the truly sustainable transformation of the West itself requires a normative change that not only goes beyond the existing hierarchy of norms and values, but incorporates some of the experiences from the non-Western world.

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# **I. KEY PERSPECTIVES AND CONCEPTS**



## **Chapter 2: The Rich Get Richer and the Poor Get ... Richer, Too: A Critical Evaluation of the Old and New Literature on Globalisation as Neoimperialism**

Tibor Rutar

### **Introduction**

One of the most salient features of post-Second World War international relations – the centrepiece of the ‘liberal international order’ especially since the late 1980s and early 1990s – is the infamous and oft-criticised social process known as globalisation. Although this phenomenon contains many aspects, all of which have been thoroughly debated, the economic dimension of globalisation has arguably been the most discussed. Whether defined more narrowly as the ever-growing amounts of exports and imports across the world or as the implementation of economic liberalisation reforms – namely, the spread of free trade through deregulation and the elimination of subsidies and price controls – or more widely as the penetration of the capitalist mode of production in virtually all countries around the globe, globalisation is an undeniable fact. To take just a simple measure of total exports and imports divided by world GDP, the world “trade openness index” (see Ortiz-Ospina and Beltekian, 2014) has gone from the immediate post-Second World War low of around 10% to a high of more than 60% in 2008 (having since declined to around 55%). In just the three decades between 1978 and 2008, the index doubled (*ibid.*), far surpassing the previous historically highest level of economic globalisation observed on the eve of the First World War (around 25% in 1913).

However, while most scholars agree that globalisation is a *fact*, they continue to disagree on the most accurate way of interpreting it. Perhaps the sharpest dividing line lies between those who laud globalisation as ushering in a qualitatively new, peaceful, prosperous and above all positive-sum

order of interactions between societies and people, on one side (see Van der Vossen and Brennan, 2018), and those who lament globalisation as just another, even more insidious because it is less transparent, instance of the same old zero-sum game of predation, exploitation and domination, on the other side (see Cope, 2019; Hickel, 2021; 2022). Some believe globalisation and capitalism should be credited for largely or completely ending the historical pattern of empire-building, war, and colonial conquest (Gat, 2017), whereas for others globalisation represents a new form of imperialism and colonialism (for more nuanced theoretical expositions of this latter critical outlook, see Wood, 2003; Brenner, 2006; Callinicos, 2009). The intellectual battle over this disagreement has mostly, but by no means exclusively, been fought in the past half-century between liberals and Marxists in various guises, with many earlier contributions by Hobson (1903/1988), Angell (1909/2005), Luxemburg (1913/2003), Kautsky (1914/1970) and Lenin (1916/1939) already prefiguring the broad contours of the later debate.

Among the most influential critical and Marxist scholars writing at the start of the post-Second World War period were Frank (1969), Emmanuel (1972), Amin (1976) and Wallerstein (1974). They developed or extended famous analyses such as “dependency theory”, “unequal exchange”, “unequal development” and “world-systems theory”, all with the intent to theoretically work out the ostensibly overlooked and pernicious elements of the rapid and extensive opening of global trade after the war. Even though these critics have, in turn, themselves long been the subjects of searching critique, their ideas remain deeply influential. Just recently, two well-publicised studies by Hickel et al. (2021; 2022) sought not only to theoretically vindicate these critical theories of globalisation as neoimperialism/unequal exchange but to also put them on a solid quantitative empirical footing, a development largely missing from most of the original accounts (also see Cope, 2019). In this chapter, three main general theses are seen as running through the majority of these contributions, ascending in severity and sometimes contradicting each other.

First, and most weakly, even though globalisation *is* a positive-sum process that benefits all involved, it nevertheless is an unequal and exploitative phenomenon that benefits some more than others and does so unfairly because some wield more power than others. Significant development is possible for all and likely for the majority in this view. Due to unequal gains, however, convergence is not guaranteed and will probably only happen between

most, but not all, regions and countries. Call this the “Unequal or Exploitative Positive-Sum Globalisation Thesis”.

Second, the exploitation and inequality present in globalisation are so severe that, despite a small number of developing countries being able to benefit enormously, develop successfully, and even start converging with the developed world, *the typical developing country* will either remain impoverished, not tend to converge, or develop only in a short-term, non-sustained fashion. Call this the “Severely Exploitative Globalisation Thesis”.

Third, the exploitation and inequality present in globalisation are so extreme that any prospect of the economic convergence and development of the poor is illusory. Namely, globalisation is *not* a positive-sum game. The developed world’s gains are fully, or approximately fully, offset by the developing world’s losses. The rich will be getting richer, while the poor will remain as poor or even become poorer. Call this the “Extremely Exploitative Zero-Sum Globalisation Thesis”.

This chapter presents and critically evaluates, both theoretically and empirically, the historical and contemporary literature on globalisation as neoimperialism. One main finding is that the first thesis mentioned above is probably correct, albeit the concrete analyses the critics provided in support of the thesis are flawed in certain respects. Moreover, it is found that since 1990 convergence has been happening not only in some, but *all world regions* (notably in the large majority of developing countries), meaning that in this particular sense the first thesis is today less applicable than in the past, or simply nonapplicable. However, more importantly, the notion that critics have managed to demonstrate the second or third theses, especially for the period of hyperglobalisation (1990–today), is rejected. This is an important finding because these two theses are arguably the most crucial if we are to label globalisation not merely as an unequal or exploitative *simpliciter* but specifically as imperialist or colonialist in a clear, important and substantive fashion.

## **Earlier theories of globalisation as neoimperialism**

During the 1960 and 1970s, dependency theory represented perhaps the dominant critical way of thinking about economic relations between nations in the post-Second World War period of capitalist modernity (Brewer,

2002: 161). As described by one of its main exponents (Frank, 1969), the central argument of dependency theory is simple. The world is divided into a core and periphery with a relationship of exploitation existing between them. Core states extract an exchange surplus from peripheral states by paying prices that significantly diverge from the 'true' prices that the core should pay. This surplus is then used by the core countries to enrich themselves even further (presumably by way of investment outside the periphery), which causes the peripheral states to miss out on their own developmental/investment potential and fall further behind. A consequence is that the wealth or development gap between the two 'worlds' only widens, and that the elites in the periphery become ever more dependent for their own income and privilege on their (exploitative) connections with the elites from the core.

There are several issues with Frank's argument as it stands. First, it is not obvious from his analysis how one would distinguish "prices actually paid" from "true or fair prices," yet this is vital if one is to claim that an appropriation of surplus is happening in the exchange between countries. Second, it seems implausible that multinational corporations (MNCs), which do the appropriating, would reinvest all or even most of the extracted surplus back at home (thereby depriving the peripheral country of its development funds) instead of doing so in the same (or a different) peripheral country in which MNCs typically do their business. Third, already in the 1970s prominent cases started to emerge of peripheral countries developing significantly – not stagnating or going into reverse – precisely by engaging in trade with the core. As a contemporary proponent of the globalisation-as-neoimperialism idea admits, "Undoubtedly, profound changes in the global economy associated with neoliberalism have refuted Dependency theory's assumption that the possibility of industrialisation in the dependent countries is permanently blocked by imperialism" (Cope, 2019: 15). These along with additional problems with the analysis prompted other critical scholars to rework and strengthen dependency theory by steering it in different new directions.

World-systems theory, best associated with Wallerstein (1974), is such a reworking of dependency theory. For Wallerstein, the contemporary capitalist world is divided into the core, semi-periphery and periphery. The core is represented by the most developed, rich, and militarily powerful states, whereas the periphery is made up of most of the developing world with weak geopolitical standing. The semi-periphery contains several relatively significantly in-

dustrialised developing countries with strong or at least large militaries, such as China or India.<sup>1</sup> The relationships between these three parts of the world are more complicated than in dependency theory. The core is said to exploit the periphery like before, while the semi-periphery acts as a buffer between the two. Infamously, the semi-periphery is argued to exist in order to fulfil a “function” in the world system, that is, the function of stabilising it and defusing its tensions and “contradictions”.

World-systems theory also specifies multiple exploitation mechanisms at work between the core and periphery, not simply general surplus extraction, even though the ultimate mechanism today remains unequal price exchange (see Chase-Dunn and Grimes, 1995: 396). For instance, core countries have access to cheap labour inputs from the periphery; they are able to purchase cheap raw materials and products from the periphery; they can sell their own advanced products at higher prices back to the periphery; and they reap large profits from their investments in made the periphery. Further, the theory is more flexible than dependency theory in its conclusions about the possibility of development. World-systems analysis and its practitioners seemingly allow for some peripheral countries to develop and move up the hierarchy to semi-peripheral or perhaps – exceptionally – even core status, although they nevertheless insist that a state of “chronic impoverishment” holds for “the typical peripheral state” (*ibid.*). They also maintain that peripheral countries are “structurally constrained to experience developmental processes that reproduce their subordinate status” (*ibid.*: 389). They characterise semi-peripheral countries as ones which have a “national economy [that] is, unlike the core, not strong enough to compete effectively on the world market, but the state is, unlike the periphery, not too weak to do nothing about this” (Terlouw, 1993: 96).

Most crucially for our purposes, it seems that even though it is less radical and more relaxed in its approach than dependency theory, world-systems analysis still predicts an absence of across-the-board economic convergence of the periphery (and semi-periphery) with the developed states from the core.

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1 According to Chase-Dunn et al. (2000; appendix), the following countries constitute the semi-periphery: Brazil, China, Hong Kong, Iran, Israel, South Korea, South Africa, Singapore, Mexico, Argentina, India, Indonesia and Taiwan.

*Examining the earlier theories*

Apart from dependency theory's prediction that convergence between the core and periphery is impossible and that the developmental gap between them would grow ever wider – notably, a prediction that turned out to be false (see Cope, 2019 above) – dependency theory and other earlier theories of globalisation as neoimperialism did not lead to many clear and strong predictions. As argued above, world-systems theory is harder to test than dependency theory because its practitioners tend to be vaguer and sparser with their predictions (a weakness of the theory already noted by Brewer, 2002).

For instance, it is evident that world-systems theory allows for, and is thus consistent with, *some* convergence on account of peripheral, but especially semi-peripheral, development (perhaps even *a lot* of it in rare cases). As Terlouw (1993: 97) stated while summarising Wallerstein (1979):

*During a world-system-wide economic stagnation the whole semiperiphery improves its position in the world-system. ... However, when economic growth returns, the core restores its position. Only some semi-peripheral states, who previously strengthened their state apparatus, are able to convert this temporary general advantage into a permanent improvement of their position in the world-system.*

How can we empirically operationalise statements like these? If only a few peripheral (and especially semi-peripheral) countries start converging with the core, that would probably still fall in line with the theory and not contradict it. But how about 20, or 50, or 100? Probably not based on Terlouw's summary of Wallerstein, yet it is impossible to know for sure. Moreover, what if a few peripheral and semi-peripheral countries narrow the developmental gap with the core to such an extent that there only remains, say, a 1:2 or 1:3 GDP per capita ratio between them (whereas 50 years ago, the ratio was, say, 1:10 or 1:20). Are these the *few exceptions* that the theory allows for with its clause that some peripheral states can move up the hierarchy and become semi-peripheral, and that some semi-peripheral countries can even permanently improve their position? Yet what if, again, there are not just a few such exceptions but, say, 10 or 20? What if whole world regions (containing either only peripheral or a mix of mostly peripheral and a few semi-peripheral countries) have reduced their gap with the core by a factor of two, three, four or even five (narrowing, say, an initial gap of 1:15 to 1:3)? Does this finally

start to disprove the theory or does it still fall within the “some convergence possible” clause?

The former seems to be true, although if the defenders of the theory turned out to insist that the latter is the case, then what apart from a complete 1:1 convergence – which indeed is impossible and does not exist even between countries *within the core* – would start to chip away at the theory? What is the expected limit of the theory? Is there no limit? No falsifiable prediction? The fact that answers to these questions cannot be gleaned from the theory is especially problematic. And if someone were to bite the bullet and propose that the answer to the question of the theory’s limit really is “nothing” (apart from complete 1:1 convergence), then the theory can hardly be qualified as scientific. Instead, it becomes trivially true, consistent with all possible observations, and void of any specific substantive explanatory or predictive content.

Some empirical evidence of significant convergence between most of the peripheral (and semi-peripheral) countries and the core in the last few decades is presented below. It is argued that this empirical evidence significantly counters the theory, albeit the theory’s vagueness means one cannot be sure.

Figure 2.1 shows the per capita GDP gap between various non-core regions of the world and the most developed core region of the world represented by Western offshoots, namely the United States, Canada, Australia and New Zealand. The gap is expressed as a ratio of average per capita GDP in the core region as against average per capita GDP of non-core regions. Eastern Europe’s ratio in 2018 is 1:2.6, which means that Eastern Europe is 2.6-times less wealthy or developed (in per capita GDP terms) than Western offshoots. Per capita GDP figures are expressed in constant 2011 terms (thereby adjusting for inflation) and rely on international dollars (thereby adjusting for differences in purchasing power across countries). The data are available for over 140 countries since 1950.

Three notable trends can readily be gleaned from the data.

First, for the whole 1950–2018 period, all peripheral and semi-peripheral regions except one (Sub-Saharan Africa, which today is further apart from the Western offshoots than it was in 1950) converged with the core. With the additional exception of Latin America, convergence has been substantial, particularly for the Middle East, South and South-East Asia, and East Asia. Latin America has experienced only very weak convergence with a very modest drop from a 1:3.97 GDP ratio to a 1:3.82 ratio, which verges on stagnation.

Second, between 1950 and 1990, Latin America and Sub-Saharan Africa greatly *diverged* from the core, Eastern Europe and South/South-East Asia roughly stagnated in relative terms, and only the Middle East and East Asia saw noteworthy convergence.

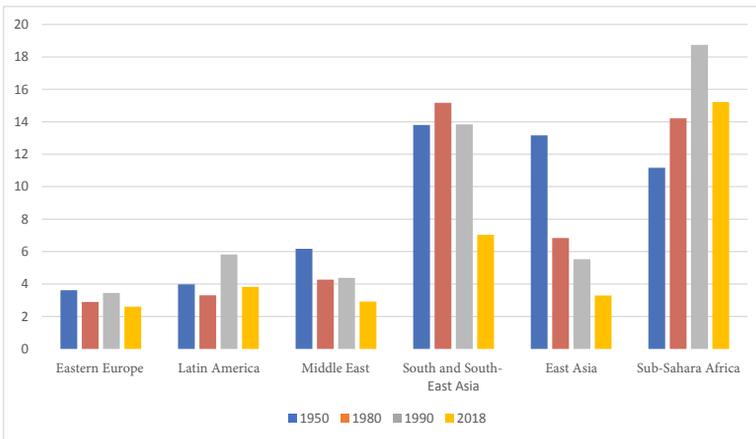
Third, between 1990 and 2018, convergence was much more unequivocal. All regions – even Sub-Saharan Africa – saw a substantial closing of their GDP gap with Western offshoots. There was no regional divergence or stagnation in this latest period of globalisation, and all regions (except Sub-Saharan Africa) were standing closer to the Western offshoots than in 1950.

More specifically, Eastern Europe, the Middle East, and East Asia all remain roughly three times less developed than the core today, although the significant convergence they have exhibited in the post-Second World War period goes strongly against the idea that they remain peripheral regions, or that only a few countries in these regions were admitted to the ranks of semi-peripheral countries, or that they have been economically victimised by globalisation in any straightforward way. Something roughly similar may be said for South and South-East Asia, a region that managed to halve the wealth gap in less than 30 years (with virtually all of its gains concentrated between 1990 and 2018), albeit it remains more removed from the core than the previous three regions.

At the same time, Sub-Saharan Africa is clearly in line with even the stricter versions of the globalisation-as-neoimperialism thesis, yet not the strictest. Over time, it has *diverged* from the core (yet this divergence is not unstoppable as the convergence period between 1990 and 2018 shows) and it remains impoverished still today (see Table 2.1). Still, even Sub-Saharan Africa is not necessarily evidence of globalisation being a zero-sum game. Throughout the post-Second World War period, the region has been becoming more, not less, wealthy, even if the gains have been meagre, and there was a devastating 30-year stagnation period between 1970 and 2000. The nearly 70-year period of neither convergence nor divergence exhibited by Latin America is also quite in line with claims that not everywhere globalisation has managed to close the developmental gap. Note, though, that like with Sub-Saharan Africa, Latin America also grew richer during the mentioned period in absolute terms (see Table 2.1). The difference between the two regions is, of course, that Latin America's absolute level of development was much higher than the Sub-Saharan throughout the 1950–2018 period.

In sum, these simple data demonstrate that convergence under ‘neoliberalist hyperglobalisation’ is quite possible. Moreover, they show that it has actually happened to many (clearly not all) non-core countries, and in a very non-trivial way. These are not just a few exceptions, while the “typical peripheral state” has also not witnessed a state of “chronic impoverishment” (Chase-Dunn and Grimes, 1995: 396).

**Figure 2.1:** GDP per capita gap between non-core world regions and Western offshoots by selected years between 1950–2018 (GDP in constant international dollars)



Source: Maddison Project Database 2020 (Bolt and van Zanden, 2020) via Our World in Data (Roser, 2013)

Still, is this simply an artefact of the measures employed? How significantly does the picture change if a different yardstick than Western offshoots is used to calculate developmental gaps? Figure 2.2 again displays data for GDP gaps, but this time uses Western Europe to represent the core. As shown, the magnitudes vary somewhat – namely, the ratios are *lower* across the board – on account of Western Europe being less developed than Western offshoots. Nevertheless, the basic trends are broadly similar. The Middle East, South and South-East Asia, and East Asia have all significantly converged with the core, the first two primarily in the 1990–2018 period, the last one over the whole period. Sub-Saharan Africa has significantly diverged. Eastern Europe also experienced a small divergence from the core, although the ratio

remains below 1:2 and in the period between 1990 and 2018 the region saw convergence. It is the same with Latin America. For the entire period, Latin America has diverged from the core, yet in the past 30 years there has been significant convergence.

Both sets of data show that three non-core regions – the Middle East, South and South-East Asia, and East Asia (all three containing mostly peripheral and some semi-peripheral countries in the 20th century) – have converged with the core whichever way that may be construed. This is especially the case while focusing on the last 30 years, but in some cases it also holds if 1950 is chosen as the starting date. The two sets of data also demonstrate significant divergence between Sub-Saharan Africa and the core however construed. The data are more mixed when it comes to Eastern Europe and Latin America (considered across the whole post-Second World War period), yet even here both datasets show that these two regions have experienced convergence since 1990.

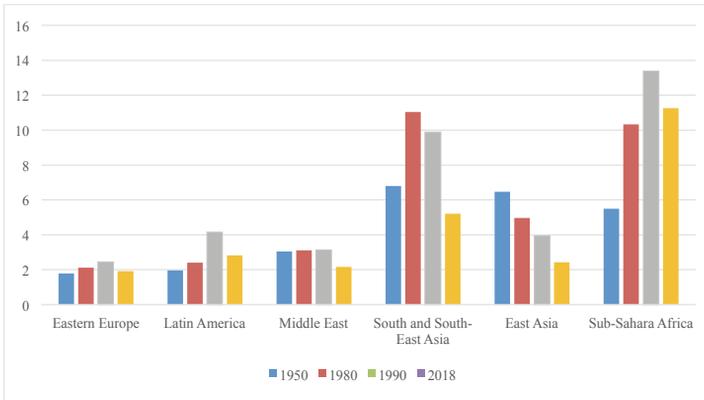
In his famous article *Divergence, Big Time*, Pritchett (1997) showed that *on average* there was no convergence between the richest and poorest countries' incomes during the long period between 1870 and 1990. Instead, he revealed that the initial GDP gap of 9:1 (richest to poorest) had skyrocketed to a whopping 45:1 over the whole period. Further, he noted that “the average income gap between the richest *and all other countries* grew nearly tenfold from \$1,286 to \$12,000”. Well, this is no longer the case.<sup>2</sup> As shown above, several non-core regions have converged significantly with the core in the post-Second World War period, yet chiefly in the hyperglobalisation period of 1990–2018. Indeed, regressions using various measurements of GDP corroborate this finding, demonstrating that a period of strong convergence was commenced after 1990; a period of convergence not relegated solely to a region or two but one that exists even on average and even when oil-rich countries are excluded from the analysis (Patel et al. 2018). Alternatively, as the authors of the analysis go on to say,

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2 This certainly does not mean that further convergence is guaranteed in the future. On average, less developed countries can grow faster than more developed countries simply because they are less developed, that is, because they face the prospect of catch-up growth. As poor countries develop, their growth rates should slow down significantly, which means that complete convergence in the future is most likely impossible just by virtue of some countries jumpstarting their development much earlier in time than others.

*Our basic point doesn't require regressions. Looking at the 43 countries the World Bank classified as 'low income' in 1990, 65 percent have grown faster than the high-income average since 1990. The same is true for 82 percent of the 62 middle-income countries circa 1990. (ibid.)*

**Figure 2.2:** GDP per capita gap between non-core world regions and Western Europe by selected years between 1950–2018 (GDP in constant international dollars)



Source: Maddison Project Database 2020 (Bolt and van Zanden, 2020) via Our World in Data (Roser, 2013)

Speaking more broadly, the data for the post-1990 period of hyperglobalisation clearly disprove the “Severely Exploitative Globalisation Thesis” and the “Extremely Exploitative Zero-Sum Globalisation Thesis”. Strict versions of the dependency and world-systems theories might have been applied (at least in some senses) to several or even most regions in the decades between 1950 and 1990, but they and their implications are no longer valid in the modern world.

It should still be noted that the presented data are consistent with parts of the “Unequal or Exploitative Positive-Sum Globalisation Thesis”. That is to say, even though the vast majority of countries have benefited from being part of hyperglobalisation since 1990 (in terms of growth and development), and despite most of the developing world having grown *faster* than the developed world, convergence has not happened to all. Some non-core countries have grown much slower than other non-core countries, and some have even grown slower than the core. There are multiple explanations for this, but

some involve the fact that globalisation can embody power imbalances and the attendant (positive-sum) exploitation.

*Table 2.1:* GDP per capita in all world regions between 1950 and 2018 (in constant international dollars)

	1950	1960	1970	1980	1990	2000	2010	2018
<b>Western Offshoots</b>	14,773	17,472	23,210	28,787	35,619	44,329	48,090	53,756
<b>Western Europe</b>	7,263	10,974	16,161	20,950	25,440	32,536	37,318	39,790
<b>Eastern Europe</b>	4,082	5,779	8,241	9,933	10,344	8,986	17,021	20,681
<b>Latin America</b>	3,713	4,751	6,286	8,728	8,132	10,225	13,453	14,076
<b>Middle East</b>	2,393	3,110	4,801	6,742	6,435	9,640	16,716	18,430
<b>Sub-Saharan Africa</b>	1,323	1,574	1,958	2,026	1,801	1,981	3,156	3,532
<b>East Asia</b>	1,122	1,735	3,042	4,212	6,121	8,164	12,853	16,327
<b>South and SE Asia</b>	1,070	1,295	1,546	1,897	2,574	3,437	5,367	7,649

Source: Maddison Project Database 2020 (Bolt and van Zanden, 2020) via Our World in Data (Roser, 2013)

## **Contemporary studies of globalisation as neoimperialism**

Contemporary proponents of the globalisation-as-neoimperialism thesis either endorse or build upon the earlier theories. Hickel et al. (2021: 2) explicitly mention the “dependency theory and world-systems theory” and “[t]heorists of unequal exchange” as the forebears of their own study of the extent of international plunder (or exploitation) in the whole post-Second World War era. Hickel et al. (2022) reaffirm this stance (and the references) verbatim in another study, this time focused solely on the globalisation period between 1990 and 2015. In his book-length study of globalisation as neoimperialism, Cope (2019: 16) admits that the strict assumptions made by dependency theory have been shown to be wrong, but nevertheless seeks to develop a “key insight of Dependency theory”, which is the “continued operation of international relations of imperialist exploitation” through unequal exchange between the core and the periphery.

Notably, these contemporary studies are no longer primarily interested in establishing the impossibility of convergence between the core and periphery. As indicated above, they affirm that “neoliberal globalization” has wrought significant changes to international trade and development, which have enabled “the global South” to move up (Hickel et al., 2022; Cope, 2019: 15). Still, they want to use the idea of unequal exchange between core and periphery to explain why “free-trade globalisation has [not] created an ‘even playing field’” and has instead been responsible for the continuing “underdevelopment” of the global South (Hickel et al., 2022).

Before delving deeper into the methods and results of these studies, it is necessary to mention a complication that besets several of them. The ostensible conceptual shift from strong zero-sum claims of the impossibility of convergence to weaker claims of exploitative positive-sum relations between countries is complicated by the fact that tensions are also present in these newer studies that reveal the authors are not completely ready to drop the old dependency theory charge according to which globalisation is a zero-sum phenomenon. Cope (2019: 16), for instance, is not only committed to the claim of “unequal power relations at the international level” but maintains that “globalisation has also been characterised by the economic stagnation of backward areas” and “rising income inequality between countries”. The author adds that “Relatively high growth rates for the newly industrialising countries (NICs) of the ‘periphery’ in recent decades have not led to a convergence of per capita GDP globally” (Cope, 2019: 16). As he states more specifically:

*Though export-oriented industrialisation has paid dividends for the (distinctly non-neoliberal) dirigisme of a select group of East Asian countries granted free access to Western markets, it has not even begun to close the enormous gap in living standards between the world’s rich and poor countries. (ibid.)*

Finally, Cope says that “neoliberal global labour arbitrage ... has led to a drop in wages worldwide and, hence, rising inequality within countries” (Cope, 2019: 17).

All of this suggests that he is, at least to an important extent, still committed to the idea of non-convergence (despite denying this elsewhere in the book). While it is hard to know what to make of this tension, most of his non-convergence points are not borne out in the data.

First, as already described, at least three world regions populated with peripheral and semi-peripheral countries (the Middle East, South and South East Asia, and East Asia) have witnessed significant convergence with the core since the Second World War, especially in the last 30 years of neoliberal globalisation. This is precisely the closing of the “gap in living standards between the world’s rich and poor countries” (ibid.: 16) that Cope denies or attributes solely to “the (distinctly non-neoliberal) dirigisme of a select group of East Asian countries” (ibid.). He is simply wrong on this count.

Second, in the past 30 years *every world region* has seen decade-to-decade economic expansion, not stagnation. Over the whole 1990–2018 period, even Sub-Saharan Africa grew by 96%. While it is unknown whether Cope had Sub-Saharan Africa in mind with “backward areas”, this part of Africa definitely cannot be “characterised by ... economic stagnation” (ibid.). This also applies to all other regions of the world. In fact, over the whole 1990–2018 period, Western Europe and Western Offshoots had *the smallest* growth in percentage terms (around 55%). The percentage growth of all other world regions (averaging 85%) outperformed these two core areas.

Third, both global and between-country income inequality have fallen since the neoliberal globalisation began (see the collection of sources in Rutar, 2023: 72), yet Cope denies this. Global income inequality measures differences in income between all people around the world (regardless of their country of origin), and between 1820 and 1950 it rose from a Gini index of 55 to more than 70. After 1980, however, it slowly started to decline. Currently, the Gini index stands at 60, lower than at any time in the 20th century. A very similar trend has been observed for differences in average incomes between countries, i.e., between-country inequality (ibid.). As concerns global *wealth* inequality, which even though Cope does not mention readers might still be interested in, the data are much scarcer, albeit available (WID, 2023) and also show a modest drop in world Gini from the late 1990s to the present day (from around 87 to 85).

Fourth, the International Labour Organization (ILO, 2020) provides data on annual average global real wage growth at least for the 2006–2019 period. Although this is a limited sample time-wise, it definitely does not corroborate Cope’s (2019: 17) claim that we have been witnessing a worldwide wage drop. Globally (with or without China), the average global wage *grew* in each year between 2006 and 2019 (ILO, 2020: Figure 3.1). When disaggregating

the data by world regions (ILO, 2020: Figure 3.3), only two non-core regions emerge with more than 2 years of negative wage growth, Africa and the Arab states (with 5 negative years in the entire 2006–2019 period).

### *Examining contemporary studies of unequal exchange*

Perhaps the two most focused and quantitatively rigorous contemporary studies of the allegedly very exploitative relationship between the core (or global North) and the periphery (or global South) are both by Hickel et al. (2021; 2022). The two studies aim to measure the precise amount of surplus appropriated by developed countries from developing countries through (unequal) exchange. Hickel et al. (2021: 15) themselves explicitly admit that if their analysis holds, “Unequal exchange represents a loss for the South. *But it is not a loss relative to exclusion from the world-economy; rather, it is a loss relative to an alternative world of fair-trade*”. The mentioned authors hence accept that globalisation is a positive-sum interaction in which everyone gains (relative to the only currently existing alternative, namely withdrawing from international trade), even though this positive-sum interaction is still exploitative in the sense that developing countries would gain even more were they on equal bargaining terms with the developed countries. The authors thus only really seek to defend the “Unequal or Exploitative Positive-Sum Globalisation Thesis”, not the other two more critical theses.

The first study finds that between 1960 and 2018 the core gained between around 1% to 9% of its annual GDP by exploiting the periphery through unequal exchange (depending on the year). This relatively small percentage amounts to a large absolute value of, say, over USD 2 trillion in 2017 alone. The second study concentrates on the 1990–2015 hyperglobalisation period and employs a somewhat different method. It finds that every year the global North extracted a value through unequal exchange amounting to approximately 20%–25% of its GDP. If true, this quite significant amount would probably be enough to declare globalisation as being in some sense (neo-) imperialist.

In the first study, the authors calculated the amount of value drained from the global South by assuming that the workers in this region are just as productive as workers from the global North. This key assumption made in the study underpins the whole notion of unequal exchange. It is an undisputable fact challenged by neither side on the globalisation-as-neoimperialism debate that workers in the global South are on average paid much less than

workers in the global North. However, in itself this is insufficient to state that international exploitation is a fact. This situation could be completely explicable without the notion of unequal exchange *if significant productivity differences exist between the two sets of workers*. Why?

Within a given country, we would not say that workers are being exploited or on the losing end of ‘unequal exchange’ *if they receive wages that reflect their marginal product/marginal productivity to the firm*. If a worker contributes \$10 of value per hour to the firm by carrying out duties there, and if he receives a wage amounting to \$10 per hour, this would be seen as an ‘equivalent exchange’ without exploitation occurring in the process. The same holds for exchange relations between countries. If workers employed in the global South are on average much less productive (than workers in the global North), their wages will be much lower on average, and the products sold by companies in the global South will have lower prices on average. There need not be any unequal exchange or exploitation for this to hold. All that is required is for workers’ productivity to be suitably lower.

Accordingly, it should be obvious how important the assumption of the *equal* productivity of workers in the global North and South is for the authors of the study. The crucial question hence is whether this assumption of equal productivity is empirically defensible. If it is not, the authors’ analysis fails.

In the first study, the authors confront this issue when saying “There is little evidence ... that the North does in fact have a productivity advantage over the South when it comes to production for international trade. Most Southern export industries use advanced technologies provided by foreign capital”. The authors also broach the topic in the second study, where they say the argument that price differences between the global South and North reflect productivity differences is “tautological, and there is no evidence for the underlying claim” (Hickel et al. 2022). It is tautological, they explain, because productivity is often measured in terms of GDP per unit of labour, which is itself a measure “determined by prices, not by workers’ actual productivity” (ibid.)

Yet, the earlier response is inadequate in at least three ways. First, the authors support their claim that most Southern export industries use advanced technology from the North by relying on two completely outdated references that are half a century old: Amin (1976: 143) and (Baerresen 1971: 33). This is clearly inadequate.

Second, and more importantly, by focusing solely on technological determinants of productivity, they ignore the fact that human capital – the amount

and quality of schooling and education, specific knowledge, experience and skill that workers have received and possess – is also a noteworthy variable determining productivity (for a survey, see de la Fuente, 2011). Further, the differences in these human capital characteristics between countries are simply massive (Hanushek and Wößmann, 2007).

Third, the authors mention that there is no productivity advantage “over the South when it comes to production for international trade” *specifically* (Hickel et al. 2021: 14). Now, even if this were the case, workers in the South’s international trade would still be paid less than in the North, and not because they were being exploited by the North. Instead, they would be paid less simply because the *overall* productivity of their economy (not just the productivity in *tradable goods*) helps shape an individual’s wage. Labour has opportunity costs that have to be covered if workers are to take up an employment offer, and these opportunity costs are determined by a worker’s outside options (i.e., employment opportunities outside their sector). This means that even if the South’s workers were employed in high-productivity sectors involved in international trade, their wages would probably be lower than in the North only because other (domestic) sectors in the South are lower-productivity sectors (compared to the North).

How about the second response? Is there truly no question-raising measure of productivity differences between workers in the global South and North? The authors are correct when noting that if we accept the possibility that price inequalities between world regions might be either partly or totally driven by non-economic factors (e.g., power imbalances), we cannot rely on traditional measures of productivity derived from GDP figures. Yet, we can look at *physical* output per worker and examine whether such physical productivity is higher in developed countries in comparison to developing ones. This is a non-question-begging measure of productivity that is not derived from prices. Indeed, this measure of productivity reveals big differences. To give just one example, today both the USA and India produce roughly similar amounts of steel (Statista, 2019; IBEF, 2022). However, the USA employs roughly seven times fewer workers in steel production than India (JSWSteel, 2022; IBISWorld, 2022). On this basis, the productivity difference between the two countries is about 1:7.

Turning now to the second study, this one aims to calculate the “physical scale of raw materials, land, energy and labour embodied in trade between the North and South” (Hickel et al., 2022). This is a more expansive and,

according to the authors, more precise measurement of unequal exchange than that relied on in the first paper. Still, the key idea remains similar; namely, that for every relevant unit of exchange, the South must export ('pay') much more than the North. For example, "for every unit of embodied raw material equivalent that the South imports from the North, they have to export on average five units to 'pay' for it (a ratio of 5:1)" (ibid.). These differentials allow the North, the authors state, to be an unfair net appropriator of resources and labour. Had the bargaining power between the two regions been equal, there would be no such (unfair) net appropriation going on. In other words, it is not just that the South exports a larger physical amount of stuff than the North, which may be due to completely benign reasons (for instance, geography and climate make Iceland a likely net importer of pineapples and Costa Rica a net exporter of them). Instead, the net appropriation of resources and labour indicates an unequal exchange since the exchange prices (not the exchanged physical amounts) are unfair. Simply put, the South is getting swindled. A consequence of this "loss of value" is that the South is being unfairly deprived of a huge amount of value which it could otherwise use "to provision for human needs and develop sovereign industrial capacity in the South, but is instead mobilized around servicing consumption in the global North" (ibid.). Unequal exchange is hence not just an unfair phenomenon in itself but also explains the ostensible fact of the non- or under-development of the South (compared to a counterfactual scenario without unequal exchange).

Hickel et al. (2022) are aware that the notion of "some objectively 'correct price'" is incoherent. As they rightly say, "there is no such thing". This raises the question of how can they then use the only category of prices that exists (namely, actual market prices) to calculate how much value the South allegedly unfairly loses in its exchange with the North? They do so by making a series of crucial assumptions. First, they assume the prices the South can charge for its goods and services in exchange are determined by various power imbalances. As they state, "[p]rices under capitalism ... reflect, among other things, the (im)balance of power between market agents (capital and labour, core and periphery, lead firms and their suppliers, etc.); in other words, they are a political artefact" (ibid.). Yet, elsewhere, "price inequalities are an artefact of power" (ibid.) Second, they assume that there are no qualitative or productivity-related differences between labour provided in the South and the North. They write, "Are there significant qualitative differences

between the labour performed in the North versus the South, within global commodity chains, that might explain wage inequalities? This seems unlikely” (ibid.) Moreover, they make it clear that “there is no evidence for the underlying claim [of productivity differences]” (ibid.)

The main problem with both of these assumptions is that they are very much open to discussion. Having already tackled the assumption of zero productivity differences above, we turn solely to the assumption that prices are an artefact of (political) power. The authors are correct in saying that, *to some extent*, prices will also reflect differences in power between market actors. After all, domestic markets are obviously not in a state of perfect competition, especially not in the developing world; how could international markets be any different? However, as the authors themselves seem to briefly recognise, power is only *one* determinant of prices among myriad others. Although the authors mention this fact, they then seemingly drop it or at least do not analytically incorporate it in their calculations or discussion.

What else then can partly determine prices (in either domestic or international markets)? Differences in labour and land productivity are one factor. Geography and the climate are another. Trade barriers erected by political and economic actors (both domestic and international) are still another factor. So, too, is the decision of a country to specialise (ostensibly for reasons having to do with comparative advantage) in the production of certain goods and services but not others. Baumol’s cost disease is also a factor that explains why the prices of some services (in highly developed countries) are as high as they are, completely independently of power imbalances.

Existing price differences in international exchange reflect (unfair) imbalances of power only to a certain extent. We cannot assume that this is the only (even the primary) determinant, and thus cannot speak of the net appropriation of embodied labour or resources as straightforwardly demonstrating an explicit drain of value. While price differences and net appropriation clearly represent some drain, simply labelling the *whole amount* of these differences and net appropriation as unfair drain is unwarranted and unproven by Hickel and his colleagues.

## Conclusion

Globalisation is no social panacea. Even though the overall economic benefits of globalisation are great for both the developed and developing worlds,

some groups of workers (notably in the developed world) can be hit hard by the slow adjustment of labour markets to trade shocks (Autor et al. 2016). Relatedly, evidence is accumulating that import shocks associated with globalisation might be driving the rise of dangerous illiberal populism in various parts of the world (Stanig and Colantone, 2018; Autor et al., 2020). Still, it should also be noted that the data remain somewhat mixed here (see Mutz, 2018; Bergh and Kärnä, 2021). Other worries could be mentioned, such as the looming prospects of climate change which have thus far at least been exacerbated (not ameliorated) by the economic dynamism unleashed by globalisation.

The notion, however, that globalisation is merely a new, perhaps even a more insidious form of essentially the same old imperialist process of domination and expropriation of the vulnerable by the powerful is – depending on how literally this is asserted – either overstated or simply incorrect. This chapter has argued both theoretically and empirically that while some amount of inequality, unfairness and exploitation definitely go hand-in-hand with globalisation, the two more radical theses that view globalisation as extremely exploitative or even zero-sum (in the sense of dependency and world-systems theory) are wrong, especially since the 1990s. More specifically, the main empirical conclusions are as follows:

1. Virtually every country robustly involved in international exchange has economically grown, both since the start of the post-Second World War era and in the last 30 years since the Cold War ended. Hence, in the strictest of senses, it is not true that the rich have become richer while the poor have become poorer (or stayed stagnant). Absolute material development has occurred in all regions of the world, even in Sub-Saharan Africa; albeit in contrast with all others, this particular region has indeed experienced several decades of stagnation before the 21st century. No region today is poorer (or as poor) as in, for instance, the 1990s or any decade before, even after adjusting for inflation and differences in purchasing power. Even the worst performer, Sub-Saharan Africa, is three times as rich in real terms today than it was in 1950 and two times as rich than in 1990.
2. Moreover, all world regions have *converged with the core* since 1990. This means that not only has every region grown in absolute terms (the first point above) but also that at least over the past 30 years growth has on average been *stronger* in the developing world than in the developed

world. This explains why the developmental/GDP gap between the two is smaller today – not the same or bigger – than it was in 1990. The inequality in development has dropped for virtually everyone that has been part of globalisation in the past 30 years. Absolute convergence has been a reality.

3. Nevertheless, a longer perspective that considers the whole picture between 1950 and today shows that one world region has indeed *diverged* during this broader period. In the whole 70-year period, Sub-Saharan Africa is *further away* from the core than it was in the past. Note again that this does not mean that it is *poorer* today than before (even in 1950). It is richer, but because the core has become even richer in the same time frame, a divergence can be seen. An absolute increase in the developing region and an even stronger absolute increase in the developed regions has led to a relative decline during the whole 70-year period. A region that provides clear, robust and large evidence against this dynamic is East Asia (followed by South and South-East Asia and the Middle East).

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# Chapter 3: The EU's Promotion of Neoliberal Capitalism During EU Enlargement: The Dependent Integration of Post-socialist Countries

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## Introduction

Following the collapse of the real-socialist regimes in Europe, the countries that emerged were promised an opportunity to become EU member states. However, these countries had to conform to the policies promoted and proposed by the EU, which gave it a very strong influence on the shaping of the capitalist and democratic transition in these countries (Fiedlschuster, 2021; Bieler, 2006; Bohle and Greskovits, 2012). Within this framework, at the summit in Copenhagen in 1993 the EU established certain criteria that the post-socialist countries needed to meet. Three crucial elements these countries had to provide were: 1) introduction of a capitalist market economy; 2) implementation of a political-liberal democracy; and 3) making their national legislation compatible with the *acquis communautaire* (European Council, 1993). Yet, since the EU was on its way to implementing neoliberal economic policies, culminating in the single market and single currency union projects so as to be able to maintain its competitiveness in the globalised capitalist world order, this also meant that the post-socialist countries needed to conform to neoliberal economic policies, in turn also ensuring much more uniform transitions while reducing the possibility of them taking their own paths (van Apeldoorn, 1998; Bohle, 2006).

One can find abundant research on the ways the EU and the integration processes have impacted the post-socialist countries<sup>1</sup>, along with the EU's

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1 See: Anderson 2006; Guillén and Palier, 2004; Lendvai, 2004; Sissenich, 2005; Woolfson, 2006; Andronova Vincelette, 2004; Dyson, 2006; Epstein, 2005; Johnson, 2006; Lindstrom

influence on the neoliberalisation of these countries<sup>2</sup>. It has often been argued that the post-socialist countries implemented neoliberal policies mainly because of the EU's push towards neoliberalism and related specific demands. Nevertheless, what is missing is a comprehensive and comparative analysis of the exact policies or policy frameworks that were being promoted and demanded by the EU during the accession processes of these countries.

This chapter therefore sheds light on a hitherto unexplored field, i.e., the particular policy assessments and policy recommendations provided by the EU for certain post-socialist countries in the area of economic reforms. Within the framework of neo-Marxist political theory and the neo-Gramscian theory of international relations, Wallerstein's world systems theory and dependency theory, and by using the critical discourse analysis, we explore the policy recommendations promoted by the European Commission in its yearly country reports and other documents on the progress of Slovenia and Hungary in their integration processes, that were issued by the European Commission. This enables us to track and compare the different economic policies being promoted by the Commission in the critical years during the accession processes. We argue that the EU promoted neoliberal capitalism in both Slovenia and Hungary, albeit in different ways; namely, neoliberalism was the hegemonic element in the EU's promotion of capitalism.

In what follows, the theoretical and methodological framework for the presented research is first established by focusing on changes occurring within the EU in the late 1980s and early 1990s. The neoliberalisation of the EU and its member states is explained and an overview provided of the various theoretical and empirical work concerning the dependent and neoliberal integration of the post-socialist countries into the EU. A set of elements/variables as signifiers of neoliberal economic policy is then developed, before proceeding with a discursive analysis of the country reports and other related documents provided by the EC for Slovenia and Hungary in their accession processes. In the discussion section, we compare and contrast our findings regarding both cases and place them in the theoretical framework, while additionally reflecting on certain other important policy elements the EU promoted.

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and Piroška, 2004; Grabbe, 2001; 2003; 2006; Schimmelfennig and Sedelmeier, 2005; Schimmelfennig et al. 2005; Schimmelfennig et. al, 2006.

2 See: Bohle, 2006; 2011; 2018; Bohle and Greskovits, 2007; 2012; Bieler, 2006; Ivanova, 2007; Ágh, 2014; Orenstein, 2008; Bandelj, 2010; Podvršič, 2018; 2019; Hočevar, 2021; Fiedlschuster, 2021.

In the concluding section, broader reflections are outlined regarding the EU integration processes in the framework of these post-socialist countries establishing dependent market economies.

## **The capitalist world order, European integration, and the neoliberal revolution**

The epistemological framework of the analysis is associated with the neo-Gramscian theory of IR and European integration, supplemented by Wallerstein's world-systems theory and dependency theory. We focus on the EU as a specific structure within the capitalist world order that was designed and redesigned at the moment neoliberalism was becoming a hegemonic policy and political framework, which is also clearly partly responsible for the unequal position held by different countries and classes in the capitalist European integration project.

Gramsci already argued that international relations follow the “fundamental social relations” and that any “organic innovation in the social structure, through its technical-military expressions, modifies organically absolute and relative relations in the international field too” (Gramsci, 1971: 176). In line with Gramsci, Cox argued that to understand the nature and origins of particular world orders it is necessary to explore the specific national and transnational class power relations at play. This means the policies of a given state in the international arena are actually the expression of the interests and needs of the ruling classes within that state or bloc of states (Cox, 1981; 1983). Accordingly a specific national class or transnational classes, organised in a state or in broader politico-economic alliances, can become hegemonic if and when there is a fit between the three basic elements of hegemony: material power/capabilities, shared worldviews/ideas, and institutions that tend to become universal (Cox, 1981: 139). When these three elements overlap, one can talk about a hegemonic world order, which must be distinguished from non-hegemonic world orders in which there is no clear leading hegemony of class(es) originating from certain geographical locations.

Moreover, as Wallerstein and different authors working within the broader framework of dependency theory show, there are important structural differences between geographical spaces in the capitalist world order. Wallerstein distinguishes core, semi-periphery and periphery as three separate positions denoted by different production processes, where the periphery is being

exploited through the specific production processes and by the flow of profits to the core, whereas the semi-periphery's position is more political than economic because there is a combination of core-like and peripheral production processes (Wallerstein, 2004). Further, these structural differences, which have spatial expressions, also have a temporal character. Namely, as Trotsky already showed, the capitalist mode of production and capitalist world order are characterised by uneven and combined development where those introducing capitalist relations of production are always pushed towards a basically dependent position relative to older capitalist states. This creates various types of dependency and unequal relations among older and stronger capitalist countries and new capitalist economies that still have to introduce the capitalist relations of production (Rosenberg, 1996; Bieler and Morton, 2014). This means that important differences exist between countries, which are also determined temporarily and contribute to dependent development and exploitation.

### *European integration processes: between crises and neoliberalism*

Within this framework, we analyse the European integration processes within the broader post Second World War capitalist world order, one marked by the hegemony of the USA – that is, of the capitalist classes within the USA in alliance with the capital–state nexus of Western Europe and Japan. It was the ‘Triad’ that has been hegemonic within the capitalist order, although it was not truly global at the time due to the existence of real socialism. A crucial role has always been played by economic integration under the shield of NATO, where the USA has held a vital position. The project of European integration was also launched within this hegemonic project of the USA and its ruling classes in alliance with the ruling classes of the countries of Western Europe, that were, together with the USA, seeking a peace and economic project to halt the feared expansion of socialism. With this background of establishing US hegemony and halting socialism in its tracks, the slow and incremental project of European integration was set on its way (Mandel, 1968; Cocks, 1980; Hirsch, 1995; Sakellariopoulos, 2017; Mastnak, 2019a; 2019b).

This specific world order was basically based on Keynesian welfare policies within the countries of the Triad. Still, the crisis of capitalist accumulation, an expression of the crisis of the USA's hegemony and the economic basis of the liberal world order in the 1970s and early 1980s – with these

processes marked by the oil crises, stagflation, rising public debt, and the crisis of the Fordist regime of accumulation, marked the end of the success of the Keynesian class compromise in the 1970s that had affected nation states<sup>3</sup>. Neoliberal institutional and structural changes aimed at market liberalisation, privatisation, fiscal prudence, the constant fight against inflation and the general transformation of the state's role to facilitate the expansion of the market became seen as the solution to the crisis<sup>4</sup>.

In the late 1970s, European industry was lagging behind its counterparts in the USA and Japan, and the European economy was losing its competitiveness in the ever-more globalised capitalist economy. There was a halt in the European integration processes and the crisis of Keynesian welfare capitalism also meant a slowing down of any further European integration (van Apeldoorn, 1998; Bieler 2006; Bohle 2006). Although for a few years some sort of Euro-pessimism was on the rise, in the early 1980s the answer to the structural problems of European countries and European capital was seen in deepening of the European integration project. Here, van Apeldoorn argues that one can distinguish three different visions of the deepening of European integration. The first vision was pure neoliberal, with its strong focus on free markets and the retreat of state, the second one was a more neo-mercantilist

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3 One should also not disregard the efforts made by the richest to avoid paying taxes and the spread of different tax havens, which has significantly reduced the tax revenues of different countries. Tax evasion and tax reforms from which the richest have benefited the most have been one of the core elements of neoliberal policy. For more on this, see: Streeck, 2015; Zucman, 2015.

4 Although neoliberalism has often been equated with the end of the welfare state or the idea of the minimum state, the neoliberal project has rarely been based on the complete limitation of state powers and prerogatives, but was instead transformed into a state that would actively approach and regulate market and non-market relations, help to expand market relations and foster policies that would enable more market interactions and privatisations (Mirowski, 2015). While neoliberal thinkers had been advancing this market fundamentalist project since the late 1920s and early 1930s, the destruction of the Second World War and the strong unions and left parties prevented any such market radical project from being implemented after the war. It was instead the Keynesian strong welfare state that was seen as suitable for preventing radical disbalances and also preventing any possible attempts to overthrow capitalism and introduce some sort of socialist political economy in the West. In this sense, the neoliberal political and economic project was also prepared and implemented in Chile during the dictatorship of the military junta and Pinochet, while Thatcher and Reagan implemented strong neoliberal policies under which market relations were strongly promoted, while social security was reduced and especially unions were strongly targeted (Harvey, 2003; Mirowski and Plehwe, 2015).

vision that concentrated on helping European industrial capital in the competition in the globalised world, while the third vision was focused on more social-democratic aspects (van Apeldoorn, 1998; 2001; also see: Bohle, 2006).

The neoliberal project was associated with the single market project launched in 1993. The overriding goal was the liberalisation and deregulation of the markets, while any attempt at a stronger political union was seen as unnecessary. The project of European integration was viewed as a project of an “advanced free trade zone within a free trading world” (van Apeldoorn 1998: 19). The neoliberal project was tied to the specific social forces close to the global financial capital and global MNCs. Second, the neo-mercantilist project was linked to the European faction of capital, which had been losing relative to the transnational capital in the globalised world. In this setting, European industry was lagging behind in technological development, while small national markets were seen as preventing the creation of bigger economies of scale that could compete with other factions of transnational capital: “As a remedy to these deficiencies, a strong European home market was expected to serve as both a stepping stone to conquer the world market as well as a protective shield against outside competition (for least as long as that world market was not yet conquered)” (van Apeldoorn, 1998: 21). According to van Apeldoorn, the social-democratic project emerged from the early optimism with the success of the single market project. The European Commission had the idea that the single internal market should also be accompanied by a social dimension, social rights and regulatory mechanisms that would socially sustain the internal market. This project was supported by social-democratic and, for some time, Christian-democratic parties across Europe. It was in fact a minimalist vision regarding the embedding of neoliberalism within a social-democratic framework (van Apeldoorn, 1998: 22).

Yet, in the context of various interests and stakes, a specific constellation of ‘embedded neoliberalism’ was ultimately introduced by the EU<sup>5</sup>. This particular embedded neoliberalism was certainly different from the pure market-deterministic neoliberalism implemented in the UK during the Thatcher years and from the policies adopted while Ronald Reagan held office in the USA. It was clear that the different institutional and political settings in the

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5 In this sense, the EU project, which was designed as a mixture of social and capitalist interests (Mastnak, 2019a; 2019b), was slowly but steadily transformed into a neoliberal model, which also led different countries to converge on neoliberal trajectories and policies (van Apeldoorn, 1998; Streeck, 2010; Baccaro and Howell, 2017).

member states meant that an orthodox neoliberal project could not have succeeded. It was necessary to transform various aspects of public policy in order to redesign the neoliberal project in an acceptable manner. Most importantly, this involved the acceptance of or at least not too strong confrontation from the labour side, which came following the incorporation of certain social-democratic aspects, that were also tied to the neoliberal imperative of competitiveness, while the neo-mercantilist project also managed to implement certain elements of market protection against outside competitors (van Apeldoorn, 1998: 44). Neoliberalism in the EU has hence been embedded “inasmuch as it emphasises the primacy of global market forces and the freedom of transnational capital. However, as a result of such processes, markets become increasingly *disconnected* from their post-war national social institutions. Embedded neo-liberalism is thus ‘embedded’ to the extent that it recognises the limits to *laissez-faire, /.../*, and accepts that certain compromises need to be made; hence at least a limited form of ‘embeddedness’ is preserved” (van Apeldoorn, 2001: 82).

This embedded neoliberalism promoted and supported by the EU is primarily based on two essential pillars: the single market project and the European monetary union (EMU). The single market project commenced in the 1980s in reaction to the crisis of competitiveness faced by leading European economies. The White Paper *Completing the Internal Market* was critical as it proposed 300 measures, later reduced to just under 280, aimed at establishing the single market. The entire idea was based on the assumption that the single market had to be followed by the liberalisation of the markets and privatisation processes. Especially the privatisation of public services and the financial sector was deemed to be pivotal. The state had to wither away from direct involvement in the economy, although at same time it had to provide the regulatory mechanisms for the project to succeed. The single market was supported by all three competing projects, while emphasis was put on regaining competitiveness. In this context, the Single European Act was signed in 1986, providing the legal and practical basis for completion of the single internal market project, which had to be implemented by the start of 1993 (van Apeldoorn, 1998; 2001; Holman, 2001; Bieler, 2006; Bohle, 2006; 2011).

The second crucial pillar of embedded neoliberalism was the EMU. The EMU was a project based on the idea that a strong unified currency is needed for a strong European competitive economy. A strong common currency would help “the EU in the global currency competition, reduc[e] transaction

costs, and strengthen /.../ the culture of stability – as a logical consequence of previous integration steps” (Bohle, 2006: 67). It was based on the strict Maastricht criteria where member states’ public deficits were limited to 3% of GDP, while the level of public debt was set to a maximum of 60% of GDP. These rules were later crystallised in the Stability and Growth Pact. The central idea was to implement price stability and low inflation, while the strict fiscal rules would lead member states to undertake privatisation so as to be able to finance their social policies since with the EMU and the firm fiscal boundaries meant that almost any sort of Keynesian deficit spending became impossible. The biggest policy decisions were transferred to the completely independent ECB. Bonefeld accordingly argued that the EMU “provides a supranational anchor for the purpose of a politics of austerity” (Bonefeld, 2002: 134), while van Apeldoorn claimed that the EMU “in many respects, /.../ can be seen as a supranational institutionalization of neoliberal discipline” (van Apeldoorn, 1998: 45). The EMU therefore showed the Janus face of the single market project, except with the stronger disciplinary character of the European constitutionalism.

The EU should thus be observed as a specific class project first designed as an economic aspect of Western European integration to prevent the possible spreading of socialist revolutions, whereas later on it became a neoliberal project as a response to the crisis of the Fordist regime of accumulation and the (first) crisis of the US hegemonic project: “the shift towards neo-liberalism was expressed by the very nature of the Internal Market programme and its drive for liberalisation and deregulation and the neo-liberal convergence criteria of EMU, focusing on low inflation and price stability” (Bieler and Morton 2001: 5).

### *EU enlargement processes and neoliberalisation of the post-socialist new periphery*

The EU’s neoliberalisation coincided with the end of the Cold War and last days of socialism in Europe. The collapse of socialism provided a great opportunity for the EU to integrate new polities and for the European and transnational factions of capital to gain access to new markets as well as to skilled yet cheaper labour, which would add to its competitiveness in the globalised capitalist market. The post-socialist countries’ unequal and dependent transition to the capitalism was based on ‘shock therapy’ elements and huge pressures from the ‘West’ to open up their economies and privatise everything by selling to foreign capital (Holman, 2001; Bieler, 2006; Ivanova, 2007).

Ivanova noted that the whole process of joining the EU was built on two pillars: neoliberal shock therapy and foreign direct investment (FDI). This meant the post-socialist countries needed to adopt the by then established neoliberal recipes – privatisation and market regulation of all spheres of society, while also open the door to allow foreign capital to enter their economies. In this privatisation to foreigners in the post-socialist countries, the rise of “capitalism without capitalists” (Eyal, Szelenyi and Townsley, 2001) was mostly observed; namely, domestic economic elites were unable to concentrate the ownership of former state/social property since the foreign capital had much more concentrated wealth and funds available. There were hence no or very few fragments of a strong domestic bourgeoisie in most countries due to the takeovers and accumulation abroad. Second, the countries sold off everything: from strategic infrastructure companies to banks, which made the domestic economy even more financially dependent. Third, the actions of various governments triggered tax competition with other post-socialist governments to create the best possible conditions for FDI (Holman, 2001; Ivanova, 2007).

In this setting, Nölke and Vliegenthart (2009) explored the dependent integration of the post-socialist countries into the EU and capitalist world order and argued that, besides the classical division into liberal and coordinated market economies (LME and CME), this integration was marked by the rise of a new type – dependent market economies (DME). They claimed the market liberalisation of these countries enabled the capitalist classes from the core countries to purchase things cheaply. The dependence of these economies has primarily been manifested through their dependence on FDI and MNCs that gained entry and organised production chiefly with the aim of exploiting the cheaper production costs, while arguing that “[w]hereas demanding tasks such as research and development are executed in the CMEs and LMEs of the core regions of Western Europe, the DMEs of East Central Europe are used as assembly platforms for semistandardized goods” (Nölke and Vliegenthart, 2009: 687). In the context of the EU accession process, structural adjustments, and preparations to enter the Single Market, these reforms were not only aimed at changing the material base of the economy and class relations but also to ensure the “maximum opening of these economies to foreign penetration” (Ivanova, 2007: 359).

The opening of economies to the entry of foreign capital and ‘structural adjustments’ – or neoliberalisation through the Europeanisation of post-socialist

countries – was largely encouraged in the EU integration processes. European integration was a structural framework that, by involving political and economic groups, gave legitimacy to the implementation of ‘reforms’ with the promise of joining an equal, modern and progressive union: “EU accession has bestowed the transformation with greater legitimacy, as it offered a concrete option for Eastern European societies to return to the West. The accession also lengthened the time horizons of political actors who otherwise might have slipped back on some of the reforms in light of waning popular support. In some cases, EU accession tipped the balance in favor of pro-market and pro-democratic forces” (Bohle, 2011: 132).

The processes of Europeanisation and the integration of post-socialist countries into the EU have thus generally taken place according to neoliberal market fundamentalism<sup>6</sup>, where this integration into the global capitalist system has principally inhibited the social development of the societies involved since it was based mostly on the sale of companies and banks to foreign capital, strong price competition, work intensity, and a flexible labour market. Holman (2001) therefore argued that the Commission’s strategy essentially disciplined the candidates regarding their commitment to the free market and liberalisation:

*Such structural conditions of dependence on a foreign authority for laws and regulations make the situation of East European applicant states somewhat similar to that of ‘dependencies’, ‘protectorates’ and a form of externally supervised government reminiscent of the history of colonial empires’ ‘indirect rule’. In the case of the EU–Eastern Europe relationship, the weight of external authority in Eastern Europe has been particularly pronounced in the area of economic policy. (Böröcz and Sarkar, 2005: 158–159)*

The enlargement of the EU was thus a specific form of establishing dependent development via the expansion of neoliberal policies due to the specific interests of European factions of capital. Still, Bohle argued that “the mode of incorporating eastern Europe” actually “resulted in the export of a much more ‘market-radical’ variant of neoliberalism” (Bohle, 2006: 58). A vital role was played by the “sustained attempts by the EU to transfer its rules to

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6 With a specific delay in Slovenia, which however also had to conform to most of the policies demanded by the EU (Hočevár, 2023).

non-members prior to accession, underpinned by accession conditionality”. This “top-down” process and the obvious “power asymmetry” (Sedelmeier, 2006: 29) gave the EU institutions a very strong and decisive influence on the policy choices made in the post-socialist countries.

## **Operationalisation of the analysis – a methodological note**

Despite numerous analyses of the transition and accession to the EU in the Central and Eastern European countries and the post-socialist countries’ neo-liberal integration into the capitalist world order, the normative dimension established by the EU and the particular and more general policies promoted by the EU for a given country have not been explored in detail. We thus proceed with the operationalisation of the capitalist promotion containing neo-liberal elements from the EU during the post-socialist countries’ accession processes.

From a methodological point of view, we follow various Marxist approaches to discourse analysis. Although the field of discourse analysis is certainly not dominated by Marxist theory, ever more attention has been paid to the Marxist exploration of discourses and to the development of discourse theories. Ideas, values and different discourses “do not float about in an endless universe of meaning, but are produced by human agency in the context of social power relations, and as such are also linked to the strategic action of social actor” (van Apeldoorn, 1998: 15).

The broadest framework of discourse analysis may be formulated as a method and theory that focuses on “semiotic material that is appropriated and processed through practices embedded in specific contexts. In many ways, contemporary discourse theory and analysis are concerned with how discursive processes (re)produce the material conditions of existence within which they operate” (Beetz et al., 2018: 321). Beetz and Schwab stated that “it is indeed the discourse of ideology that helps securing the reproduction of capitalist relations of production” (Beetz and Schwab 2018: 6; also see Beetz, 2016).

Namely, ideas (especially political ideas) are related to the “processes of social reproduction. The world of ideas cannot be abstracted from material reality but can affect it in important ways”, while ideas are “a result of or at least /.../ heavily influenced by social conditions. Here, the analysis of ideologies can reveal the unnoticed influences of the material reality on our

thinking, which is therefore not as autonomous as we often believe or claim” (Herzog 2018: 2). In this sense, Fairclough maintained that critical discourse analysis is actually a methodology with two focuses: on the social structures that encircle and condition social practices, and on the strategies actors use to achieve their goals. This second element is related to the field of semiosis and “how social agents pursue their strategies semiotically in texts” (Fairclough 2010: 234).

We have already described the general material interests and structural conditions of the post-socialist countries’ integration into the EU. However, the question that arises here is: what can be identified as neoliberal policy measures within the EU’s enlargement processes. In our analysis, we understand neoliberalism as an institutional and structural change in the economic and political behaviour of society, state and individuals, which is oriented to more market interactions, the liberalisation of markets and trade, a strong emphasis on attracting FDI (particularly within the semi-periphery and periphery of the capitalist world system), and the privatisation of state-owned enterprises and services, while also focusing on labour market flexibilisation and activation policies as part of the broader aspect of not abolishing welfare states but transforming them into workfare states (Rutar, 2023; Dardot and Laval, 2013; Mirowski, 2015). As indicators of ‘semantic’ neoliberal capitalism promotion, we consider the following elements established in the literature on neoliberalism and dependent integration of the post-socialist countries as signs of neoliberal economic reforms: 1) promotion of the privatisation of companies and banks and the liberalisation and deregulation of markets; 2) promotion of inward FDI; 3) fiscal prudence; and 4) flexibilisation of the labour market and introduction of active labour market policies. These ‘indicators’ follow from theoretical and empirical analyses of the EU’s neoliberalisation and the neoliberal enlargement towards the East (Holman, 2001; Harvey, 2005; Bieler, 2006; Ivanova, 2007; Nölke and Vliegenthart, 2009; Bohle, 2011).

Below, we focus on these semantic elements within various EU documents issued during the accession processes and the economic and social policies promoted by the EU for Slovenia and Hungary. Specifically, we analyse seven documents for both countries: first, the 1997 Opinion issued by the EC on the two countries’ applications for membership, and annual reports published by the EC and the Council between 1998 and 2003.

## **A neoliberal framework for promoting capitalism in the post-socialist countries**

In this section, we analyse various reports, analyses and other documents issued by the EC and the Council to Slovenia and Hungary during their integration processes. We concentrate on the four elements of typical neoliberal policies described above while noting that both countries – together with other post-socialist countries, although we do not focus on them here – had to comply with most of the proposals if they wished to become a member state.

### *EC reports on Slovenia: criticism of Keynesian gradualism*

Following the breaking up of socialist Yugoslavia, Slovenia was the only former Yugoslav republic to manage to almost completely avoid war and severe economic and social hardship. The policy and perspective of European integration were perceived as shared among the country's political and economic elites, while they managed to create a specific Slovenian 'third-way' model that favoured domestic economic elites and employees in privatisation processes with a relatively strong welfare state. This also meant that the government played an important role in the economy and that foreign corporations were not welcomed or supported while privatisation was underway (Bembič, 2017; Podvršič, 2018; Hočevar, 2021). This framework is important when considering the particular policies and measures that the EC promoted and fostered.

### *Privatisation and liberalisation of the markets*

The questions of privatisation and the liberalisation of the markets were key from the European Commission's viewpoint during the accession process of Slovenia. The European Commission continuously called for the faster and more widespread privatisation of Slovenian state-owned enterprises, public services and especially banks, which was connected to the specific voucher privatisation and which favoured the management and employees of the companies (internal buy-outs), while proving to be very restrictive for foreign corporations (Bembič, 2017; Hočevar, 2021).

Already in the Opinion on Slovenia's application for membership in 1997, the European Commission provided a framework for assessing the country's privatisation and market liberalisation activities. Slovenia had

not fully liberalised the prices of energy, telecommunications and transport, with the European Commission arguing that this had to be changed as soon as possible (European Commission, 1997a: 21–22). The European Commission also stressed the problem of the slow and limited privatisation, and criticised the Slovenian model of privatisation. In addition, the EC clearly pushed for the privatisation of state-owned banks (European Commission, 1997a: 26–27).

In its first report on Slovenia in 1998, the EC made it clear that the specific privatisation model of internal buy-outs by managers and workers was not in line with its idea of competitive capitalism. The biggest problem was the “limited competition” and the fact the state was still too involved in the economy (European Commission, 1998a: 17). In this sense, the EC’s crucial ‘proposal’ was that Slovenia ought to continue the privatisation, especially of large state-owned companies and banks (European Commission, 1998a: 17). In its 1999 report, the EC was very satisfied with the government’s plans to privatise state-owned banks, particularly NLB and NKBM (European Commission, 1999a: 9; 22), while still insisting on the further privatisation of companies and criticising Slovenia’s gradualist restoration of capitalism (European Commission, 1999a: 26).

In its 2000 report, the European Commission still claimed that privatisation of the financial sector was too slow (European Commission, 2000a: 21), stating that the “continued heavy involvement of the public sector in areas such as banking, insurance, utilities, and health and the widespread use of management and employee buy-outs in the privatisation process contribute to the perception of slow economic reforms” (European Commission, 2000a: 25). In the EC’s 2001 report, although the EC still saw these reforms as too slow and called for faster privatisation (European Commission, 2001a: 29), it was very optimistic regarding the new coalition formed at the end of 2000 where the coalition agreement promised rapid liberalisation, structural reforms, the privatisation of companies etc. (European Commission, 2001a: 29).

Despite the new government’s promises, in its 2002 report the European Commission found that the privatisation had still not been accelerated and that the state was playing too big a role in the economy and thereby distorting market competition. What stands out in this report is the fact that it reveals for the first time direct criticism of the gradualist transition path taken by Slovenia (European Commission, 2002: 36). In its last accession report, the

EC called for more market liberalisation (European Commission, 2003: 6–7), while promoting further privatisation, notably in the financial sector (banks and insurance companies) (European Commission, 2003: 50).

### *FDI inflow*

Apart from promoting privatisation and the liberalisation of markets, throughout the negotiations and accession processes the EC firmly stressed that Slovenia should open up its borders to the inflow of FDI. In the Opinion of 1997, the EC made it clear that the greatest problem that had kept FDI inflows at low levels was the privatisation model Slovenia had adopted – slow privatisation and priority given to management and employee buyouts, viewing the element of employee shares as a special problem (EC 1997a: 27).

In its first report in 1998, the European Commission stated that Slovenia needed to increase its FDI inflow since it had a much lower FDI stock than the other post-socialist countries. The European Commission concluded that, even though FDI stock had increased in 1997, it remained very low, which meant the Slovenian state was keeping foreign capital from entering its borders (European Commission, 1998a: 18). In the 1999 report, inward FDI in Slovenia is shown to have gone down and that the European Commission was concerned about this. Yet, the European Commission also claimed that there “has been much progress in improving the environment for foreign investors” (European Commission, 1999a: 28). In the 2000 report, it wrote that it was necessary to see the state “withdrawing from its involvement in the economy and progressively removing the remaining restrictions on foreign investment and capital flows would be beneficial” (European Commission, 2000a: 25). One year later, the report proposed that “it is especially the full and timely implementation of the government programme on privatisation and liberalisation in sectors in which it is still strongly involved (such as banking, insurance, utilities) that would improve business conditions and attract more FDI” (European Commission, 2001a: 29).

The 2002 report stated that there had been a rise in FDI inflows due to the privatisation to foreign companies and banks, while also insisting that Slovenia should pursue this strategy in the future (European Commission, 2002a: 31). In 2003, the European Commission was satisfied with the growth of inward FDI, which was again closely linked to liberalisation of the market and the privatisation of domestic companies to foreign corporations (European Commission, 2003a: 5).

### *Monetary and fiscal policies*

The European Commission was very strict concerning the monetary and fiscal policies pursued by Slovenia. Throughout its reports, several arguments appear in favour of both low inflation and cutting the public deficit. In its first Opinion in 1997, the European Commission stated that “Slovenia has made substantial progress in achieving macroeconomic stability: inflation is in single digits, the budget deficit is low, the currency is stable” (European Commission, 1997a: 34). However, it also claimed that “inflationary pressures persist” and budgetary spending “is likely to be hampered to some extent in the short term by the need to reform public finances further” (European Commission, 1997a: 34).

In the 1998 report, the European Commission described how the government was actually responsible for the slower drop in inflation due to price controls: “The inflation rate has continued to decline, but at a slower pace. This is to be expected, as the rapid slowdown of inflation in the early years of independence cannot only be attributed to a strict monetary policy, but was partly due to price controls and slow adjustment of administered prices” (European Commission, 1998a: 13). Similar arguments can be found in other yearly reports (European Commission, 1999a: 20; 2000a: 23). In its 2000 report, the EC very clearly stated that a tight budget without discretionary spending should be the goal of Slovenia (European Commission, 2000a: 23–24).

In 2001, the European Commission was openly critical of the Slovenian government regarding inflationary pressures: (European Commission, 2001a: 28), while also in 2002 the EC stated that “Inflation has remained persistently in the high single digits. The stubbornly high inflation has been, and remains a key macroeconomic policy concern” (European Commission, 2002a: 34). Further, in 2003 in its final report the EC wrote that “[a]lthough decreasing slowly, the relatively high and persistent inflation remains a key policy concern” (European Commission, 2003a: 50). At the same time, the European Commission was also highly critical of how the public deficit was being managed: “The budget continues to be characterised by a high share of fixed commitments, overshooting of targets, and frequent revisions and budget suspensions, despite the introduction of two-year budgets” (European Commission, 2003a: 5).

### ***Labour market policies***

With respect to labour market and employment policies, the EC stated in its Opinion that the “labour costs are relatively high for a transition economy and the labour market is quite inflexible” (European Commission, 1997a: 25). The EC went on in the Opinion to claim that the system of collective and social agreements was rigid, the redundancy payments too high, and the wage distribution too flat, i.e., too egalitarian and that wages were growing too quickly (EC 1997a: 25).

In 1998, the European Commission argued that it was necessary for wages to lag behind productivity and praised the new law that limited pay increases to rises in productivity: “The increase of average real wages per employee is now substantially lower than growth in labour productivity, which has a favourable impact on competitiveness” (European Commission, 1998a: 18). In 1999, it became evident that the EC was promoting a typical neoliberal labour market policy, where it combined the promotion of active labour market policies and the idea of the need for labour market flexibility (European Commission, 1999a: 47). In the 2000 report, the European Commission stated that Slovenia should enable flexibility of the labour market (European Commission, 2000a: 28; 59). Similarly, in 2001 the European Commission wrote that the “[l]abour markets are not sufficiently flexible” (European Commission, 2001a: 33).

The 2002 report praised Slovenia for its attempts to make the labour market more flexible while also introducing active labour market policies. The European Commission stated that “Slovenia has advanced as regards policy development capacities and has strengthened its active labour market policy” (European Commission, 2002a: 79). In addition, the report outlined how the “new Employment Relations Act, passed by Parliament in April 2002, should contribute to higher flexibility on the labour market when it enters into force in 2003. The Act, harmonised with the *acquis*, was passed after more than seven years of preparations and discussions” (European Commission, 2002: 34). In 2003, in its the final report on Slovenia before confirming its membership in the EU, the Commission argued that the labour laws were still not enough flexible and that Slovenia should continue with labour market flexibilisation (European Commission, 2003a: 6).

## **EC reports on Hungary: radicalised neoliberalism**

The process by which Hungary acceded to the Union saw similar, albeit not identical, policy proposals and recommendations being issued by the EU. Namely, already before formally starting its accession to the EU, Hungary had introduced policies of privatisation, labour market liberalisation, FDI attraction, and labour market flexibilisation (Greskovits and Bohle, 2001; Bohle and Greskovits, 2012; Greskovits 2006; 2008). In the eyes of the European Commission, this made Hungary a ‘better student’ than Slovenia, yet this did not stop the Commission from further promoting the radicalisation of market reforms, especially the rigid monetary and fiscal policies.

### *Privatisation and liberalisation of the markets*

In the 1997 Opinion on Hungary’s application for membership, the European Commission commended Hungary for its quick privatisation to mostly foreign companies. It also argued that “progress made from late 1995 with privatisation of state banks will contribute to the development of effective services to business in these areas. Developments in these sectors are likely to pose challenges for the ability of state institutions to ensure the maintenance of competition and/or prevent abuse of dominant position by private monopolies” (European Commission, 1997b: 23).

Similarly, in 1998 the European Commission praised Hungary’s efforts to privatise its banks and companies. It was especially satisfied with the progress made in privatising state-owned banks: “In the banking sector, the process of privatisation was completed, except for the sale of remaining minority interests. Controlling stakes in both K&H and Mezőbank were sold to foreign investors, bringing the share of foreign ownership in total registered banking capital to about 60% by the end of 1997. The State will limit its participation in the largest commercial bank (OTP) to a single golden share” (European Commission, 1998b, 15). However, the European Commission also made it more than obvious that the idea of keeping certain companies under state control or even the nationalisation of Postabank was against the directions endorsed by the Commission (European Commission, 1998b, 16).

The European Commission report of the following year again spoke very highly of Hungary’s privatisation project and the liberalisation of prices, yet also claimed that “the government’s decision to keep a stake in a number of

enterprises, spanning a wide range of sectors, is in sharp contrast with the earlier accomplishments” (European Commission, 1999b: 23). Although satisfied with the extent and magnitude of the privatisation in Hungary, while still pushing for the complete privatisation of all banks and large companies, in the 2000 report we can see a very important sign of a clear neoliberal agenda. Namely, the European Commission strongly suggested that Hungary privatise its healthcare system while reflecting on the ongoing reforms of the public healthcare system (European Commission, 2000b: 52). Similar points were made in the 2001 report regarding the need to completely privatise healthcare, whereas in 2002 the European Commission was also pushing for the privatisation of the Hungarian steel sector (European Commission, 2002: 91).

In the final report in 2003, the European Commission concluded, despite its short-running criticism of the interrupted privatisation process, that Hungary was pursuing the correct “economic reform path /.../ In a credible manner, through the privatisation of some remaining state-owned companies, a stepwise liberalisation of administered prices and the broad completion of the progressive pension reform” (European Commission, 2003: 7). The European Commission went even further and applauded Hungary’s efforts for following the Commission’s recommendations with respect to further privatisation, as “as proceedings for the sale of 19 remaining larger corporations have started in 2003. In September 2003, the large retail bank Postabank was successfully sold to a foreign banking group. The telecom market was liberalised in 2002. Gradual liberalisation of the electricity market started in 2003, while finally also the legal basis was set for the liberalisation of the gas market starting in 2004” (European Commission, 2003: 8).

### *FDI inflow*

The European Commission was very positive regarding the inflow of FDI into Hungary throughout the accession negotiations. Already in its 1997 Opinion, the European Commission praised the FDI inflows: “Reflecting the sharp acceleration in the pace of privatisation, and Hungary’s improving standing with international investors, foreign direct investment (FDI) has been very significant, totalling more than ECU 10 billion” (European Commission, 1997b: 23). In 1998, the European Commission made it evident that Hungary was doing well in this field, stating: “More generally, FDI flows have played a leading role in the restructuring of the economy and Hungary’s integration into the global production system” (European Commission, 1998b: 18).

Similarly in 1999, the European Commission stated that the inflow of FDI had been “a major influence contributing to further transfer of technology and management know-how, the modernisation of production facilities and the intensification of other forms of cross-border co-operation” (European Commission, 1999b: 37; for a similar argument also see European Commission, 2000b: 57).

In its 2000 report, the European Commission claimed that the inflow of FDI “has been the primary instrument of economic transformation” (European Commission, 2000b: 29). A year later, the European Commission wrote that, even though the privatisation processes had almost been completed, levels of FDI remained high: “Substantial inflows of foreign direct investment continue beyond privatisation. At 2.9% of GDP, the level of FDI has remained robust, although it is decreasing. Greenfield investment dominates, and the trend from low value-added to high-tech investment continues, providing a constant inflow of innovation. A number of substantial investment decisions by multinational companies have been announced during the past twelve months, indicating a continuation of the country’s attractiveness to foreign capital” (European Commission, 2001b: 36). The EC concluded that “Hungary has successfully implemented a market-based privatisation and restructuring programme over the years, which has contributed to attracting regular and high levels of FDI” (European Commission, 2001b: 66).

Similarly, in 2002 the European Commission claimed that the still high level of FDI after the majority of privatisation processes had already been completed that “these figures reflect the attractiveness of Hungary as a location for foreign investment, based on competitive total labour cost, a liberal foreign trade regime and a predictable and business-friendly policy framework” (European Commission, 2002: 45), while expressing concerns in the last report about how the FDI level had fallen in 2002 and the first half of 2003 (European Commission, 2003b: 6).

### *Monetary and fiscal policy*

In the area of fiscal and monetary policy, the European Commission held the very clear position that fiscal consolidation and low inflation were key to Hungary’s accession processes. In 1997, the European Commission contended that Hungary was doing well with the reduction of inflation, but proposed strict monetary policy in order to bring inflation down as quickly as possible (European Commission, 1997b: 26). In its first annual report in 1998, the

EC promoted strict fiscal consolidation in Hungary (European Commission, 1998b: 18), while considering lowering inflation as crucial (European Commission, 1998b: 13). In its 1999 report, the European Commission claimed that “fiscal policy has been less supportive than in the past and efforts towards fiscal consolidation should not be relinquished. Although the still high government debt has continued to fall, the decline in the primary surplus has contributed to the deterioration of the external accounts in 1998” (European Commission, 1999: 22). Similarly, the Commission advocated strict fiscal discipline because “the widening current account, if unchecked, could threaten the macroeconomic gains achieved in recent years”, and also clearly stating that structural reforms (pension reform) were essential for maintaining stable fiscal policy (European Commission, 1999b: 24–25).

Criticism appeared in the 2000 report due to the slowing down of the dropping of inflation (European Commission, 2000b: 25). On the other hand, the European Commission promoted “fiscal prudence” and argued that there was “a need to continue fiscal consolidation over the medium term. To preserve present gains, the government should proceed with the implementation of the new reform agenda [meaning privatisation, note added by the author], particularly in the areas of healthcare, transportation, and local government finances” (European Commission, 2000b: 28). The European Commission criticised the Hungarian government in 2001 because the “fiscal policy has become expansionary” and claimed the government would “need to maintain fiscal discipline to ensure that fiscal policy supports the new monetary policy framework and the external balance. This would contribute to lower inflation” (European Commission, 2001b: 37). In this framework, the European Commission also continuously stressed that inflation was too high and promoted a low inflation policy (European Commission, 2001b: 102).

In 2002, the Commission advocated improvements to “macroeconomic management by reducing the general government deficit, thus preventing fiscal policy to become pro-cyclical and supporting a further reduction of the inflation rate” (European Commission, 2002b: 134), while also calling for a quick reduction of inflation (European Commission, 2002b: 41). In its last report, the Commission claimed that there had been positive signals regarding lowering the inflation rate while praising the government’s austerity programme (European Commission, 2003b: 9).

### ***Labour market policies***

In the field of the labour market and employment policy, in 1997 the EU commended Hungary's attempts at flexibilisation: "Hungary has introduced a policy to make the labour market flexible. If this process is continued, Hungary should be able to adjust to the demands of integration into EU labour market and employment systems" (European Commission, 1997b: 87). Further, the EU connected labour market flexibility with FDI inflows (European Commission, 1997b: 71). In its 1998 annual report, although the European Commission did not overly focus on the labour market in Hungary it was critical of the high "non-wage labour costs", which were "negatively affecting enterprise competitiveness and employment" (European Commission, 1998b: 18). However, it also claimed that the "increases in productivity and moderate rises in unit labour cost are making Hungarian products more competitive" (European Commission, 1998b: 17). In 1999, the Commission merely emphasised the need to introduce more active labour market policies and that it was, together with the Hungarian government, conducting a policy review in the area of the labour market (European Commission, 1999b: 44).

In its 2000 report, the Commission openly promoted the idea of a more flexible labour market as the prevailing one and claimed that a "flexible labour market" had been essential for the rise in employment (European Commission, 2000b: 29), while also calling for the implementation of even greater "flexibility and mobility of labour" (European Commission, 2000b: 30). Crucially, the Commission praised the Hungarian government because active labour market policies had been replacing the passive labour market measures there and more labour market flexibility had been introduced (European Commission, 2000b: 52). In 2001, the report praised the introduction of a workfare regime and active labour market policies: "The government has reduced the entitlements for unemployment benefits in order to provide greater incentives for the re-integration of long-term unemployed into the labour market" (European Commission, 2001b: 35; also see European Commission, 2001b, 45).

In its 2002 report, the Commission stated that, even though Hungary had experienced some economic hardship, the "flexible labour markets kept unemployment at 5.9% during May-July 2002" (European Commission, 2002b: 45). Critically, the Commission promoted stronger wage controls and internal devaluation: "Wage developments will have to be brought in line again with productivity growth in order not to compromise the country's competitiveness" (European Commission, 2002b: 134).

## **Discussion: From neoliberalisation of the EU to neoliberalisation of the new member states**

Analysis of documents issued by the EU during the accession processes of Slovenia and Hungary confirms the hypothesis that the European Commission was promoting neoliberal policies at the time the post-socialist countries were seeking to join the EU. In this regard, there can be no doubt – the EU, and specifically the Commission and the Council as the institutions managing the accession of Slovenia and Hungary – strongly promoted and encouraged neoliberal economic policies in both countries<sup>7</sup>. Still, the comparative analysis also reveals some nuances and blind spots that are present in the analysis of the post-socialist countries' dependent integration.

The Slovenian accession path was accompanied by distinct and constant pressures for further privatisation. Since Slovenia only partly and in the years just prior to becoming a member state began implementing these policies, there were continuous pressures to commence the privatisation processes. The topic of privatisation was accompanied by market liberalisation and FDI promotion by the European Commission because it was seen as an essential step towards opening up the Slovenian economy to foreign capital and privatisation. Clear monetarist and 'disciplinary' elements were present in all the reports with a strong emphasis on the need to lower inflation and, to a smaller extent, also regarding the fiscal deficits and public debt. Labour market flexibility and halting the rise of wages were promoted as a tool for making the state more competitive, in turn bringing more FDI into Slovenia.

In the case of Hungary, the reports were much more positive regarding the introduction of market liberalisation and privatisation. As concerns privatisation, Hungary was applauded for its commitment to selling off everything to foreigners, although there were comments, especially after 2000, that the last phase of the privatisation process was not completed. In comparison, in the area of FDI Hungary was very open and attracted many investments, to the great satisfaction of the European Commission, leading the reports to promote even further efforts to attract FDI, notably through labour market flexibility and the complete liberalisation of the markets. The element of low

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7 However, our analysis is limited only to two specific cases, and in order to make more general conclusions about the EU's broader promotion of neoliberal policy for all post-socialist countries, other countries and especially other annual country reports issued by the European Commission should be analysed.

inflation as an important goal is especially visible in the reports after 2000, when this was emphasised as a considerable problem for Hungary. This anti-inflation promotion went together with the emphasis on the need for fiscal consolidation and limiting state expenditures. The combination of privatisation, deregulation and fiscal consolidation led the Commission to even promote the complete privatisation of the healthcare sector in Hungary.

However, when we compare the two cases, four important elements emerge. First, regarding privatisation, it is beyond doubt that the EU played a crucial role in Slovenia and Hungary. Namely, in all the country reports and evaluations the objective of continuing with the privatisation of state-owned companies was established as a vital objective. The Keynesian gradualist restoration of capitalism in Slovenia was criticised for being incompatible with the fundamental principles of liberalisation and deregulation, which were viewed as central in the eastward enlargement processes, while in the case of Hungary the Commission only promoted the completion of the path of privatisation already undertaken, albeit a more radical option was put forward by promoting privatisation of the healthcare sector. The quality and extent of this policy promotion thus held very different meanings in each country.

Second, the role of FDI was stressed throughout the integration processes. Important differences nevertheless existed between Slovenia and Hungary. Namely, Slovenia was always presented as a country that did not have 'enough' FDI inflows where the reason for that was the specific model of transition it had adopted: the gradual approach. On the other hand, Hungary was constantly praised as a country which had opened up its borders to foreign capital and investment, particularly via the privatisation of formerly state-owned companies and banks. Yet, once again, the policy recommendations and proposals did not vary much in the two cases.

Third, the inflation rate (World Bank, 2022) and public debt/deficit were quite dissimilar in the two countries (Eurostat, 2022) during their accession processes. Still, this did not stop the EU from demanding strict anti-inflationary policy in both countries while, even when 'satisfied' with the austerity and, as the European Commission described it, "fiscal prudence", the EU was constantly promoting even greater fiscal consolidation, simply in an effort to halt discretionary spending on the side of government.

Fourth, while the question of labour market flexibility was not stressed in all of the documents, the Commission did point out that the rise of wages should be stopped in both countries, and that active labour market policies

should replace passive labour market policies while disregarding the specific features of the two welfare regimes and the social problems existing at the time (Bohle and Greskovits, 2012; Kuitto, 2016).

The above analysis therefore suggests that the EU applied a one-size-fits-all approach and did not really consider the national specifics when promoting neoliberal economic reforms. Further, even though the countries followed the Commission's policy proposals, the EU pushed them even further in the neoliberal direction. Here, it is clear that the EU was promoting the establishment of 'dependent market economies' in Hungary and Slovenia through four connected elements: privatisation and the liberalisation of the markets, high FDI inflows, strict fiscal policy and low inflation, and the establishment of the flexible labour market and internal wage devaluation that foreign corporations could benefit from.

One question that remains unanswered in our analysis is what were the material effects of the EU's neoliberal enlargement processes on the post-socialist countries. While it is true that these two countries were experiencing a rise in GDP and GDP per capita, which would lead us to think about an increase in living standards, on the other hand, there have also been particularly negative outcomes of the neoliberal project. Namely, when looking at the inequality in the transition and EU accession period, it is clear that each country saw an important rise in income and wealth inequality. The Gini coefficient grew importantly in both countries from 1987 until 2005, while the income share of different percentiles also changed in the direction of increasing inequality. The wealth inequality data also indicate, albeit on a much smaller scale, certain changes during this period, although the effects of rising inequality were much lower than evident in the income distribution data, and became much stronger after 2008. This clearly means that the GDP growth did not lead to equal distribution but instead to increasing income and wealth inequality in both countries<sup>8</sup>.

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8 Although these income inequality rises did occur, Slovenia remains one of the most equal countries regarding income. Still, wealth inequality is much more severe than income inequality and increased especially during and after the 2008 crisis.

**Table 3.1:** Income inequality in Hungary and Slovenia

	Hungary		Slovenia	
	1987	2005	1987	2005
Gini-income inequality	0.1139	0.3117	0.2308	0.3020
Post-tax income share (bottom 50%)	0.4248	0.3049	0.3391	0.2959
Post-tax income share (top 10%)	0.1523	0.2752	0.1845	0.2323
Post-tax income share (top 1%)	0.0268	0.0863	0.031	0.0482

Source: World Inequality Database, 2023a; 2023b; 2023c; 2023d;

**Table 3.2:** Wealth inequality in Hungary and Slovenia

	Hungary		Slovenia	
	1995	2005	1995	2005
Gini-wealth inequality	0.7441	0.74864	0.6587	0.6596
Wealth share (bottom 50%)	0.0478	0.0469	0.0776	0.0774
Wealth share (top 10%)	0.5902	0.5974	0.4793	0.4808
Wealth share (top 1%)	0.241	0.2473	0.1208	0.1217

Source: World Inequality Database, 2023e; 2023f; 2023g; 2023h.

All things considered, it would be unfair to limit the EU's role to simply neoliberal policy promotion. Things were not that one-sided. That is, the EU also advocated the stronger participation of trade unions in each country (European Commission, 1999a; 1999b; 2000a; 2000b; 2001a; 2001b; 2002a; 2002b), especially the establishment of social concertation mechanisms in

Hungary<sup>9</sup> (European Commission, 1999b; 2000b). This might seem odd and contradict the EU's clear promotion of neoliberal economic policies. While in some ways this is correct, the critical element is that the EU established a clear policy framework for these two countries where trade unions and social concentration should also become involved to arrive at the exact policy measures. It would be cynical to discredit this specific element solely as a way of appeasing the trade unions in these two countries, although it certainly was an aspect that helped promote more radical market measures and generate the acceptance of, or at least not direct opposition from, organised labour. This emphasis on the trade unions' greater engagement within the social concertation mechanisms is precisely the specific feature of the EU's 'embedded neoliberalism' model in which social-democratic forces are also engaged in the creation of an acceptable neoliberal framework in each particular case.

## Concluding remarks

The Europeanisation of post-socialist countries through the imposition of neoliberal economic reforms was a way of building specific relations of dependence between the old, core 'Europe' and the new members. Indeed, neoliberalisation opened up the markets to the entry of foreign capital and created a 'capitalist economy without capitalists', a pool of much cheaper labour and a larger market. From an economic perspective, it was thus crucial for the various factions of European capital that the post-socialist countries opened up their markets to the entry of foreign companies.

The EU's neoliberal capitalism promotion did not lead to Slovenia and Hungary's immediate or complete convergence with the proposed policies. Quite the opposite is true since for quite a long time Slovenia resisted the main elements of neoliberal capitalism promoted by the EU: complete privatisation to foreign corporations along with strict flexibilisation of the labour market, while Hungary had completed some of these processes even prior to its formal application to be an EU member state. Yet, as Slovenia was moving closer to joining the Union, it had to conform with the EU-promoted neoliberal economic policies and had also begun to implement the privatisation of the state-owned banks and companies, while fulfilling all of the

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9 In Slovenia the Social and Economic Council – a tripartite social dialogue body – was established in 1994 (Podvršič, 2019).

policies the EU had promoted in the late 1990s and early 2000s only during the sovereign debt crisis, when Slovenia had to meet all of the EU's demands (Hočevar, 2021; 2023). The post-socialist countries did not and could not have conformed to all the policies advocated and proposed by the EU – especially since the Commission always demanded more privatisation and more capital-conforming policies. However, the space for social and economic alternative policy manoeuvres was structurally very limited by the EU.

The analysis of the European Commissions' reports and other documents therefore complements the existing body of literature on the dependent and neo-colonial integration of post-socialist countries, while filling the gap emerging from the unresearched field of the EU-promoted policies in these countries and also reflecting on the growing inequalities in each country. Further research would be beneficial in order to have an overview of the policies promoted by the EU for all post-socialist countries. An empirical investigation combining both elements – namely, analysis of the EU's documents along with detailed analysis of the policies adopted by the post-socialist countries – could provide a more complete picture of the extent and impact of the EU in each specific case. Moreover, another topic that could be important in the research of post-socialist countries is the role that the EU-promoted and supported neoliberal transition played in the rise of right-wing populist politics in the post-socialist countries while also explaining the different paths and trajectories taken by them. These tasks remain for the future.

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# Chapter 4: Hegemony as a Concept: Genesis and Implications

Patrik Marčetič

## Introduction

The word hegemony is used extensively in the science of international relations (IR) when defining an ontological subject as a process and a system. The main connotation of hegemon refers to states<sup>1</sup> (Murray, Worth, 2013: 732) and the secondary one to international governmental organisations (Haukkala, 2008: 1602) and other entities such as elites, classes etc. (Murray, Worth, 2013: 732). The concept is also used while dealing with international politics and governance, environmental governance, the philosophy of international relations etc. The semantics of the concept is therefore a spectrum in itself, or several spectrums concerning various classifications of the form of hegemony. On one side of the spectrum, it stands for the legitimacy of primacy, meaning an accepted leadership characteristic, or a definitive and overwhelming influence. On the other side, it can be a very complex concept meaning a process of (or striving for) constructing consent as principally defined by Gramsci (*ibid.*). All of this points to the exceptional width of the concept of hegemony, which inevitably leads to it being used incoherently and without precision.

Precision and coherency in the scientific method are paramount. One may say that they are the end and the beginning of scientific research. This explains why the precise use of concepts and conceptual apparatuses, their definitions and applications should be stressed. In IR of the 21st century, hegemony as a concept has taken centre stage as a defining trait of the leader of the international liberal order, holding international political primacy and guiding

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1 As a hegemon in the critical theory of Robert Cox, among others the most-researched is the United States. The USA remains the most analysed hegemon in international relations.

the international order by providing public goods and prescribing norms and rules. This definition of hegemony is used by Owen (2021: 1415), Chan (2021: 1336) and many others. A hegemon in hegemonic stability theory is defined as a state that provides public goods through its primacy in technological development (Oatley, 2019: 13). Moreover, the hegemon retains the option of repressive force with the function of preventing free-riding (Gilpin, 2001: 81). This means we can assume that the hegemon possesses primacy in global trade flows. On the other side of the spectrum, Gramsci and Cox define hegemony as a process of constructing consent through social structures by way of a bottom-to-top approach conducted by the hegemonic elite (Daddow, 2017: 178).

Despite the width of the concept and its meanings, it seems that a common denominator is found. To better present this denominator, in this chapter the dichotomy of hegemony and dominance is used. Dominance is, as is the use of the repression (notably through the use of armed force), illegitimate and not accepted by the group being dominated. Still, hegemony carries legitimacy by being accepted by those who are under the influence of the hegemony<sup>2</sup>. Accordingly, the lowest common denominator of all definitions of hegemony appears to be legitimacy. Normative hegemony, regional hegemony, cultural hegemony and others all share this characteristic of legitimacy. We regard this as the first common characteristic. The second trait of hegemony is that it cannot exist on its own, *per ipsum* because it always has something or someone that it influences, that accepts it as a hegemon and its influence. In what way and who grants legitimacy to a hegemon varies across the spectrum of meanings and definitions. If accuracy in the term's use is the goal, then an analysis of the concept's genesis within IR theorising is called for. This analysis would provide the foundation for a precise characterisation of its different uses and definitions, as well for bringing together the different definitions and uses within a single conceptual apparatus.

In the text below, use of the hegemony concept in IR theories is analysed through the lenses of the four great debates.<sup>3</sup> The great debates, however con-

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2 At this point, it should be noted that this common denominator is not the ultimate and absolute denominator, but one that encompasses the majority of definitions and uses of the concept.

3 The great debates of IR are the subject of contention and critique. Their limitations and dichotomous nature, their number or even their names are always being debated. Most often, the debates have served as a prism for explaining certain changes and eras within the discipline (Dunne et al., 2013: 406).

tested, provide a useful framework for the research presented in this chapter. They provide a chronological framework and limitation; they encompass the most important and most accepted authors and their theories. Finally, the great debates<sup>4</sup> offer a wider perspective on the process of how theoretical paradigms change. Here, the oscillations between iterations of positivism and non-positivism (Lapid, 1989: 238) can generally hold great significance. They offer us the possibility to analyse the concept of hegemony and its characteristics also within methodological and epistemological paradigms. The research is divided into five parts: the four great debates (Realism/Idealism, Traditionalism/Behaviourism, Neorealism/Neoliberalism/Radicalism, Rationalism/Reflectivism, and theories of the first order and practical uses (within other theories as well as practical uses).

In the first debate, we examine the quite narrow perception of hegemony as primacy – the greatest influence of a certain actor over others, as seen through the lens of classical Realism. This perception arose mostly in the context of the second and third German Reich and the ambitions to have a defining influence on Europe. Liberalism or Idealism views the concept with some nuance, yet still accepts the underlying definition proposed by the realists of the time. We then analyse the second debate in which Hedley Bull, a Traditionalist, regards hegemony as a form of regional primacy, as the middle ground between domination and pure primacy. Morton Kaplan, as a proponent of scientific methodology, sees the concept as striving for total influence within a system. The quality of striving is key here because it is used in later debates. In the third debate, the differences with use of the concept only deepen. Neorealists expand the definition given by classical realists through systemic analysis. Within the neorealist school, one can find deviations. Offensive Realism comprehends hegemony as the final purpose of a state, whereas defensive Realism understands it as a destabilising quality that is ultimately destructive to the system. Neoliberalism deals with the concept as ultimately destabilising because how the hegemony (and the hegemon with regard to themselves) is understood by other actors in the system changes over time. The hegemon creates institutions and regimes that keep the system stable after their (the hegemon's) downfall.

As an important contrast in the third debate, critical theory develops what is hitherto the most coherent and complex theory of hegemony. It views the

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4 Movements between specific debates or comparisons between them would be a better classification of the arrangement.

concept as a bottom-to-top process of constructing consent where states are no longer the primary hegemonic actor, but a derivative one. In the fourth debate, methodologies once again come to the forefront. As a methodology of Realism and Liberalism and their later neo-neo synthesis, Rationalism adopted their underlying positivistic approach to hegemony. Poststructuralist methodology rejects the methodology adopted from the natural sciences and has developed the linguistic and discursive method, which is ever more topical.

## **The first great debate: Realism and Idealism**

In the 1930s and 1940s, when IR was firmly in the domain of political science, the first great debate between realists and idealists began, or at least it is perceived to have begun. The reality of the actual debate has been a matter of ongoing discussion in the community of historical researchers of IR (Schmidt, 2012), with many good arguments on each side. Nevertheless, the argument of the debate and its (perhaps artificial) form as an important function for theorising IR remains in place. Especially useful for the research presented in this chapter, it maps out the early directions of the discipline, which have stood the test of time.

Idealism is claimed to have originated in response to the assumptions made by the realists<sup>5</sup> in the setting of the world's growing (economic) interdependence and the First World War, which was seen as destructive and incompatible with the times (Osiander, 2012: 40). A public response to the realists' assumptions was presented to the public by President Woodrow Wilson in his 14 points and his appeals for an international organisation to help prevent future cataclysmic events like the First World War. Wilson's 14 points showed him to be neither a total idealist nor a realist. Kornat rejects this dogmatic classification as useless for understanding IR (Kornat, 2017: 124). However, in Wilson's actions post-First World War, a rejection of the *status quo* is visible when he stated: "What we seek is the reign of law, based upon the consent of the governed and sustained by the organized opinion of mankind" (Mecklin, 1919:1). Closer scrutiny of this statement reveals that a

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5 In essence, they are: interest as a guiding principle of states, history as a cyclical process, human nature and its characteristics are also qualities of states and stand as objective laws etc.

new world war can only be prevented through the rule of law or rules that are legitimated based on a mandate of a government(s) expressed by the people being ruled over (*ibid.*).

Here we encounter the first reference to legitimacy for ruling the world. While it appears that the people are those granting legitimacy, this is not the case. (Ethnic) states are the carriers of legitimacy, yet the people are separated here from the international arena. They only grant legitimacy to the government to do what is good (for them) on their behalf. Hegemony in this sense is thus the hegemony of the international rules that ‘govern’ the international arena. Still, as Kornat notes, Wilson did not start a revolution and only supported the rearrangement of power, which included the rise of nation states and the downfall of multinational empires, such as the German Reich, which had posed a threat to the balance of power (Kornat, 2017: 112). The Reich threatened to become the hegemon in Europe (*ibid.*). Kornat uses the concept here to mean the idea used then – a dominant power.

Zimmerman, a leading Idealist author of the time, rejected the realists’ description of history and political events as cyclical (Osiander, 2012: 43). He characterised the time he was living in as a time of transition, as the development of the world into an international system, with ever greater political and economic integration. Woolf referred to the: “natural [!] tendency of the world towards International Government” (Woolf, 1916: 134). This acts as an umbrella term, encompassing the developments in international law, institutions with methods of peaceful conflict settlement, and other ways of cooperation between states. In Woolf’s work *International Government* (Woolf, 1916), his arguments are articulated in the context of the Fabian Society, which commissioned the work. The Society wanted to present the idea of an international organisation whose existence is possible and necessary (Osiander, 2012: 44). Handling and coordinating the new interdependencies in the spheres of international law and securing peace provided legitimacy to the international organisation. The organisation is hence legitimate as a hypothesis and an imperative, and states are legitimate in concrete terms.

Idealism as an intellectual movement employs the classical ontology of states as the primary actor and carrier of legitimacy. This ontology is enriched by introducing the possibility of a new subject of analysis – an international organisation with a whole different source of legitimacy. Rules and international law would grant the organisation its legitimacy, combined with a moralistic sense of securing global peace as an imperative and the

organisation's purpose being to this end. This thinking is not to be underestimated since it maps out the developments in international law after the Second World War up until now. Hegemony in the sense of international law and rules was during the period of the first debate seen as a guiding principle without a concrete subject for it. States were not viable as a hegemon in this sense because they did not strive for peace and the rule of international law. The League of Nations, when it existed, did not fulfil the idealists' wishes, leaving an international organisation as a hegemon as an idea.

On the other side of the debate were the realists, later classified as classical realists. The first great debate is said to have been started by H. E. Carr, a father of Realism and political Realism with his book *The Twenty Years Crisis*. The main assumptions made about the nature of the international system, ethics, and their sources are generally similar among all realists. The lowest common denominator is human nature, regarded as the source (and an analogy) of states' behaviour. Morgenthau's work *Politics Among Nations* is particularly illustrative in this respect. The author sets out the six principles of political Realism, which reflect the main postulates of realist thinking. The first principle claims that politics is "ruled by objective laws, rooted in human nature" (Morgenthau, 1985: 4). As such, human nature continues not to change, and subsequently the behaviour of states remains unchanging, objective. They act on the principle of interest as power. Actions in line with other motives (emotions, ideology, universal code of ethics) are wrong and could ultimately lead to the state's downfall. The purpose of Realism (and the state) is survival (Kissinger, 1977), solely achievable by acting upon interest as power. Moreover, the state and its government are only legitimate when applying this principle. With this, they can ensure the building up of their own might vis-à-vis other states, and their own survival. As an illustrative tool, the expression *might is right* could be used here to show that increasing one's own power provides legitimacy. A state which is acting upon (an objective) national interest is acting legitimately. If we build on the notions that might is right and building up own's power grants legitimacy, we can infer that if a state is the most powerful state in a system (in relative terms), this means the hegemony has a definitive influence and accordingly is legitimate.

In the work of Morgenthau mentioned above, the concept of hegemony is also mentioned (*ibid.*) in the same context that Marek considers in their analysis of Wilson, namely, Germany's hegemony over Europe. The exact characteristics of this hegemony are not listed, although we can infer that it

happens through a territorial conquest of Europe. This was seen as the national interest of the Third Reich, which could make it legitimate. Of course, this is not the case because the counterargument would claim that those actions were informed by ideology and emotions. Still, this raises an important question about hegemony, legitimacy, and the objectivity of the national interest, and human nature.

When compared, both perceptions of legitimacy and hegemony appear to be diametrical opposites. Idealists see legitimacy in the rule of international law and rules and hegemony in their carrier, whereas realists consider striving for interest as power as legitimate and as such that states are the only carriers of legitimacy – as hegemons. Yet a closer look reveals the difference is only at first glance. Their ontology is the same, states are the only (non-hypothetical) subject of analysis, with an international organisation only being a hypothesis. Idealists wanted to portray an ideal world towards which human history is moving, but were acutely aware of the state of their times and acknowledged interest as the guiding principle. Similarly, realists did not regard the state as only striving for power and interest but were aware of the importance of cooperation and the destructive properties of over-relying on power. In essence, legitimacy and the ontological subject of hegemony are clearly stated in each case.

## **The second great debate: Traditionalism and Behaviourism (Scientific approach)**

The second great debate in IR is best illustrated by referring to its central protagonists. Hedley Bull on the side of Traditionalism and Morton Kaplan as a proponent of Behaviourism sparked the second debate (Li, 2019: 1) with their diametrically opposite views on the methodology of IR. The subject of the research of the second debate is therefore two-fold: we examine the methodological paradigms, Traditionalism, and Behaviourism, together with the theories created from this – Bull's English School theory, and Kaplan's Systems theory.

In 1966, Bull published an article denouncing the new behaviourist methodology of IR (*ibid.*). He championed what he labelled the classical approach based on the study of law, philosophical approach, historicism, and intuitive thinking with value judgments (Bull, 1966: 361). The scientific method, he argued, holds some merit in terms of strong assumptions, yet should be kept

in the background. Namely, excessive positivism in methodology or theorising does not contribute as much to the general field to replace Traditionalism. The key to understanding this is hence to look at his theory of the international system and society in the context of non-positivist methodology because it can provide an understanding of this paradigm's influence on use of the concept of hegemony.

The main concepts of the English School are the international system and international society, international law, diplomacy, and order. In this context, Bull deals with the balance of power and distribution of power. We focus on the classification of great powers and their relationships with weaker states. As Watson claimed: “[The international society is] the systematic practice of anti-hegemonialism” (Watson, 1984: 24). Therefore, the concepts of international society and balance of power must carry an inherent definition of hegemony.

Hedley Bull defines hegemony according to the three ways in which great powers unilaterally use local primacy (Bull, 2002: 209). These three ways are dominance, primacy and hegemony, which takes up the middle ground between the former two. Dominance means non-consideration of the concepts of sovereignty, equality between states, and interdependence. The use of force in states in the region of a local primary, which are treated as second-tier, is a regular *modus operandi*. The concept is mostly used to describe the actions of Great Britain at the end of the 19th century in Egypt and the Suez Canal, as well as for European states and their attitudes to non-European states during the times of colonialism. Primacy is the consideration for sovereignty and other states' rights and the non-use of armed force or threats of its use. The state in primacy enjoys great comparative and negotiation advantages over other states in its sphere. Examples are Great Britain within the Commonwealth, or the USA within NATO (*ibid.*).

Hegemony occupies the *via media* between the two concepts because the use of force is reluctant and occasional. A hegemon recognises states' rights as existing and their violation as an expense. The violation of states' rights is only justified by a bigger principle. The Soviet Union was seen as a hegemon due to its use of force only during the time of the Brezhnev doctrine, in terms of the principle of socialist internationalism. The hegemon uses force exclusively as an instrument for maintaining compliance with the rules within the sphere of its primacy. The concept of hegemony is viewed here as unjust, as a form of maintaining order (Bull, 2002: 209). The concept of legitimacy is not

directly affiliated with hegemony in the English School<sup>6</sup> (and also derivatively within the traditionalist methodology). It is hence a way of operating the great powers rely on within systems of local primacy, derived from the use of traditionalist methodology. Morton Kaplan states that this methodology provides incomplete generalisations of the international system that are unverifiable.

In the second debate, Kaplan published an article as a direct response to Bull's defence of the traditionalist approach. In this article, he evaluated the central arguments of this approach, for example, intuition, parameters, and variables (Kaplan, 1966: 2). He described the understandings promoted by H. E. Carr directly and Bull as insufficient, albeit indirectly. Verifiability and strong presuppositions are of great significance in Kaplan's theory of the international system where he describes six possible models of the international system. He characterises the balance of power and the loose bipolar system as historical and the remaining four as hypothetical developments of both historical systems. The hegemon within this system is described as a subject that has the biggest influence within its operating environment<sup>7</sup>. When describing the methodology of using computer analysis and simulations, it is described similarly – as a (deviant) characteristic of one of the parts of the simulation (in this case states) that strives for a definitive influence. Kaplan concluded that the system in balance becomes unstable according to the logic of the computer model (Kaplan, 1968: 39). However, this does not mean that the international system behaves in the same way. It is possible that other states with their anti-hegemonic behaviour will deter a state with hegemonic tendencies from its deviant behaviour. Moreover, the model does not (with any definitive argumentation) state the characteristics of the hegemon, except that it is a single state, one part of the actors in a simulation. To summarise: the hegemon is a source of neither stability nor legitimacy; its tendencies lead to destabilisation of the system; thus, hegemonic tendencies within a system are unsustainable, and a subject that seeks hegemony or a definitive influence over other subjects will never completely accomplish its goal. Still, applicability to the current system is limited because the centres of

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6 It uses the term legitimacy in two instances. Dynastical and people's legitimacy, as a principle of evaluating states; legitimacy as a quality of great power action, in order for them to be able to perform their managerial function.

7 Kaplan provides examples of Prussia within Germany and Germany in Europe in the Second World War.

counter-hegemonic tendencies are multiple, fast-changing, and sometimes indiscernible<sup>8</sup>.

Both the English School and Kaplan's Systems theory include hegemony as a concept. The fundamental differences in methodology and varying focuses mean that the concepts cannot be analysed in detail, although we can analyse their implications. In the English School, hegemony is treated as a concept between primacy and dominance, in the context of local influence, yet in the Systems theory only as a tendency for a definitive influence over other actors equal to the hegemon in form. Further, the difference in methodology takes centre stage because Bull analyses hegemony through historical, legalistic and normative analysis, whereas Kaplan uses computer analysis and simulations. Both uses of the concepts reject the possibility of absolute, global hegemony in the implied context of the balance of power system. This global hegemony analysis, along with substantial development of the concepts, occurs in the next debate, in the context of neoliberal theory, as well as radical and neorealist thought.

### **The third great debate: Neorealism, Neoliberalism, and Radicalism**

The third debate between Neorealism, Neoliberalism and Radicalism is characterised by Ole Wæver as an inter-paradigm debate (Wæver, 2006: 395). Its defining quality is its incommensurability. On this basis, Wæver introduces the thesis that this debate was not truly a debate, but more an exchange of opinions and views with the end goal of finding the right one, the ultimate winner, which was unachievable. The main schools of thought in this debate each have their distinct conceptual framework, methodology, and assumptions. This debate is distinct from the previous two because all three parties to the debate can coexist without creating a dominant theory. Throughout the third debate, both Neorealism and Neoliberalism have experienced their own theoretical redefinition in the direction of reducing theorisation and instead focusing on accurate and verifiable statements (Wæver, 2006: 399).

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8 The Global South as a potential counter-hegemonic centre, with its fast changing and oscillating alliances and economic ties, especially with the rise of the Belt and Road Initiative.

Neorealism, or structural Realism (as Cox and Ashley named it), provides a scientific redefinition of the classical Realism of the first debate (Waever, 2006: 389). Waltz's work *Theory of International Politics* is seen as the revenge of Realism (*ibid.*). The basic viewpoint of this influential work is that hegemony is only a characteristic of the state, which has the ultimate influence over other states in the international system (Waltz, 1979: 126). Waltz mainly uses the concept while talking about the balance of power in the example of the Cold War between the USA and the USSR. At first blush, this use of the concept is quite basic, without nuance, to illustrate the different possibilities of developments of the international system. However, if we analyse the context of the use itself, chiefly in the light of defensive Realism, important findings are revealed. Hegemony within the balance of power, according to Waltz, does not hold up because the main purpose of states in the anarchical system is security, not the maximisation of power (*ibid.*). If the maximisation of power is the ultimate purpose, there would not be a recurring creation of equal coalitions, but hegemony would occur instead. Powerful states would form increasingly more powerful coalitions in which the strongest state would assume the position of the hegemon. One example Waltz provides is the Vietnam war. Victory by the USA would not bring about hegemony just as much as a loss would not lead to the hegemony of the USSR. "Military power no longer brings political control, but then it never did" (Waltz, 1979: 191). An almost diametrically opposite view on the purpose of states is provided by offensive Realism developed by John Mearsheimer. This theory is very much within the purview of Neorealism, yet its view on hegemony differs and should be examined to reveal its analytical nuances.

A potential hegemon is defined in the work *Tragedy of Great Power Politics* as an especially powerful state (Mearsheimer, 2001: 11), and as the only big power in the international system. When viewing the relational quality of power as a concept, this great power holds significantly more power than every other state in the system. Mearsheimer goes even further by stating that every great power in a system has revisionist tendencies, striving to increase its own power relative to others (Mearsheimer, 2001: 17). Meanwhile, once having achieved relative superiority, the hegemon does not have this revisionist intention. The state hegemon has thereby ensured its own survival, which according to the realist tradition is the main interest of states. Through the concept of hegemony, we can illustrate the difference between defensive and offensive Realism. Both theories agree on the assumption that state

survival is their overriding interest. Moreover, they agree that hegemony is defined as relative supremacy in a system. The key difference, however, refers to the relationship between hegemony and survival. Defensive Realism sees striving for hegemony as an act of destabilising the system, against which states act within alliances, as a stabilisation act of preventing hegemonic tendencies. In offensive Realism, the assurance of survival is only achievable, in an absolute and seemingly permanent sense, by achieving absolute supremacy in a system. Although the assumptions of Realism about hegemony in both cases are shown to be consistent, the differences in the contextualisation of hegemony and its effects are not negligible.

On the other side of the three-pronged third debate is the scientific reiteration of Liberalism – Neoliberalism or Liberal institutionalism. The main proponent of this school of thought is Robert Keohane. His work *After Hegemony* (1984) mapped out the neoliberal thinking in IR, having emerged as a critique of the Theory of Hegemonic Stability (THS). Concepts such as interdependence, institutions and regimes are developed and operationalised. Hegemony, specifically defined, plays a vital role in this school of thought's development.

In *After Hegemony*, Keohane (1984) presents what a hegemon is according to the THS, its assumptions, and what happens when a hegemon ceases to be a hegemon. In this case, a hegemon is a state in the international (economic) system with a surplus of material sources, the most important of which are: “control over raw materials, control over sources of capital, control over markets, and competitive advantages in the production of highly valued goods” (Keohane, 1984: 32). Stability in the international political and economic system is based on a single actor (Kindleberger, 1973: 305). Such is the role of the hegemon in international economic regimes, which leads to its own demise (Keohane, Nye, 2012: 38). The states in a hegemonic economic regime have significant advantages within it. Yet, their perceptions of the hegemon and themselves and their own autonomy inevitably change. The autonomy of the state and government comes under question. When that happens, any advantages (economic or otherwise) become moot (*ibid.*).

Another quality of the hegemon is the possession of adequate military power. Such power ensures the denial of the entrance of other, destabilising actors into its hegemonic system. Expanding on this, the hegemon encourages cooperation in the system (or regime), which is an adequate condition for cooperative relationships to develop. Still, Keohane disagrees. He claims

that this perception of the hegemonic relationship is reductive and more similar to interdependence than pure hegemony as defined above. Cooperation can occur without the hegemonic factor. Regimes and institutions (that stem from some form of hegemonic system) foster and expand cooperation, even in the absence of a hegemon.

One may then ask: how do states ensure the stability of regimes and the international system without an explicit hegemon? According to Keohane and Nye (2012: 185), the answer is with use of the concept of complex interdependence. Dependence is a state in which a subject is exposed to external influences from other subjects. As such, interdependence is a common (not necessarily bilateral) form of dependence. Interdependence becomes complex when it is between more than two actors and across multiple spectra of transactions<sup>9</sup>. The greater the number and volume of transactions, the deeper the interdependence. As interdependence deepens, the costs of non-cooperation increase while the costs of transactions decrease, thereby maintaining stability within regimes. Instead of the hegemon authoritatively interpreting and offering norms and rules, decision-making is divided between two or more actors within a system or regime.

As mentioned, the third debate was initially three-pronged between Neoliberalism, Neorealism, and Radicalism, each within their own paradigms and hence incommensurable. However, Waever claims that the debate between Neorealism and Neoliberalism in fact happened because Radicalism (or Marxism) was not seen as IR. Nevertheless, Marxism held an important place in the third debate. Still, it later lost its prominence and importance after being overtaken by Poststructuralism as the radical actor in the fourth debate (or, as Keohane calls it – Reflectivism; Waever, 2006: 399).

When looking at Marxism in IR somewhat reductively, we see that it has been viewed since the times of Lenin as an overly economic theory, with too much emphasis on materialism and economic analysis, and thereby falling outside any ‘serious’ theorisation of IR. Marxism nonetheless heavily influenced critical theorists working in the third debate, such as Robert Cox. As a proponent of the neo-Gramscian school, Marxist theoretical influence is evident. In Cox’s works, he develops the concept of cultural hegemony as proposed in the 1920s and 1930s by the Marxist Antonio Gramsci. Cox develops hegemony beyond the notion of a pure definitive influence over other

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9 Possible currents of transactions are: monetary, goods, people, messages, military goods, equipment or cooperation.

states (Daddow, 2017: 178) since this notion views the state within the realist paradigm of the state as the only worthwhile ontological subject, which is not in line with the Marxist-radical paradigm.

The development of his theory of hegemony begins entirely in a Marxist sense. He explains how the concepts of structure and superstructure (the objective and subjective) adequately explain the interdependencies of ethical, ideological and economic currents. Further, he arrives at the conclusion that the concept of hegemony operates chiefly outside states, in the manner of production, exchange and social currents (Cox, 1996: 124). Through this, dominant groups (and subsequently states) construct consent with a 'bottom to top' approach and not the other way around as the realists' hegemony would lead us to believe. Cox claims that any movement in geopolitical, military-strategic and political situations can be explained by changes in social relations. Consistent with historicistic methodology, Cox notes that throughout history we can identify eras of hegemony and non-hegemony. In eras of hegemony, the exploitation of weaker states can only occur when the world order is universal at its core (Daddow, 2017: 179). With a universally constructed consensus and consent, the legitimacy thereof is created through international institutions and organisations. Universal norms of hegemony are proliferated through organisations in five ways: rules, products, ideology, (coopting of) elites, and absorption of anti-hegemonic ideas (Cox, 1996: 138).

In this way, Cox brings a fresh perspective regarding the perception of the hegemony concept with help of the Marxist paradigm. He expands (or better explains) relations between states through the global means of production and social currents that shape the hegemonic behaviour of states. He also explains the meaning of the construction of consent (and in turn legitimacy) and universal norms. Hegemony in its core is a global phenomenon aimed at the exploitation of lower social classes and weaker (less developed) states. This coincides with (perhaps even complements) Wallerstein's World Systems theory, which describes exactly that. Perhaps the greatest contribution made by Cox's theory of hegemony is the way it describes the actions and purpose of international institutions and organisations. Considering the state in the current arrangement of international organisations and their pluralisation (Asian Infrastructure Investment Bank etc.), the analysis could shed new light on international politics and systems.

## The fourth great debate: Rationalism and Reflectivism

The third debate ultimately went in the direction of a neo-neo synthesis, which put an end to the inter-paradigm incommensurability. In the process, Neorealism and Neoliberalism coopted several of each other's assumptions and a (to some extent) unified research paradigm (Waever, 2006: 399). This triggered the fourth debate between rationalism and Reflectivism (Postmodernism, Poststructuralism; *ibid.*). Keohane described the debate in this way: “[Rationalism and Reflectivism are] two approaches to international institutions” (Waever, 2006: 399). The void left behind by the neo-neo synthesis was filled by theories whose methodology stems from French Postmodernism and German hermeneutics. Reflectivist theories (including Poststructuralism) stress the significance of the interpretation and reflection of subjects of analysis (*ibid.*) along with the rarely used epistemological approach, emphasising discourse and discursive analysis.

Rationalism is a methodological and philosophical position from which the subject of analysis is seen as something existing in reality, detached from the analyst. As such, it relies heavily on empirical data and empirical research. In other words, it imitates the methodology of the natural sciences and adapts it for the social sciences. The neo-neo synthesis is a perfect example of such an approach. In the 1980s, the critique of positivism led to a new direction in IR, named Postpositivism, Poststructuralism or Reflectivism<sup>10</sup>.

Poststructuralism stems from the philosophical movements of those times whose greatest minds included Michel Foucault and Jaques Derrida. In IR, the biggest contribution came with James Der Derian and Richard Devetak. The former very insightfully describes how Poststructuralism was received in the IR community: “The dual imperative of protecting the state and IR from any sudden change has always placed a premium on traditional approaches. ... Taking on many of the shibboleths of IR led to charges of blasphemy” (Der Derian, 2009: 70). This shows the cold and condescending attitude the positivists held towards the poststructuralists. Delving deeper into Poststructuralism could reveal valuable views on legitimacy and hegemony in IR. Although the assumptions are acutely Marxist, the developments

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10 This school of thought in IR has many names that can be used as synonyms.

are very different. Truth is, in its absolute and concrete sense and shape unachievable because we are held back by linguistic and discursive hurdles. The most salient contributions came in the form of deconstruction, analysis of power and discourse, and critiques of the concept of sovereignty.

Foucault analysed power in his works, which was diametrically opposite to other authors in IR. Moving away from the classical, repressive understanding of power, Foucault understood it in a similar way to Gramsci (Daddow, 2017: 200) and later Cox. The bottom-to-top approach shows power as a means of producing knowledge and truth through discourse. Power is held by the one that can produce social normality and truth. Truth is not something tangible and absolute, but is relative and different across societies and their regimes of truth (Daddow, 2017: 201), as legitimised by language. The subject producing and changing the regime of truth is not defined concretely. Marxist assumptions point to the ruling class within a society. The production of truth legitimises social functioning and exercises hegemony over truth. While considering international law and the international normative order, at first glance we can provide the exact same derivation of the production of truth. The argumentation is problematic here because of different actors and relations. First, international law and rules are created by states (or their representatives), which is out of step with the description of a class (at least in the Foucauldian sense). Second, linguistic cages and frames in the international system are not applicable because every language is used to some extent. Looking deeper, we can disprove both statements. English has taken up the mantle as the hegemonic language if we observe the dominant working language of global institutions and the global legal system. This means we may assume that in the international sphere a hegemon in this sense exists, a hegemon of knowledge and truth, where both are produced by means of a linguistic hegemony.

The use of language brings us to discourse, which is always political and intertwined with social relations. Discursive analysis provides the linguistic frame within which truth is produced, as well as the group which produces it, and its context, which opens up a new sphere of analysis and ontology. If the group that produces the group itself is variable through the context of the discourse, then the hegemony is variable through discourses and social groups. Further, hegemony is variable on the international stage depending on the context of the discourse being analysed. All of this creates new options and possibilities of research that could define hegemonic actors (states or

transnational entities, groups, elites), their language, and motivations. The field here is frankly wide open.

## **Application of the concept and new challenges of hegemony**

The concept of hegemony in modern IR is relied on heavily while analysing and describing new phenomena. Few phenomena are as unique as the European Union (EU). With its specific functioning in multiple areas (environment and environmental governance, norm-setting, sustainable development etc.), the EU has fascinated many researchers in IR. The specific aspects regarding the subject of analysis, its functioning, internal decision-making, the conduct of external relations, and behaviour on the international stage are especially worth mentioning. Application of the hegemony concept to the EU's activities (international norms and environmental governance) can offer valuable insights into hegemony as a concept, its tangible uses and its modelling.

The concept of normative power Europe (NPE; by which the EU is meant) was developed in 2002 by Ian Manners. Focused on non-EU states (third states), NPE is used to define normality in those states (Neuman, Stanković, 2019: 5). Manners states that NPE has three implications: Ontological, positivistic and normative (*ibid.*). Since the concept's development in 2002, and following its expansion through the rhetoric of the EU, theoreticians have analysed its meaning and implications. Explanation of the properties of NPE, its normative power, and normativity vary just like the definitions of power in IR vary. Diez tackles the question of power in an innovative way, offering the hypothesis that NPE's properties can be explained by the Gramscian definition of hegemony (Diez, 2013: 194). Hegemony as a (Gramscian) concept, due to its tradition of materialism and use of ideational means, analytically squares norms with interests. Moreover, hegemony combines different actors, states and other social groups as codependent and important for understanding normative power. Here, the concept is shown to hold considerable research potency because of its unique ontological assumptions. The EU is as such a hegemon within NPE. The author concludes his work by remarking that hegemony is rhetorically quite useless because of its Marxist connotations (Diez, 2013: 206).

Normative power and global norm shaping are used by the EU as a hegemon in several areas such as environmental governance, being one of the

loudest voices in this regard. Clauses on environmental protection and biodiversity form part of every agreement the EU signs with external actors, whether it be trade or developmental agreements. Namely, it globally shapes norms via its normative power – normative hegemony. It does so not only by virtue of its normative power as an incentive, but also because each of these agreements is chiefly an economic incentive. This raises a question about the causes and consequences of such actions, particularly when it comes to values and the colonial past. The question of colonialism has been somewhat forgotten in the EU, but is even more relevant when discussing normative hegemony. There are quite a few cases when a foreign dignitary or head of state has mentioned the EU and its actions in the context of the European sense of superiority. It is quite illustrative to discuss an example of this to further illustrate our argument.

To this end, we quote the EU High Representative for Foreign Affairs and Security Policy Josep Borell Fontelles: “Europe is a garden. We have built a garden. Everything works. It’s the best combination of political freedom, economic prosperity, and social cohesion that the humankind has been able to build – these three things together. ... The rest of the world, most of the rest of the world, is a jungle, and the jungle could invade the garden” (Borell Fontelles, 2022). He continued by asserting that European gardeners should cultivate the jungle and not build walls. Initially, the statement seems benevolent, meaning that the EU should help with crises and critical hotspots around the world. Yet, in the context of the colonial past of some EU members, the quote becomes questionable because European expansion of ‘civilisation’ around the world was very destructive and the effects are still being felt until today by a number of states. We should therefore look at normative hegemony in a critical fashion. While seemingly altruistic statements, the actions connected with them might very well be (viewed as) neo-colonial.

The question about whether the EU as a normative hegemon is entirely altruistic or its actions stem from a feeling of the superiority of European values and the superiority of the European political way. If the latter is true, it merely emphasises normative hegemony in an entirely Gramscian definition, leading to the exploitation of social groups and states under the influence of hegemony. Yet, in the interest of an adequate methodology, we should differentiate between direct (whether intentional or otherwise) consequences of the EU’s international normative actions and the direct motivations of elites within the EU and their consequences. If that is indeed possible. However,

if the latter is true, namely that EU elites and decision-makers share Borell's opinion, the conclusion about the EU being a Gramscian hegemon is only one step away.

The concept of hegemony is used in an almost exclusively functional sense in the classification and formulation of the foreign policy of certain states, in the context of legitimacy of action. The consensus within American foreign policy was named by John J. Ikenberry as a liberal hegemony (Ikenberry, 2017), meaning that the USA is imposing its values globally via use of its unparalleled military power (McKinney, 2019: 33). If we dissect the concept of liberal hegemony, we find that it includes the quality of universality of the USA and derivatively liberal norms and values. This mistake in perceiving human rights and liberal norms as universal is highlighted in a critique of Ikenberry by John Mearsheimer (*ibid.*). Mearsheimer stands against the cosmopolitan perception of universal moral truths, which led to the USA's foreign policy blunders in the Middle East. This perception of truth and human rights led to the universality of interventionism in the name of a liberal hegemony, which in the worst case completely ignores the sovereignty of individual states.

When applying the concept of hegemony to US foreign policy it becomes apparent that it was used in the context of universality and subjectivity of the state. The concept as such is used in the perception of the school of Realism. As already stated, this school of thought (both classical and Neorealism) does not give a lot of analytical freedom or possibilities to analyse hegemony in this context to its fullest, although it correlates with the characteristics of a liberal hegemony in action. Liberal hegemony as a concept does include the ideational component, which is unfortunately subordinated to the USA's military power and the universal perception of hegemony. Moreover, liberal hegemony can be viewed from two sides in the context of causality. It may be seen as the universal influence of the hegemon as it legitimises its own behaviour and achieves its interests through liberal norms and values (democracy and human rights). The universal interest of the hegemon also makes liberal norms and values universal – not vice-versa.

To simplify, the universality of the USA's interests can cause liberal values to become universal. On the other hand, it can be seen that the universality of liberal norms and the universality or globality of the hegemon is an imperative of the defender of liberal values. The imperative (duty) of maintaining universal liberal norms and values falls to the USA as the sole superpower

following the Cold War. The causality in this case runs the other way around: the universality of liberal values causes the universality of the USA's liberal hegemony as its defender. The first view suits the critics of US foreign policy, whereas the second one suits the USA's foreign policy decision-makers. At this point, we doubt the accuracy of either. The nuances of the concept of liberal hegemony and their implications therefore partly lie in the perception of the USA as an ontological subject.

## **Conclusion**

Hegemony as a concept has several faces and meanings across the spectrum of theories of the first and second order as well as its practical uses. More importantly, the concept seems to be incredibly nuanced. Within the broader definition, put forth by one theory or another, it has many nuances. Moving through theoretical and methodological paradigms illustrates this perfectly. Further, first-order theories and practical uses, besides the explanatory power of the concepts, illustrate the broad spectrum of uses and definitions.

Realists see hegemony in essence as being a state's definitive influence over other states. It is mostly also viewed as striving for a definitive influence in the (international) system. Classical Realism regards hegemony in a limited sense since it directly assumes regional hegemony and a global one only derivatively. Neorealism understands hegemony as global or universal because it tackles IR from a systems perspective. Nuances within this theory treat hegemony and its functions differently. Offensive Realism treats striving for hegemony as essential for the final purpose of the state: survival, whereas defensive Realism sees survival as only achievable through enforcement of the system's stability. This means that striving for hegemony is destabilising for the system. Classical Liberalism maps out possibilities of legitimised hegemony through international norms and organisations, not only states. It does so vaguely through the lens of idealistic thinking about the developments in the international system. Neoliberalism was formed as a theory in response to the theory of hegemonic stability. The (universal) hegemony of a state is seen as self-destructive and unsustainable. It acknowledges that the institutions and regimes formed by the hegemon offer stability to the international system due to the complex interdependence.

Differences in the understanding of hegemony have only deepened along with methodological developments. The traditionalist hegemony of the

second debate does not grant universality to hegemony. It describes the concept as a middle ground between dominance, which does not respect the sovereignty of states, international law or norms, and primacy, which comprehends these principles as rules of the game. A hegemon is only a hegemon within its regional sphere of influence. Hegemony on the level of the whole system is not envisioned by Hedley Bull. The scientific methodology of Morton Kaplan sees hegemony only as striving for a definitive influence in a system, with destabilising effects. The system balances itself against actors with such qualities. In the fourth debate, following the neo-neo synthesis, methodological poles of rationalism and Reflectivism (Poststructuralism) emerge. Rationalist methodology is the guiding principle while modelling natural science methodology in the social sciences. The poststructuralist methodology of IR adopted the methodology principally developed in philosophy. Foucault and Derrida developed the methodology that views hegemony chiefly as a social phenomenon, derivatively manifested in the international system. The concept of reality with the help of linguistic instruments is under the purview of the hegemon, which expands its influence and keeps social groups, classes and states subordinate.

Each understanding and definition of the concepts has its inherent advantages and limitations. Realism and Neorealism focus on the security of the state as a subject of analysis along with the stability of the international system. Offensive and defensive Realism alike explain hegemony as they do in the context of its function in achieving the paramount interest of states; namely, survival. Yet its explanatory power does not go beyond military capabilities, security or stability because of the limited methodological tools and assumptions. In Liberalism and Neoliberalism, hegemony influences the relations between states since it creates economic and other factors as qualities of the hegemonic relationship. Still, once again it is limited by its ontology that does not encompass non-state actors and entities (excluding institutions and regimes, if they really are non-state actors). The scientific methodology of Morton Kaplan is the most limited in this sense as it views hegemony only from the perspective of a closed system in a mathematical, computing way. It explains the relationship between stability, actors and the system, although cannot explain the reasons for it and its consequences. Cox and the neo-Gramscian theory of hegemony coopted Marxist methodology, by which it develops the economic, ideational and normative factors and outcomes of hegemony. The transformation to states as hegemonic actors and

the international system stands, but does not adequately explain the security and stability issues or the rationalist methodology. Poststructuralist methodology encounters the same issue. While it focuses on the ideational and linguistic factors, which gives it great depth, its explanatory power vis-à-vis economic and security relations is limited. Systemic questions with respect to hegemony are not tackled.

While considering how to approach the study of hegemony today, we should first look at where the majority of the academic and political discourse is pointing: towards a shift in hegemony or the hegemon. The USA vs. China debate is on everyone's mind, yet it can also illustrate what future hegemony studies should be wary of. First, the types of power or types of resources of power. Concepts of hard and soft power, as popularised by Joseph Nye (1990), could provide an extension of the current theoretical framework of hegemony since no theory presented above specifically mentions this duality. When observing the resources of power, with China almost exclusively having soft power resources (economic etc.) and the USA having both soft power and more importantly hard power resources (total military spending, offshore bases), we may conclude that if the hegemon were to shift it would be a different one in terms of the power applied, or at least this would have to be taken into account while analysing it. Second, considering the fast-paced globalised world of today, the increased fluidity of the international system (and states) should be used in the spirit of Zygmunt Bauman's fluid modernity (2000). The fluidity of various relationships and identities could provide significant added value to the analysis.

Hegemony as a concept defies definition or an explanation in a sentence, even a paragraph, because the word itself holds many meanings. We presented the main definitions and explanations of the concept, along with its various uses. It is one of the most frequently used concepts, not only in the science of IR but also in political discourse, domestically and internationally. This makes it crucial to know and understand the different meanings and definitions. If we lack a basic understanding of the nuances, the concept can quite easily become abused or inaccurately used. It is essential to use the concept in a clear definition and underlying theory (whatever that may be) since only then can we engage in healthy and strong argumentation and discussion on various questions regarding the concept or issues when using it. The global liberal order cannot be discussed without firm knowledge of the concept of hegemony. Therefore, future study of the concept should entail a further

dissection of the concept to create a strong and sound conceptual apparatus. It is only by knowing the definitions of hegemony and their aspects that we are able to adequately analyse the international liberal order, its (in)stability, and properties, and thereby fully move beyond the current understanding of the global liberal order, liberal hegemony, and our perceptions of it.

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## **Chapter 5: The Constructivist Critique of Neoliberalism and Neorealism – Conventional vs. Critical Constructivism in International Relations**

Srdjan Orlandić

The rupture in the international environment and unprecedentedly prompt change in world politics caused by the Cold War's epilogue had a significant impact on the International Relations (IR) field as well, foremost in terms of inducing a more dynamic intellectual debate on the conceptual competence of mainstream IR theories to anticipate and explain such a momentous change. The need to raise substantially different questions and provide a modified or even new ontological, epistemological and methodological IR framework enabled the stronger penetration of constructivist thought into the field (Klotz and Lynch, 2008; Onuf, 2013; Flockhart, 2016). In these years, "the twins", as Onuf (2013) labels neoliberalism and neorealism, did not develop theoretical concepts or methodological tools to provide explanations of the changes stemming from these tectonic shifts in the international community. As Kubalkova (2015a) argued, the end of the Cold War exposed the flaws of neorealist and neoliberal structural determinism, while the issue of national identity became a new area of IR scholars' interest.

The emergence of constructivism occurred amidst the Third IR Debate on the applicability of the scientific positivist approach to the social sciences (*ibid.*). The architects of the early constructivist thinking in the 1980s and 1990s were focused on developing and situating the approach that would challenge the notions of materialism and power and rational theories, being the core of the IR scientific field since its inception. Scholars of the first constructivist IR wave developed the basis for the discussion by arguing that world politics is socially constructed, emphasising the significance of the intersubjective meanings and insisting that agents and structures are mutually constitutive, while also being concentrated on identity and ideational

elements in the analysis of international relations (Ruggie, 1998; Finnemore and Sikkink, 2001; Onuf, 2013). Constructivism is accordingly interested in observing and analysing any kind of social relations, bearing in mind that its normative principles are that “human beings are social beings and we would not be human but for our social relations” (Onuf, 2013: 3).

The central objective of this chapter is to comprehensively and critically present constructivist IR thought and its relevance to better understand the dynamics and agency behaviour in the contemporary international community. To this end, effort is made to reveal the constructivist ontological and epistemological critique of the neoliberalist and neorealist IR school of thoughts. The analysis commences with the genesis of constructivist thought by referring to modern sociology and phenomenology, as well as critical and poststructuralist theories. The segment that then follows addresses the different paths to constructivism – defined as conventional vs. critical – and discusses both approaches’ critique of mainstream IR theories. The chapter thus juxtaposes the main contributors to both conventional and critical constructivism, indicating the pivotal concepts and analytical tools for grasping the processes involved in international affairs. The research thus promotes a meta-theoretical constructivist perspective and maps out the advantages of the constructivism vis-à-vis neoliberal and neorealist traditions in analysing the contemporary international order. Finally, the contribution will challenge the existing conceptual perspective of constructivism by resorting to the ideational-critical turn in philosophy and social theory, aiming to further advance the ontology of constructivism.

## **The genesis of constructivist thought**

The constructivist approach provides a viable framework for challenging the dominant IR concepts with its roots in critical theories and poststructuralism, feminist theory, historical and sociological institutionalism, symbolic interactionism and structuration theory (Hopf, 1998; Wendt, 1999; Onuf, 2013; Flockhart, 2016). At the core of constructivism lies a heterogeneous and multidisciplinary approach and it is therefore argued that in order to comprehensively understand the constructivist ontology and epistemology one must go back and look at the very origins of this intellectual tradition, particularly within modern sociology and phenomenology, as well as critical and poststructuralist theories. Challenging and disputing the notions and ar-

guments in favour of structural determinism – principally by using the interpretivist theories – opened up the intellectual space and enabled a paradigm shift in understanding the social reality. It was necessary to challenge the cognitive framework by raising different questions that subsequently would empower theorists to develop new conceptual notions and methodological tools to contribute to a better comprehension of the social reality. Based on that intellectual vigour and fervour, constructivist thought emerged in the late 1980s and early 1990s.

A *tour d'horizon* of the origins of constructivism ought to start with Immanuel Kant's "transcendental idealism", initially discussed in his seminal work "Critique of Pure Reason" from 1781. While neglecting the Rationalist and Empiricist view that the individual's mind is inactive because it already consists of inherent ideas and *a priori* knowledge, along with disputing Locke's argument that objects provide minds with mental content, Kant states that the mind has an active part to play in constructing experiences of the world (Allison, 2004). He also underlines the need to change the cognitive paradigm concerning the relation towards objects, which means that at the core of philosophical debate has to be the agency of a mind in constructing the world. Hence, Kant emphasises that mind gives objects particular characteristics, which also goes along with his argument that space and time are mere reflections of reason's judgment of an object. In the context of the following constructivist IR discussion, it is important to mention that Nicholas Onuf, one of the most influential constructivist authors, also recognised the value of Kant's analysis. Namely, Onuf (2013: 53) noted that in his *Critique of Pure Reason* that Kant argues that we know reality only as it is constructed in our mind and such a position manifestly corresponds to one of the main positions of constructivists that agents have an active role in creating the social world.

Max Weber, a proponent of the interpretivist theory, tends to explain how historical and social change occur by stressing the importance of ideas and goal-driven actions in constructing the social reality (Jones et al., 2011: 84–85). Weber's conceptual development was groundbreaking for the field since he brought people and their actions to the fore of social life. He namely argued that social action – selected by the agents' goals and understanding of structural constraints – creates the structures of the society. Further, Weber wrote that one can reconstruct the reasoning behind certain historical events by analysing the actions of relevant agents at that time, which will also disclose

the social structures important for that period. At this stage, it is important to acknowledge the significance of Weber's thinking in introducing new questions to the analysis of the social world, whose parlance also resonates with constructivists' standpoints on international affairs.

It is important to mention that Weber recognises that action-created social circumstances act as structural constraints on individuals (Jones et al., 2011: 89–90). With this in mind, one may argue that in his writings Weber after all highlights the role and impact of the structure created by human agents that with intended and unintended practices enables social structures to take on a leading role and prevail in social life by subsequently producing constraints on individuals. This standpoint is included in his discussion on the impact of religious beliefs on human action and how that is linked with the advent of the modern capitalist system. In *The Protestant Ethic and the Spirit of Capitalism*, he develops an argument that early Protestant beliefs and values in conjunction with instrumental rationality impacted the emergence of a particular mode of economic life. That is, Weber understands the ascent of modernity and capitalism as a product of different cultural, economic and political developments (thereby also refuting Marx's economic determinism), while being especially interested in depicting how these new forces were a result of a specific mode of acting and reasoning. In that vein, it is noteworthy that although Weber presents the circularity of social life by giving agents subjectivity in terms of creating social structures, in the following stages of his analysis he underlines that the established social practices of agents have created stable structures that are now in a position to exercise constraints on agents. These segments of Weber's thinking had a considerable impact on the postmodernist agent-structure debate and the further development of constructivism.

The writings of Ludwig Wittgenstein are also very important for one theoretical strand of constructivist IR thought – which below is referred to as critical – influencing the latter's theory development and conceptual framework in many ways. Contributing crucially to the linguistic turn in the social sciences, Wittgenstein<sup>1</sup> later understood language as a social, context-driven tool that an individual acquires in the process of grasping knowledge about

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1 Those analysing Wittgenstein's thought distinguish between his early and later work. Namely, in his early work he argued that truth can only be grasped through observation of the facts with the aim of their verification, while emphasising that only formal and factual statements can have a meaning (Grayling, 2001).

how society operates. Within that process, learning language is the most pivotal element for understanding how to navigate in social life (Grayling, 2001). Further, Wittgenstein does not depict language as a coherent system, a set of structural relations, nor in terms of metaphysical phenomena, but instead as a tool used by individuals that is essential for coordinating their actions and achieving their desired goals in the scope of social relationships (Barker, 2002). With his intellectual contribution in a sense being that any fact about the world is only true in relation to language games, Wittgenstein was the first to steer and galvanise the intellectual strength of post-structuralist theories (Grayling, 2001).

As one of the most renowned flag-bearers of poststructuralism, Michel Foucault's concepts and normative epistemology considerably impacted the emergence of constructivism. Like other scholars of post-theories within the linguistic turn in philosophy, Foucault's early work leaned on another French author, Claude Lévi-Strauss,<sup>2</sup> who had argued that the roots of language lie in the unconscious part of the human mind. Lévi-Strauss hence inferred that the structures of society are built by language, and that the conscious or imaginative human mind cannot have subjectivity in defining the social reality (Jones et al., 2011: 126–127). Nevertheless, Foucault's intention was to analyse how concrete forms of talking and thinking represent modes of knowledge and power, which people acquire in the same way as they acquire languages (*ibid.*). He thus introduced the concept of discourse as a cognitive scheme of ideas that provide individuals with their knowledge of the world. However, Foucault does not argue that discourses secure true and exact knowledge and instead claims that people are in a position to grasp particular knowledge of the world given by the set of discourses (*ibid.*: 129–130). In that light, Foucault defines the interplay of language, thought, knowledge and action as “discursive practices” that form the bedrock of social life and are the cause of individuals' every action (*ibid.*, 2011: 129–130).

Proponents of ‘reflexive sociology’ affected constructivist thought critically by providing the intellectual momentum and profundity needed for its positioning within the IR field. Impacted by the previous sociological and philosophical debate on agent–structure parlance and the social reality, the reflexive sociology aimed for a re-conceptualisation of the agent–structure relationship and thereby to radically re-write the social theory as such (*ibid.*:

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2 Onuf (1989; 2013) in the conceptualisation also significantly leans on his ideas.

147–149). Bourdieu attempted to develop an approach – which he named genetic structuralism or structuralist constructivism – to bridge the agent–structure divide by emphasising individuals’ practical knowledge, which is not part of the conscious knowledge, related to their daily life (ibid.: 150–151). Hence, he breaks down the agency–structure paradigm into a set of analytical units that underpins the epistemological perspective, which was situated as a middle ground between the objectivist and interpretative research camps (Adler-Nissen, 2013: 2). Along these lines is Bigo’s (2011: 234) well-made argument that the centrality of Bourdieu’s thought was to generate symbiotic relations between the objectivist and subjectivist ‘moments’, meaning to sever the antinomy between agents and structures. Bourdieu articulated the need to disclose practices through the relational perspective with the following: “I could twist Hegel’s famous formula and say that the real is the relational: what exist in the social world are relations – not interactions between agents or intersubjective ties between individuals, but objective relations which exist independently of individual consciousness and will” (ibid.: 239). With this in mind, constructivism gained an important intellectual footing that the international conduct of one actor should be observed and unravelled in relation to the international conduct of other actors in the international community.

## **The critique of neoliberalism and neorealism and the constructivist reading of international affairs**

Even though constructivists share a set of underlying theoretical propositions, their writings consist of intrinsically significant differences in terms of both concepts and methods. One may say that the two dominant constructivist camps start from the same position, but later develop their analysis in different directions and thus arrive at different ‘destinations’. Still, their common understanding and underlying argument is that neoliberalism and neorealism are, as Onuf (2013: 32) describes, under-socialised due to their intellectual posture that neglects the importance of the debate on how agents in the international society are socially constructed. The mainstream IR theories apply an ontology that is materialistic in essence, embodied in a standpoint that material power represents the most pertinent element in international politics

(Hopf, 1998). On the contrary, constructivists recognise the importance of material power, but highlight that any analysis that does not include discursive power is void. In addition, they advocate that one should start to observe the international arena by thinking about the identity and distribution of ideas, and only then introduce material force into the analysis (Wendt, 1999; Kubalkova, 2015a). As Onuf (2013: 36) rightly underscores, constructivism abjures the ‘vulgar materialism’ in its discussions. This means that it is intelligible that at stake is a shift in the IR paradigm that – until the emergence of constructivism – solely examined international affairs within the spectrum of the distribution of power and material force as a defining moment in world politics.

Constructivists challenge mainstream IR claims in a number of areas: the world is ‘out there’ to be found; agents cannot change the pre-existing social structures; the identities of agents are pre-given and created by social structures; language represents a neutral medium; the aim of the field is to seek regularities and laws in the world etc. (Hopf, 1998; Kubalkova, 2015a; Flockhart, 2016). Wendt (1999: 4–5) asserts that every social theory, such as constructivism, must scrutinise the underlying assumptions of social inquiry like the nature of human agency and relationship to structures, as well as the place of ideas and material forces in social relations. Hence, constructivists face the pressing task of giving an explanation for different kinds of questions: who are the agents; what are the agents doing and not doing; what are the rules and norms, where they can be found, and how were they constructed (Kubalkova, 2015a: 70); how are social facts, identity and state interests being socially constructed; how can the rules of conduct of world politics be changed (Flockhart, 2016: 85).

Wendt (1999: 370–371) accurately suggests that when analysing world politics and addressing issues about what constitutes the international system and how was it established, one must start from metaphysical premises. By introducing a complex heterogamous research approach, incorporating various scholarly fields and disciplines, constructivism is intrinsically, as Carlsnaes (2016) notes, a metatheory in the study of social phenomena. Several scholars argue that constructivism has taken a position between rationalism and reflectivism, i.e., positivism and postmodernism (Checkel, 1998). Ultimately, constructivist thought in IR scholarship still represents the main alternative to the ‘neo-twins’. Onuf (2013) vigorously argues that constructivism has taken an ‘ontological turn’, while re-formulating IR’s normative

foundations and broadening the field's potential to explain the phenomena of international politics that mainstream theories have been unable to deconstruct and sufficiently elucidate.

The principal constructivist standpoint is that international life is both social and constructed via rules and inter-subjective meanings that determine behaviour, set interests, and direct thinking and knowledge of ourselves, others and the world (Kubalkova, 2015a; Carlsnaes, 2016). Kubalkova (2015a: 21) captured the normative value of constructivist thought well when writing "social phenomena (rules, norms, institutions, language) are mediating, mutually reproducing, enabling and co-constructing agency and structure". The key breakthrough came with placing agents' subjectivity in the centre of the debate by emphasising that an agent is subject to the historically constructed social reality and social practices in place at that time (Guzzini and Leander, 2006). Along these lines, Kubalkova (2015b: 60), in the manner of Foucault and Nietzsche, drew attention to the fact that universal truth does not exist, and instead only human trust, that is continuously impacted and shaped, can be the subject of analysis. Further, the reference to the historically constructed social reality corresponds to the previously underlined perspective regarding the importance of reconstructing historical events and actors' intentions and objectives aiming to better understand what is fuelling the processes under study.

The constructivist framework observes different intertwined social relations and social practices in the context of international affairs. Constructivists' starting point is that human beings are social beings, meaning that social relations essentially make us humans (Guzzini and Leander, 2006). In addition, the constructivist perception is that every relationship is social in nature. Similarly, resonating the Bordieuan perspective, constructivist theorists argue that the focus of international relations is the relations among countries which, by the same token, make the field of IR the study of social relations (Onuf, 2013). A common point with all the 'constructivisms' is that the social reality is continuously under construction, and thus the world we encounter is not pre-given but is being erected and constantly changing through different social practices, ceaseless interactions and shared knowledge (Flockhart, 2016). Certainly, the world consists of material facts that cannot be disputed, yet their instrumental value and capacity to make an impact directly depend on the meanings that social agents attach to them. A well-known example here concerns the comparison of the nuclear warheads possessed by North

Korea and a Western nuclear power. While the nuclear warheads on both sides have practically the same material features and destructive power, the meanings that are attached to them depends on the perspective. For instance, US foreign policy towards North Korea and Great Britain is diametrically different depending on the meanings attached to them – in the case of North Korea, it will be considered as a threat, while for the other it will be perceived as an advantage or, at least, as not being a threat to their national security interests. Hence, attaching meanings to elements of the material world plays an important role in determining and executing policies.

Another important point to be emphasised at this stage is that constructivists develop an argument that social facts, as Flockhart (*ibid.*) points out well, are the product of human agreement and shared knowledge that is being constituted and reinforced through social practices. Constructivists thus deduce that an agent grounds their action towards other agents or social institutions on the meanings embedded in them (Wendt, 1992). One of these social constructions are states, or as Kubalkova (2015a: 22) named them “fictional persons”, since agents with their discursive practices enable them to acquire the features of agency and, hence, to act on their behalf. Therefore, international affairs are also constructed by social facts that have no subjectivity without the attached meaning and social practices of the agents that underpin them. Still, some authors argue that continuous practices and shared knowledge over a longer time period make social facts reified, which gradually detach them from agents (who constituted them in the first place), i.e., they become an autonomous force in society (Pouliot, 2004). This perspective also resonates with the Bordieuan parlance that the field only endures on the basis of the properties that social agents invest in them, and thus the agency and its action in a specific spatiotemporal environment represents the condition for the field’s existence (Bigo, 2011: 239).

Since constructivists begin their analysis from the standpoint that the world is a product of constant social construction, the structures of society cannot be made of sole material forces and instead emphasise the position of ideational elements. This primarily refers to the intersubjectively shared knowledge (ideas, norms, values) among social agents about material factors and institutions (Guzzini and Leander, 2006; Klotz and Lynch, 2008; Flockhart, 2016). Constructivists also deconstruct anarchy, the central element of mainstream IR theory, arguing that, like all other structures, it can also be grounded in and understood through the notions of intersubjective

knowledge and shared meanings, without which it would essentially not be relevant. That being said, in order to properly comprehend the importance of intersubjectively shared knowledge, one must include the concept of power, which is also one of the pivotal constructivist analytical tools. Reflecting Nietzsche's and Foucault's writings, constructivists do not perceive power as it is understood in mainstream IR theories (the possession of capabilities), and instead see it as representing the ability and potential to produce and reproduce intersubjective knowledge which is at the core of both social agents and structures (Hopf, 1998). Further, since the constructivist framework is concerned with power which is relational in essence, constructivist analysis is focused on processes and interactions (Klotz and Lynch, 2008). Hence, Hopf (1998: 98–199) rationalises well that social practices are capable of producing and reproducing every society (including international society), and thus the approach to the analysis of the behaviour of actors in the international community must exist within the frame of revealing power relations by scrutinising particular practices and contemporaneous intersubjective meanings, which resonates with certain poststructuralist positions.

In contrast to the individualism of the 'neo-twins', constructivists perceive structures as being erected by both ideational and material forces, while the latter, as shown by previous examples, only exist in a given social context as the end result of practices, shared knowledge and attached meanings (*ibid.*: 173–174). Therefore, on the basis of writings of reflexive sociologists, a common constructivist argument is that agents and structures are mutually constructed, such that agents through practices and shared knowledge and meanings create structures, but structures also have an impact on agents' behaviour (Hopf, 1998: 172); (Klotz and Lynch, 2008: 3). Carlsnaes (2016: 124) presented this dualism by arguing that agents and structures do not exist in a zero-sum relationship, and are instead "dynamically interrelated entities, and that hence we cannot account fully for the one without invoking the other". However, Onuf (2013: 6) rightly argues that the notion of structure raises notable ontological disagreements over whether structures truly exist in the material world, or are simply embedded in the minds of agents.

The constructivist analytical framework gives a special accent to the importance of rules and routinised practices which, as Flockhart (2016: 84–85) explains, enable social facts to become externalised and habitualised, that then create the institutions of social life and, in turn, streamline the behaviour

of individuals. Still, one must acknowledge the tendency of constructivists to emphasise the power of structures in their analysis, reflecting their view that even though agents can induce a change in structures by employing a different social practice, in practice this would be hard to achieve. Namely, people with their discursive practices construct and reconstruct their own social ‘chains’. Hopf (1998: 172) also asks to what extent can agents deviate from the structures’ constraints. Constructivists nevertheless leave room for the possibility of structural change through norm-shifting. The role of norms is hence to navigate agents across the matrix of expected behaviour, and thus the reasoning is that if the norms are changed, agents will apply different practices and, subsequently, create new social institutions (Flockhart, 2016: 86; Klotz and Lynch, 2008: 7–8).

Another common constructivist premise is the need to deconstruct and stress the importance of identity, viewed as the self-understanding of agents and the role in the social reality (Flockhart, 2016: 87). Identity in the constructivist framework assumes a significant position due to its part in forming national interests and impacting policy choices. For instance, we can look at the foreign actions of the Soviet Union during the Cold War, arguing that its foreign interventions in various parts of the globe could be understood from the perspective of national identity as being the leader and protector of communist societies against the ‘imperialist West’. The logic behind is that identities are tied with particular norms which define the specific trajectory of agents’ action (Hopf, 1998: 174). Further, constructivists recognise that identities are constructed in the context of a specific historical, spatial, cultural, social and political setting, which means one must start the analysis from those points of reference (Klotz and Lynch, 2008). In addition, they acknowledge that agents hold multiple identities with a variety of different sets of interests and therefore that segment must also be an important element of constructivist analysis (*ibid.*: 177). In this context, Hopf (1998: 178) used an example of America’s military involvement in Vietnam, claiming that it was based on multiple identities such as great power, imperialist power etc.

## **Critical vs. conventional constructivism**

Some authors argue that ‘constructivism’ never existed, only ‘constructivisms’ (Peltonen, 2017), and thus they were categorised as falling in the rational and reflective camp (Keohane, 1988), as norm-oriented and

structure-oriented (Kubalkova, 2015a), neoclassical, postmodernist and naturalistic (Smith, 2001), the English school, the World Society School, postmodernist and feminist (Wendt, 1999) as well as systemic, unit-analysis and holistic (Behraves, 2011). In this chapter, Hopf's (ibid.) conventional and critical constructivist dualism is used. However, before looking more deeply at the two theoretical strands, it is argued that at the core of their scholarly partition lies divergent understandings of identity and power. That is, the proponents of conventional constructivism perceive identities through the lenses of causality, i.e., as a source of actions. In contrast, critical theorists try to analyse the influence and significance of identities and tend to understand how they are being constantly recreated, and hence this constructivist strand is more interested in deconstructing the very origins of identity. Moreover, critical theory places emphasis on the importance of power in social relations, whereas conventionalists, as Hopf (ibid.: 177–178) noted, are at best 'analytically neutral' in their analysis as concerns power relations.

It should be acknowledged that one theoretical constructivist strand did not develop as a reaction to another, as was the case with most cases of theory building. Instead, strands have been evolving linearly, while constantly challenging and debating each other's arguments. Accordingly, focus is given below to the fundamentals of critical constructivist theory as grounded in the sociological and philosophical linguistic turn, while analysing world politics through the complex matrix of notions like rules, norms and language. To understand the substance of critical constructivism, one must begin with Nicholas Onuf, a distinguished member of the Miami constructivist IR group, who introduced the term constructivism to the field in his *World of our Making* from 1989.

Onuf (2013: 39) builds his theory on the position that in between epistemology and methodology constructivism has to define and develop itself on the basis of an ontological turn. By the same token, he writes that constructivist methodology must be eclectic and, hence, under the intellectual influence of reflexive sociology he aims to develop a theory that permits the analysis of any sort of social relations. In this sense, Onuf argues that lying at the core of international affairs are social relations, indicating the presence of the previously mentioned Bordieuan perspective. Onuf thus borrows the term *bricolage*<sup>3</sup> from Levi-Strauss, claiming that the constructivist is a bricoleur and that

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3 The creative process of making by using materials at hand.

materials are social in essence, and therefore the “world making is bricolage” (ibid.: 29). Further, by arguing that constructivism must place an emphasis between people and society, Onuf (ibid.) introduced the concept of rule that establishes a connection between the two. Rules represent a medium through which people and society constantly and mutually construct each other. Writing in the fashion of shared constructivist propositions, for Onuf the (material) world depends on meaning attached by people. In a never-ending circular process, people establish rules creating society as we know it, yet at some point rules become embedded and direct and constrain people’s actions and behaviour.

Onuf (ibid.) insists that only human beings with their cognitive apparatus are in a position to choose among the options that produce specific effects of their decision. This means that people decide on particular choices on their own behalf, or on behalf of various kinds of social constructions (such as the state). Onuf (ibid.: 5) here uses an example of a government as a social construction constituted by a group of people that, while applying embedded rules, decides on actions that produce tangible consequences in the name of the country as a larger group of individuals. Within the scope of its constitutive function, rules are important for the evolution of human beings into agents – which, as mentioned above, is a social condition – since they provide tools and possibilities to exercise actions in society. He (ibid.: 28) continues with the argument that language represents the medium of social construction because people are compelled to pursue their goals with the use of language and its components.<sup>4</sup> Within the process of developing his conceptual framework, Onuf (ibid.) argues that social rules and practices create institutions that enable people to become agents and construct social circumstances for their activities. Further, since agents are continuously exercising their roles in the institutional context, he (ibid.) recognises their ability to change facets of social institutions accordingly.

Onuf (ibid.) understood the importance of the distribution of resources among agents resulting in a social reality in which one particular group enjoys more benefits from given social arrangements than others. Similarly, agents become able to control other agents and direct their activities due to the advantages and resources they possess. However, resonating with Antonio Gramsci’s thinking, Onuf (ibid.: 18) argues that agents project their control over

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4 In his later work, Onuf (ibid.) places considerable emphasis on the analysis of place and importance of language in the construction of social life.

other agents by imposing their own ideas and beliefs in two ways: by example or by indoctrination. He even uses the Gramsci term “hegemony” to designate this rule as a power that produces and reproduces the formal hierarchical society. The introduction of roles in Onuf’s writings could be framed as Bourdieu’s influence, keeping in mind his thought that a field is determined by the objective relationships between positions (Bigo, 2011: 239). Still, Onuf (2013: 36) also emphasises a shared constructivist argument that recognises the importance of material circumstances, but only in relation to agents and their cognitive capabilities. Even though he rejects the realist “vulgar materialism”, Onuf’s view is that the material components of the social reality are made up of rules, which through agents’ meanings and knowledge transform them into resources that agents further bring into social relations. Moreover, he argues (*ibid.*: 34) that rules define which agents can benefit from material resources, and under which conditions, by involving them into their social relations. Thus, resonating with a segment of Bourdieu’s theory, the world is made up of social relations within which agents give meanings and utilise available resources that produce specific (intended or not) material and social outcomes (*ibid.*: 11).

Introducing collective agency into the discussion, social relations are the pivotal ingredient of every society, including a society of states. As Bourdieu framed it, the international order is produced in the same fashion as the domestic order, meaning as a “densely structured social space inhabited by all manner of discursive bodily and material relations” (Adler-Nissen, 2013: 4). Along similar lines, Onuf (2013: 26) wrote that “by consensus, the world of international relations is a world of worlds – by definition, a world of states”. Rules that construct agents are to be found in every society, along with the international society that is the field’s primary interest. As mentioned above, states are *sui generis* social constructs that establish and maintain relations with other social constructs in international fora. As Onuf (*ibid.*: 9) defined it: “When a very large number of people collectively operate as an agent, when they have agents acting for them, when they have some considerable measure of identity and when they are free to act within very wide limit, these people constitute a country”. It should be noted that Onuf (*ibid.*: 17) perceives states as primary agents in the international society, while also acknowledging the place of institutions and even for what he calls ‘secondary agents’ in this society (such as officers of international organisations).

Relationships between states are determined by formal commitment to the group of rules – international law – which Onuf (*ibid.*: 24–25) categorises in terms of familiar (such as rules concerning war), voluntarily adopted obligations (international treaties or covenants) and institutions (a diverse set of international organisations). Another important element of international conduct is instruction-rules that provide agents with information about the social and material conditions, as well as what effect a particular action could provoke (*ibid.*: 13). Further, the importance of international regimes is also underscored in Onuf’s writings, with them being made up of rules, norms, principles and procedures. The most featured example is the balance of power within which the behaviour of states is being ‘scripted’ by instruction-rules. This all leads to one of the most prominent tasks for constructivists in terms of challenging and refuting the central concept of the ‘neo-twins’ – anarchy. Onuf (*ibid.*: 19–20) approaches this issue by arguing that international anarchy is a social arrangement and a condition of rule. Hence, he (*ibid.*: 19) further claims that “anarchy is rule by no one in particular and therefore by everyone in association, as an unintended consequence of their many, uncoordinated acts... If anarchy is a condition of rule unrelated to any agents’ intentions, then international relations is no anarchy”. Therefore, since anarchy cannot be a feature of international relations, Onuf proposes to adopt another concept to encompass the condition of the rule of unintended outcomes of agents’ autonomous exercise of rights. He names that concept heteronomy (*ibid.*: 20). Thus, international affairs must be based on heteronomous rules due to its nature consisting of independent and autonomous agents (states), underpinned by the notion of sovereignty, that are constrained by other agents’ (state) independence and ramified by a variety of rules that enable, direct and limit their actions.

It is argued in this chapter that is necessary to examine Onuf’s writings and theoretical foundations in depth because several major contributors to critical constructivism have considerably leaned or developed arguments based on similar notions and views of international society. Another member of the Miami IR constructivist group important for the discussion in this regard is Vendulka Kubalkova. Being a firm advocate of Onuf’s ideas, her (2001b: 58–60) fundamental argument is that human beings consist of social and cultural components, while the world is made up of both social and material phenomena within which people, as agents, create the world in a “never-ending construction project”. Her contribution hence goes hand in

hand with the sociohistorical perspective of this research. Further, arguing in the context of Foucault's writings, she underlines that the universal Truth and objective standpoint is constructed anew upon the changing of rules and meanings.

Moreover, Kubalkova (ibid.: 56) follows the reflexive theories and suggests creating a new framework to link agents and structure on as many levels as agents choose. She thus also recognises the importance of the structural elements of society in terms of determining and regulating the social context and boundaries for agents' activities. Agents, as social beings, are determined to behave according to the rules, and therefore she (ibid.: 65) follows Onuf's understanding of anarchy as the end result of a particular set of rules. Along these lines, Kubalkova holds a similar view to Onuf concerning the position and interrelation of agents (as a social condition), structure, rules, practices and institutions. Still, she further elaborates the place of language in social relations, arguing (ibid.: 63) that people are social beings because of their capability to use language in achieving their goals. Hence, developing her argument based on Wittgenstein's thinking, Kubalkova emphasises that agents and structures are co-constructed by speech along with rules, policies and institutions. Kubalkova therefore (ibid.: 64) underlines that to properly analyse international relations one must observe and examine in detail the language and rules.

Another pioneer of galvanising constructivist thought in IR was Friedrich Kratochwil who in the book *Rules, Norms and Decisions* from 1989 outlined his view of international society that largely resembles Onuf's thinking. Foremost, Kratochwil (1989) also firmly links the material reality with agents' meanings and perception of its value and importance since the material world has no meaning without its social component. In this seminal work, he describes how rules and norms establish practices and construct meanings that further impact agents' selection of choices. In addition, reflecting the scholarly direction of the linguistic turn and poststructuralism he puts a particular accent on the place of language and discourse (ibid.: 43) given that meanings are constituted in a specific context through language, as a medium that connects meanings with the material world, yet also with other meanings.

By developing a different constructivist theoretical strand, hereby referred to as conventional constructivism, Alexander Wendt aims to build and conceptualise a systemic theory of international society by advocating

an approach grounded in structural idealism, while being primarily driven by the idea to oppose Waltz's structural realism and 'reductionist' theories (Guzzini and Leander, 2006; Kubalkova, 2015a). Over a series of influential pieces, Wendt (1992; 1999) aims to bridge the divide between what he labels realist-liberal and rationalist-reflectivist debates by providing the constructivist framework on the basis of the rationalist component of liberalism and reflectivist component of constructivism. His systemic theory of international society leans on the intellectual tradition of structuration and symbolic interaction sociology. In a similar vein, Wendt (1992: 422) argues that all approaches dealing with international affairs are essentially based on social theories and the relationship between agency, process and social structure. Here, he (*ibid.*: 423) advocates adopting a research agenda focused on the causal link between practice and interaction, acting as an independent variable, while the dependent variable should be embedded in 'cognitive structures' – where he considers both individual states and systems of states – and agents' identities and interests.

The starting point of Wendt's theory, as enshrined in symbolic interaction theory, is that agents – in international society agency exclusively refers to states – act towards objects and/or one another based on meanings they bring into social relationships. Translated into practical terms, states choose to take different actions depending on whether they perceive other agents as a friend or enemy (*ibid.*: 397). He acknowledges that the international structure is built upon social relations and shared knowledge. Within the ideational segment of his theory – structures as an outcome of distribution of ideas and knowledge, Wendt (1999: 20) analyses international affairs through the lenses of states' beliefs and expectations of each other, which were previously largely defined by the characteristics of social structures. He also underlines that while the distribution of power does influence the behaviour of states, at the core of their selection of choices lie intersubjective meanings and a distribution of knowledge that create social structures. In the same context, Wendt (1992: 398) argues that shared meanings construct relatively firm identities for states, which make the very core of their proclaimed interests. Moreover, he (1999: 21) also recognises that agents' identities are constructed on the systemic level in relation to other agents.

Further, identities and interests establish institutions that Wendt (1992: 399) perceives as a set of structures that are defined within specific formal rules and norms. In the manner of a shared constructivist notion of agent–

structure mutual construction, his theoretical framework depicts institutions as real and objective forces that act vis-à-vis agents as constraining forces, while still claiming that they cannot exist without the agents' shared meanings and knowledge. One such institution in international society is sovereignty, which can only exist relationally and with applied intersubjective meanings and mutual understandings (Wendt, *ibid.*). Accordingly, for Wendt (*ibid.*: 412–413) a sovereign state represents “an ongoing accomplishment of practice, not a once-and-for-all creation of norms that somehow exist apart from practice”. The reciprocal interaction and shared understanding among states therefore enables the functioning of international society that consists of agents recognising each other's exclusive rights and authority within defined territorial boundaries. Consistent with that argument, Wendt (*ibid.*: 413) believes that identities and institutions can only be changed by repealing social practices and shifting the intersubjective meanings present in international society.

In his *Social Theory of International Politics*, Wendt aimed to refute Waltz's neorealist system theory (explained in his seminal work “Theory of International Politics” from 1979) and to reappraise the IR ontology by building arguments and concepts on the fundamentals of structuralism and idealism. Hence, he (1999) develops a cultural theory of international politics that depict international society in the context of cultures of anarchy representing shared meanings and ideas that define states' interests and capacities. Moreover, cultures – described as Hobbesian (where states perceive each other as enemies), Lockean (as rivals) and Kantian (as friends) – are of defining importance on the system level as well as a result of their impact on directing the course of international society. His argument (1992) that anarchy is not defined exclusively by conflict and self-help, but it “what states make of it” was at the time a severe constructivist breakthrough and a step towards refuting the very bedrock of neorealism. It meant that states are not compelled to be constantly in a race for power dominance and under the threat of conflict since a shift in meanings and social practices can establish a course for different dynamics of international society.

In Wendt's theory, states are a basic unit of analysis and the principal holders of subjectivity in international affairs. One argument of Wendt's (1999) has drawn particular attention (along with fierce criticism from critical constructivists) when he contended that states possess human features like rationality, intentionality etc. In addition, as Guzzini and Leander

(2006: 5) rightly argue, another of Wendt's propositions is that states as pre-social agents have basic needs (such as physical survival, autonomy, economic well-being and collective self-esteem). Further, since he (1992: 399) perceives international society as predominantly characterised by violence, the preservation of security in his theory is designated a primary concern of states. In this vein, Wendt (1999) underscored that international society is reigned by states' self-interest and coercion (which are also dominant notions in mainstream IR theories), while international law and institutions cannot do much to change those postulates. Therefore, the institution of self-help is a significant factor in the process of constructing states' identities and behaviour. Even though Wendt juxtaposes structuralism and idealism with the individualism and materialism enshrined in mainstream IR thought, he (ibid.: 24–25) also recognises the place of material forces in international society, albeit their meanings and effects depend directly on agents' ideas and one of above-mentioned three cultures of anarchy.

In terms of the distribution of power in international affairs, Wendt (ibid.: 135) wrote that it is made according to the distribution of interests, as initially defined by ideas. He does not perceive ideas to be the most important segment of social life, nor even independent of power and interest. With the attempt to challenge and refute the fundamental assumptions of neorealism, Wendt also criticises the constructivist approach for being in some domains too radical (with an emphasis on discursive practices and 'ideas all the way down'), while in others too limited (observing ideas solely in causal terms). Guzzini and Leander's (2006) were correct to infer that Wendt's ultimate aim was to achieve for constructivist thought what Waltz has done for neorealism – producing a systemic theory that from an ideational standpoint will secure the necessary conceptual tools and explain how structure acts as an enabling and constraining force in international society.

While considering conventional constructivist thought, one should also touch upon the writings of Emanuel Adler. In his article *Seizing the Middle Ground*, he (1997: 322) defines constructivism as "the view that the manner in which the material world shapes and is shaped by human action and interaction depends on dynamic normative and epistemic interpretations of the material world". Adler (ibid.: 323) thus argues that constructivism does not represent a theory of politics and he sees it as a social theory that is able to synthesise the material, subjective and intersubjective components of the world. Nonetheless, his stance is that constructivism is not at odds with

liberalism and realism precisely because it is not principally a theory of politics. For Adler (*ibid.*: 337), Constructivism must answer why certain ideas gain epistemic, discursive and institutional authority, how and which norms come to prevail in the social reality, along with how and why specific collective understandings evolve into social practices. His (*ibid.*: 330–331) aim is hence to portray the constructivist approach as the middle ground between what he calls rationalist and relativist IR theories, i.e., to position constructivism in between materialism and idealism. Adler defends his argument by pointing out that constructivism is interested in the role of individuals in the social reality, while at the same time analysing the position of ideas in giving meanings to the world and not neglecting the value of material forces. Yet, he concurs with the normative constructivist view that institutions are social constructs and accordingly he aims to explain the importance of cognitive evolution and the defining impact of intersubjective meanings. Adler's (*ibid.*: 339) concept of cognitive evolution therefore assumes that institutional or social facts have throughout history been socially constructed by specific shared understandings of the physical and material world that represents the outcome of an "authoritative (political) selection process and thus to evolutionary change". It should be also noted that Adler's, just like Wendt's, epistemological stance is positivistic since he thinks that the constructivist framework should focus on empirical investigations with the goal of disclosing objective characteristics of international affairs.

## **Concluding remarks**

Despite the manifest contribution made by conventional constructivist theorists to penetrating the IR field by including ideational elements in the analysis of international affairs, it is argued here that their eagerness to position constructivism midway between two mainstream theories has somewhat caused a blunting of the sharpness of the intellectual potential of the constructivist framework. Wendt's commitment to establishing an overarching theory shifted the constructivist debate in the direction of system-level analysis. Nevertheless, understanding of international society's modes of operation can only be obtained if we convincingly open up Pandora's box of states and scrutinise their internal social, political and economic dynamics, the creation of identity and interests and decision-making processes. Moreover, particularly problematic is Wendt's rigid naturalism and reification

of the state by attributing it with human attributes and needs which, again, has steered the debate towards simplified views regarding how international society functions. While Wendt certainly mentions the importance of inter-subjective meanings and shared knowledge, the bulk of his theory is focused on the system level of analysis that produced these reified components. Application of Wendt's approach to analysing international society could lead constructivism into a dead end (just like neoliberalism and neorealism faced at the end of the Cold War) and an incapacity to explain trends and phenomena related to world politics. In this respect, I concur with the criticism provided by Subotic (2015), Zarakol (2015) and Kurowska (2015) that conventional constructivist research agenda is not intellectually fit for analysing changes in international affairs.

The ontological turn, advocated by Onuf, in constructivist IR thought was important for drawing attention to the rules, norms and institutions of international society. However, my position is that the constructivist ontology has omitted one segment that is extremely important for understanding the role of ideational elements in social life. The multi-level analysis of world politics must start from agency (human beings) who are the sole subjects holding the cognitive ability to project meanings in the social environment, which is a position developed at length by constructivists – as mentioned, Onuf (2013) argues that only human beings are those subjects that have the cognitive abilities required for such actions. However, aside from Kubalkova's (2015b) language reference, a substantial argument on the origins of shared meanings is somewhat lacking. Therefore, in an attempt to advance that segment of the constructivist loop, it is argued in this chapter that ideas and knowledge (induced by human beings' cognitive maps) are those notions that underpin the shared meanings permeating society. For both the intellectual basis and profoundness, Foucault's concept of discourse is employed as a cognitive scheme of ideas that provides individuals with the knowledge that constitutes objects and makes sense of the reality. Therefore, discourse lies at the bottom of shared meanings attached to other agents and structures. This would mean that any change in international society must start with discourse (ideas and knowledge), which would enable agency to employ different meanings that via language would create new rules and practices that establish social institutions. Substantive evidence in this respect showing how a change in paradigm impacts the political and social system is provided by Klotz (1995) in her study on the apartheid regime in South Africa. The same strand of thinking

can be applied, for instance, to the decolonisation process or erecting of the liberal democratic institutionalism in the post-Soviet sphere.

As concerns the material world, it is agreed that it represents the result of cognitive processes of agents that give meanings to objects which, as a result, acquire a particular value. When deciding on their choices, agents consider the resources they have at disposal and hence in that sense it would be useful to recall and apply Bourdieu's distinction of economic, social, cultural and symbolic capital (resources) (Baert and Silva, 2010). Following his typology, it is argued here that in their social relations decision-makers – acting in the name of the state or other collective agency – use material wealth linked with military and diplomatic strength (economic capital), alliances, coalitions and other forms of cooperation (social capital), technologies, science, knowledge (cultural capital) and international reputation and image (symbolic capital) to pursue their interests in world politics. In a similar manner, it is agreed here that applying specific social practices over a longer period provides structures with some form of subjectivity that in turn enables and constrains agents in their behaviour and activities. Thus, taking the wide reach of constructivist research into account, it is argued that analysis in the critical constructivist intellectual framework must be holistically and interdisciplinary grounded, with a particular focus on poststructuralist thought and knowledge–power nexus developed on the basis of post-positivist epistemology and methodology.

The understanding of contemporary processes and phenomena in international affairs could be critically further advanced by considering the constructivist framework discussed in this chapter. Momentum for this obviously includes the liberal international order, which has acted as a cornerstone and the pivotal concept of international affairs for decades. At the risk of provoking a debate, it is contended here that, among other arguments, the need to apply the constructivist framework to the liberal international order is shown in the reaction to its proselytism, notably in terms of national identity. As was apparent in several instances, the endeavour to disseminate the principles and practices of liberal democracy across the globe, stimulate greater economic interdependence and penetrate the international environment with the set of intergovernmental organisations led to the rebound of efforts to strengthen the sovereignty and shield the national identity and cultural norms. Thus, the need for a constructivist set of concepts and tools is self-evident in the response to the ideologically hegemonistic and functionally

pervasive international liberal order. Accordingly, by diverting the analytical focus to ideas, knowledge, rules, norms and social institutions, constructivist bricoleurs ought to break down the structural-rational mainstream IR approach and provide different and strongly needed ontologically and epistemologically answers. To use Wittgenstein's parlance (1957: 103), it is necessary to "shew the fly the way out of the fly-bottle", meaning that the paradigm shift should be directed at resolving problems by acquiring a new way of seeing. This means that the approaches for addressing the inadequacies of the international liberal order should be grounded in a change in the discourse, which would lead to an ontologically different set of meanings that would, through the mediation of language, result in new social institutions underpinned by novel international rules and practices.

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## **II. EUROPEAN UNION AND ITS EASTERN PERIPHERY**



## **Chapter 6: Calling Out the Maastricht Treaty: Learning from the Opposition**

Melika Mahmutović and Marko Lovec

### **Introduction**

Jean Monnet declared that the creation of Europe would take time – “time to convince, time to adapt people’s thinking and time to adjust to great transformations”. The Maastricht Treaty was signed in December 1991 at a time when the mood of ‘Europhoria’, as Goldstein (1992: 117) labelled it, held sway. Set in the unique circumstances of accelerated history marked by the collapse of Communism, the end of the Cold War, the re-unification of Germany and the brutal breakup of Yugoslavia, the Maastricht Treaty was the “last big gamble of European integration” (Lehne, 2022). Schmieding (1992: 3) argued that it was strongly feared the Maastricht European Union (EU) would not be a feasible institutional arrangement for the then 12 European Community members and be unsuitable for the future well-being of a larger number of countries. Still, the years since the treaty was adopted have been characterised by the almost unrelenting expansion of the scope of the EU’s activity, with the completed transition to the monetary union, the enlargement of membership, and increased involvement in socio-economic governance. For the whole time, the grounding constitutional features of the EU have remained surprisingly stable (Bickerton et al., 2015: 703).

Nonetheless, the Maastricht Treaty also stimulated the start of greater critical public engagement with the European integration along with debates on the EU’s democratic nature (Barth and Bijsmans, 2018: 215). Significantly, the social contract underpinning the EU’s institutional design was largely scrutinised. Such contestations meant, as Lehne (2022) noted, that Maastricht closed the era of radical innovation through treaty change. Further consideration of the Treaty’s legacy shows that it not only led to the public’s further alienation from the EU, but also subsequent negative referendum results not only for ratifying it, but later treaties as well, and a series of national

'opt-outs' in certain key policy areas (Christiansen et al., 2012: 698). Much of this relates to the flawed hybridity of the Treaty, although as Christiansen et al. (2012: 688) note, Maastricht represented the consensus of the time, and that which was possible.

Since then, the EU has experienced a series of challenges to its legitimacy beyond the 'democratic deficit' claims (de Búrca, 2018: 338). Deeper issues surfaced during the global financial crisis of 2008, which escalated into a sovereign debt crisis, and the refugee crisis of 2015. In each case, it seems that the crisis was exacerbated by the flawed construction, and incomplete integration of what was promised by, the Maastricht Treaty (Benassy-Quere, 2015; Menon, 2017). Namely, EU leaders' optimism in drafting the Maastricht Treaty overshadowed and ignored many of the implications of the 20th century that would spill over into the new millennium and cause fresh divides, leaving the EU relatively unprepared for dealing with both internal and external challenges. Against this background, in the last decade the EU has been shaken by the rise of populist parties and movements, Euroscepticism<sup>1</sup>, and growing politicisation of the European integration process<sup>2</sup>. While the national parties and movements orchestrating this populist surge can vary considerably, what they all share is hostility or a lack of trust in the EU political establishment, albeit to different extents (Bignami, 2020: 3).

While there is a burgeoning body of scholarship on Euroscepticism, analyses typically focus on a broad assessment of the opposition to the EU and what drives it (Brack and Startin, 2015: 214). However, any conceptualising of a revised and rejuvenated framework for EU governance must include a rethinking and wide-ranging assessment of the diverse stances on the Maastricht Treaty – direct references to it and its impact on subsequent political developments. Geary et al. (2013: 5) wrote that the Maastricht Treaty is a "stark reminder that the past is always contingent upon the present". Thus, analysing contestations surrounding the Maastricht Treaty may produce different results when looking at varying historical contexts. In this sense, the chapter aims to address both old grievances and contemporary challenges the Treaty has created and assess how they have evolved over the last 30 years.

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1 Taggart and Szczerbiak (2004) define Euroscepticism as a phenomenon "encompassing a range of critical positions on European integration, as well as outright opposition".

2 Taking the general definition provided by De Wilde (2011), politicisation relates to the "increase in polarisation of opinions, interests or values and the extent to which they are publicly advanced towards the process of policy formulation within the EU".

We structure our empirical research accordingly, centring our inquiry on direct references to the Maastricht Treaty from its creation until today, across all EU member states. In this context, we examine the manifestos of political parties, as crucial actors in the politicisation process, and assess their response and direct references to the Maastricht Treaty throughout the years. We consider which Treaty elements attracted the most attention, and in which context and how these trends have changed in 30 years, and across ideological lines. Here, we are particularly interested in the temporal dimension to determine if time, as Monnet predicted, has convinced and altered attitudes to this instance of EU integration.

First presented in the chapter are our reflections on populism, establishing it as a political logic that can be employed across sectarian lines and for different purposes. We then critically contextualise the Maastricht Treaty and its role in the rise of Eurosceptic populist attitudes and politicisation of the EU integration. The methodology used is then presented and the case selection explained. This is followed by the empirical part of the chapter that relied on the ‘logics approach’. In the concluding section, we offer our final insights and reflections.

## **Mapping populism**

In 2004, Mudde (2004: 542) announced that the world was witnessing a “populist *Zeitgeist*”. While the last two decades have seen a proliferation of scholarship on populism, along with its growing influence in the political sphere, the concept itself emerged much earlier, with references to the word “populism” being related to the American Populist Party from the 19th century, or *Narodniki*, an “early utopian socialist movement” in Russia of the same time (Allcock, 1971: 372). As Mény and Surel (2002: 2) explain, the populism concept was loosely used for different phenomena, notably for political mobilisations presented as a mixture of relatively formal electoral politics and charismatic leadership. The peculiarity of this issue is echoed nicely by Laclau (1977: 143) who stated that “we know intuitively to what we are referring when we call a movement or an ideology populist, but we have the greatest difficulty in translating the intuition into concepts”.

The intuition would prevail in the scholarship on European and international politics, with the era of Brexit and Trump encouraging unprecedented attention to populism (Mudde and Rovira Kaltwasser, 2018: 1668). In this context, as Fuentes (2020: 49) notes, there is a certain academic consensus

that sees populist movements as anti-pluralistic by nature. Hence, contrary to its original use in the late 19th century, the concept spread vastly to Europe by the early 1980s and has since undergone a negative change. The term became notorious in European domestic politics in the post-Cold War years and following the electoral success of populist radical right parties in the early 1990s, especially the French Front National, Freedom Party of Austria, and the Swiss People's Party (Hunger and Paxton, 2021: 11).

In studies on (European) politics, populism has been assessed as a “thin-centered” ideology (Mudde, 2004), a political style (Moffit, 2016) or a political strategy (Weyland, 2001), as well as through a socio-cultural approach developed by Ostiguy (2009), and Laclau's (2005) discursive approach, which focuses on the political logic of populism. The most widely accepted assessment of populism is that of a thin-centred ideology which separates society into two camps: ‘the pure people’ who stand against ‘the corrupt elite’ (Mudde, 2004: 543). Certain developments can be identified as factors underlying the growth of populism; namely, the crisis of institutional mediation as it relates to the transformation of party dynamics, the mediatisation of politics and increasing complexity of governance structures as well as transformations in the demographic, economic and cultural senses that create the conditions for more specific types of populist politics, claiming to speak on behalf of “the people” (Bruebaker, 2017: 370–371).

On top of political and cultural explanations, another strong argument refers to the “dark side of globalization” creating fertile grounds for a populist surge in which populist leaders are seen to be harnessing the anger caused by the economic impact of the neoliberal globalisation (Patman, 2019: 296; Putzel, 2020: 4). The dynamics arising between responsiveness and responsibility, an argument put forward by Mair (2013), can help explain how, with the increased influence of global markets and international institutions, the manoeuvring space for political actors on the national level is ever-more limited. This tension enables the growth of electoral support for populist forces as the public expresses its anger towards ‘the elite’ and its failure to understand the needs of ‘the people’ (Mudde and Rovira Kaltwasser, 2018: 1679). This was visible in the EU context, e.g., when during the austerity crisis populist movements, especially on the left, accused the established parties of being the ‘Trojan Horse’ of the Troika – the EU, the European Central Bank, and the International Monetary Fund (*ibid.*). In this regard, the EU is a project inherently based on elite agreements, making it a target for populist mobilisations

that aim to challenge representative democracy but also champion the virtues of representation (Taggart, 2006: 269). This also shows that populism acts as both an internal element of liberal democracy and a disruption of the political performances, a kind of noise in the established domain (Arditi, 2015: 102).

## **Conceptual framework: understanding the logics approach**

We conceptualise populism as a political logic following Laclau (2005) and the Essex School's poststructural discourse theory (PDT). Here, logics act as a key unit of critical explanation, providing the means to characterise, explain and evaluate a practice or regime. The section below presents the main elements of the logics approach to be operationalised in our analysis. Our empirical analysis will thereby move from a collection and descriptions of the references and attitudes of political parties over the years and in different contexts to an assessment of the discursive rules that constitute the political logics which organise their discourses and practices (Howarth and Roussos, 2023: 315–316).

PDT analysis presumes the assessment of three types of logic (social, political, fantasmatic) which, when articulated together, account for a phenomenon under analysis (Glynos and Howarth, 2007: 133). As Glynos and Mondon (2016: 12–13) explain, social logics capture relatively stable patterns, rules or norms as manifested in practices or regimes of practice. One example is the Thatcher regime in the UK, which may be characterised in terms of a network of social logics, such as the logics of marketisation and centralisation (Glynos and Howarth, 2007: 137). Whereas social logics capture the elements that are understood as 'natural', and hence taken for granted, internalised or uncontested, political logics often become obvious in times of crisis, revealing "how what appears to be natural can be otherwise" (Glynos and Mondon, 2016: 13).

Therefore, political logics aim to capture processes of collective mobilisation enabled by the emergence of the political dimension of social relations, with the construction, defence and naturalisation of new frontiers (Glynos and Howarth, 2007: 141). Political logics "formalize our understanding of the ways in which dislocation is discursively articulated or symbolized" (*ibid.*: 143). This occurs through logics of equivalence and difference that emphasise the dynamic process by which political frontiers are constructed, stabilised, strengthened or weakened. The logic of equiva-

lence entails the construction and privileging of that kind of antagonistic relations in which the dimension of difference on each side of the frontier is weakened. The logic of difference, in contrast, seeks to break down these chains of equivalence (Glynos and Howarth, 2007: 145). Taken together, political logics compromise a descriptive framing device arising from a particular understanding of discourse and the importance accorded to processes of signification. This then provides a conceptual grammar with which we can account for the dynamics of social change, while understanding how social practices are contested, transformed and instituted (*ibid.*).

Finally, the role of fantasmatic logics is to showcase the way regimes ‘grip’ subjects and others do not – “ensuring that the radical contingency of social reality remains hidden, particularly with respect to the suppression of the political dimension of practices” (Flitcroft, 2021: 46). Fantasmatic logics can be divided into horrific and beatific kinds depending on the content and emotive impact of a given fantasy (*ibid.*). Together, employing the logics approach provides us a language with which we can recognise the combination and relationships between a way a discourse is articulated (political logics), the established norms or social arrangements (social logics) which are contested and defended, and how the resulting discourse tries to create subject positions to engage and invest people in this project (fantasmatic logics) (Flitcroft, 2021: 47).

### *The political logics of populism*

Political logics, such as that of populism, focus on diachronic aspects of a practice or regime, whether in terms of their emergence or their contestation and/or transformation (Glynos and Howarth, 2007: 141). With such an understanding, populism entails the articulation of a series of anti-system demands concentrated on a collective political project structured around a common enemy (Dean, 2023: 6). In other words, looking at populism as political logic means identifying how exactly it is used to interject or mobilise subjects, how demands are formulated and how they contest existing regimes (De Cleen and Stavrakakis, 2017: 11). As Katsambekis and Kioupkiolis explained (2019: 8), in Laclau’s frame populism is construed based on two “minimal discursive criteria”: a) people-centrism; and b) anti-elitism. The former entails the primacy given to ‘the people’, constructed by linking a series of different subjects, groups and demands – chains of equivalence. In populist discourse, the signifier ‘the people’ is

most commonly deployed as the nodal point. This sense of popular unity is reinforced by equivalent signifiers like ‘the 99 percent’, ‘the many’ etc. The latter points to the construction of a fundamental division within society as that between a certain ‘us’ and ‘them’, thereby generating conditions for the “antagonistic identification of ‘the people’ through their opposition to the named opponents” (ibid.).

As a political logic, populism cannot be understood as a type of movement identifiable with a distinct social base or ideological orientation. Instead, while social logics relate to rule-following, political logics refer to the institution of the social – and this institution is not an ‘arbitrary fiat’ but emerges out of social demands, which in this context are inherent to any process of social change (Laclau, 2005: 117). Such change occurs through the varied articulation of equivalence and difference, which also presupposes the constitution of a political subject that brings together a plurality of social demands, including the construction of internal frontiers and identification of an institutionalised ‘other’. According to Laclau (ibid.), once these structural moments have been identified, no matter the ideological or social content of the political movement in question – we have detected populism.

Taken together, utilising PDT allows us to grasp the processes by which the social meaning is articulated, emphasising the political and antagonistic character that populist discourses hold with their articulation around certain nodal points – ‘the people’, for one; and how those discourses are different to others in their attempt to influence the public space and decision-making processes (Stavrakakis and Katsambekis, 2014). Relying on a discursive framework, we aim to identify how the Maastricht Treaty discourse is articulated around the nodal point of ‘the people’ and other equivalent signifiers to be identified (i.e., neoliberalism, nation, democracy, sovereignty), and how is this representation of society defined as antagonistic – that is, the EU establishment, EU elites vs. ‘the people’, Europeans. Discourse theorists stress the articulatory nature of populist discourses and flexibility of populists’ ideological articulations, which explains the variety of populist movements and means that this framework can cover diverse populist politics – in our case, it can be used to assess parties from different countries, at different times and across the political spectrum.

Before we proceed with the empirical section of this chapter, we contextualise the broader narratives surrounding the Maastricht Treaty, from doubts concerning its conception to the way it has been received in later stages of

the EU integration. This permits us to map the most relevant aspects of the Maastricht discourse and locate them in our own research.

## **The Maastricht Treaty, Euroscepticism, and politicisation of european integration**

In populist discourse, the EU is a symbol for several evils, from greed-struck bankers to technocrats imposing austerity measures, uncontrolled immigration and enforced pluralism and multi-culturalism (Bignami, 2020: 4). The Maastricht Treaty undeniably acted as a critical juncture for the politicisation process, simultaneously unifying European states in an unprecedented way and turning the tide on the strikingly increasing Euroscepticism of elites and citizens. Importantly, lying at the core of populist critiques is not just the establishment as such, but a concrete set of EU laws and policies. Populist leaders declare as negative elements of the EU agenda that are traditionally found in the centre of national sovereignty: the economy, migration, domestic security, issues of the rule of law, human rights, and democracy. These issues are all relatively new areas of EU governance and directly linked to the EU's transformation in its *raison d'être* – precisely with the Maastricht Treaty, in which the foundations of an ambitious political union were laid down, and the European community moved away from being chiefly a market-making and market-regulating entity (ibid.).

Indeed, attitudes to the EU were broadly positive until the mid-1980s when the first noteworthy change occurred with the Single European Act (SEA) and the programme for the internal market, followed by Thatcher's famous speech in Bruges that was the catalyst for the development of diverging views among EU elites. The Maastricht Treaty then solidified these trends and led to a growing and visible Euroscepticism among both elites and citizens (Brack and Startin, 2015: 241). This has much to do with the consolidation of the market-based dynamics first established by the SEA, especially following the creation of the Economic and Monetary Union (EMU) that embodied such ideals of Europe. Warloutet (2019: 1) argues that the development of the EU always represented a balance between the principles of competitiveness and the principle of solidarity, and the integration process was not always accompanied by a strong neoliberal component. Still, the SEA and the Maastricht Treaty show that the competitiveness impetus prevails, being strongly associated with a market-oriented paradigm. This dynamic

was described by Van Apeldoorn (2008: 22) as the “embedded neoliberalism” of the European project reflecting the control articulated and advanced by the social and political forces of capital in the EU, where the notion of social protection is finally subordinated to the one of economic liberalism. Moreover, two sources of backlash that started even before the Maastricht Treaty was drafted can be detected: the question of qualified majority voting used for provisions concerning sensitive national issues like culture, education or health and the question of subnational regions within the European community, which were worried by the EU’s uncontrolled encroachment into their competences (Pollack, 2002: 525).

In this sense, Grande and Hutter (2016: 5) argue that a central factor of the politicisation of EU integration is the ever-increasing transfer of authority to political institutions beyond the nation state. This means that the delegation of national competences to the EU level is one of the main forces triggering politicisation because it increases demands for more public justification (‘input legitimacy’) and leads to resistance from certain parts of the national population. In these circumstances, political elites must take sides and discuss the issue of EU integration publicly. This explains how peaks of politicisation occur around major treaty reforms, when the formal ‘deepening’ of the EU is at stake, or critical events (like the eurozone or refugee crises) and when a significant transfer of authority is involved (*ibid.*). Hence, the Maastricht Treaty became one such watershed moment, establishing politicisation as increasingly mainstream and legitimate, with growing saliency across the EU (Brack and Startin, 2015: 240). Many factors influence this process. Alongside institutional opportunity structures, like national referendums and electoral cycles, also important are political actors, broader constellations of actors, and mobilisation strategies (Grande and Hutter, 2016: 9).

Once the Maastricht Treaty was formulated, especially after its rejection in a referendum by the Danish, and being narrowly passed by the French, the principle of subsidiarity<sup>3</sup> emerged as its selling point and, even though the concept was not new, the issue was how it would be phrased and placed within the treaty. Eventually, those drafting the treaty adopted a strict reading of this principle as a way of deflecting public hostility. Pollack (2002: 527) argued that these advancements meant that already by the end of the

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3 Lopatka (2019) explains that the principle of subsidiarity conveys that “decisions should be taken at the most immediate or local level possible and thus as close to the citizens as possible”.

1990s member states and regional governments were resisting any further centralisation, but even more pressingly, the system within had seemingly accepted and internalised the presumption for decentralisation. This rift is the most distinct while assessing decisions made with regard to the EMU: the Maastricht Treaty introduced the euro as the currency of the EU, simultaneously centralising the monetary policy while deciding to leave economic policy decentralised. Although this was the only feasible option at the time, the EU's evolution since then reveals that many of the issues to have emerged are a direct result of its failure to deal with this imbalance (de Streel, 2013: 337). Schmidt (2019) claimed that politicisation has not remained only at the 'bottom', i.e., on the national level, but has moved to the supranational level given that the relationship among the major EU actors itself has been ever more influenced by it. This can also be seen with the European Council in the growing impact of domestic politics on leaders' positions or the election of more extreme parties to the European Parliament.

These sentiments were quite firm at the time of the 2014 European elections, particularly due to the greater success of parties opposed to or probing into certain elements of European integration. Luo (2017: 406) notes that this election became widely regarded as the most relevant EU election to date: being the first post-eurozone crisis election and a kind of a 'test of faith in the European project'. Pirro and Taggart (2018: 254) argue that the anticipation of a populist surge at that time was based on the ideological persuasion of populist actors combined with the general loss of (output) legitimacy being suffered by the EU. While this event may be regarded as another peak in politicisation of the European integration process, once again it was strongly influenced by the Maastricht Treaty's provisions on economic and monetary integration, which was still being hotly debated.

Critiques point to the EU's inability to deal with structural issues of the Maastricht project. Troost et al. (2017) note that issues which have arisen over the years are symptomatic of the crisis of this neoliberal hegemonic project dominating society, with the expansion of the single market, creation of the monetary union, its stability criteria and overall liberalisation of the labour market as the major drivers of this integration. With the eurozone crisis, this kind of EU integration hit its limits, with those obstructions leading to even more "radical neoliberalism" and influencing the rise of nationalist tendencies (ibid.). Caporaso and Kim (2012: 785) similarly noted that the eurozone crisis was foreseeable, with the Maastricht Treaty's "financial

trilemma” illustrating the trade-off between financial integration and national fiscal autonomy. The desire to keep this autonomy and authority over a nation’s fiscal system is not entirely compatible with the objective of capital mobility and financial stability – again highlighting the issue of the hybridity detected in the treaty.

This was the context of the 2014 election campaign, fully opening the door for Eurosceptic leaders who utilised political messages based on a mix of populism, anti-politics, and aversion towards the EU (Cremonesi and Salvati, 2019: 19). The overarching anger and disappointment the public felt towards the EU provided material for Eurosceptic populist parties that transformed it into political consent. Martín-Cubas et al. (2018: 169) state that the significance and repercussions of these elections cut across traditional views on them as being second-order elections. The authors agree that these elections were the grand entrance of different populist options in Europe, with their impact later most dramatically manifested in Brexit (Van der Brug et al., 2016; Hassing Nielsen and Franklin, 2017). Importantly however, as FitzGibbon (2014) showed, what then emerged was not a uniform narrative of straightforward rejection of the EU, but much more diverse manifestations of opposition to the EU also based on various domestic political priorities. Further, if we view Euroscepticism as a response to the crisis in the EU, we distinguish between actors advocating for withdrawal from the EU and those who, in a different way, aim to see a transformation in the economic or social policies proposed by the EU (*ibid.*). Making this distinction is important for the empirical research presented here and a holistic understanding of different demands that arise from the Maastricht Treaty.

## **Research design**

The central research puzzle we seek to solve is how the Maastricht Treaty has been treated in the discourse used by political parties. Based on the conceptual framework established above, the main puzzle is operationalised with more concrete research questions to guide our research.

- How has the Maastricht Treaty been referenced in the discourse of political parties?
- What are the nodal points of the Maastricht Treaty discourse?
- How do political parties connect the nodal points in a chain of demands – what are the antagonistic frontiers in this regard?

- How do different political parties claim to speak on behalf of the people when it comes to their position on the Maastricht Treaty – how do they employ populist logic?
- How have references to the Maastricht Treaty changed over time? Has there been a change in focus?
- How do references to the Maastricht Treaty vary across the political spectrum?

The analysis employed the toolbox of the discourse-theoretical approach and qualitative-interpretive coding procedures along with elements of qualitative content analysis (De Cleen et al., 2019). We used the publicly available “Manifesto project” data archive to obtain the material and made our own translations of it. We narrowed the scope of the data collection by focusing on material containing direct references to the Maastricht Treaty. The corpus of the chapter combines political parties’ manifestos (35), press releases (5), speeches and interviews of parties’ leaders (5).

## **Analysis**

### *Initial mapping of the ‘Maastricht’ discourse*

The first part of the analysis entailed a process of open coding. We sought to conceptualise and categorise issues raised by political parties, as informed by the literature review and theoretical analysis. This involved breaking up the data into smaller sections, which were then analysed. The goal was to grasp the core ideas – nodal points, which can be detected in manifestos and describe those using codes developed through data analysis (Vollstedt and Rezat, 2019). Codes were compared and grouped together across years and political parties. This was important for understanding how different references to the Maastricht Treaty relate to each other and come to represent a particular discursive articulation of a certain political party. The open coding was followed by an investigation of the relationships between concepts using axial coding. Here, we grouped the codes based on their relationship to observed core concepts of the Maastricht debate (i.e., the focus on economic dimension, the loss of sovereignty or lack of a social dimension etc.).

We thereby aimed to assess how parties connect nodal points in a chain of demands to establish particular antagonistic frontiers. Codes and consistent themes of the Maastricht discourse were grouped into categories that

could then be assessed through the logics approach. This was done by conceptually integrating the codes within overarching categories: the codes were subsumed under a core category linked to all the other codes established in the axial coding (Vollstedt and Rezat, 2019: x). This led us to identify seven overarching categories in the political parties' discourse on the Maastricht Treaty. These categories were labelled as certain critiques, namely: 1) "Gigantic supranational body" critique; 2) "Neoliberal" critique; 3) "EU discontent" critique; 4) "Democratic legitimacy" critique; 5) "Economism" critique; 6) "Missing Social Europe" critique; and 7) "Revisionism" critique.

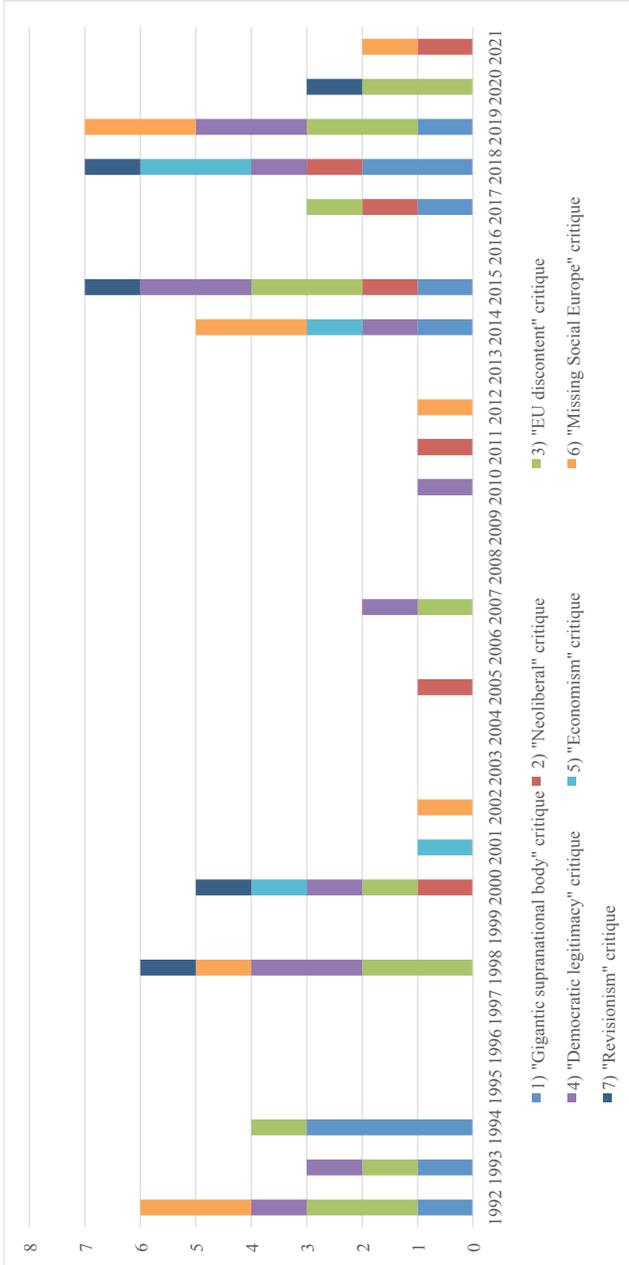
**Table 6.1:** Populist parties’ references to the Maastricht Treaty

Categories of critique	Signifiers and key nodal points	Political parties and years
1) “Gigantic supranational body” critique	‘Sovereignism’ (references to the loss of national, popular sovereignty) ‘Anti-Amalgamation’ (references to the EU’s expansionism, federalism and centralisation)	Flemish Interest (2014, 2019), Socialist party (1994), Reformed political league (1994), Reformatory Political Federation (1994), Reformed Political Party (1994, League (2018), 5SM (2018), Alternative for Germany (2017), French Communist Party (1993), Front National* (Le Pen, 1992), PODEMOS* (Iglesias, 2015)
2) “Neoliberal” critique	‘(Anti) Neoliberalism’ (the neoliberal logic of the Maastricht Treaty)	United Left (2000), Popular Unity (2015), Galician Nationalist Bloc (2011), The Left (2005*,2017, 2018*,2021)
3) “EU discontent” critique	‘Political alienation’ (EU not in touch with the people) ‘Anti-plutocracy’ (EU serving the interests of the business elite)	Social, Progressive, International, Regionalist, Integrally Democratic and Forward-Looking (2007), Socialist Party (1994), United Left (2000,2019), Popular Unity (2015), Alliance 90’/Greens (1998), Party of democratic socialism (1998), Alternative for Germany (2017), WE CAN! (2020), Bridge (2020), Human Shield (2015), The French Communist Party (1993), Front National (1992), LeVica (2019), Sinn Fein (1992)
4) “Democratic legitimacy” critique	‘Democratic deficit’ (EU as an undemocratic project) ‘Control’ (control, hostage, blackmail, colony, colonial subject)	Flemish Interest (2019), Ecologists (2010), Social, Progressive, International, Regionalist, Integrally Democratic and Forward-Looking (2007), League (2018), Popular Unity (2015), United Left (2019), United Left*(Anguita, 1992), Alliance 90’/ Greens (1998), Party of democratic socialism (1998), Bridge (2020), Human Shield (2015), The French Communist Party (1993), Sinn Fein (2014)

5) “Economism” critique	‘Monetarism’ (Maastricht criteria, monetary unification; EMU) ‘Fiscalism’ (fiscality, fiscal compact; no unitary fiscal policy; debt, budget)	Workers’ Party (2014), Communist Refoundation Party (2001), Democratic Party (2018), 5SM (2018), United Left (2000)
6) “Missing Social Europe” critique	‘Social dimension’ (social pact; social justice, more social protection, fairness, solidarity, ecology) ‘(In)equality’ (inequalities, power difference, more developed vs less developed member states)	United Left (2019), Party of democratic socialism (1998), The Left (2021), Europe Ecology-The Greens (2012), Conservative party (1992), Levica (2019), Portuguese Communist Party (2002), PODEMOS* (Iglesias, 2014), United Left* (Anguita, 1992), Syriza* (Varoufakis, 2014)
7) “Revisionism” critique	‘Reform’ (revision of the Maastricht framework, calls for reform)	League (2018), United Left (2000), Alliance 90’/Green (1998), We can! (2020), Conservative party (2015)

Source: in the text.

Figure 6.1: Populist parties' references to Maastricht Treaty



Source: Table 6.1.

The initial mapping of the categories reveals a certain level of consistency of the critiques across time and the political spectrum, indicating their broad relevance beyond spatiotemporal ties and ideologies. Also noticed are some clustering and the emergence of full spectrum of critiques around the critical junctures, such as: 1) during the signing of the Maastricht Treaty; 2) implementation of the monetary union in the late 1990s, followed by references to the failed attempts to pass the constitutional treaty in the 2000s; and 3) especially post-2014 (following the eurozone and refugee crisis periods), which is in line with the literature that highlights the EU's growing politicisation on and across different spaces and levels (national and supranational) in this period.

### *Constructing the logics*

After having established the main themes of the Maastricht discourse and respective trends in three waves of criticism, the focus in this section is to examine the identified categories of critique and seek to evaluate the populist practices within them more closely. While the intention is to assess populist tendencies in the Maastricht discourse, other logics are identified as well that help illustrate the broader picture of its construction. Below, we move on to analysing the logics which “organize and affectively imbue the contents of the discourse” (Flitcroft, 2021: 90).

#### *“Gigantic supranational body” critique*

This category of references mostly refers to either earlier periods of the Maastricht discourse or the most recent waves of crisis in the EU. The uniting theme here is the focus on nodal points of ‘sovereignty’ and ‘amalgamation’, whereas the common message is the need to re-establish the centrality of the national level of decision-making. In this sense, we find critiques grouped around the regime of EU supranationalism, which is being directly challenged, particularly the social logic of its centralisation. Multiple equivalential logics put forward are directed to the creation of an “EU superstate” (Flemish Interest, 2014, 2019), “Brussels” (Conservative Party, 2015) or “European Central Bank” (Podemos, 2015) as being synonymous with the elites and hosts of the EU supranational body, which stands in opposition to sovereign nation states. This is quite apparent with Alternative for Germany from 2017 that viewed the Maastricht Treaty as the moment when “the political elites have taken steps to permanently transform the EU into a centralised state”, while

“The Schengen, Maastricht and Lisbon agreements illegally interfered with the inviolable sovereignty of the people”. As noted, political logics can be used to describe practices which seek to draw equivalences or differences between elements of groups, while utilising concepts of fantasy, enjoyment, or lack, by way of fantasmatic logics, to account for the ‘grip’ or ‘force’ of these prior logics (Flitcroft, 2021: 95). In this category, we can establish the strong presence of fantasmatic logics, which influence the way the EU’s social regime is being contested. A horrific dimension of *fantasma* prevails, revealing a sense of the dire and negative consequences of the EU’s undesired development following since the Maastricht Treaty. The Dutch Socialist Party argued in 1994 that the Maastricht Treaty represents “the devaluation of our country into a powerless province of an undemocratic European superstate”, clearly establishing a fear that any further development of the EU’s supranational model would come at the expense of the member states, solidifying strong feelings of resentment. Similarly, Flemish Interest (2014, 2019) described the Maastricht Treaty as “the evolution towards a totalitarian EU superstate”, while the Reformed political league (1994) rejected any further developments towards a federal Europe, stating that “it is to be feared that a federal sham construction will not take into account historically developed cultural and religious differences between the countries and the peoples of the EU”. These references point to the dominant lack of trust and overriding feeling of fear and uncertainty, establishing the Maastricht EU as a source of threat to people across the EU and their countries’ national sovereignty.

### *“Neoliberal” critique*

The second category is firmly rooted in what Howarth and Roussos (2023: 318) label “discursive articulations whose objective is to overcome the hegemony of neoliberal logics”. Hence, focus is given to the social regime of neoliberalism, which regulates the legitimacy of ideas and structures social relations. Here we see a permeation of references to the uncontested, neoliberal nature of the Maastricht Treaty as well as to further EU treaties. The German party The Left (2005, 2017, 2018, 2019) is among the parties most consistently referencing this element of Maastricht, arguing that the treaty had “inscribed neoliberalism on the foundations of the EU”, setting a strong neoliberal orientation concentrating on the free movement of capital and competitive advantage of economically robust countries. With this, they call for “a fundamental social and democratic alternative to this neoliberal

EU: with new treaties, new structures, new hopes”. Political logic drawing equivalence between the people as those suffering the costs of the neoliberal project of the EU is observable. In this regard, the Spanish Popular Unity (2015) declared that “the goal is to overcome the depression caused by the neoliberal policies that the citizens of the EU have been enduring”. The overarching message of references in this category is that the EU must transform this neoliberal structure and the ideas underlying it so as to transcend the limitations of the neoliberal framework.

*“EU discontent” critique*

The third category of critique revolves around the nodal points of ‘political alienation’ and ‘anti-plutocracy’, referring to the institutional dimension of the EU and the system of representation that is seen to be flawed. The social regime of the Maastricht EU is understood as catering to the interests of “Technocratic Brussels” (Social, Progressive, International, Regionalist, Integrally Democratic and Forward-Looking, 2007), rather than the people. The political logic of populism is quite evident in this category, with the principal articulation of the antagonistic frontier separating ‘the people’ from ‘the elite’. A chain of equivalence is created among citizens who “want accountability for the decisions taken” (ibid.), the people who have been assigned “a subsidiary role in the service sector and as cheap labour” (Popular Unity, 2015). A case of metonymic representation occurs in the discourse here as the “business community and in particular the large European multinationals” whose interests are the only ones served (Socialist Party, NL, 1994), “the merchants” for whom the current EU has been designed (United Left, 2000, 2019), “oligarchies, fundamentally financial” (Popular Unity, 2015) and the “bureaucrats and corporations” (Human Shield, 2015) or “The Troika” (Popular Unity, 2015) are interchangeably used while speaking of ‘the elite’. In this context, populist logic is employed to interject the EU’s system of representation, as a way of contesting the issue of the political alienation of EU citizens. For example, Croatian Human Shield (2015) stated that “the EU is a project whose goal is not the economic development of member states or development of democracy, but neo-feudalisation and totalisation of the relations in the society /.../ EU is not governed by the elected representatives of the people, but bureaucracy and corporations”. Accordingly, populist logic is used to represent society as being divided into two antagonistically opposed blocs, EU citizens who are not included in decision-making processes, and

the elites, who are made illegitimate since they are solely focused on financial and narrow, self-serving goals. As the Spanish Popular Unity (2015) argued, “we will fight together with other popular forces in Europe for a different political and economic organization, more democratic and not subject to the interests of the Troika”. Other parties, too, echoed the sense of urgency for repairing the system of representation, democratising it and including all those who are seemingly excluded. Notably, while echoing a populist logic, the references in this category offer a ‘softer’ critique of the Maastricht EU as a system that can be made more suitable for meeting the needs of the people. The common message is, as Slovenian Levica (2019) urged, “For Europe, the Maastricht criteria are sacred, people’s lives are fallible. This relation needs to be turned around, and the quality of life of all citizens should be put first”.

*“Democratic legitimacy” critique*

The fourth category is mainly concerned with the nodal points of ‘democratic deficit’ and ‘control’. This critique refers to the issue of democratic support, or lack thereof, as people fail to perceive the Maastricht EU as a legitimate system. This category proved to be ever more relevant in the discourse of political parties across the EU and over the years, with an upward trend of associated references. This issue was already raised in 1992 by the Spanish United Left whose leader Anguita had criticised a decision of Spain, and other member states, not to hold a referendum on the Maastricht Treaty, claiming that it was a “basic informative element for the population”. With issues not being resolved, much stronger criticism has emerged in recent years, such as from the Flemish Interest (2019) which announced that “the EU is indeed not a democratic project. All extensions of powers and territory were forced upon us in an undemocratic manner”, or the Italian League (2018) who marked the EU as “devoid of true democratic legitimacy and structured through a sprawling bureaucratic structure that dictates the agenda for us”. Similar tropes like in the previous category are used, all together indicating decreasing support for the EU project. The political logic of equivalence is employed once more to simplify the social regime of the Maastricht EU, as being separated into two camps, ‘the people’ who have had no say in the regime’s construction, and ‘the elite’, who are understood to be undemocratic, illegitimate, and alienated from the mentioned people. Significantly, signifiers like “control” (The French Communist Party, 1993; Ecologists, BE, 2010), “hostage” or “black-mail” (Popular Unity, ESP, 2015) and “position of a colony” (Human Shield,

CRO, 2015) are also used in this discourse, articulated alongside other elements to add an affective charge to their claim of the democratic deficit of the social regime. Elements of fantasmatic logics can thereby be found as well.

*“Economism” critique*

The fifth category focuses on the nodal points of ‘monetarism’ and ‘fiscalism’. Again, this critique examines the social regime of the Maastricht EU rooted in the social logic of liberalisation of the market and the logic of monetarism. The overriding focus is dedicated to the way the EU’s economic doctrine has permeated the system, in ways that would not have occurred on the state level. In particular, the critique is centred on the disparity in the way the common monetary policy was left without a correlating unitary fiscal policy. As the Spanish United Left (2000) noted, this construction “would generate regional imbalances, impossible to correct”, as were indeed visible at the time of the eurozone crisis and explained in the previous chapter. In recent years, the Italian MS5 (2018) also raised some issues concerning the Fiscal compact, describing it as “an illogical and contradictory concept, /.../ foolish to entrust it with the reduction of public debt”. Here we may observe the logic of equivalence being employed as a way of dismissing the existing social regime. This category especially refers to the critique of the state of affairs in the EU and illustrates the social logics at play – most notably, the previously explained hybridity of EU policy and the ‘financial dilemma’. A very important aspect here is the reminder given of the structural issues of the Maastricht Treaty, as echoed not merely by academics and practitioners but by a range of political parties.

*“Missing Social Europe” critique*

The sixth category is structured around the nodal points of ‘social dimension’ and ‘(in)equality’. According to Laclau and Mouffe (1985), discourses are constructed by the drawing of political frontiers between differently positioned social subjects via the exercise of power, whereby certain elements are included in a discourse or political project while others are not. This critique therefore focuses on the missing elements of the Maastricht discourse – that is, the social dimension of the EU project, which appears to be lacking. As Stavrakakis (2004: 257) argued, popular positionality can exist if a discourse divides society “between dominant and dominated, /.../, the system of equivalences should present itself as articulating the totality of a

society around a fundamental antagonism”. We see the formulation of chains of equivalence regarding this issue building up from early on. In 1998, the German Party of democratic socialism established that “the EMU based on the Maastricht Treaty and the so-called Stability Pact is accompanied neither by a social union nor by an active European labour market policy”; thereby detecting a one-sided orientation to monetary stability and increased capital gains. This led them to argue that “the political union decided upon with the Maastricht Treaty must have social, civil, and ecological content. We want an open Europe and will resist all attempts to seal off the EU from the south and the east or create power-political divisions with concepts of a ‘core Europe’”. The Portuguese Communist Party (2002) referred to the Maastricht Treaty as establishing political, institutional and economic constraints and essentially leading to an arrangement in which “more powerful and developed countries intend to reduce their contributions and carry out institutional changes unfavourable to smaller countries, such as Portugal”.

Likewise, Podemos leader Iglesias declared in an interview in 2014 that many mistakes were made in the creation of Maastricht that have caused a “Europe of inequalities where we find ourselves as Berlin’s colonial subjects without social rights”. The Spanish United Left (2019) viewed the Maastricht Treaty as not having contributed to a democratic architecture but, “quite to the contrary: it has favoured the maintenance of the current international disorder, inequalities, war and lack of protection for the peoples who demand social justice”. Germany’s The Left (2019) echoed the broader message as follows “we are committed to this future together with social movements, with trade unions, with the European Left and other parties. Trade unions and movements, the commitment to the climate, to democracy and women’s rights and against racism show everywhere: together we can change Europe”.

Detecting the political logics at play thus allows us to assess equivalent chains made among people demanding social, civil, and ecological rights, people from less developed member states, members of trade unions and social movements. The logic of equivalence is achieved by creating an antagonistic schism between this chain and the opposing one: namely, the people are articulated as being in some way oppressed, frustrated, or blocked by the elites, which in this case are the institutions of the Maastricht EU or the more developed, richer member states. This means that in this category we can also find populist logics being employed, albeit not as strongly: the elites are not so unified, but appear through different subject positions, on different

levels, from the identification of certain economic actors as beneficiaries of the system which lacks a social dimension through to references made about more powerful member states as the core of the EU elite. Nonetheless, we see very steady use of signifiers like “justice”, “inequality”, “dominance”, “solidarity”, which stabilise the antagonistic frontier separating the two camps, yet also play a role in ‘gripping’ the subject. In this sense, we can detect both beatific and horrific fantasmatic logics in this category.

*“Revisionism” critique*

The final category is centred around the nodal point of ‘reform’ with references calling for the EU social regime to be transformed to the one existing before Maastricht, or to a more progressive, forward-looking form appropriate for the challenges of today. A partisan division is more obvious here as more right-leaning parties advocate a return to pre-Maastricht status, such as the Italian League (2018) that called for the return to the “form of free and peaceful cooperation between states of a purely economic nature” or the UK Conservative Party (2015) that in the build up to Brexit argued for “powers flowing away from Brussels, not to it. We have already taken action to return around 100 powers, but we want to go further”. In both cases, we see the political logic of difference being used, underpinned by appealing to an alternatively projected social regime, one in which the influence of EU institutions would be narrower, with the system being based mostly on economic relations, like was the case prior to the Maastricht Treaty, thus breaking any equivalent chains among the member states.

On the contrary, left-leaning parties promoted greater cooperation and quite a progressive reform of the Maastricht Treaty. In 2000, the Spanish United Left called for the “communitisation of matters related to the Schengen Agreement, the Dublin Agreement and the Maastricht Treaty”, whereas German Alliance 90’/Green (1998) for a triad of EU reforms “democracy – social ecology-Europe as a whole”, and the Croatian We Can! (2020) for a reform of the EU such that “the influence of citizens on European politics would increase while the impact of corporatist lobbyists and technocrats would decrease /.../ the goal is to achieve balanced development of states at the centre and states at the periphery through reforms of the EMU and adjustment of the Maastricht criteria and further fiscal integration”. Here, we can observe the political logic of equivalence, appealing to a project which ought to be more communal, more equal, more social, thereby establishing

chains of equivalence between a variety of groups which create the EU social regime together. Common to both types of articulations is the view that something has to change – the EU is not functioning properly and needs to be reformed.

## **Discussion and concluding remarks**

This chapter set out to identify and understand the way the Maastricht Treaty has been depicted by political parties in the 30 years since its creation. This was done against the backdrop of studies researching the treaty as a watershed moment in European history – with its vision of an ever-closer Union causing a rift in the stability of the EU integration process. Growing Euroscepticism, the unprecedented surge of populist parties and deepening politicisation of the EU integration are all shown to stem from Maastricht in one way or another. The chapter reveals just how contested the concept of populism is: associated with ambiguity and ever wider application which, in the European context, has mostly entailed examination of exclusionary, right-wing populist parties. These parties are understood to be the main drivers of Euroscepticism and seen as a threat and disruption to the way the EU is functioning.

Our analysis aimed to overcome the narrow understanding of populism and its relationship to the Maastricht Treaty. To this end, we started by conceptualising populism as a political logic set around two main elements: people-centrism and anti-elitism. This is in line with PDT's logics approach that engages in a critical examination of three types of logics: social, political and fantasmatic. In this context, populism is only one type of political logic, while any explanation consists of several logics that must be linked together to provide a critical explanation. The chapter thus contributes to the understanding of populism as a political logic which organises discourse in a particular configuration in which the contextual social regime must be uncovered and other political and fantasmatic logics accounted for. The presented analysis thereby brings more nuanced reflections on the contestations surrounding the Maastricht Treaty beyond discarding them as necessarily pejorative to the EU integration process and inherently Eurosceptic.

We detected seven categories of critique: 1) "Gigantic supranational body" critique; 2) "Neoliberal" critique; 3) "EU discontent" critique; 4) "Democratic legitimacy" critique; 5) "Economism" critique; 6) "Missing Social

Europe” critique; and 7) “Revisionism” critique. Each category was analysed to help identify a series of logics that attempt to describe a given discourse, in our case a wider Maastricht discourse. At the same time, each category can be understood as its own discourse, focusing on particular elements of the Maastricht debate. In order to produce consistent and coherent explanations, the identified logics have to be articulated as part of a constellation. For each category we had to depict how a particular set of logics operated and why, with this contextualisation being important because logics themselves are mediated in their linking. Hence, we focused on context-specific logics, and how articulations crisscross logics to create a more substantial discourse.

In the first category, the social regime of the EU’s supranationalism, with its social logic of centralisation, has been contested by political parties employing political logics of equivalence in which sovereign people, sovereign nation states, are pitted against the EU superstate. This antagonism is deepened by relying on horrific fantasmatic logics, which gripped the subject as the ‘victim’ of the unstoppable EU machine, that is undesired, resented and not trustworthy. The use of fantasmatic logics is very prevalent in this category since the goal is to add the sense of danger and therefore justify the need to contest and challenge the existing regime. Items in this category occur around the time of adopting the Treaty and in the reflections upon its ‘flawed structure’ after the crises.

The context of the second category is the perceived hegemony of neoliberal logics, seen as unchallenged and appearing as a ‘natural’ rationale for the EU, to the disdain of its citizens. Thus, this regime is contested through political logics of equivalence, grouping together all the people in the EU suffering the consequences of the neoliberal orientation established by the Maastricht Treaty. For Laclau and Mouffe (1985), hegemonic discourses always have an opening, while in moments of dislocation there is an opportunity to shift the discourse. In this category, we exactly see these persistent and consistent articulations objecting to the EU’s neoliberal framework, and the critique is steady and independent of populist tendencies. Populist logics are, however, easily identified in the third category. Here, the social regime of the Maastricht EU is set to be target of the chain of demands created among ‘the people’ who demand accountability and proper representation. ‘The elites’ are viewed as being detached, they are business actors, bureaucrats and corporations, self-serving, and thus alienating the people from decision-making processes, neglecting their interests.

Democratic legitimacy has also been a shared objective of political parties, with the fourth category of critique pointing to the lack of democratic control via national referendums or vetoes. Again, a chain of equivalence made between the people demanding greater transparency and control and the elites, who are illegitimate and detached. The fantasmatic logics here relate to the political logic in that they form a sense of entrapment – the people of the EU have no say and are effectively being held hostage by its undemocratic regime.

*Table 6.2:* Interplay of the logics and key antagonisms

	<b>Social regime</b>	<b>Political logics</b>	<b>Fantasmatic logics</b>	<b>Key antagonisms</b>
Gigantic supranational body critique	Logic of centralisation	Logic of equivalence	Horrific dimension	Totalisation of decision-making having transformed the EU into centralised state since Maastricht
Neoliberal critique	Hegemony of neoliberal logics	Logic of equivalence	/	Neoliberal orientation of the EU inscribed by the Maastricht Treaty
EU discontent critique	System of representation	Logic of equivalence	Horrific dimension	Representation skewed; interests of the elites prevail
Democratic legitimacy critique	Decision-making process	Logic of equivalence	Horrific dimension	The EU as an illegitimate system, lack of popular support
Economism critique	Logic of liberalisation of the market & Logic of monetarism	/	/	Primacy of the economic doctrine as the root of problems, context of the eurozone crisis
Missing Social Europe critique	Absence of the social dimension of Maastricht	Logic of equivalence	Horrific and beatific dimensions	A Europe of inequalities, onesided orientation to monetary stability and increased capital gains
Revisionism critique	Maastricht EU	Logics of equivalence & difference	Horrific and beatific dimensions	Polarisation, nationalism on one side, radical utopia on the other

In the fifth category, we can detect contestations revolving around the social logic of liberalisation of the market and the logic of monetarism. The logics of difference are employed with the aim to discard the existing social regime. This is a critique of the state of affairs in the EU exposing the social logics solidifying the EU's economic doctrine. The sixth category explores the fragility of the regime, focusing on the missing dimension of social protection and justice. Chains of equivalence are once more steadily formed, with parties calling for the creation of social union, one in which social, civil and ecological rights will be accounted for. The antagonism is again made between the people, especially those from less developed and smaller EU member states, and the elites that deprive them of social rights. Populist logic is present, further strengthened by the fantasmatic logics operating on both fronts, as a beatific one echoing the potential of a just and social Europe, and a horrific one showing the consequences of the lack thereof. The final category stands for the most general discourse, concentrating on reform of the social regime that is the Maastricht EU. Some parties employed the logic of difference to reject a deeper sense of integration and instead require a looser type of economic cooperation. Others established the logic of equivalence to draw groups together while advocating for a more communal, equal and connected EU.

Overall, the Maastricht Treaty discourse clearly entails a varied and complex combination of radically contingent elements signified and assembled in different ways. Political parties employ various logics to respond to particular social norms established by the Maastricht EU regime. In this sense, populism is only one of many different political logics utilised. Further, populist logic was also observable with political parties not typically perceived as populist. Moreover, even for those traditionally categorised as right-wing populist parties, references to Maastricht were quite nuanced and varied, without exhibiting the exclusionary narratives usually attached to them. While talking about their project of radical democracy, Laclau and Mouffe (1985) argued that although actors aim to challenge social regimes and offer alternatives to the hegemonic structures, their goal is not "to renounce liberal democratic ideology, but on the contrary to deepen and extend it in the direction of radical and plural ideology".

To apply this rationale to our case, we may argue that whilst the Maastricht Treaty drew the most negative references from political parties (pointing to its failures or omissions), they never fully renounced the EU as such.

Instead, they showed an interest, to varying extents, in overcoming whichever limitations of Maastricht they deemed to be the most pressing. For parties on the right, this meant a focus on the issues of sovereignty, control or the legitimacy of the institutions and decision-making processes, while with parties on the left most attention was paid to social issues and establishing solidarity and justice for all EU citizens. Concerns regarding democratic legitimacy, political alienation or plutocracy were equally shared by political parties across the board. Most of all, it is evident that the issues which have not resolved in the years since the signing of the Maastricht Treaty continue to haunt the EU – pointing to consistency and moderation in the criticisms. Issues brought up were never isolated instances relevant to just one member state or political party, but systemic issues holding consequences for all member states. The goal should be to achieve a more sympathetic reading of the various references and criticisms regarding the Maastricht Treaty given that most were not without merit. Discarding these appeals as simply Eurosceptic or populist does little for the robustness and efficacy of the way the EU functions. The lesson of Maastricht therefore highlights the need to understand how to navigate and properly assess the variety of voices while avoiding oversimplifications and generalisations.

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## **Chapter 7: The Nationalist-Conservative Far-Right and the Challenges to Neoliberalism on the Eastern European Periphery**

Ana Podvršič

The 2007–2008 global financial crisis triggered major political splits in Central and Eastern European countries (CEECs). In two countries of strategic importance for European transnational capital, Poland and Hungary, far-right parties have taken over power. The Fidesz – Hungarian Civic Alliance (*Magyar Polgári Szövetség*) won a supermajority in Hungary at the 2010 elections and has since been steadily ruling the country. In Poland, since 2015 the Law and Justice (*Prawo i Sprawiedliwość*, PiS) party has been leading the ruling coalitions. Yet, this was not the first time these two parties came to hold office. Both had led the governments already during the countries' integration into the EU. Still, between the pre-crisis and post-crisis mandates, the two parties underwent a major transformation. Whereas before the crisis, they had obediently followed the recommendations of the European Union (EU), after the crisis, they have become known as the leaders of the 'illiberal turn' that is threatening and undermining the established European values of liberal democracy and cosmopolitanism.

A large share of studies on far-right parties has focused on the political dimension of their governance; namely, the infringements of liberal democracy and the media, undermining of the rule of law, and implementation of xenophobic migration policy (for instance, Rupnik 2017, Stanley 2019; Havlik and Hloušek 2021; also see a recent special issue of *Politics and Governance* edited by Dobbins and Labanino (2023) on the relationships between far-right parties and civil society actors). However, this chapter focuses on the socio-economic dimension of the governing practices and discusses similarities and differences in the accumulation strategies and class projects of the two far-right parties. By adopting this perspective, it joins the still

somehow marginal yet vibrant field of studies on the political economy (e.g., Toplišek 2018; Bluhm and Varda 2018; Becker 2018; Bohle 2018) of far-right parties and contributes to the current debates by contextualising the policies of PiS and Fidesz as part of the dependent development of the European industrial periphery and the subordinated alliance with transnational capital.

In the chapter, special attention is paid to analysis of the Hungarian case. When Janez Janša became the Prime Minister of Slovenia in early 2020, comparisons of the Slovenian Democratic Party with Fidesz became common in public debates not just in Slovenia, but also on the international level. This chapter aims to challenge such straightforward parallels between the two parties by looking at the underlying class projects of Fidesz and PiS. Relying on national-conservative economic thinking and socio-economic policies that to a certain extent break from the neoliberal dogma, both denounced the pre-crisis form of dependency and proposed an alternative dependent development strategy. Whereas Fidesz's conservative bourgeois denunciation of the pre-crisis dependency remains an exclusively elitist anti-poor project, PiS' recomposing of the ruling social bloc is much more encompassing and based on inter-class alliances, including important segments of poor and working classes.

## **Crisis and development on the periphery**

The starting point of our analysis is the theory of socio-economic crisis as a specific historical juncture that creates an opportunity for a developmental, i.e., socio-economic and political, change (Gramsci, 2011: 249–259). Crises vary in their intensity and their consequences for social development. A milder form of economic crisis can be solved within the existing regime of accumulation and corresponding regulation. The accumulation regime impacts social reproduction and requires a suitable collection of regulations, i.e., a set of historically established social and legal norms called structural forms. Among Marxist regulationists, the wage relation, form of competition, and monetary constraints are key structural forms that have evolved through class struggle and define a particular mode of regulation. The state plays a central role in the formation of such regulations (Hirsch, 2014: 54–56).

When the forms of accumulation and corresponding regulation in place thus far are put into question, a major or great crisis occurs. This crisis erodes and possibly weakens the existing power bloc and forms of representation

(Amable and Palombarini, 2009). The rhythms of the economic and political spheres do not necessarily coincide. In a great economic and political crisis, struggles over the strategic selectivity of the state, i.e., “the ability of various political forces to pursue particular interest and strategies ... through their access to and/or control over state capacities” (Jessop, 2002: 40), and the regulatory scales are typically quite acute. A political crisis therefore manifests as heightened competition for dominant positions, political projects and accumulation strategies, as well as for the formation of new ruling social blocs. The struggles, political compromises and their institutionalisation have important spatial dimensions and impacts on the actual scales and the spread of state functions and decision-making powers (Hirsch, 2014: 66–74).

Historically, the eruption of a crisis in the core countries has given peripheral countries the possibility of altering their relations of dependency vis-à-vis the core. The concrete forms of dependency are not fixed in time and space. Instead, “[t]he expansion of capitalism produces special situations of dependency. The interplay between internal and external forces ... led to particular social formations with particular classes and forms of states” (Weissenbacher, 2019: 25). The actual ‘situation’ or ‘form’ of dependency is the result of the historical configuration of the internal relations between the state, classes and production and the international dimension of the unequal division of labour. The relationship between foreign and national capital representatives can accordingly take different forms, from strategic coalitions to open conflict and partly challenged subordination. Except in a colonial situation, there is always a certain space for policy manoeuvring on the periphery (Cardoso and Faletto, 1979).

This means the actual social and political forms and mechanisms of core–periphery relations vary in time and space. Towards the end of the last century, when the CEECs re-integrated into the world economy following the collapse of socialist regimes and COMECON, two mechanisms of dependency dominated. The first was driven by foreign direct investment and led by “multinational corporations which began to invest in industries geared to the internal market of underdeveloped countries. This form of dependence is basically technological-industrial dependence” (Dos Santos, 1970: 232). In the last few decades, neoliberal policies have also encouraged a new wave of internationalisation of financial capital and related economic financialisation. While the core countries have experienced the growing importance of fictitious capital (in the composition of their

GDP), interest-bearing capital (credits) has become vital for countries of the global (semi-)periphery. Dependent financialisation, based on credits in foreign currency, is further adding to the vulnerability of the periphery and its exposure to changes in capital accumulation on world markets (Becker and Jäger, 2012).

However, neither dependent financialisation nor integration into the networks of multinational corporations (MNCs) has offered the possibility for the self-sustained development of countries on the periphery. In fact, quite the opposite, the Latin American dependency authors have warned against the social polarisation and disintegration created when MNCs dominate (Sunkel, 2016). Although transnational capitalism has brought “more dynamic forms of dependence [and] greater degrees of manoeuvre to the national states and to the bourgeoisie locally associated to the state and to the multinationals” (Cardoso, 1977: 20), it also tends to differentiate class relations more intensively and produce new structural divides not only between the classes but also within them. The periphery’s integration into the production networks of MNCs has led to the possibility of the industrialisation and development of productive forces, along with an increase in wealth in certain sections. However, this has come at the price of growing polarisation and disintegration. The material and social advantages of the integration remain limited to those sectors directly integrated into the MNC networks; in contrast, those domestic sectors and groups not directly connected to the MNCs remain ‘underdeveloped’ and excluded from the gains of dependent development.

The structural divisions between the ‘integrated’ and ‘non-integrated’/‘marginalised’ sectors not only refer to the relationship between the social classes but also within them. Internal structural fragmentation holds considerable political consequences. On one hand, lacking direct access to global networks and consumption, the domestic bourgeoisie on the industrialised periphery tend to rely more significantly on the state’s direct support to increase its market shares and eventually compete with MNCs. On the other hand, “[i]f the capitalist pattern of development in industrialised dependent countries pushes toward internal fragmentation and inequalities, values related to national integrity and social participation might be transformed into instruments of political struggle” (Cardoso, 1972: 95).

Historically, the nationalist-conservative paradigm was among the most powerful socio-economic ideological backgrounds used by the state and

(the factions of) the local bourgeoisie on the periphery to legitimate and frame the catch-up strategies. National-conservatists are traditionally sceptical of the advantages of free markets and competition and highlight the state's central role in shaping and directing socio-economic development (Chang, 2002). Consequently, the principles of state-building and governance and the economic and social policies diverge substantially between the neoliberal and national-conservative paradigms. Whereas the former favours rule-based, technocratic governance preventing any distortion of 'free competition', national conservatism emphasises the need to re-politicise the economic agenda and decision-making process (Becker and Smet, 2018). In contrast with the neoliberal push for the state to retreat from the economy, the nationalist-conservative state should actively use its powers to allocate resources and organise production in the national economy. Control over finance and other strategic sectors, such as energy, industrial policies and various instruments for 'making the prices wrong', form the core of national-conservative state interventionism as they support the development of domestic capitalist factions and offer protection from the core states and international competition.

At the same time, 'a new brand' conservative welfare state is supposed to play the central role in reproducing the 'nation' (Bluhm and Varga, 2019: 2–3). Conservative social policies chiefly aim to strengthen the patriarchal gender roles and heterosexual family model of the majority of the population. They could take the form of more or less direct discrimination of any social group that does not fit in the 'nation', i.e., ethnic minorities, the LGBTQI community, migrants etc. Finally, in the post-socialist European context, the preoccupation with the well-being of the 'nation' in nationalist-conservative thinking has been combined with authoritarian, party-state building projects, "casting the ideal economic policy not just as a matter of strengthening the nation, but also of combating the heritage of a socially unjust (communist and post-communist) state" (Bluhm and Varga, 2019: 4). The following sections explain how Fidesz and PiS have relied on the national-conservative paradigm to politicise and capitalise on the dissatisfaction of 'marginalised' domestic capital and workers with the dominant form of development along the Eastern periphery, as well as to advance alternative socio-economic policies.

## **Neoliberalisation under the European enlargement and FDI export-oriented low-wage dependency**

European integration has played a key role in the dependent integration of CEECs into the networks of European MNCs. European eastward enlargement formed part of the mid-1980s neoliberal turn of the European order (cf. Ivanova, 2007). The main thrust of the European enlargement strategy “was to secure the liberalization and deregulation of CEECs’ political economies” (Bohle, 2006: 69). Whereas the European core countries were reluctant to “extend the policy areas that would make CEECs’ transition and adaptation easier – like substantial financial aid, free movement of labour, or liberalisation of agricultural trade” (Bohle, 2006: 69), the post-socialist candidate countries were forced to liberalise their domestic markets before gaining membership. They were also required to enter the EMU and, in so doing, to accept the European common currency, which placed additional pressure on public expenditure in general and particularly on social expenditure (Myant and Drahokoupil, 2011: 92).

Based on a combination of neoliberal socio-economic policies and rule-based governance, the enlargement strategy encouraged the establishing of a particular dependent development, the form of state and related strategic selectivity, and accumulation regimes in CEECs. The accession conditions strongly limited, if not completely blocked, any chance of recovery on a self-sustained basis that would favour the restructuring of domestic production. Instead, foreign demand and capital (coming from the core) were assigned primary roles in sustaining the convergence process of the Eastern countries with the old EU member states. “The Eastern enlargement ... has also been designed as part of the neoliberal economic model, which perceives integration as the extension of markets and the creation of new secure and profitable areas for capital mobility, with little concern for social cohesion” (Onaran, 2011: 214). By the end of the 1990s, all CEECs (except Slovenia) had adopted FDI-led and export-dependent accumulation strategies. In the years prior to the outbreak of the global financial crisis, most of their manufacturing and banking sectors were under foreign control. Once the market capture as the overriding motive of FDI was exhausted, cost-cutting was the primary reason for relocating production to the East (Drahokoupil, 2008: 87–113; Ivanova, 2007: 365).

Within the common framework of European dependent development, one can distinguish two regimes of accumulation, one based mainly on dependent financialisation (Baltic countries and South-East European member states) and the other (Visegrád countries and Slovenia) chiefly based on dependent industrialisation (Becker, 2013). Especially the countries of the Visegrád group were put in a position of needing to fiercely compete for foreign investors and subcontracting arrangements. Given the similarities in their industrial structures and dependency on foreign capital inflows, states were forced to adopt FDI-friendly policies. Deregulation of labour markets, keeping wage growth below productivity growth, low (corporate) taxes, significant state subsidies and tax incentives for foreign investors, and the related ‘downsizing’ of welfare provisions were among the key policies that the national governments used to make these countries more attractive to foreign investors. The consolidation of the FDI-dependent, export-oriented industrialisation model therefore went hand in hand with the formation of the ‘liberal-competition states’ led by an alliance between domestic technocratic state leaders and the representatives of transnational corporations (Drahokoupil, 2008).

It is worth mentioning that the pivotal pressures to deregulate the labour market did not come directly from the representatives of foreign capital. In the view of MNCs, “relative wage levels are low enough ... to take a tolerant attitude towards established employment practices” (Drahokoupil and Myant, 2017: 46). More often, it was “domestic business that appears to carry political weight belying its relative failures on the business front and this has provided a broad base for pressure for more substantial reductions in employee protection” (*ibid.*). The MNCs gained substantially from these low-wage and low-tax environments, although they did not push for any general deregulation agenda. Instead, they mainly pressed only regarding specific issues that served their immediate interests. The pressures of foreign and domestic capital were thus combined, leaving little scope for a developmental state role that would support the innovative domestically owned businesses and encourage the more equal redistribution of wealth among the population.<sup>1</sup> Despite its limited economic role, domestic capital without any

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1 The notion of a developmental state finds its roots in debates on the possibilities of industrialisation of the world periphery, directly or indirectly subordinated to colonial powers. Given the lack of domestic capital and the labour surplus, the state was considered to be playing a key role in the organisation and coordination of the industrialisation

direct access to world markets nevertheless played an important role in the dependent trajectories. According to Myant (2018: no pagination), “domestic business was important politically as part of an emerging higher-income group and hence in influencing the policies that shaped the environments... It contributed to the consolidation of the right-wing of political life around particularly strong pressure for a small state and low taxes”.

The right-wing forces started to become more important following the outbreak of the global financial crisis. The dependency of the CEECs on foreign capital inflows meant that these countries were very exposed to any change in the capital accumulation dynamics in the core. The emergence of the eurozone crisis further weakened the recovery process as CEECs relied heavily on trade and investments from the core European economies. The GFC brought to the surface the biggest weakness of the European neoliberal technocratic policy package, which has left the CEECs with few instruments available to counter the shock. Vast social layers became disillusioned by the FDI-oriented development, and by the pro-EU liberal forces.<sup>2</sup>

However, the far-right parties are not a homogenous group of political actors. Instead, according to Varga and Buzogány (2021: 1090), one must consider differences in “the constitution, content and varieties of the ideas, ... which help to explain the contrasting political preferences for socio-economic action, institution-building and transnational cooperation”. Among different currents of the contemporary Global Right, the nationalist-conservative thought collective influenced by German emigres like Leo Strauss and Eric Voegelin is especially important for the discussion here. Some governments on the EU’s industrialised periphery started to re-consider the pre-crisis

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process by providing financing, substituting for private entrepreneurship and protecting infant industry from the international competition. Historically, developmental states have often relied on the harsh repression of labour rights to provide a cheap, flexible and disciplined labour force. The Eastern FDI-based competition state is based on the total rejection of a strategically based industrial policy that could set objectives for structural and technological modernisation. Instead, the central purpose of the competition state is to compete for foreign investors. States implement policies that seek to attract foreign capital and retain investors within the locality (i.e., prevent an investment flight) (Myant and Drahoukoupil, 2011: 160–162, 172–175; Drahoukoupil, 2008, esp. Chapters 1–3).

- 2 The outbreak of the global financial crisis was of course not the only reason for changing political preferences. Among others, the altered geopolitical conditions with the increasing presence of China, Turkey and Russia in Eastern and Southeastern regions also played a role.

development strategies by relying on the nationalist-conservative paradigm. This is particularly true for the industrialised and non-eurozone Hungary and Poland (Bluhm and Varga, 2019). During the 2000s, the intellectuals promoting national-conservative ideas became either close or directly involved in the structures of the Fidesz and PiS parties, which had used this paradigm to more or less systematically break away from the European neoliberal template for Eastern Europe.

## **Fidesz's selective break with the pre-crisis dependent development**

In the early 1990s, Hungary took a leading role in establishing the FDI-oriented export- and low-wage-dependent development in the CEECs. The Hungarian government was the only one in the region to opt for a privatisation strategy in favour of foreign investors. This was partly related to structural pressures. At the time, Hungary had incurred high external debt and needed to turn to the IMF's financial assistance and conditionality. Simultaneously, however, the outward-oriented strategy also served the interests of the then dominant social bloc. The "segments of Hungarian elites, most notably financial bureaucrats, industrial managers and economists" (Drahokoupil, 2008: 196) favoured a debt management strategy that left aside the possibility of renegotiating debt obligations with foreign creditors and instead created new market opportunities for foreign investors. The fact the Hungarian economy was among the most internationalised ones in the region meant it was especially exposed to the global financial crisis. Indeed, Hungary was among the hardest hit countries in the early stages of the crisis (Bohle and Greskovits, 2012: 242).

Besides its industrial sector's strong reliance on foreign investment, Hungary experienced intense dependent financialisation in the years before the crisis. The subsidiaries of foreign banks en masse provided cheap loans in foreign currency. Since Hungary was supposed to be joining the eurozone, which in turn would require it to maintain a stable euro-forint exchange rate, these loans were considered to be low-risk. By 2008, the share of foreign currency loans as part of overall household loans had exploded from 5% to 70% over the previous 5 years. In addition, in contrast to many of its Central European neighbours, Hungary's public indebtedness rose substantially in the years prior to the crisis (Bohle, 2018).

Led by the socio-democrat Hungarian Socialist Party (*Magyar Szocialista Párt* MSZP), the Hungarian government was among the first in the region to need to turn to IMF-EU financial assistance. At the 2010 elections, Fidesz won 52.7% of the votes and recorded one of the most stunning electoral victories not only in Hungary but also across Europe. Moreover, the party repeated its initial electoral success at the following 2014 elections and was again re-elected in 2018. The outbreak of the crisis gave the Party an opportunity to capitalise on its long-term efforts to recompose the ruling social bloc and counter the crisis with a national-conservative strategy of domestic bourgeois development.

### ***Pre-crisis polarisation and the mobilisation of nationalist-conservative forces***

The restructuring of public debt was a major issue at the 2006 elections, which the Socialists ultimately won on the promise of ‘reform without austerity’. Yet, soon after taking over power, Prime Minister Ferenc Gyurcsány admitted that he had lied about the actual state of the Hungarian economy and announced a new wave of austerity measures. The public did not provide any safeguard against the effects of the crisis. The forint strongly depreciated, making the repayment of foreign-currency-denominated loans difficult. The Hungarian government sought financial assistance from the IMF, the EU and the World Bank to stabilise its foreign exchange. In exchange for the funds it received, the government implemented strict austerity measures, including cuts in wages and pensions (Fabry, 2019: 171–172).

Against the background of quickly growing unemployment, rising from about 7% to over 11% between 2007 and 2011 (Eurostat 2023), the austerity made the situation for the lower classes and workers even worse. At the same time, the IMF-EU programme did not significantly alleviate the financial burden for large swathes of the middle class that had incurred massive foreign exchange debts. Moreover, it was not the first time that the social-liberal forces had reneged on promises of social protection and instead applied austerity. “As a result, the Socialists and the Free Democrats, who had remained faithful to neoliberalism throughout the crisis, were trounced at the 2010 general elections” (Fabry, 2019: 172). In this context, Fidesz gained a supermajority at elections with promises that the Party would bring an end to corruption while restoring economic growth and public security (Fabry, 2019: 172).

When Fidesz held power between 1998 and 2002 it did not contest the general neoliberal course of the national economy (for the pre-crisis political economy of Hungary, see Bohle and Greskovits 2012). Yet, after the defeat at the 2002 elections, the Party started to strategically express criticism of the dominance of MNCs and to reorient itself towards the urban middle classes and domestic bourgeoisie (Scheiring, 2021; Geva, 2018). Hungary's rapid integration into MNC capitalism under the 'competition state' strongly polarised the country's economy and local representatives of capital. The "neoliberal restructuring did not solve Hungary's economic problems; on the contrary, it led to chronic underemployment, growing polarisation of incomes (both nationally and between different regions) and the entrenchment of poverty" (Fabry, 2019: 170). Due to the limited backward and forward linkages between economic sectors, strong divides have developed between, on one hand, the highly productive and internationalised sectors and related 'comprador' services and, on the other, less technologically sophisticated and profitable domestic-owned enterprises. Hungary was certainly not the only CEEC to face internally disintegrative impacts following its dependent industrialisation under the MNCs; yet, according to Scheiring (2021: 5), this tendency seems to have been much more pronounced in the case of the Hungarian economy.

Indeed, discontent with the dominance of MNCs in the economy and calls for national protection were regularly expressed not only by the representatives of SMEs in the sectors directly hit by the arrival of the MNCs, like retail. The managers of locally owned enterprises supplying the MNCs and the representatives of Hungarian 'big business' also complained about the unfavourable working conditions and unfair competition. "The foreign competition was increasingly felt after the full membership in the EU from 2004, and the impacts could be clearly identified in many sectors. There is a clear increase of anti-European voices" (Palankai, 2010: 70). Following the Party's electoral defeat, members of Fidesz infiltrated the different associations of domestic employers. Given the changing political preferences among the capitalist factions, this infiltration has proven to be quite successful. In the early 2000s, domestic business elites were leaning more towards the left-liberal coalitions; by the end of the decade, however, most big and wealthy capitalists were leaning towards the political right wing (Scheiring, 2021: 5). As Scheiring (2021: 5) stresses, it would be misleading to consider all of these capital groups as 'Orbán's cronies' and inventions. The reasons for loyalty to

the Fidesz party varied. Many domestic capitalists found that Fidesz governments would provide them with more favourable economic conditions and market access.

As mentioned, in the 2000s national-conservative thinkers started to have a greater influence on Fidesz's development strategy. Hungarian national-conservatist activists established thought collectives and provided the ideological background for the Party's upcoming socio-economic programme. The Századvég think-tank, an essential political foundation closely associated with Fidesz ever since the Party was established, "redefined itself in the late 2000s as a 'conservative', nationally oriented organization; it also published the works of leading ideologists of the conservative right, which played a significant influence on Fidesz policy" (Bluhm and Varga, 2019: 4). A typical example of the influence of national-conservative intellectuals on Fidesz's policy is György Matolcsy, a researcher at the Financial Research Institute, who became Fidesz's minister of the economy (2000–2002, 2010–2013) and head of the National Bank in 2013. A self-described 'heterodox' economist with 'national-conservative' convictions, Matolcsy shaped Fidesz's economic policy from the late 1990s on. Although he has not opposed the market economy as such, he has openly criticised the pre-crisis model of Hungary's "competition state". Instead, Matolcsy considered that socio-economic policies should primarily serve the wider goals of the 'national survival', and not seek to increase the country's attractiveness to foreign investors (Varga, 2020: 213). "Borrowing boldly from Wallerstein's World System Theory, Matolcsy called for 'financial nationalism' and subordinated Hungary's Central Bank to the government to make it a part of the Hungarian national state" (Varga and Buzogány, 2021: 1098). In fact, together with László György, another prominent economic adviser to the Fidesz party, Matolcsy openly admired East Asia's experience, notably the Chinese one, for its developmental statism and state interventionism in the economy.<sup>3</sup>

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3 Soon after the 2010 elections, the Fidesz party announced the 'Eastern opening strategy' ("Keleti Nyitás"), aiming to diversify Hungary's economic linkages and to obtain new loans and investments from the big economies in the 'East', including China. Hungary has been the biggest supporter of China's initiatives over the last decade (16+1 cooperation, Belt and Road Initiative). However, China's investments have remained quite small and nowadays Hungarian trade is still mostly conducted with the EU and the USA. "The inexperienced Hungarian diplomacy misunderstood the Chinese interests in CEE entirely. Instead of financially assisting Orbán amid his 'sovereignty fight' against the EU ... Beijing was simply interested in getting access to the European markets. The most important

Parallel to its rising support among domestic capitalists, Fidesz also strategically worked to build a conservative-nationalist “integral state” (cf. Greskovits, 2020). After losing the elections in 2002, Orbán called for a new civil society movement, which led to the establishment of the Civic Circles Movements. Radicalised and engaged, the educated, conservative middle class formed the core of the Movement’s activists who gained a widespread influence in Hungarian civil society well before the victory of Fidesz-MPSZ at the 2010 elections. The movement soon became a massive organisation whose membership may be compared to that of trade unions or employees and volunteers of the non-governmental organisation. As Greskovits noted, “the movement helped Fidesz to establish its foundations in civil society, consolidate its core electorate, reform its organization, revitalize its apparatus, and catch up with and then outpace the MSZP in using effective campaign technologies” (Greskovits, 2020: 262).

### *Escaping the IMF-EU cage with a heterodox stabilisation approach*

After returning to power in the midst of the financial crisis, the Fidesz government sought to negotiate a new loan agreement with the IMF. However, the negotiations eventually broke down as neither the IMF nor the EU accepted Orbán’s government strategy of generating revenues, reducing the budget deficit, and relying on active monetary policy. Departing from the neoliberal privatisation-deregulation-liberalisation triad, the first ‘crisis’ Orbán government (2010–2014) managed to stabilise the economy and escape the pressures of the international financial markets while transferring some of the costs of the crisis to foreign MNCs.

Managing the debt and deficit was essential to escape the IMF-EU financial ‘cage’. After taking power, the government immediately re-nationalised the private pension fund with about USD 14 billion in assets (mostly denominated in foreign currencies), shares and properties. In addition, various ‘crisis taxes’ on large businesses in banking, retail, telecommunications and

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Chinese investments, the acquisition of chemical raw material manufacturing company (BorsodChem) by a Chinese group, and the expansion of Huawei in Hungary, were decided well before the Orbán government came to power in 2010” (Zgut-Przybylska 2022: 12). A more significant external diversification took place, however, in Poland. By 2016, the country had become the biggest trading partner of China in the CEECs. Poland was also the first European country to issue a government bond to China (Toplišek, 2018: 9).

energy have been introduced. About 1.2% of GDP was collected from the banking system via bank transaction taxes and a special bank levy (Ban and Bohle, 2021: 12). Nonetheless, the Orbán government used the crisis as an opportunity to cut public funding, especially targeting those sectors and areas in which its political opponents prevailed, like the universities (Johnson and Barnes, 2015).

At the same time, the government shifted the costs of the higher interest rates to the (foreign) banks. The below-market exchange rate scheme for debtors forced swaps of foreign currency loans into the local currency and compensated for the unfair interest and exchange rates. This considerably relieved the debt repayment burden from the indebted middle class (Ban and Bohle, 2021: 12). According to the EBRD, these preferential and advantageous exchange rates “reduced household foreign exchange debt by about 23 percent and implied costs to banks of almost 1 percent of GDP” (Johnson and Barnes, 2015: 247). These moves ran directly against the advice of international financial institutions and the pressures coming from international finance. The latter demanded that Hungary reduce its deficits yet opposed any tax increases and called for a more ‘business-friendly environment’.

Apart from aiming to reduce the dependency on international finance, the new Hungarian government sought to strengthen monetary sovereignty. Fidesz announced that Hungary would not join the eurozone regardless of the promises and commitments it had made at the beginning of the European accession process. By keeping the regulation of monetary policy on the level of the Hungarian state, the Party gained a powerful macroeconomic tool to realise its conservative project of building domestic bourgeoisie. Further, after seizing power, the Fidesz government amended the national central bank (MNB) legislation in 2011. This enabled it to change the composition of the Monetary Council, as well as the central bank’s interest rate policy. Notwithstanding the IMF’s warning of inflationary pressures and the trends in Eurozone economies facing a high-interest rate policy, the MNB reduced the interest rates to encourage the recovery of domestic sectors. The Fidesz government repeatedly tried to undermine the MNB’s formal independence in the following years (see Toplišek, 2018: 7–8).<sup>4</sup>

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4 The establishment of a formally independent central bank, focused on price stability and indirect methods of monetary policy (i.e., short-term interest rates), has been a central institutional characteristic of the neoliberal paradigm. Together with restrictive fiscal policy, an independent central bank would be alleviated from any direct group pressures.

The innovative mix of macroeconomic policies stabilised Hungary's economy and partly protected it from outside pressures. It represented "an all-encompassing, polarizing, and effective political and economic strategy" (Johnson and Barnes, 2015: 551), which reduced the country's dependence on foreign banks and currencies and stabilised the public debt and deficit. The once-high inflation rate had dropped to below 2% by April 2013, representing the lowest figure since 1974. Moreover, Hungary then registered a steady current account surplus. In addition, even though the negotiations with the IMF had broken down, the Hungarian government was still able to issue bonds on national and international markets, with an increasing preference for forint-denominated bonds to minimise the currency risks. The liberation from the pressures of the IMF, the EU and the financial markets allowed the government to continue remodelling the national economy (Johnson and Barnes, 2015: 551–556).

### *Selective anti-poor and pro-upper classes economic nationalism*

The above-mentioned fiscal policy set the stage for a massive property change and the rebuilding of domestic capitalist factions through renationalisation followed by privatisation to insiders, often via public tenders and procurements. In line with the centrality of domestic finance in the national-conservative paradigm, the banking sector was targeted first. The crisis made many of the banking subsidiaries unprofitable or relatively too costly. Faced with new taxes and levies, many owners of the bank subsidiaries in Hungary sought to disinvest. The Hungarian state stepped in and purchased the shares. By the end of 2017, foreign ownership of the banking sector had decreased from 80% to just below 50%, with two-thirds of the domestic share owned by the state (Toplišek, 2018: 7).

Nationalisation and reprivatisation did not only occur in banking and finance but in other sectors as well. Infrastructure and companies that provided services for domestic markets were at the forefront of renationalisation efforts. The most crucial financial investment was realised in the energy and

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In other words, the independence of central banks was conceived to liberate the central banking authorities from demands for greater redistribution of wealth and income and the responsibility to secure employment and support targeting industrial or 'development' policy. For more, see Epstein 2005.

gas industry; water management and other utilities were also brought under state control. The Fidesz government additionally nationalised smaller air transport companies, a mass transportation firm, and the biggest broadcasting company. The government also increased its shares in other service sectors like telecommunications and the real-estate market. Yet, the renationalisation was often only transitional. Once renationalised, many companies were sold off to domestic private actors, thereby forming the Orbán clientelist bourgeoisie (Voszka, 2018).

Still, the mere change in property structure would not suffice for a major rebuilding of the domestic bourgeoisie. Funding mattered as well. Regular provision of cheap loans lay at the centre of the Fidesz monetary policy, thereby running up against the *modus operandi* of the pre-crisis, liberal-competition state. Besides reducing interest rates, the National Bank introduced a new lending growth programme in 2013. This programme allowed banks to borrow from the central bank at 0% interest rates on the condition they provide loans to Hungarian-owned enterprises at a maximum interest rate of 2.5%. “The lending for growth program injected 1700 billion forints (\$5.95 billion) into the Hungarian economy and boosted growth by 2–2.5 percentage points between 2013 and 2017” (Scheiring, 2021: 7).

The strategy of rebuilding the local bourgeoisie was, however, very selective. It did not disturb the predominance of foreign capital in the internationalised sectors exposed to world competition nor the pillar of Hungary’s dependent development, namely foreign-owned manufacturing (Gagyí and Geröcs, 2019). In fact, under Fidesz rule, the alliance between the Hungarian state leaders and the representatives of industrial transnational capital has further deepened. The Orbán governments established a new instrument to foster competition for FDI, the ‘Strategic Partnership’, that further lowered corporate taxes to 9% and provided MNCs with significant direct state subsidies. According to the *Budapester Zeitung*, a leading German-language newspaper in Hungary, 90% of German investors in Hungary would vote for Orbán if they could (Scheiring, 2021: 7).

Given the centrality of industrial FDI in Fidesz’s post-crisis strategy, making labour even cheaper and less organised has been an essential aspect of its policies. During its first term in power at the end of the 1990s, the Fidesz government attacked the tripartite negotiation body. Upon returning to power in 2010, it continued to aggressively dismantle employment protection and trade unions’ rights. In 2012, the government introduced a new Labour Code

that abolished the national tripartite body, replaced it with a new one with fewer powers, and made strikes for public service workers almost impossible. At the same time, collective agreements were allowed to deviate from the labour code, including when it comes to fixing higher working hours. Following pressures from corporations and as a reaction to labour shortages chiefly in German car factories, the government amended the Labour Code again in 2018. The maximum overtime per person per year was increased from 250 h to 400 h, and companies could then postpone payment for overtime by 3 years, an increase from 1 year. For good reason, the 2018 amendment was called the ‘slave law’ (Gagyí and Geröcs, 2019; also see Geva, 2021).

The social security policy reveals the class alliances that underpin Fidesz’s national-conservative project. “Abandoning the ‘competition-state’ approach and the social retrenchment it entails, Hungary combines punitive measures against the unemployed with numerous measures to assist those that the government qualifies as needy” (Varga, 2020: 213), i.e., “families” and “wage earners”. On one side, unemployed people are obliged to work for local authorities in exchange for a replacement allowance of merely 70% of the minimum salary. The government also reduced unemployment benefits, disability pensions, and sick pay and “made homelessness a criminal offence – the first country in the world where this is explicitly stated in the constitution” (Fabry, 2019: 174).

On the other side, the Fidesz government increased the national minimum wages twice and introduced tax breaks for families with several children and higher incomes. Every woman under 40 who marries is offered a loan, progressive debt reduction with the birth of children, and debt cancellation with the arrival of the third child. The government has also provided state-subsidised mortgages for purchasing homes and deductions for married couples who promise to have at least three children. In addition, upon the birth of a child Hungarian citizens living in Hungary can purchase ‘baby bonds’, guaranteed to pay a yield 3% higher than the average inflation rate. Still, individuals included in the workfare programme are not eligible for the mortgage benefits (Geva, 2021: 83–84).

Fidesz’s nationalist-conservative project has favoured a massive “redistribution to the middle and the top of society” (Bluhm and Varga, 2019: 13), which forms the core of the Party’s social base. According to Geva (2021: 84), “Hungary’s new middle class appears, so far, to be satisfied with its new-fangled capacity to consume, the flat income tax, and is wooed by Orbán’s

housing policies which also tie middle-class home ownership to the promotion of middle-class childbirth”<sup>5</sup>

## **Heterogenous ruling social blocs of the nationalist-conservative far-right**

In recent years, the understanding of the post-crisis trajectory of Hungary’s economy has been one of the most discussed topics in the political economy of Central and Eastern Europe. For some, the Fidesz governments have mainly strengthened the neoliberal policies and the country’s dependency on foreign capital under the authoritarian rule (Bohle, 2018; Fabry, 2019; Scheiring, 2021), while others adopt a more cautious stance, pointing to the important ruptures between the pre-crisis policies and the development trajectory. These studies refer to the Orbán regime in terms of challenging post-neoliberalism (Geva, 2021; Toplišek, 2018). A third research perspective, which is also considered here, takes a more historical-ideological stance. Studies in this field highlight the internal diversity of far-right parties and the differences in their socio-economic ideological affiliations and consequent alternative strategies to mitigate the dependent relations and class alliances. They consider Fidesz, together with the Polish PiS, to be “the two most prominent political representatives of national conservatism in present-day Europe” (Varga and Buzogány, 2021: 1097; also see Becker and Smet, 2018).

Although the global financial crisis left the Polish economy untouched, the crisis conjuncture added to the growing popularity of Polish national conservatives. In Poland, conservative critics of the alleged supremacy of liberalism have been relatively strong since the early 1990s (Bluhm and Varga, 2019: 4–5). Initially quite disparate and isolated, conservative groups and social movements became much more influential at the beginning of the new millennium. “[T]he worldwide damage it [the crisis] inflicted on liberals’ self-confidence and the credibility of their helped forge an ideological

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5 According to reporting by Hungary Today, in 2019 “[t]he assets of Hungary’s 50,000 richest people have been growing at an annual rate of 12-15 percent. Meanwhile, Hungary’s income gap has also grown exponentially. ... The economic wealth of the traditional middle class is steadily diminishing. However, the upper middle class may be able to generate more capital over the next year due to the government policies favouring them” (Sarnyai 2019; for a more detailed account of wealth and income inequalities in Hungary, see Scheiring 2019: 8).

opportunity structure for opponents of liberalism” (Stanley and Stanley, 2020: 381). Uroz (2020: 12–19) states that the dissatisfaction with the dominant form of dependent development in Poland gradually grew over the years due to the rising income dispersion and deteriorating employment perspectives. For instance, by 2014, one year before the electoral success of PiS, Poland recorded one of the biggest proportions of low-earning employees in Europe at 23.6% (Uroz, 2020:16). At the same time, the high wage premiums provided by the FDI for highly educated workers exacerbated the considerable income inequalities between those ‘integrated’ into the networks of MNCs and the non-integrated, marginalised social groups. “[G]rowth has not benefitted the whole population equally ... other V4 countries have not witnessed the same gradual rise in economic polarization in terms of income distribution” (Uroz, 2020: 20).

The political success of PiS has also depended on the Party’s capacity to address social inequalities, which is quite different from the elitist project of Fidesz. Although PiS and Fidesz share a national-conservative paradigm, there are important differences between the two parties’ actual strategies for strengthening the development of the domestic bourgeoisie. Three of these differences are especially worth highlighting.<sup>6</sup>

The first important difference concerns the ambition to ease the power relations between domestic and foreign factions of capital. The renationalisation of strategic sectors, including the financial one, has been a common feature in both parties. Further, both Fidesz and PiS have diversified exports and the provenance of foreign investors, notably in favour of China (and Russia for Hungary), to reduce dependence on the core European countries. Yet, Fidesz’s efforts to rebuild domestic capitalist factions have been limited to the sectors primarily offering services in the domestic market. In contrast, PiS has also “address[ed] the middle-income trap by strengthening the position of domestic capital in relation to foreign investors and supporting the production of innovative and high-value-added products” (Toplišek, 2018: 9). The Polish government cancelled the special economic zone system where

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6 It is useful to note that the two parties diverge substantially regarding their geopolitical alliances and strategies. This has become especially obvious since the start of Russia’s war in Ukraine. In contrast to Poland considering Russia as one of the country’s main ‘enemies’, Fidesz has been looking to strengthen its economic ties with Russia as part of the Party’s Eastern opening strategy. For an early analysis of the geopolitical divergences within the Visegrád 4 with respect to Russia and Ukraine, see Marušiak (2015).

companies were exempted from the need to pay income tax. In its place, it introduced a new system with much more comprehensive eligibility criteria. PiS also implemented various programmes to reduce the dependency on technological imports, such as supporting the ‘flagship projects’, creating industrial clusters, and supporting SMEs (Bluhm and Varga, 2019: 11).

Thus, PiS is clearly aiming to strengthen domestic services and manufacturing (outside of car production) by relying on active state interventionism. Paweł Szałamacha, who used to work at the close-to-PiS think-tank Sobieski Institute, later became the PiS Minister of Finance and conceived the PiS’ economic strategy “called for ‘re-industrializing’ the Polish economy and subordinating the service sector to the industrial sector. The state is the key actor in these processes because of its spending power on infrastructure (energy provision, transport) and military projects to boost demand for industrial products” (Varga and Buzogány, 2021: 1098).

Second, in contrast to Fidesz’s anti-poor and workfarist agenda, Poland’s redistributive conservatism is much more inclusive and universalist. For Polish national-conservatists, the country’s social cleavages represent one of the biggest barriers to ‘national’ development. In 2015, the government introduced a nationwide 500+ children allowance scheme (Toplišek, 2018: 8). Every Polish family has received for a second and subsequent child up to the age of 18 a monthly child benefit of 500 zlotys (around EUR 150), and this also applies to low-income families with one child. This universalist programme represented the most significant social safety net since 1989 and radically broke with the welfare reduction in the pre-crisis years. The government also lowered the pension age to 60 for women and 65 for men, reversing the decision of the previous ruling coalition. To reduce the limited and precarious employment, PiS introduced a minimum hourly wage and significantly increased the minimum wage. In relative terms, i.e., as a proportion of national average wages, the minimum wage even exceeds the level in neighbouring countries, including Germany and Hungary (Varga, 2020: 208).

Therefore, in Poland cultural conservatism goes together with redistributive state interventionism, which seeks to correct social inequalities. The questions of social equality and equitable development of the country across the regions have played a prominent role in PiS’ programmes. Unlike Fidesz’s emphasis on a flat tax, PiS has instead demanded to increase taxes on the rich, reform the two-tier tax system to a three-tier one, and pledged to increase the threshold for low non-taxable incomes (Bluhm and Varga, 2019:

11). In his statement speech after the 2019 elections, Prime Minister Mateusz Morawiecki highlighted the importance of the “welfare state” to address the inequalities on global and domestic levels (Stanley and Stanley, 2020: 385). In fact, with its effective conservative redistributive policies, PiS has changed the political landscape in Poland. Political parties in Poland can no longer present themselves without promises regarding social spending or at least guaranteeing a similar level of social engagement as PiS. At the 2019 elections, “[e]ven the liberal-centrist coalition of PO and Modern (Nowoczesna) not only pledged to retain PiS’ programmes but also added its own packet of social promises. These parties had previously been associated with less generous economic liberalism ... Social spending has become the new norm in Polish politics” (Stanley and Stanley, 2020: 385).

Finally, Fidesz and PiS diverge considerably when it comes to trade unions and the inclusion of labour representatives in policymaking (Becker, 2023). Fidesz has been systematically using its power position to attack workers’ institutional power and weaken trade unions. PiS’ approach to the workers is, however, more ambiguous. After coming to power in 2015, the Party immediately re-established the tripartite Social Dialogue Council. PiS has reacted to trade unions’ demands regarding social policy (e.g., regarding the reversal of the pension reform) but remained reluctant to consult them on the question of labour legislation. At the same time, it has privileged close collaboration with the new Independent Self-Governing Trade Union “Solidarity”, which emerged from the old early-1980s Solidarity movement. The new Solidarity encompasses much more conservative positions, moving away from a class-oriented agenda. It built strong ties with national-conservative forces in the pre-crisis years, especially with PiS. After PiS came to power in 2015, many members of the new Solidarity took on roles in key ministries. Despite its closeness with the ruling party, the trade union has maintained some autonomy, focused on labour-oriented demands, and did not hesitate to express its disagreement with the Party, especially regarding strike restrictions. The links with conservative trade unions partly explain why PiS is much more hesitant to implement far-reaching changes in the labour code, notwithstanding its pro-business orientation.

With their nationalist-conservative developmental projects, Fidesz and PiS have successfully recomposed the pre-crisis form of the state, the ruling social blocs, and consolidated their ruling positions. The fact that the Polish and Hungarian states have retained monetary sovereignty has given both

parties the necessary macroeconomic tools to reduce the dependent positions of ‘their’ economies (and domestic bourgeoisie) in European markets. With the heterodox mix of policies, going against the neoliberal wisdom of liberalisation, privatisation and deregulation, the two parties have departed from the pre-crisis liberal-competition states and partly changed the competition form and monetary constraint in favour of domestic capitalist factions. Simultaneously, their “socio-economic agenda ... displays several elements that part ways with the social retrenchment and insistence on the necessity to keep wages low for attracting foreign investments, characterising the previous decades since the fall of communism” (Varga, 2020: 208). The ‘deviation’ was, however, much more consistent in the case of PiS. In fact, the class underpinnings of the PiS and Fidesz strategies to mitigate the dependency relations diverge significantly.

Fidesz combines strategic cooptation with the industrial MNCs with a strong alliance with domestic capitalist factions in the service and financial sectors and considers the (conservative) middle class as a strategic ally. In contrast to Fidesz’s extreme elitism, PiS’ inter-class alliances include segments of the working class and the poor. Moreover, PiS has also strategically used state interventionism to challenge the predominance of foreign MNCs in the industrial sector. Even though its industrial policies have thus far provided limited results, the alternative proposed by PiS to the pre-crisis-dependent development of the Polish economy is much more ambitious and encompassing. To the extent that in both Poland and Hungary “the search for a capitalist catch-up alternative to the neoliberal approach is currently a major driver... with points of reference the East-Asian and older European experiences” (Bluhm and Varga, 2019: 2), one should add that in Hungary this search has remained fairly limited, if not bound to a mere discourse legitimating the aggressive dismantling of workers’ rights.

## **Conclusion**

In contrast to neoliberalism, which praises individualism and competition, the nationalist-conservative paradigm offers selective protection from market forces without questioning the core principles of the capitalist economy (cf. Becker, 2023). Especially in the CEECs, where social groups have experienced highly polarising development due to the subordinated integration into MNCs’ networks as part of the neoliberalisation under the European

integration, conservative-nationalism might seem appealing. The success of the conservative-nationalist far Right on Europe's non-Eurozone industrialised periphery raises the question of possible *and feasible* alternatives to European neoliberal economic policies and technocratic, rule-based governance. Dependency authors clearly warn that “[t]o permit the State and bourgeois groups to command the banner of nationalism – conceived not only in terms of sovereignty but also internal cohesion and progressive social integration – would be a mistake with deep consequences ... denunciation of the dependency perspective cannot rest on values associated with bourgeois nationalism” (Cardoso, 1972: 95). As far as the two European conservative-nationalist right parties under study are concerned, the “deep consequences” Cardoso refers to may be attributed to the increasing dismantling of formal democracy and the judiciary, and attacks on the liberal press, as well as the discrimination and repression of the LGBTIQI community and other minorities (especially the Roma in Hungary's case) under stronger pressures for the (re-)patriarchalisation of the societies. The current conservative-nationalist challenges to European neoliberalism and the dominance of multinational capital have been based on a particular state project aimed at building a party-state ‘from the Right’ (cf. Becker and Smet 2018).<sup>7</sup>

Still, in the post-crisis period, the European neoliberal order has also been challenged by the left. Syriza's attempt to move away from the measures imposed by the representatives of European international finance and MNCs,

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7 When talking about alternatives, it should be highlighted that as far as participatory policymaking is concerned, both neoliberalism and conservative-nationalism are based on a restricted notion of democracy and authoritarian rule. For neoliberal thinkers like Hayek or Rüstow, any intervention of “partial interests”, ranging from trade unions to big capital groups and political parties, in the economy could distort the competition and the efficiency of free markets. The political project of the neoliberal agenda is therefore to build a state based on technocratic, rule-based governance and dominated by formally independent and expert-based institutions and regulatory bodies. In contrast to neoliberals' attempts to de-politicise the economic governance, national-conservative thinkers openly call for its re-politisation and reject the formal neutrality of technocratic rules as well as the partisan character of the liberal judiciary. The right to access decision-making is, nonetheless, limited to those perceived as members of a ‘nation’, which can legitimise the eventual exclusion of those political and civil society forces perceived to be ‘non-national’ (Becker and Smet, 2018). When it comes to state-building, the neoliberal and national-conservative paradigms may be considered as being anti-democratic; yet, the two paradigms diverge regarding the concrete modes and mechanisms of authoritarian state-building.

i.e., the European Commission and Central Bank, and the IMF, was however met with a strong reaction from the European authorities, resembling a neo-colonial situation. Had the ECB realised its threats to deplete Greece of its currency in circulation, the country would probably have found itself on the edge of collapse. In addition, the left-leaning Greek government received no support from its European peers.

The recent historical experiences therefore confirm the prediction offered by dependency studies regarding the European enlargement warning that foreign indebtedness could act as outside leverage against the alternative development paths 'from the Left' (Weissenbacher, 2019: 306). Indeed, as has been shown, the fact that the nationalist-conservative right kept or managed to restore its relative financial independence has played a crucial role in the later realisation of developmental projects that have generally systematically challenged the existing power relations between the core and the periphery. Pointing out the limits and barriers to the alternative of the left within the European framework does not mean that the latter is impossible or deemed to fail. Still, it does suggest that any alternative project would need to not only question the supremacy of the neoliberal principles; it is also necessary to reconsider the existing monetary and competition arrangements to be able to engage in a novel redistribution of wealth, as well as working to strengthen the alliances on the international and national levels.

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## **Chapter 8: Central and Eastern European Countries' Foreign Policy Responses to the Rise of Illiberalism in International Politics**

Ana Bojinović Fenko and Faris Kočan

### **Introduction**

In this chapter, the foreign policy responses made by Central and Eastern European countries<sup>1</sup> (CEECs) as part of the changing nature of the liberal world order over the last decade are analysed. Attention is paid to this space, which has particularly been affected by the 'illiberal turn'. Ever since the fall of the socialist and communist regimes and as a consequence of the democratic transition, CEECs have relied on multilateralism and a rule-based order to support their victory of an "open" society over a "closed" one (Rupnik, 2018: 24).<sup>2</sup> The problem of weaker international liberal institutions, such as multilateral diplomacy and international law, that has surfaced over the last 10 years assumingly means that the CEECs are facing a more challenging foreign environment with respect to realising their foreign policy goals. This assumption is further supported by the fact that nearly all CEECs are small states whose foreign policy outreach primarily manifests within liberal values-based international organisations. Another initial assumption made in this chapter is that domestic and foreign policy illiberalism, particularly on the side of

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1 We use the term CEE in line with the definition of Cianetti, Dawson and Hanley (2018) as a matter of convention to refer to post-communist states that include the countries of Central Europe, the Baltics, and Southeast Europe. Our working definition of CEECs includes the following countries: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Montenegro, North Macedonia, Poland, Romania, Serbia, Slovak Republic, and Slovenia.

2 For a good overview of the crisis of liberalism in CEE, see Kopeček and Wciślik (2015) and Rupnik (2018).

the United States of America (USA) and the European Union (EU), is damaging the CEECs' foreign policy strategic logic of being aligned with these two liberal hegemons. In this context, during the last decade several CEECs have themselves also started to demonstrate illiberal domestic and foreign policy actions. This makes it highly relevant to examine whether small CEECs have reacted to the rise of illiberalism not only by way of individual actions, but also on the strategic level of foreign policy planning. The research question pursued is: *Which kinds of strategic foreign policy responses have CEECs made to the emergence of illiberalism in international politics since 2014?*

After presenting the problem, the chapter is structured as one conceptual and two empirical sections. Grounded in foreign policy analysis, the conceptualisation seeks to apply the small states approach while outlining the method of comparative analysis of foreign policy based on content analysis of primary sources. In the empirical sections, by comparing pre-2014 and post-2014 strategic foreign policy documents we investigate the reaction to illiberalism in two respects. First, the occurrence of executive aggrandisement in foreign policy planning as an element of the foreign policy process is measured. Second, focusing on the substance of foreign policy, we analyse the CEECs' positioning regarding the nature of the world order, and identify their foreign policy goals and instruments. In the conclusion, the findings on CEECs are summarised and their relevance for the foreign policy of small states in the conditions of illiberalism in world politics is considered.

## **The particular challenge for CEECs brought by the rise of illiberalism in international politics**

CEECs have profited extensively from strong liberal institutionalism in international politics. Some of them were founded as states for the first time during the democratisation wave starting in the late 1980s in the Soviet bloc and former Yugoslavia, and expanding after the Cold War came to an end. All of these countries have since engaged international organisations to assist them with the transition from communist political systems and state-regulated socialist economies. Given that since the Second World War the liberal international order has been a product of the USA along with its European and other Western allies, the USA has acted in this system as a hegemon (Ikenberry, 2005, 2018). Yet, for the CEECs, the key focus on their role in such a system has been regional, where it is the EU that acts as a liberal institutional

hegemon. In the international order, the word liberal refers “both to liberal political system based on the rule of law, democracy and human rights, and to a liberal world economy based on free market, capitalist economics” (Neack, 2019: 150). The interest of CEECs to participate in such a system that regulates self-interested sovereign states was thus highly complementary to the aim of Western hegemons to promote liberalism in the international community via the economic, social and political aspects of globalisation. The process of joining the EU was and remains the most influential framework for establishing liberal norms in CEECs’ domestic political and economic systems and their foreign policies. When most CEECs had become a member of NATO by 2004 and the EU by 2007, it seemed that liberalism had also formally been established as either a value or at least a normal practice in these countries’ foreign policies.

Contrary to this ‘normality’ established in the 1990s and the first decade of the 2000s, illiberalism has been growing in the last decade. Some of the most serious events of this nature to have directly included the USA and some or all of its Western allies began to manifest as the disregard of the international rule of law during the Iraq intervention in 2003 (Brooks and Wohlforth, 2008). However, since this action was led by a liberal hegemon without its long-time rival, this deviation did not resonate as much as Russia’s annexation of Crimea in 2014, or its disinformation campaigns at the 2016 elections in the USA and its aggression on Ukraine in 2022 (Brunk and Hakimi, 2022). In the USA, we have witnessed a decline of human rights being observed in the fight against terrorism and the decline in domestic democratic practice and observation of human rights in the USA itself during the Trump Administration where the discourse and conduct of the President himself was especially problematic (Encarnaci, 2017). In its foreign policy, the USA has specifically demonstrated illiberalism by backing away from multilateralism and starting to defend a protectionist foreign economic policy, become embroiled in trade wars and working unilaterally within the international nuclear non-proliferation efforts, the climate change regime, and management of the COVID-19 pandemic (Johnson, 2020). Among the EU member states, the lack of human rights being observed was noted during the migration crisis in 2015–2016 as well as in the rise of Euroscepticism while populist and nationalist parties have flourished; even the EU institutions succumbed to these events with enlargement fatigue. Brexit was voted for in 2016 and effectuated in 2021, while Turkey froze its EU accession negotiations indicating its (re)turn to authoritarianism

(Taggart and Pirro, 2021). It currently seems that the liberal norms have managed to be defended by both “liberal hegemons” only in cases of the (non)conditionality of China’s development cooperation or economic and diplomatic sanctions against Russia due to the ongoing war on Ukraine.

Such illiberal developments in international politics have had a visible effect on the CEECs’ domestic and foreign policies. Domestically, there have been trends of democratic backsliding (Kochenov, 2008; Sedelmeier, 2014), which recently led to the form of “executive aggrandisement”<sup>3</sup> (Bustikova and Guasti, 2017; Gorzelak, 2019) and illiberal nationalism as being two crucial symptoms of the illiberal trajectories of those states (Delcour, 2018). Even though this emerging paradigm has vastly focused on the two most dramatic cases of Hungary and Poland (Ganev, 2013; Sedelmeier, 2014), there are strong signs that the time for a regime-type change is ripe.<sup>4</sup> Since 2017, most attention among the CEECs has been on Poland and Hungary as the first EU member states to be investigated by the European Commission for having breached the EU’s values such as democracy and the rule of law under Article 7 of the Treaty on EU. The Polish government limits access to abortion, installs judges on its Supreme Court, suggests abandoning the Council of Europe Convention on preventing and combating violence against women and domestic violence; Ciobanu (2022) assesses this as following Russia’s model of attitudes to human rights. The Hungarian government similarly restricts academic freedom, fences its border off against incoming migrants (including asylum seekers), and limits the rights of the LGBTQ community by constitutional amendment; Peabody (2022) described Hungary as “an outlier in Eastern Europe’s Liberal Future”. There was the politically motivated murder of a journalist in Slovakia in 2018 and an overall rise in Euroscepticism in all Visegrád Group states and in Western Balkan states (Damjanovski et al. 2020). Moreover, between 2020 and 2022, in Slovenia as the ‘star pupil’ of the transfer of the *acquis communautaire* as a precondition for joining the EU the right-wing government joined illiberal practices by withdrawing funds from the national state-owned news agency, proposing a law on reform of the national broadcasting service, attacking the freedom of

3 Gorzelak (2019) follows Bustikova and Guasti’s (2017: 168) definition of executive aggrandisement as “an increase in concentration of political power” that undermines the constitutional order and reduces checks and balances.

4 There is now a broad academic consensus that the optimistic picture of the political democratisation of CEECs needs revisiting (Innes, 2014; Müller, 2014; Herman, 2016; Kelemen and Orenstein, 2016; Dimitrova, 2018).

press at home and internationally, appointing lead party-loyal people to different national institutions, and backing Poland and Hungary that had vetoed a new EU rule making access to EU funds conditional upon good governance and respect of the rule of law (Bojinović Fenko et al., 2023). Croatia has similarly been demonstrating the limited Europeanisation of domestic and foreign policy liberal norms by, for example, endangering the practice of abortion and continuing to instrumentalise ethnicity to interfere in the internal affairs of Bosnia and Herzegovina in favour of the Bosnian Croat community (*ibid.*).

After having been enthusiastic integrationists, in their foreign policies the new EU member states have started to become an autonomist bloc impelled by illiberal drifts and anti-EU attitudes (Cianetti et al., 2018: 244). First, some CEECs began to object to the legitimacy of the EU's regional liberal order. In all Visegrád countries, populist Euroscepticism rose and escalated during the eurozone crisis, Russia's annexation of Crimea, and the 2015–2016 migration crisis, as mainly observed in the demands for the more equal treatment of all EU member states and as an attempt to enlarge power status as a bloc within the EU (Marton, 2012; Duro, 2016; Bojinović Fenko et al., 2019). Second, certain CEECs (Visegrád Group, Croatia, Bulgaria, and Slovenia under the 2020–2022 government) expressed visible support for the US Trump Administration despite its conflict-prone, human-rights-averse and unilateral foreign policy actions.<sup>5</sup> Third, China has become a new actor in the illiberal trend since for the first time in modern history it has begun to engage in global economic cooperation. In 2012, China also focused its regional economic interest on the CEE region via both the 16+1 and the Belt and Road initiatives, which led many CEECs to prefer the Chinese bilateral type of international investment/economic cooperation strategy rather than (EU) economic multilateralism (Vangeli, 2018). The relevance of this new foreign policy interest in the CEECs is not simply of an economic nature. Karásková (2018: 5) showed that China's "assertiveness in international politics is for the first time met with open arms by the CEECs, who no longer regard China as a potentially troubling, undemocratic regime, but as a full-fledged partner".

The study presented in this chapter does not offer a contribution to IR by analysing either the weakening liberal world order (Ikenberry 2005, 2011,

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5 The Visegrad Group announced in October 2019 that it was considering jointly inviting Trump for a meeting in Warsaw (Visegrad Group 2019). In November 2020, Slovenian Prime Minister Janez Janša embarrassed himself (and the state) on Twitter by congratulating Presidential Candidate Donald Trump for a victory that never came to be.

2018; Mearsheimer, 2019) or the emergence of a new – illiberal or post-liberal – world order (Debre and Dijkstra, 2020). The illiberal world order is, for the purposes of this chapter, understood as a “crisis of the post-1945 world order and its values” (Rupnik, 2018: 24). The illiberal turn is unfolding as a subversion of the liberal order in such a way that international actors (governments, heads of state) are linking the liberal order’s key tenets to the so-called out-of-touch elites, globalists or bureaucrats (Polyakova et al., 2019). The fundamental agenda of illiberal political actors has been summarised as “battling globalism and its liberal vision of a trans-national or cosmopolitan world order by defending older Western concepts of sovereignty-centred, inter-national co-existence” (Holm and Tjalve, 2018: 4–5). Our intention is to establish whether this phenomenon – the rise of illiberalism in international politics – not only impacts the individual foreign policy actions of CEECs but whether it has influenced these countries’ foreign policies in strategic terms, e.g., indicating a potential refocus of goals by distancing themselves from traditional liberal allies.

## Conceptualisation and methodology

The research presented here is conceptualised via the small states’ foreign policy approach within foreign policy analysis (FPA) in which small state is a category of state according to its capabilities (Nye, 2011). We thus do not reflect on the extent of influence that states can exert on the international system (their power status) – which has already been extensively studied (e.g., Katzenstein, 1985; Šabič and Bukowski, 2002; Tonra, 2002; Hey, 2003; Kasimeris, 2009). With regard to capabilities, whether material or semi-material (Hill, 2016: chapter 6), CEECs demonstrate considerable similarity. All of them (except Poland)<sup>6</sup> are categorised as small states (Šabič and Drulák, 2012).

Conceptually, our *explanandum* is foreign policy as both a process and a policy (Carlsnaes, 2006). The foreign policy process entails policymaking, including formulation, decision-making, implementation and feedback (Kinsella et al., 2013).<sup>7</sup> Our central interest is the division of power among actors in this

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6 For this purpose, we treat Poland as part of the CEE group but as a control variable for the small state foreign policy responses.

7 Morin and Paquin (2018: 41–46) devise a more detailed scheme of the foreign policy process based on understanding foreign policy as a public policy (cf. Kessler, 2002). They divide the foreign policy formulation process into six phases: Framing, Agenda setting, Options, Decision, Implementation and Evaluation.

process by investigating to what extent the above-mentioned illiberal features have influenced foreign policymaking in CEECs. We omit daily decision-making as that is a corollary of government. Therefore, we only regard strategic planning as an instance of a serious substantive foreign policy issue that needs to be approved by the legislative body (Morin and Paquin, 2018: 41). Strategic planning that produces a foreign policy document is subject to such checks and balances; after being drafted by the government or its specialised bodies like the ministry of foreign affairs (MFA) or intelligence community centres (Neack, 2008: 129) the document is typically endorsed by or at least presented to the parliament. In contrast to authoritarian leaders who often make decisions by themselves, “the foreign policy process is quite different for democracies – decision-making authority tends to be diffused across democratic institutions, and thus more actors are involved. Democratic leaders are also directly accountable to political parties and the public and thus must build a consensus for foreign policy” (Kaarbo et al. 2013: 16). The case studies presented in Hey (2003) confirm this, where it is added that in the policymaking process small states need to strive for highly consensual foreign policy goals. In this chapter, we are looking for deviations from this democratic practice in CEECs. From a comparative methodological perspective, it is worth noting that, except for Lithuania’s semi-presidential system, all CEECs are parliamentary democracies and hence a very similar balance of power should be expected.

The second aspect of foreign policy is the policy, i.e., the substance, also encompassing a strategic plan for how to reach the desired foreign policy goals with the available instruments. First, an analyst must establish the general strategic outlook of a small state’s foreign policy substance. Since the international environment impacts small states via heavily constraining systemic factors (Hey, 2003), the goals and instruments of small states tend to focus on selected specialised or technical issues of world politics rather than on issues of “la grande politique” (Tonra: 2002, 347). Yet, if the very nature of the world system starts to be challenged, such as with the emergence of the recent illiberal trends, small states must somehow strategically ‘engage with’ the system level.

Second, foreign policy goals are presented along with the various elements attached to them, e.g., the target, direction, expected outcome, and time frame (Holsti, 1995; Morin and Paquin, 2018: 19–20). For example, the general goals of small states include good neighbourly relations and prioritising regional cooperation. One could assert that for the CEECs EU liberal

values-based regionalism is a case of a shelter-seeking strategy – a concept developed by Wievel & Ingebritsen (2019) and tested chiefly on Nordic small states. Such a multilateral environment enables small states to form foreign policy goals and use instruments based on their comparative advantages (Baillie, 1998) and specialisation, also known as a “smart state strategy” (Grøn & Wivel, 2017). Tonra (2002: 345–346) summarises that small states need to adapt their goals economically and politically to the fast-changing global conditions through a particular specialisation in international politics, such as in the fields of development cooperation, financial investments, or environmental protection. Other less frequent small state strategies are founding like-minded groups of states (Tonra, 2002: 343) or status-seeking (Pedersen, 2018; Pedi & Kouskouvelis, 2019), which especially holds for the case of small states within the EU (Thorhallsson, 2000; Thorhallsson and Wivel, 2006).<sup>8</sup> With respect to foreign policy goals, in this chapter we thus focus on those determining CEECs’ specialisation.

Third, foreign policy instruments are defined using various classifications. Here, we use the one by Hill (2016) which refers to four types of “operationalized capabilities”: diplomacy, economic instruments, military instruments, and culture, and of course allows for their combinations. In general, the small state approach identifies diplomacy and other soft-power-related instruments as mostly available to and appropriate for small states. However, Tonra (2002: 345) notes that small states’ particularity in policy implementation is that they must be able to effectively *communicate* their chosen specialisation. In relation to foreign policy instruments, close attention is accordingly paid to the means of communication planned by small CEECs. To summarise the operationalisation scheme of the analysis (see Table 8.1), we measure CEE small states’ policy planning (democratic policy process and consensus) and policy substance via the nature of the world system (re-engagement with *la grande politique*), foreign policy goals (specialisation) and instruments (communication).

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8 We duly note that Poland does not fit the generally accepted definition of a small state as it has available larger than small size capabilities, including their diversity. Moreover, Poland has operationalised these capabilities as foreign policy instruments (especially diplomatic, cultural (scientific) and military), which enable its potentially independent action at the very least to have an effect on the level of regional (European) international politics.

**Table 8.1:** Operationalisation of small states' foreign policy process and substance

	<b>FOREIGN POLICY DOCUMENT</b>
<b>foreign policy PROCESS</b>	nature of the document (Table 2)
	government–parliament power relationship in formulating the document (Table 2)
<b>foreign policy SUBSTANCE</b>	nature of the world order ( <i>la grande politique</i> )
	goals (specialisation) (Table 3 and Chart 1)
	instruments (communication) (Table 4 and Chart 2)

Source: own matrix based on a literature review

Methodologically, the research is implemented by way of a comparative analysis of foreign policy.<sup>9</sup> A foreign policy document is a legal unilateral act by which a government communicates the content of its foreign policy to its domestic and foreign audiences (Morin and Paquin, 2018: 19–21). The method applied to gather and analyse the data is a cross-country comparison of 16 CEECs (a “small-N” study). We analyse the data with the method of content analysis of primary official documents (Lamont, 2015: 80–81). The content analysis of documents is properly linked to the external variable (Lamont 2015: 80); namely, the period prior to the rise of illiberalism in international politics in 2014 and the period thereafter. The research thus not only rests on an intra-group (space) comparison but also includes a time-sensitive comparison in order to establish foreign policy responses during the period of the rise of illiberalism. We do not establish categories of states in advance but instead inductively offer a synthesis of the findings in the conclusions.

Coding is based on operationalised categories; the foreign policy process through the nature of the strategic foreign policy document (government plan, MFA document, parliament declaration) and the power relation of accepting a foreign policy document (potential changes in the procedure of formulating the document). The operationalisation of foreign policy substance

9 We note that this is also categorised as a specific approach within FPA founded by Rosenau in the late 1970s. Nevertheless, we do not follow his deductive conceptual outline of state categories (size, development, openness) which determine foreign policy decisions. Simplified, we apply comparative analysis as a scientific research method to compare results within a group of states (CEECs) and between two time periods based on a conceptually different, i.e., small states, approach.

encompasses the nature of the world order, the goals and the instruments (see Table 8.1). The research plan used does not apply any machine-based software for content analysis as the length of documents (between 5 and 20 pages on average) and the nature of their acquisition (see below) enabled the authors to gather and interpret the data themselves. Despite the small number of units, an illustration of the comparative analysis in quantitative terms is offered for the purpose of clarity and to highlight the main observations.

We found the foreign policy documents of CEECs in several forms; some were specialised documents of MFAs or governments, while others were more general government plans with a section on foreign policy. The last update of the data was performed in August 2020. The most recent document is one endorsed by the Estonian Parliament on 9 July 2020. Yet, as shown in Table 8.2 in which all 16 CEECs are listed in the first column alphabetically, the inexistence of a pre-2014 document excludes Estonia from the comparative analysis. Even though we had planned to conduct comparative analysis of all 16 CEECs' foreign policy documents prior to and after 2014, since only 9 countries produced documents in both periods only those 9 were considered in the analysis.<sup>10</sup>

The *point de rupture* identified as the start of the occurrence of illiberalism relevant for CEECs is Russia's annexation of Crimea in March 2014. This year is chosen for two reasons. The first is its direct weight – Russia's foreign policy on democratic Europe is vital for liberal hegemons and especially for CEECs as demonstrated by their aligned foreign policy response via the economic sanctions against Russia, which were further strengthened following Russia's aggression in Ukraine in 2022. Indirectly, after 2014, several other illiberal domestic and foreign policy actions mentioned above were followed by the USA, the EU, the UK, Russia and China. We obviously do not claim that they were all triggered by Russia's 2014 breach of international law, but merely pragmatically point out the starting point of a phenomenon called the "illiberal trend in international politics".

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10 To this end, we analysed documents in their original languages for Bosnia and Herzegovina (B&H), Croatia and Slovenia while the remainder were analysed in their published English versions (Albania in the second period, Czech Republic and Poland) or we had them translated into English by native speakers (Albania in the first period, Bulgaria, Northern Macedonia and Romania).

## Executive aggrandisement in foreign policy planning?

The nature of the foreign policy documents and the process of formulating them in the two analytical periods are presented in Table 8.2. The table is split into two parts according to the inclusion of states in further comparative analysis – the criterion is whether states have produced a document in both periods. Prior to 2014, 11 countries had foreign policy documents in existence, while 5 did not have one in force. All of these were endorsed by the executive branch, except the Slovenian declaration which was also approved by the country's parliament. Seven of these documents are specific foreign policy documents formulated by the government or the MFA and four documents are part of a general government programme. We indicate the number of pages devoted to foreign policy in each document in brackets next to the month and year of every document's issue. Despite some documents having been produced almost a decade before 2014, the circumstances of their production (a well-established liberal world order) mean the documents of Slovenia, B&H and Montenegro are still relevant for the analysis.

*Table 8.2:* Comparison of the policy process with regard to the foreign policy documents of CEECs in the periods before and after March 2014

COUNTRIES INCLUDED IN THE COMPARATIVE ANALYSIS				
	Before March 2014	After March 2014	Type of document (author)	Power shift pre-post 2014
<b>Albania (AL)</b>	September 2013 (3 p.)	June 2017 (4 p.)	Government programme (both)	No
<b>Bosnia and Herzegovina (B&amp;H)</b>	March 2003 (4 p.)	March 2018 (12 p.)	<u>Specific document</u> by the Presidency of B&H (both)	No
<b>Bulgaria (BG)</b>	November 2014 (9 p.)	May 2017 (4 p.)	Government programme (both)	No
<b>Croatia (HR)</b>	December 2011 (4 p.)	December 2016 (2 p.)	Government programme (both)	No
<b>Czech Republic (CZ)</b>	July 2011 (25 p.)	August 2015 (20 p.)	<u>Specific document</u> by the MFA (both)	No

<b>North Macedonia (MK)</b>	August 2014 (76 p.)	2017 (6 p.)	<u>Specific document</u> by the MFA (2014); Government programme (2017)	Yes (from the MFA to the Government)
<b>Poland (PL)</b>	March 2012 (29 p.)	2017 (25 p.)	<u>Specific document</u> by the Council of Ministers (2014); <u>Specific document</u> by the MFA (2017)	No
<b>Romania (RO)</b>	2013 (18 p.)	2017 (14 p.)	Government programme (both)	No
<b>Slovenia (SI)</b>	December 1999 (8 p.)	July 2015 (36 p.)	Declaration (1999 and 2015) by the Parliament; and <u>Specific document</u> (2015) by the MFA	No
<b>COUNTRIES NOT INCLUDED IN THE COMPARATIVE ANALYSIS</b>				
	Before March 2014	After March 2014	Type of document (author)	Power shift pre-post 2014
<b>Estonia (EE)</b>	No	July 2020 (41 p.)	<u>Specific document</u> by the MFA	/
<b>Hungary (HU)</b>	No	No	/	/
<b>Latvia (LV)</b>	No	No	/	/
<b>Lithuania (LT)</b>	No	December 2016 (6 p.)	Government programme	/
<b>Montenegro (ME)</b>	December 2007 (7 p.)	No	<u>Specific document</u> by the Government	/
<b>Serbia (RS)</b>	No	No <sup>11</sup>	/	/
<b>Slovak Republic (SK)</b>	2011 (32 p.)	No	<u>Specific document</u> by the MFA	/

Sources: AL (2013; 2017); B&H (2003; 2018); BG (2014; 2017); CZ (2011; (2015); EE (2020); HR (2011; 2016); LT (2016); ME (2007); MK (2014; 2017); PL (2012; 2017); RO (2013; 2017); SK (2011); SI (1999; 2015).

The nine countries which adopted a foreign policy document in both periods are highlighted in the grey rows in Table 8.2 and make up a valid population to

11 An unsuccessful attempt to endorse a declaration in the parliament in 2019.

be further analysed individually and via the comparison described in the next section. These states indicate no such evidence of a power shift in policy formulation. The authors of the documents on foreign policy are mostly not specialised bodies, i.e., the MFAs, but are instead the government (or in the case of Poland, an even narrower executive – the Cabinet of Ministers). Only in one case (MK) has the power to endorse a foreign policy document shifted from the MFA to the government. In addition, considerable variation in the nature of the document is visible among the nine countries. Only four documents are specialised foreign policy documents (B&H, CZ, PL, SI), whereas the other five all form part of a general government programme.

## **Responses in terms of foreign policy substance**

In this section, the content of the foreign policy documents of exclusively the nine CEECs that produced them in the periods prior to and after March 2014 is compared. These countries are Albania, B&H, Bulgaria, Croatia, Czech Republic, North Macedonia, Poland, Romania and Slovenia. The analysis follows the operationalisation specified in Table 8.1.

### *La grande politique*

In terms of their understanding of the (liberal) world order prior to 2014, the CEECs primarily refer to the changing international context of the globalised and interconnected world, which is moving towards multipolarity and increased competition; Russia is specified in the main.<sup>12</sup> After 2014, we see continuity in the agreement on increased competition among the big powers, albeit several states directly note the changing nature of the world system, e.g., the “risk that the current world order, based on multilateralism and international law, will be undermined” (CZ, 2015: 1) or an assessment of the “unstable and unpredictable, multi-faceted crisis of the free (Western) world” (PL, 2017: 2). In this regard, Poland stands out as the control variable in the small states category since it plans to behave as a European big power; namely, to counter-balance Russia’s harmful policies not only via NATO and

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12 Croatia also mentions Japan, India and Brazil (HR, 2011: 45), Slovenia identifies China in terms of a mismatch between its global economic power and taking on its global responsibility (SI, 2015: 7), while Albania states that it will continue to invest in excellent political and economic relations with China (AL, 2017: 23).

the EU, but also by leading sub-regional like-minded states (Romania, the V4 and the Baltics) and bolstering its own defence capabilities (*ibid.*: 6, 24).

As concerns the role of liberal hegemons prior to 2014, the EU is described as a normative power by all of the mentioned states. However, the relationship with the USA is less uniform in the group; states expose the USA as the most important world power (SI, HR, CZ), a strategic or strong bilateral partner (AL, B&H, PL, RO), whereas the Czech Republic explicitly identifies the USA as a “political and economic supporter of the European integration and a decisive factor in the fall of aggressive totalitarian regimes” (CZ, 2011: 3). Bulgaria and North Macedonia do not mention the USA at all.<sup>13</sup> Yet, the stances adopted by these subgroups change after 2014. The role of the EU and the USA generally remains strategically the most important, as expressly stated by North Macedonia. The Czech Republic clearly mentions the “need for the EU and Euro-Atlantic community to uphold the shaping of the international world order” (CZ, 2015: 3). For some of the others, the centrality of the USA’s role drops dramatically. This is seen in the fact that three states do not even mention the USA in their document even once (BG in the prior period, B&H and HR), focusing only on the EU in their international engagement, whereas the Czech Republic describes the prior global leadership of the USA as “a front-line guarantor of Euro-Atlantic Security” (CZ, 2015: 13). While Albania and Romania still treat the USA as a strategic partner, B&H and Poland no longer do so. However, Poland and Slovenia continue to acknowledge the USA as the main world power alongside other emerging powers. Even though the EU still represents a legitimate institutional framework and a global power, Poland expresses direct criticism of its internal balance of power; “opposing the idea of ‘intelligent’ protectionism currently promoted in a number of Western European capitals” (PL, 2017: 14). Several other states (e.g., B&H, BG, HR, MK, RO, SI) note the need to maintain EU unity and the integration’s evolution in the midst of the further risk of EU fragmentation.

An even bigger response is seen in the perception of liberal values. Before 2014, all states made their intention to uphold the principles and norms of international law clear, particularly “EU values”<sup>14</sup>. The post-2014 documents

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13 We interpret this ‘silence’ as being conditioned by their strong (historical) relation to an alternative big power – Russia.

14 Slovenia, for example, holds EU values in the centre of its identity. It even plans as a specific goal within the EU “a long-term endeavour to draw Russia into the circle of common European values” (SI, 2015: 14).

give more attention to explicitly spelling out these EU values (democracy, rule of law, human rights). Some states (CZ, HR) refer to the value of solidarity and equality, whereas Poland, which was the only state to have expressly mentioned solidarity prior to 2014, does away with this stance and instead refers to Christian values and self-reliance (PL, 2017: 7). This shows Poland's ability to use domestic capabilities and act outside of the realm of small states. B&H continues its more general focus on "openness, equality and mutual respect of sovereignty and territorial integrity and peaceful cooperation" (B&H, 2003: 1), while adding a focus on respecting non-interference in domestic affairs (B&H, 2018: 3). Bulgaria (2017: 9) joins this call while Croatia adds the "protection of territorial integrity and national sovereignty" (HR, 2016: 36). This is understood as a direct reaction to Russia's "aggressive actions in the region of East Europe" (RO, 2017: 9).

### *Small states' specialisation*

We can observe the similarity of CEECs' general foreign policy goals (security, human rights, regional cooperation, rule of law, democratic development etc.) in each period analysed. Good neighbourly relations as a general goal of special importance to small states also remains equally relevant in both periods (mentioned by seven states in each period). Yet, the particular specialisations identified by the states (directly or as may be inferred from the document themselves) show a changed direction. In the first period (see Table 8.3, first column), three states had no specialisation (AL, B&H and MK) while the rest were focused on very diverse niche areas.

In the second period (see Table 8.3, second column), more states define their specialisation focus, with only North Macedonia remaining without one, while the diversity of their specialisations simultaneously increases. One can also note a definite change in the nature of the specialisations given that prior to 2014 they revolved around development cooperation in terms of sharing the experience of the transition (CZ and PL) and micro-regional foci (the Adriatic for HR, Eastern Europe for BG and RO, and the Western Balkans for RO and SI). In the more recent period, they focus on migration (BG), energy (BG), climate change (SI), and surprisingly security and defence (AL, B&H, PL). This last issue-area is very unusual to feature as a field of specialisation of small states due to their lack of hard power capabilities, yet it is mentioned as a specific focus of the three countries. We note that Poland again stands out from the small state category. In the post-2014 period, the diversity of issues is thus

much higher; a sub-regional geographic focus remains relevant only for Croatia and Romania, whereas development cooperation remains relevant only for the Czech Republic. A quantitative comparison of the cumulative results for each period is shown in Figure 8.1 based on data for small CEE states (Poland omitted).

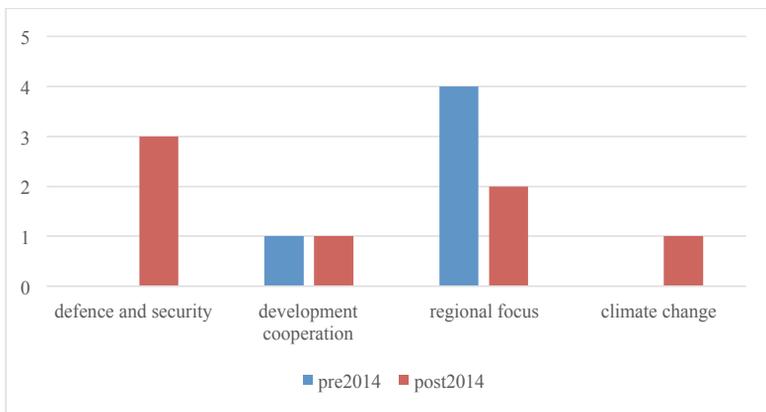
**Table 8.3:** Identification of CEEC's foreign policy specialisations prior to and after 2014

	<b>Foreign policy specialisation pre-2014</b>	<b>Foreign policy specialisation post-2014</b>
<b>AL</b>	/	Field: defence and security  Actions: specialisation in armed forces (development of the Navy) (AL 2013, 24)
<b>B&amp;H</b>	/	Field: EU Common Foreign and Security policy  Action: improve the system of joining the EU's foreign policy statements and restrictive measures towards third countries and entities (B&H 2018, 10).
<b>BG</b>	Conflict prevention in Eastern Europe and Caucuses within the OSCE and NATO (BG 2014, 6–7)	Fields: migration and energy security in Europe  Action: pan-European solutions to the migration crisis within EU principles. Promotion and implementation of regional and international agreements on gas interconnections (BG 2017, 12–13).
<b>HR</b>	Promotion of EU-Adriatic micro-regional cooperation (HR 2011, 44)	Field: EU and NATO enlargement  Croatia as a key creator and promoter of EU and Euro-Atlantic policy in Southeast Europe (HR 2016, 36)
<b>CZ</b>	Development cooperation and transition experience-sharing (CZ 2011, 6)	Fields: development cooperation and transition experience-sharing; women's rights  Action: Sharing the experience of the transition to a democracy and a sustainable social market economy with transition countries and interested societies (CZ 2015, 9)
<b>MK</b>	/	/

<b>PL</b>	Development cooperation in the Middle East, North Africa, and the Israeli–Arab conflict on the experience of an uneasy systemic transformation (PL 2012, 6, 20)	Fields: balance of power NATO–Russia Actions: deterrence of Russia in the EU’s Eastern neighbourhood (PL 2017, 6); contribution to the internal consolidation of NATO and the EU (p. 8)
<b>RO</b>	Advocating EU enlargement to the Western Balkans and Eastern Europe (RO 2013, 56)	Field: EU enlargement and its Eastern neighbourhood Action: supporting EU enlargement to the Western Balkans and the European aspirations held by Ukraine (RO 2017, 150, 155)
<b>SI</b>	Southeast Europe’s integration with the EU (SI 1999, 3)	Fields: rights of children, women and the elderly; sustainable development & environmental protection Action: intensification of foreign policy dialogue on climate change and the associated challenges (SI 2015, 29)

Sources: as indicated in the table

Figure 8.1: Comparison of small CEEC’s foreign policy specialisations prior to and after 2014



Source: Table 8.3

***Small states' communication***

The central instrument planned by CEECs for achieving their foreign policy goals in both periods is diplomacy. This is in line with the small states approach and also holds true for Poland. However, as shown in Table 8.4, variation in the planned specific fields of diplomacy is quite considerable. The cumulative number of states specialising in one issue-area is shown in Figure 8.2. Before 2014, the predominant fields were cultural, public and diaspora diplomacy, planned by at least half the states in the group. Albania and B&H were the only two states that did not plan to use cultural diplomacy. The digitalisation of diplomacy as a particular aspect of public diplomacy was specifically planned by three states (Poland included), relying on the use of new (social) media. A marginal number of states stipulated certain fields, such as science and education (two states, Poland included), and energy diplomacy (one state).

**Table 8.4:** Identification of CEECs' diplomatic instruments prior to and after 2014

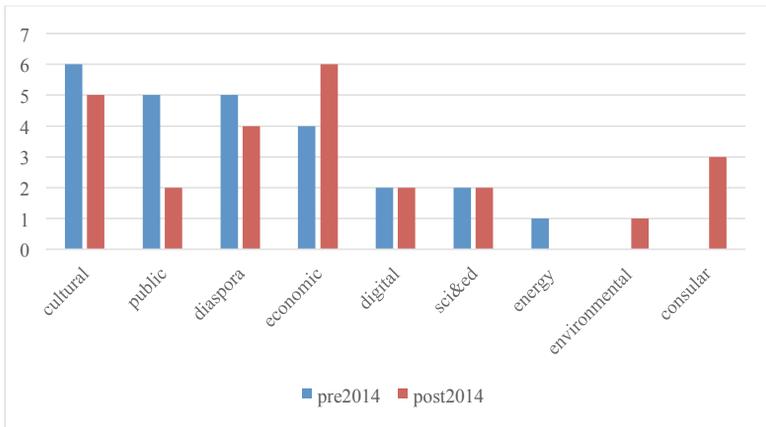
Field of diplomacy	Diplomatic instrument before 2014	Diplomatic instrument after 2014
cultural	BG, HR, CZ, MK, PL, RO, SI	AL, BG, HR, CZ, PL, SI
public	AL, CZ, MK, RO, SI	AL, PL, SI
diaspora	AL, B&H, BG, CZ, MK	AL, B&H, CZ, MK
economic (& commercial)	AL, BG, HR, SI	AL, BG, HR, CZ, RO, SI
digital (& new media)	MK, PL, RO	AL, B&H
scientific and educational	MK, PL	BG, PL, SI
energy	AL	/
environmental	/	SI
consular service	/	AL, CZ, MK

Sources: authors' own interpretation of the primary documents listed in Table 8.1

In the post-2014 period, a significant change is noted in the relevance of the top five fields of diplomacy. Cultural diplomacy is the only one that most states still plan to use, whereas public diplomacy loses its priority (planned by only two small states and Poland). Romania, Czech Republic and North Macedonia do not provide for this instrument anymore, while Poland changes its wording from "using new media" to "applying public diplomacy". The

other two states that had been counting on digital diplomacy and new media in the pre-2014 period (RO and MK) also do not mention them in the second period, nor do they make provision for public diplomacy. Based on this, we can conclude with confidence that the use of promotional communication means, i.e., public diplomacy, is no longer the primary tool foreshadowed in the second period.

*Figure 8.2:* Comparison of small CEECs' diplomatic instruments prior to and after 2014



Source: Table 8.4.

It is plausible to explain this finding by small states having reacted to the nature of the misuse of digital communication, which became especially prominent in international politics in 2013 with the Snowden affair regarding the USA's secret government surveillance programmes, with Russia's disinformation campaign during the 2016 US elections, and the Facebook-gathered data misused in political advertising discovered in 2018. As a 'countermeasure,' we interpret that more of the CEECs plan to use economic (including commercial) diplomacy, based on relatively less complex, 'one-dimensional' and less disinformation-prone communication. We estimate that scientific and educational diplomacy were kept on the menu of choice and envisaged by one additional state because they relate to technical fields less impacted by politics. In the same manner, we interpret the focus of three CEECs (AL,

CZ, MK) on strengthening their consular service as an apolitical, administrative aspect of diplomacy. Regarding communication via diplomacy, Poland again stands out from the group as it possesses its own capabilities to provide state propaganda, determining that “a separate task will be to oppose the use of the term ‘new democracy’ in reference to Poland” (PL, 2017: 24). This sentence suggests that the Polish Ministry of Foreign Affairs is responding to the perception of Poland in the EU (and in the international community) as a country that has been subject to democratic backsliding.

As concerns other instruments, the Czech Republic specifically plans the use of its development cooperation (CZ, 2015: 8) whereas Poland explicitly plans to develop its national military capacities to defend the country as well as anti-hybrid capabilities and to spend a minimum of 2% of its GDP as part of its NATO commitments (PL, 2017: 10–12).

## Conclusion

With the aim to answer the research question – *Which kinds of foreign policy responses have CEECs made following the recent emergence of the illiberal world order?* – we now turn to the evaluation and summary of the empirical findings presented in Tables 8.2, 8.3 and 8.4 via a comparative analysis of foreign policy documents before and after the systemic shift of the illiberal turn that commenced in 2014.

The study of potential executive aggrandisement suggests that no such reaction in foreign policy process was present in the strategic foreign policy planning. We established that 9 of the 16 states produced foreign policy documents in both periods; most are not authored by the MFA nor are they specific strategic documents but government plans instead. We infer that this potentially refers to other systemic conditions such as multi-issue globalisation, which demands the considerable coordination of foreign policy action via multiple policy sectors in the government. We cannot confirm the aggrandisement of the executive in the CEECs’ foreign policy process due to global illiberal trends. Nevertheless, we can provide a competing interpretation that the illiberal trends do affect strategic policy planning; namely, the CEECs expressed a solid domestic consensus on foreign policy in the period while they were acceding to the EU. However, the omission of the legislative branch from policy planning after 2014 reduces the possibility of further building a wide domestic consensus and therefore in effect does contribute to executive aggrandisement.

A more direct reaction to illiberal trends may be seen in the substance of foreign policy. First, a notable shift occurs from the previous consensus on the USA's role as a liberal hegemon. CEECs also worry about the capability of the EU to sustain such a status itself. Their engagement in *la grande politique* is visible in three respects; a) they define problems with the Western-led multilateralism; b) they become silent on the USA's leadership of the world or mention other competing powers; and c) they make strong calls to respect the fundamental principles of international law and list particular EU values to be upheld. Poland in this sense matches the responses of other CEECs as small states, yet moves beyond them with its call and active engagement in the balance of power within the EU and on the European continent. Some small CEECs might have abandoned the shelter-seeking strategy of the EU and band-wagoning with the USA for a new strategy of status-seeking in a like-minded group. This could help to explain the foreign policy cooperation of (the right or extreme-right anti-liberal governments of) the V4 states and Slovenia regarding their Eurosceptic goals. Second, a reaction to the illiberal trends is also seen with respect to the CEECs' specialisations, excluding Poland. In the post-2014 period, more of them have developed specialisations and those that previously had them have changed them. The overriding focus on geographic proximity has been replaced by the dominance of issue-areas, e.g., migration, energy, climate change and most evidently with a new focus on security and defence (by three small CEECs). This adds to the effects implied above in terms of the engagement of small CEECs with traditional issues of *la grande politique*. Third, CEECs have reacted to the illiberal trends linked to the disinformation campaigns and fake-news-based state propaganda by refraining to expose the use of new media and digital diplomacy that was planned earlier. In the post-2014 period, they plan for more 'technical' diplomatic tools like economic diplomacy and a stronger consular service. Still, their main diplomatic foci remain the traditional small state features, i.e., cultural and diaspora diplomacy.

Based on the above summary of findings, the final observation refers to the more general relevance of illiberal occurrences in international politics for small states. We determined that these states have much fewer opportunities to adapt their foreign policy than Poland, which was treated as a control variable. This difference is less relevant in terms of the policy process but much more with respect to the policy substance. Small states have displayed a capability to recognise illiberal challenges in international politics and in minor numbers

have even proposed a specialisation in security and defence. However, their reactions to the issues of *la grand politique* remain chiefly of a normative nature, e.g., by making a call to international law and legitimate international institutions such as the EU. They do not have the capability to develop communication tools for state propaganda and hence remain within traditional small state diplomacy and culture-based instruments. Poland, in contrast, plans for more self-help with its own capability build-up in the form of public diplomacy communication tools, the military instrument, specialisation in security and defence, and even engagement in the regional balance of power.

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## **Chapter 9: The War in Ukraine and the EU's Security Architecture**

Jelena Juvan

### **Introduction**

Hallstein (in Bindi, 2010: 13) stated that “[on]e reason for creating the European Community [was] to enable Europe to play its full part in world affairs. ... [It is] vital for the Community to be able to speak with one voice and to act as one in economic relations with the rest of the world”. To play a more active role in world affairs, it is also necessary to strengthen the Community’s role as a security and military actor. This explains the main desire underlying the EU’s ambition after the end of the Cold War to also influence world politics. Therefore, the Maastricht Treaty adopted in 1992 introduced the Common Foreign and Security Policy (CFSP) as a direct way of realising this ambition. The military power of a state can be considered to be a basic element of power according to realist theory. “Realism primarily connects security with the military power of a state ... It is only a state that has legitimacy and monopoly over the use of force in domestic and international relations” (Svete, 2005:35). The international community is seen by Svete as an anarchic system in which states are the principal actors (in Malešič, 2012). They compete with each other for survival and power as a finite source, and thus the sum of their actions is always zero. The victories of some are relative and achieved at the expense of the relative defeat of others. The most important tool for implementing foreign policy is military force (Baylis et al., 2001). At the core of the realistic approach of “power and security” lies the assumption that there is an international hierarchy according to which countries are ranked by their military power and economic capacity (Malešič, 1994: 98). One of the central theorists of classical realism, Hans Morgenthau (in Svete, 2005: 35), highlights the importance of national powers whose main sources are their geographical factors, natural resources, industrialisation level, military capabilities, population, national characteristics and morale of the population, the

ability of diplomacy and governments, and ultimately the political system's stability. What the EU was missing was military capabilities. All of the EU's actions and attempts following adoption of the Maastricht Treaty and implementation of the CFSP (and later the Common Security and Defence Policy) were in support of the EU becoming a more autonomous as a military actor.

Despite the Maastricht Treaty adopted in 1992, establishment of the CFSP, and the EU trying to bolster its role as a global foreign policy and security actor, armed conflicts and violence erupted following the break up of Yugoslavia where the EU's incapability to act as an efficient mediator demonstrated that the EU still had a very long way to go. If the wars in Croatia and Bosnia and Herzegovina between 1991 and 1995 are considered to be the EU's first major disappointment regarding its ambitions, the conflict in Kosovo in 1999 and the air strikes and operation Allied Force of the North Atlantic Treaty Organization (NATO) again showed NATO's role as a leading security actor in Europe and the EU's considerable dependence on the United States of America to resolve armed conflicts in its neighbourhood. The same may be said for the current war in Ukraine, which can be characterised as the greatest blow to the EU's desire to become an autonomous military actor. With acceptance of the Lisbon Treaty in 2009, the EU indicated that the framework of the Common Security and Defence Policy (CSDP) might include the gradual creation of a Common Defence Policy, which could lead to a common defence for the Union in the future. The Lisbon Treaty also brought innovations and amendments in the direction of a more effective CSDP<sup>1</sup> and provided for combat units to be made available for immediate action. However, the biggest deficiency of the EU's CSDP was that it was never planned for conflicts erupting on the European continent. The war in Ukraine has revealed all manner of misperceptions concerning how a future war will look and where it will take place. Further, it has revealed the EU's 'soft power' approach to be completely incapable of preventing 'hard power' armed conflicts and finding effective solutions. Although the war in Ukraine is still underway, the main assertion in

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1 The Lisbon Treaty introduced the possibility of certain EU countries strengthening their cooperation in military matters by creating permanent structured cooperation (Articles 42(6) and 46 of the Treaty on European Union). The Permanent Structured Cooperation (PESCO) in the area of the CSDP was established by a Council decision on 11 December 2017, with 25 EU member states. It offers a legal framework to jointly plan, develop and invest in shared capability projects, and enhance the operational readiness and contribution of armed forces.

this chapter is that the European security architecture after 2022 will not and cannot afford to look the same and the war in Ukraine will cause tectonic changes on the European and global levels. The chapter is based on three main assumptions about the war in Ukraine: 1) it represents the return of realist theory to international politics with a big clash; 2) it again reveals the EU's inability to prevent and resolve such armed conflicts within its closest neighbourhood; and 3) it further shows the EU's inability to act in the international community without NATO and without the USA and its overall dependence and reliance upon NATO and the USA. Further, some other points that may influence the future of the European security architecture must be considered: the fact that the EU practically does not have a unified position on either the geopolitical *Zeitwende*<sup>2</sup> or the rise of China, which no doubt is also connected to the EU's non-autonomous status in relation to the current hegemon.

## **Lessons learned from the past**

The current EU security framework was established by the Maastricht Treaty in 1992 and Lisbon Treaty in 2009. However, events during the 1990s, especially the armed conflicts following the dissolution of former Yugoslavia, demonstrated the inability of the current EU mechanisms to end and resolve conflicts. "The breakup of federal Yugoslavia has been a dramatic chapter in the international politics of post-Cold War uncertainty brought about by the collapse of bipolar stability and aggravated by the resurgence of ethnic conflict and the competing claims of emerging regional powers" (Lavdas: 1996, 213).

Faced with a crisis, the 12 member states of then European Community made it clear that they would prefer the continued existence of the common state, the Socialist Federal Republic of Yugoslavia, with which the European Economic Community (EEC) had signed a Cooperation Agreement in 1980. "They feared that disputes over borders would constitute a dangerous precedent in Central and Eastern Europe and decided not to recognise the independence of Slovenia and Croatia" (University of Luxemburg, 2011). When the armed

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2 On 24 February 2022, the Russian Federation's attack on Ukraine marked a geopolitical turning point, comparable in scale only to the collapse of the communist regimes in Europe from 1989 to 1992. This grand and ambitious term "*Zeitenwende*", whose meaning roughly translates to "historical shift" or "turning point", was introduced by German Chancellor Olaf Scholz just 4 days after the start of Russia's military invasion in a ground-breaking speech in the German Bundestag (Brix, 2023).

conflicts began in 1991, the European Community had no choice but to deal with the problem since the United Nation's then position was that the Yugoslav crisis was a domestic affair and hence the international community would not become involved. The Organisation for Security and Cooperation in Europe (OSCE), in which the USSR was supporting Serbia, was paralysed by the rule of unanimity, which simply forced the European Community to intervene (University of Luxemburg, 2011). As mentioned, the European Community initially declared its preference for the Yugoslav Federation to continue, also because of its cooperation agreement with the EEC. Yet, as the conflicts deteriorated the EU-12 had to call on the UN and the USA, which later (until 1995) played the leading role in resolving the Yugoslav crisis and armed conflicts (University of Luxemburg, 2011). The armed conflicts in the area of former Yugoslavia actually acted as a test for the CFSP established under the Maastricht Treaty. It also put a spotlight on the inadequacies of Europe's independent military capability, whereas, in contrast, it was the EU that had actually provided most of the humanitarian aid (*ibid.*). The EU's attempts to resolve the disputes can be summed up in the organisation of several peace conferences, with the first being the conference in The Hague in September 1991. According to Lykke et al. (2000:2), the EU's approach was largely reactive: in the 1990s, it created a European Community Monitoring Mission (ECMM), appointed an EU Special Envoy for the former Yugoslavia and agreed a number of decisions in the CFSP framework, including an embargo on the export of arms to former Yugoslavia<sup>3</sup>.

Nevertheless, the discord amongst the 12 member states meant they managed to neither force an end to the fighting nor agree on a political solution. The UN and the EEC decided not to impose a military solution and cooperated to try to find a peaceful settlement in the former Yugoslavia, even after it had become obvious that a peaceful solution was no longer possible. As the civil war in former Yugoslavia continued and in response to the ethnic cleansing being carried out, a United Nations Protection Force (UNPROFOR) with some 15,000 members was created on 21 February 1992. When it became clear that the EU was powerless in this situation, the resolution of the conflicts was initially handed over to UN, then to the USA and NATO.

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3 In July 1991, the European Community and its member states decided to impose an arms embargo on the former SFRY, which was followed by a UN Security Council decision in September 1991 to establish an arms embargo that applied to all of the territory of the former Yugoslavia in UNSC resolution 713. The resolution imposed an international arms embargo on all Yugoslav territories in an effort to prevent the violence from escalating.

In December 1991, soon after the Maastricht Treaty had been adopted, the EU-12 were keen to demonstrate their solidarity with the new states and decided to recognise every ex-Yugoslav republic that wished to be recognised as such on the condition that it respected human and minority rights. Proceeding in this manner<sup>4</sup>, however, had the drawback of overriding the previous global agreement between the parties that was the subject of the peace conference in the Hague. According to Lavdas (1996: 215), it should be clear that “the EEC/EU has been ambivalent in its treatment of the principle of the inviolability of borders: the recognition of the independence of Slovenia and Croatia was based on the combination of a reading of the CSCE human rights provisions (concerning a state’s treatment of its minorities) and a primacy accorded to internal borders (between the six republics) in the particular case of the SFRY”.

As regards the Yugoslav crisis, which was a particularly complicated issue, the EEC/EU had not managed to pursue a coherent policy mainly due to the divergences in opinion between the member states, which acted as an omen for the CFSP being established under the Maastricht Treaty. The European Community was actually excluded from the core of the negotiations. It was NATO and the USA that in the end forced the Serbs to back down and the EU as a whole was left marginalised (Lavdas, 1996).

Another painful blow for the EU and its mechanisms under the CFSP came in 1999 when NATO carried out an aerial bombing campaign against the Federal Republic of Yugoslavia (then Serbia and Montenegro). According to Lykke et al. (2000: 3), in March 1999 a new stage in the ongoing Kosovo conflict was reached when Yugoslav security forces began a fresh offensive

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4 On 23 December 1991, Germany unilaterally recognised Slovenia and Croatia. It was followed on 15 January 1992 by its partner countries after the conference’s Arbitration Commission had decided that these two Republics satisfied the requisite conditions. In the case of Bosnia, the Arbitration Commission suggested that a referendum take place. That was duly held on 29 February and 1 March: the Muslim and Croat majority voted for independence, the Serbs abstained and declared a “Serbian Republic of Bosnia”, intensifying the war. Bosnia was recognised on 6 April. As a result of Greek opposition, however, Macedonia was not recognised until December 1993, under the name of the former Yugoslav Republic of Macedonia. Even though the principles of the Carrington-Cutileiro Plan were accepted by the three ethnic groups of Bosnia and Herzegovina in April 1992, the proposals included in the peace plan were finally refused by the Bosniak leader Alija Izetbegović. From this point on, the conflict in Bosnia worsened (University of Luxemburg, 2011).

after peace talks in Rambouillet<sup>5</sup> broke down. The escalation of the conflict which triggered a military NATO-led operation obviously shifted the focus of international involvement away from the EU and its weakness in exercising leadership was once again exposed. Yet, many of the EU member states were implicated in the action taken by NATO and the Union as such was faced with another humanitarian crisis in Europe – one-fifth of Kosovo's population had already either fled or been displaced – plus the danger of the conflict escalating. "As in Bosnia, the role of the EU in the international community's response to the actual military Kosovo crisis was minor" (Duke in Lykke et al. 2000: 2).

NATO launched the air campaign Operation Allied Force in March 1999 to halt the humanitarian catastrophe then unfolding in Kosovo. The decision to intervene followed more than a year of fighting within the province and the failure of international efforts to resolve the conflict by diplomatic means. The situation in Kosovo flared up again at the beginning of 1999, following several acts of provocation on both sides and the use of excessive force by the Serbian military and police. Renewed international efforts to give fresh political impetus to finding a peaceful solution to the conflict resulted in negotiations being convened between the parties to the conflict in London and Paris under international mediation. These negotiations failed, however, and in March 1999, Serbian military and police forces stepped up the intensity of their operations, moving extra troops and tanks into the region in clear breach of the agreements reached. Tens of thousands of people started to flee their homes in the face of this systematic offensive. A final unsuccessful attempt was made by United States Ambassador Richard Holbrooke to persuade President Milošević to reverse his policies. With all diplomatic avenues exhausted, NATO launched an air campaign against the Milošević regime on 24 March 1999 (NATO 2022).

Following diplomatic efforts by Russia and the EU on 3 June 1999, a Military Technical Agreement was concluded between NATO and the Federal

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5 The Rambouillet Agreement, formally the Interim Agreement for Peace and Self-Government in Kosovo, was a proposed peace agreement between the Federal Republic of Yugoslavia and a delegation representing the ethnic Albanian majority population of Kosovo. It was drafted by NATO and named after the Château de Rambouillet, where it had initially been proposed in early 1999. Among other things, the accords called for 30,000 NATO peacekeeping troops in Kosovo; the unhindered right of passage for NATO troops on Yugoslav territory; and immunity for NATO and its agents in Yugoslav law. Yugoslavia's refusal to sign the accords was used by NATO to justify the 1999 bombing of the country (Weller, 1999).

Republic of Yugoslavia on 9 June. On the next day, after confirmation that the Yugoslav forces had started to withdraw from Kosovo, NATO announced the suspension of its air campaign. On 10 June, UNSCR 1244 welcomed the Federal Republic of Yugoslavia's acceptance of the principles for a political solution, including an immediate end to violence and the rapid withdrawal of its military, police and paramilitary forces coupled with the deployment of an effective international civil and security presence, including substantial NATO participation (*ibid.*).

## **The current EU security framework**

The Lisbon Treaty adopted in 2007 brought several amendments and novelties to the area of security, while also establishing the grounds for the further development of the EU's foreign, security and defence policy. Through the Lisbon Treaty, the EU attempted to eliminate or at least reduce certain inconsistencies in the design of the EU and weaknesses in its performance, which had an additional negative impact on the CFSP. It should be noted that the Lisbon Treaty did not actually nullify all previously existing treaties, but only supplemented them. Still, the fact it introduced so many changes to the existing treaties means that we can talk about important reforms and thus also call it a reform treaty.

Innovations introduced by the Lisbon Treaty include the fact that under the new treaty the EU has a single legal personality, with the three-pillar structure<sup>6</sup> being abolished, whereas the special nature of the common foreign and security policy is preserved (Hynek, 2011: 83). The reform treaty foresees the establishing of the new function of permanent president of the European

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6 Between 1993 and 2009, the EU was legally comprised of three pillars. This structure was introduced by the Treaty of Maastricht on 1 November 1993 and eventually abandoned on 1 December 2009 upon the entry into force of the Treaty of Lisbon, when the EU obtained a consolidated legal personality. The three pillars were: 1. The European Communities pillar, which handled economic, social and environmental policies. It comprised the European Community (EC), the European Coal and Steel Community (ECSC, until its expiry in 2002), and the European Atomic Energy Community (EURATOM). 2. The Common Foreign and Security Policy (CFSP) pillar, which took care of foreign policy and military matters. 3. Police and Judicial Cooperation in Criminal Matters (PJCCM), which brought together cooperation in the fight against crime. This pillar was originally named Justice and Home Affairs (JHA).

Council for a period of 2.5 years<sup>7</sup> who ensures the continuity of the European Council's work and external representation on the highest level (where they share the representative role with the new high representative). To ensure greater coherency in external action, "the European Council should identify the Union's strategic interests and set general guidelines for the CFSP, including for issues with defence implications" (Lisbon Treaty 2007, new Article 46A).

As concerns the CFSP, the main institutional innovations brought by the Lisbon Treaty are the establishment of the function of EU High Representative for Foreign Affairs and Security Policy (Lisbon Treaty 2007, Articles 18 and 27) and establishment of the European External Action Service. By these means, the EU seeks to develop the coherence and unity of its foreign policy. In the new function of EU High Representative for Foreign Affairs and Security Policy, the previous roles of High Representative for the Common Foreign and Security Policy and Commissioner for Foreign Affairs were combined (Strategic Survey, 2008: 167). The High Representative heads the Council for Foreign Affairs, which consists of all EU foreign ministers, and is also the Vice-President of the European Commission. It also conducts political dialogue with international partners and is a key representative of the EU in its relations with the rest of the world. The aim was to strengthen the consistency and continuity of work in the EU's external affairs, which in turn was expected to make its activities on the international scene more efficient and visible.

The Treaty also introduced other important innovations, such as a clause on enhanced cooperation that allows a group of member states with greater interests or capacities in a certain area to cooperate in depth. The establishment of enhanced cooperation is conditional upon having a minimum number of nine participating member states. The status of the EU as a legal entity was also formally confirmed, thereby enabling the Union to sign international agreements and appear more prominently on the international stage (Lisbon Treaty, new Article 46A). Up until 2009, the EU did not hold the status of a legal entity, which limited its ability to influence and to speak with one voice on the international level (Dagand, 2008: 3).

Pursuant to the Treaty of Lisbon, the European Defence and Security Policy (ESDP) was renamed the Common Security and Defence Policy (CSDP). The relationship between the CFSP and the CSDP is described in Article 17.3:

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7 with the possibility of a one-time extension.

“The CFSP will include all issues related to the security of the Union, including a progressive framework for a common defence policy, which may lead to a common defence, if the European Council so decides”. In this case, the European Council “will recommend to the member states to make such decisions in accordance with their constitutional arrangements” (Hynek, 2011: 83).

The Treaty of Lisbon also led to an extension of the ‘Petersburg tasks’. Civilian and military tasks the EU can decide to perform thus no longer only include humanitarian and rescue tasks, peacekeeping tasks and combat tasks in crisis management missions, including peace restoration, but the new tasks of disarmament, military advice and assistance, conflict prevention and post-conflict stabilisation (Lisbon Treaty 2007, Article 28A-1). All of these tasks can contribute to the fight against terrorism, including helping third countries to combat terrorism on their territory (Strategic Survey, 2008). The EU has developed instruments like assistance with security sector reform, disarmament, demobilisation and reintegration, as an important elements in the phases of both conflict prevention and post-conflict management.

Crisis management operations are one of the most critical activities as part of ensuring peace and security within the CSDP framework. Hynek (2010: 86) notes that since 2003 the term “crisis management operations” has in fact been used to describe a very wide range of different operations performed under the EU’s auspices. The EU’s crisis management has encompassed a spectrum of operations, ranging from legal advisory, police training missions, disarmament and demobilisation missions and border control missions through to security sector reforms, electoral security missions and peacekeeping missions in cooperation with other international institutions. Since 2003, when the EU actively entered the field of providing international peace and security with Operation Concordia in (North) Macedonia for the first time within the framework of the CSDP, the EU has undertaken 36 overseas operations, deploying civilian and military missions and operations in several countries in Europe, Africa and Asia. Currently, in 2023, there are 21 ongoing CSDP missions and operations, 12 of which are civilian, and 9 military (EU External Action, 2023). Crisis management operations are clearly the most visible expression of the CSDP or the EU’s efforts to become more visible as a political and security actor in the world. Analysis (Malešič and Juvan, 2015) showed that the EU’s military operations mainly take place on the African continent, especially in the central part of Africa, whereas its civilian operations are geographically more dispersed.

The EU has indicated that within the CSDP framework it also foresees the potential and gradual creation of a common defence policy, which could lead to common defence. The new Treaty of Lisbon adopted the goal of common defence for the CSDP, yet will only be effectively implemented if the EU Council unanimously decides to do so. Another addition in this area is the mutual assistance clause introduced by the mentioned Treaty. If one EU member state is subject to armed aggression, the other members must provide assistance with all available means (Lisbon Treaty 2007, Article 28A7) (Dagand, 2008). Military assets are not expressly mentioned. By introducing the solidarity clause, the Treaty of Lisbon opens the possibility for member states to resort to the use of the military capabilities of other member states to protect against a terrorist threat on the territory of a member state and, if necessary, to assist a member state that is the object of a terrorist attack or victim of a natural or a man-made disaster (Lisbon Treaty 2007, new Article 188R).

Skubic (2010: 45) notes that both the solidarity clause and mutual assistance clause are compromise solutions that needed to satisfy all those who were opposed to the direct introduction of common defence. "In fact, it is a compromise between three currents, namely the one represented by the member states who wanted the EU's commitments on common defence, those members who wanted to maintain their neutrality status, and those who see common defence solely as a NATO issue" (Strategic Survey, 2008: 167).

In addition to the scope and limitations of the CSDP, the Treaty of Lisbon brings innovations and amendments in the direction of a more effective CSDP. It introduces "permanent structural cooperation" (Lisbon Treaty 2007, Article 28A), which is open to all member states that commit to participating in the main European military equipment programmes and providing the EU with combat units that will be available for immediate action. Dagand (2008) notes these countries are ready to engage in the most demanding military operations on the EU's behalf, especially in response to requests from the United Nations (Dagand, 2008). Permanent structural cooperation should bring member states whose military capabilities meet higher criteria together. This should promote the development of defence capabilities in Europe and encourage member states to make their resources required for EU military operations available to the EU. The Treaty does not prescribe a minimum number of member states for the establishment of permanent structural cooperation. Still, the possibility of this form of cooperation depends on the fulfilment of the convergence criteria related to the military capacity

and also the willingness of the participating countries to use their forces for the EU's benefit (Protocol No. 10 on permanent structural cooperation established by Article 28A Lisbon Treaty (Grevi et al., 2010)).

A more flexible foreign, security and defence policy should also assist in ensuring a more effective CSDP. Enhanced cooperation between member states is designed to realise the EU's goals, protect its interests, and strengthen its integration processes (Lisbon Treaty 2007, new Article 10). The Treaty of Lisbon enables the development of ad hoc initiatives in the field of CFSP if they are supported by at least nine member states. Further, the new treaty allows the Council of the EU to entrust the execution of a certain task in the field of CSDP to a group of member states ready to carry out such a task and have the required capacities (Lisbon Treaty 2007, new Article 28C).

Although the changes introduced by the Treaty of Lisbon in the area of the CSDP indicate the member states' greater willingness to develop the 'military part' of the EU, they do not strive for a more integrative approach. Dagand (2008: 4) notes that it is precisely the reliance on the NATO alliance of those member states which are also members of NATO that demonstrates their division over this issue.

The Treaty of Lisbon is an attempt by member states to overcome the shortcomings of the Constitutional Treaty on the EU. Yet, as Dagand (2008: 7) argues, it can hardly be called revolutionary: it aims to create a strengthened institutional architecture and offer better capabilities for enhanced collective action, while leaving the door open in the event that member states want to take a step forward. Critics of the Lisbon Treaty believe the Treaty further undermines the member states' national sovereignty, whereas its defenders believe that a precise and limited response is exactly what the member states need to make the EU's foreign and security policy more effective for all members, while simultaneously protecting their national interests.

### *The EU Security Framework after 2016*

Since 2016, the EU has developed several new initiatives on security and defence. The Coordinated Annual Review on Defence (CARD), the European Defence Fund (EDF), Permanent Structured Cooperation (PESCO) and the latest Strategic Compass are frameworks and incentives that were designed to gradually overcome the past failures. Although not new, the Capability Development Plan (CDP) must also be mentioned. All of these initiatives are strongly interlinked: the CDP identifies the capability priorities that member

states should focus their common efforts on; CARD provides an overview of existing capabilities in Europe and identifies opportunities for cooperation; PESCO offers options for ways to develop prioritised capabilities in a collaborative manner; and the EDF provides EU funding to support the implementation of cooperative defence projects, with a bonus for the PESCO project (EDA 2018).

Even though previous initiatives have certainly led to greater interaction between member states with regard to cooperation, the main issues of defragmentation and operational commitment still remain (also see CARD Report 2020). National defence interests and related approaches continue to prevail, and financial and other allocations made by member states to their already launched national programmes do not leave much room for manoeuvre for collaborative defence spending in the near future.

Despite the CDP not being a novel process, it deserves to be mentioned as one of the crucial ones. The CDP was jointly developed by the European Defence Agency<sup>8</sup> and the EU Military Staff<sup>9</sup> in 2008 and updated in 2010, with revisions made in 2014 and 2018. “The CDP is both a document and a process that clarifies existing capability shortfalls, plans for future technology trends, explores avenues for European cooperation and details lessons learned from the EU’s military missions and operations” (Fiott, 2018: 2). According to Fiott (*ibid.*), the CDP may be seen as the glue that can add to the coherence between the CARD, the EDF and PESCO. “The CDP is more than just a document because it sits at the intersection of the fundamental challenge of defence capability development” (*ibid.*).

The most tangible output of the 2018 CDP revision was the 11 new EU Capability Development Priorities developed together with the member states. The CDP should be seen as a vital element of the EU’s broader defence policies because of the important role it plays in arbitrating between short-term capability requirements and longer-term capability and technology needs.

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8 The European Defence Agency was established under a Joint Action of the Council of Ministers on 12 July 2004, “to support the Member States and the Council in their effort to improve European defence capabilities in the field of crisis management and to sustain the European Security and Defence Policy as it stands now and develops in the future” (European Defence Agency, 2023).

9 EU Military Staff is the source of military expertise within the European External Action Service. Its role is to provide early warning, situation assessment, strategic planning, communications and information systems, concept development, training and education, and support for partnerships (European Union External Action, 2023).

“The challenge facing the EU today is one that involves having to fill a multitude of capability shortfalls in the short term, while also thinking about what future capabilities and technologies the EU Member States should invest in” (Fiott, 2018: 8).

The primary aim of CARD is to provide a picture of the existing defence capability landscape in Europe, and identify potential areas of cooperation. CARD was eventually approved by the EU Council in May 2017. The first full CARD cycle was launched in autumn 2019 and completed in November 2020, and has detected a total of 55 collaborative opportunities throughout the whole capability spectrum considered to be the most promising, the most needed or the most pressing, including in terms of operational value (CARD Report 2020). To overcome the current issues of the defragmentation of the European defence landscape, the conclusions of the first full CARD cycle suggest more coordinated and continuous efforts by the participating member states over a long time period in three major interlinked areas: defence spending, defence planning, and defence cooperation (CARD Report 2020).

On 11 December 2017, Council decision (CFSP) 2017/2315 of 11 December 2017 formally established PESCO with 25 member states participating. It allows willing and able member states to jointly plan, develop and invest in shared capability projects, and enhance the operational readiness and contribution of their armed forces. The ultimate objective is to optimise the available resources and improve their overall effectiveness with a view to the most demanding missions and operations and contributing to the fulfilment of the Union-level ambitions. The key difference between PESCO and other forms of cooperation is the legally binding nature of the commitments undertaken by the participating member states. The decision to participate was made voluntarily by each participating member state, and decision-making will remain in the hands of the participating member states in the Council. PESCO is a capability development process, which is unavoidably a slow process (Biscop, 2020: 4). In order to evaluate progress, the first PESCO Strategic Review was carried out in 2020. Forty-seven collaborative projects have been launched, with twelve already delivering concrete results or reaching their initial operational capability (Council of the European Union, 2020: 3).

The coherence between PESCO, CARD and the EDF promotes the better use of scarce resources by increasing the joint development of the capabilities required for Europe’s security. With the first strategic review, PESCO’s participating member states agreed that the binding commitments they have

mutually agreed on “have proven to present a solid guideline in ensuring consistent implementation of PESCO and must therefore not be changed in the context of the current PESCO Strategic Review” (Council of the European Union, 2020: 4). One problem for PESCO according to Biscop (*ibid.*) is “a culture of non-compliance”. Member states overwhelmingly retain a national focus in their defence planning, and show very little discipline in meeting the commitments they have made. The question of how many member states genuinely intended to meet the commitments when they signed up for PESCO must be asked. In some countries, the defence establishment surely saw in PESCO a useful tool to impress the importance of a serious defence effort upon their national political authorities. Instead of using PESCO as an instrument to reach a common EU goal, member states have instrumentalised it to further their own projects. “But many governments probably joined more out of fear of being left out than from a sincere desire to join in” (Biscop, 2020: 7).

In late 2019, a new and, as Biscop (2020) describes, potentially promising debate began with a German proposal to provide the CSDP with political guidance. The Strategic Compass may be understood as an initiative stemming from shortcomings in the EU Global Strategy. The EU Strategic Compass will set out what the EU should be able to do and achieve in the area of crisis management and resilience over the next 5–10 years, and which capacities and partnerships (including EU–NATO) it will need. “There are questions about the EU’s military level of ambition, especially in terms of what type of missions and operations the Union should be able to carry out” (EUISS, 2021). Any operational commitments that may derive from the EU Strategic Compass will hold implications for resources, command and control, and capabilities. Another challenge for the Strategic Compass is the need to assess what type of military contribution can be made to enhancing resilience and countering hybrid threats (*ibid.*).

A lack of political visibility represents an additional challenge. EU security and defence initiatives can only be credibly implemented if they are reflected in national defence planning. “Without national buy-in, it will be difficult to stimulate a culture of cooperation and common strategic perceptions in the EU. This is a major task for the Strategic Compass, as defence planning rests with the Member States” (EUISS, 2021b).

## **The war in Ukraine and potential consequences for the EU's security architecture**

As shown in the sections above, the EU has for decades tried to develop its own security framework with instruments, mechanisms, and military capabilities that would enable it to deter potential threats and resolve armed conflicts. However, when Russia's full-scale military aggression in Ukraine started on 24 February 2022, the EU and the rest of the world was left shocked and it seemed that the EU was left completely powerless. There is no doubt that this armed conflict will fundamentally change not only the European security architecture but the international one as well. After going on for one year, there is no sign of it ending. Moreover, the armed conflict is still escalating in terms of the use of military force, the non-selectivity of the targets chosen, the use of more modern weapon systems, as well as the possible involvement of other countries, such as Belarus, in the conflict. There are still many 'unknowns' regarding the outcome of this armed conflict and it is still too soon for a more thorough research analysis of its consequences. Nevertheless, based on events over the last year we can already identify some consequences that are already strongly influencing the EU security architecture. The war in Ukraine has already caused tremendous destruction and economic damage. Critical infrastructure has been destroyed, along with commercial buildings. It is estimated that almost 20% of the Ukrainian population has left the country (Center for Research and Analysis of Migration, 2023). Even when the war ends, the refugees will have nowhere to return to because the country has been destroyed. Reconstruction of the country will take several decades, while intensive help from the international community will also be urgently needed. It is currently estimated that the rebuilding of Ukraine will cost EUR 500–600 billion (Mattoo, 2022), although this number is rising as the war goes on. The war in Ukraine is also responsible for strong effects on the world economy. It is affecting global trade and supply chains, causing economic damage by disrupting global trade, while leaving the future of the international trade regime uncertain. The disruptions to trade with Russia hold global implications due to price increases, particularly of energy, affecting transport costs and almost all global value chains. There is a greater risk that supply chains will remain permanently altered by the conflict, aside from Ukraine and Russia (Ruta, 2022).

The war in Ukraine has once again shown the incompetence and ineffectiveness of the United Nations Organisation and its Security Council. The composition of the Security Council is all the more problematic in this case since the military aggressor and the country that is violating international law and all the rules that have been in force in the international community until now is a country which is a permanent member of the Security Council and has the right to a veto. The war in Ukraine has revealed that, in the perception of European countries, NATO is the only guarantor of peace and security. This is confirmed by Sweden and Finland's application for NATO membership, as well as Ukraine's expressed desire to join the alliance. The Swedish and Finnish withdrawal from their historical positions of neutrality will most likely be one of the biggest consequences of this armed conflict for the European security architecture. Here we should also mention Denmark's withdrawal from the 'opt-out' for the Common Security and Defence Policy, which has been in force since 1992.

The war in Ukraine has led to an increase in the defence budgets and expenditures of European countries. Investments in the national armed forces will rise. The year 2022 already saw all EU member states increase their defence budgets. Member states are investing more than ever in the procurement of defence/military equipment and research and development, a 16% increase over 2020, totalling a record EUR 52 billion (European Defence Agency, 2022). The mentioned war has mobilised the solidarity of Western countries, manifested in extraordinary humanitarian, military and financial aid. In this regard, the USA dominates in first place, having allocated the most bilateral humanitarian and military aid to Ukraine. The USA, UK and the institutions of the EU together are the largest suppliers of military aid to Ukraine. In monetary terms, US bilateral military aid to Ukraine reached EUR 22.9 billion in November 2022. As part of this aid, the USA has transported almost 1,500 air defence missiles and more than 1,400 air defence systems to Ukraine since October (Statista, 2023). The arming of Ukraine, including with more modern weapon systems, is continuing in 2023.

As a result of the war in Ukraine, some decisions unimaginable a few decades ago are being made: the extraordinary arming of Germany, which has announced that over the next 5 years it will allocate more than EUR 100 billion to upgrade its armed forces alone. The German government has introduced a constitutional amendment that will allow EUR 100 billion of

additional debt to upgrade the military, an unprecedented step in the history of the Federal Republic (Hille et al., 2022). Equally surprising is Germany's decision to send tanks outside its own national territory for the first time since the Second World War.

The war in Ukraine will cause such tectonic changes in the international community and its structure just like what happened at the end of the Cold War. The said war has exposed the EU's inability to not only prevent the outbreak of such a conflict in its immediate neighbourhood with its approach to ensuring world peace and security and the mechanisms it has developed as part of the Common Foreign and Security Policy since 1992, but to end it as well. The fact is that the EU, with its 'soft power' approach and spreading of the principles of democracy, peace and respect for human rights, cannot respond effectively in a conflict when on the other side the opponent is ready to use military force and violate international law. It is quite likely that the war also means the end of ideas and ambitions about Europeans having a common defence.

Although the conclusion of the chapter seems to be very pessimistic, we must not overlook all of the EU's efforts to assist Ukraine in its fight against Russia's aggression. The EU has imposed ten packages of restrictive measures intended to cripple Russia's ability to finance the war against Ukraine, impose costs on Russia's elites, and diminish the country's economic base. Through its European Peace Facility, the EU has committed EUR 5.6 billion<sup>10</sup> in military assistance financing for Ukraine, including EUR 3.1 billion for lethal equipment, EUR 380 million for nonlethal supplies, and EUR 2 billion to provide Ukraine with 1 million rounds of ammunition, either from existing EU member state stocks or through joint procurement. The EU also has established a training mission for Ukraine's armed forces (Congressional Research Services, 2023). An exceptional expression of unity and solidarity has been shown by the EU and its member states towards Ukraine, which raises the hope that in the future the EU will emerge from this war stronger and more autonomous. However, unfortunately in the current circumstances the outcome seems likely to be less rosy.

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10 Until May 2023

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### **III. SPACES AND PERSPECTIVES BEYOND**



# Chapter 10: The Ambivalences and Contradictions of China's Politico-Economic System and Its Relationship with the US-Led Global Order

Blaž Vrečko Ilc

## Introduction

Even a superficial overview of Western mainstream media, political, policy and scientific discourses reveals the ever-growing focus on and fear of the People's Republic of China (PRC). Numerous articles, analyses and speeches have been produced to interrogate the Chinese system, its development and transformations, along with its rise in the global politico-economic and geo-political order.<sup>1</sup> Regardless of the heightened interest in PRC, most of the existing Western thinking is strongly influenced by a general anti-China discursive framework developed to rationalise and legitimise the modern imperialist capitalist global system and its policies that have subjugated, exploited and expropriated China and its people for the benefit of Western capitalists (Turner, 2014; Vukovich, 2013). Despite substantial transformations of the global order since the Second World War that witnessed the rise of the USA as the global hegemon and the development of a novel highly

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1 These range from paranoid works such as E. Collby's *Strategy of Denial* (2021), M. Beckly and H. Brands' *What Will Drive China to War* (2021), E. Bock's *'This Theft is Real': NIH Investigates Foreign Influence at US Grantee Institutions* (2019), and the professional journal of the US army *The Military Review's* 2021 China issue, to more measured yet still problematic works like M. Jacques' *When China Rules the World: The End of the Western World and the Birth of a New Global Order* (2012), G. Tanner's *Can American Values Survive in a Chinese World?* (2019), R. Doshi's *The Long Game: China's Grand Strategy to Displace American Order* (2021), N. Rolland's *China's Vision for a New World Order* (2020) and to at least partly interesting works such as H. Hung's *The China Boom: Why China Will Not Rule the World* (2017), and *Clash of Empires – From Chimerica to the "New Cold War"* (2022).

integrated globalised US-led capitalist neoimperialist order<sup>2</sup> (Gindin and Panitch, 2013), this framework has remained in place along with its tropes of the ‘yellow peril’ (social and biological danger), China’s backwardness and deviation from the superior Western liberal capitalist model, the inherent anti-modern nature of the Chinese, the Chinese communist order as an unnatural, authoritarian, illiberal, inherently dangerous and aggressive endangering the peaceful Western liberal democracies and the international order and the CCP (Chinese Communist Party) as having the capacity to brainwash its automaton-like subjects residing either in China (Chinese citizens) or abroad (expats) for nefarious purposes of world domination (Siu and Chun, 2020; Svetličič, 2020; Vukovich, 2013). It is specifically in the current context of the ongoing US–PRC trade war, the pandemic, and intensification of the broader conflict between the PRC and the US-led collective West that these tropes and notions of imminent danger from China have been intensified to an almost unprecedented degree (Elias et al., 2021). Regardless of the importance of other central geopolitical conflicts (e.g., the US–Russia proxy war in Ukraine), the PRC is imagined as a singular threat based on assumptions of its immanent aggressive communist authoritarian nature striving for world domination. The PRC’s policies, the nature of its regime, its development and rise are always compared, interpreted, judged and reacted to from a position of systematic hypocrisy and double standards in which the US-led West is imagined in an idealised form. This has strategic functions such as

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2 Drawing from several works on modern (neo)imperialism and the US-led global capitalist order (Daum, 2021; Gindin and Panitch, 2013; Malkin, 2022; J. Smith, 2016), we define the present global order as a specific global capitalist accumulation regime and interstate system that is hierarchical and based on the unequal global exchange of commodities, unequal distribution of wealth, unequal division and exploitation and super-exploitation (below the level of subsistence) of workers and, hence, gradual intensification of unequal flows of surplus value, while also having an uneven negative ecological impact. This order is supported, secured, consolidated and continuously re-stabilised primarily by the US state (and its corporations and elites) in a (hierarchical) partnership with the core Western states. The USA with its military-security, financial, economic, technological and cultural power and capabilities and its dominance of all central international financial, economic and political institutions and by controlling crucial value chains is the main beneficiary and guarantor of the order. As such, it has responded to any (potential) challenge to its position as possibly existential and in need of an intervention ranging from limited economic restrictions to quotas, tariffs and systematic violence. The latter can take the form of economic sanctions and/or indirect and direct military/security interventions.

advancing the West's interests and denigrating, vilifying and delegitimising the interests, activities, policies and stances of other states, above all the PRC, and subverting the danger of anti-Western coalitions (Vrečko Ilc and Šabič, 2021). Yet, these quite one-sided, strategically useful, negative representations are also simultaneously accompanied by a relatively strong amazement with China's unprecedented development and its transformation from a third world, poverty-stricken agrarian society to an industrial modern urban society that has started to challenge the US-led West. This fascination with the PRC has also led to a specific framework for the analysis of China where its success is mostly attributed to the re-introduction of capitalism in the PRC, whereas the negative aspects of it are attributed to the dominance of the CCP (see Milanović 2022, Roberts 2021a).

This chapter strives to paint a more complex picture of the nature of China's systems, its characteristics, development, and complex relationship with the US-led capitalist (neo)imperialist order, together with its central contradictions and potential trends and transformations. It is initially argued that a complex perspective is needed given not only the specificity and exceptionality of the system in China and its historical and contemporary development, but also the country's growing importance in shaping the potential future of the global order characterised by the fundamental contradictions of the current global and national systems intensifying. The analytical framework is based on a critical interrogation of predominantly Marxist, but also other critical analyses of China.

The analysis first focuses on the PRC's historical politico-economic development during the reform period after the late 1970s, where the country's internal and geopolitical and geoeconomic conditions of possibility, and central characteristics are addressed. The spotlight is placed on the nature of the break with the Maoist period and the genesis of specific central characteristics of the novel system gradually established following Deng Xiaoping's reforms. The singular nature of these reforms that enabled China to avoid a general breakdown of society, the economy and politics that characterised the reforms in the Soviet Union and its Eastern European and Asian satellites are considered, while the contingency and non-teleological nature of China's reforms are also addressed. This serves as the starting point for the second part of the analysis in which the specific nature and characteristics of China's post-reform system and its relationship with the US-dominated politico-economic and geopolitical order are reflected on. Building on the insights of Marxist thinkers, we strive to of-

fer a complex picture of the paradoxical/dialectical nature of China's present system. This enables a consideration of specific central fundamental contradictions present in China's system, while potentially highlighting contradictions that, while crucial, are less prominent in existing research.

The final section concentrates on technological development in China as it plays a vital role not only in the country's historical and present development but is understood by the CCP as essential in its quest to address crucial politico-economic, geopolitical, and ecological contradictions. Focus is placed on why the technological sector is a crucial part of the politico-economic system, and why it is the prime target of the US-led Western anti-China policies.

## **The extraordinary nature and ambivalence of China's post-reform development: conditions of possibility, key transformations, and characteristics**

Considering its many accomplishments, China's economic and societal development since the late 1970s is exceptional and unprecedented in terms of continuous high economic growth (averaging at 8.5% since 1980), the rapid rise in life expectancy (77.93 years in 2021), the reduction of poverty and ending of extreme poverty and the substantial increase in living standards. It has outperformed every developing nation since 1949 and become a global manufacturing superpower and leader in the development of several technological sectors (ILO, 2020; Lo and Zhang, 2011; Richter, 2021; Ross, 2021; WB and RCSCPRC, 2022). In the decades since 1978, China has developed into a major recipient of foreign direct investment (FDI) and one of the biggest investors in other countries (Z. Li, 2013). It is today the largest single creditor in the world and largest single lender to emerging and developing countries. Its outstanding loans to other countries exceed 6% of global GDP (USD 5 trillion) (Xu, 2020). Notwithstanding these great successes, China's development is also denoted by negative trends connected with its rapid economic growth and industrialisation such as a rising inequality and wealth gap, an increased rural–urban divide, tougher competition in the labour market and the precarity of workers along with large-scale environmental devastation adding substantially to the intensifying global climate crisis (R. Smith, 2020).

To understand the ambivalent nature of China's present system, its development is an essential starting point. Although the reform processes began after Chairman Mao's death in 1976, the Maoist period must be considered vital for establishing the conditions of possibility for the subsequent developmental take-off (Clyne, 2021; Ross, 2021; Tooze, 2021). Despite many external and internal obstacles to the country's development following the revolution in 1949, where some were self-inflicted (The Great Leap Forwards and The Cultural Revolution) and others like exclusion from central international organisations were inflicted by the US-led capitalist powers, the Maoist period laid the foundations for rapid development. An important part of this was the agrarian reform and the expropriation of large landowners, establishment of rural cooperatives and communes, expropriation of domestic and foreign capitalist through systematic nationalisation, implementation of planning for organising production and the allocation of resources, consolidation of the CCP's power over the state and society, urban and rural industrialisation, the fast development of the education and healthcare systems (Carneiro, 2021; Hočevár, 2019; Lo, 2021; Roberts, 2021b). In the late Maoist period, due to the Sino-Soviet break and the consequent reappraisal of the PRC by the USA, another central precondition for China's later development was established as this reproach enabled China to be integrated into the capitalist (neo)imperialist system (Lo and Zhang, 2011).

Reforms introduced by China also depended on specific socio-political and geopolitical context(s), trends, events and specifically the dynamic relations of power among the political elites in the country. The Chinese had substantial agency in developing specific reforms and carrying them out and China's spectacular development was not primarily an unintended consequence of the rise of neoliberalism in the capitalist world (contra Gindin and Panitch, 2013; Harvey, 2005). The reforms should be seen as a set of experimental responses to the crisis of the late 1970s and as a basic ideological reorientation (Clyne, 2021; Milanović, 2022; Weber, 2021).

The main driver of the country's reforms in the 1970s was the new Chinese leadership headed by Deng Xiaoping which was confronted with a systematic economic and developmental crisis that exposed the limits of development predicated on a centrally planned economy and the paradigm of permanent revolution and mass movement. This coincided with the global crisis of accumulation experienced by the Western and Eastern blocs and Third World countries. However, the Chinese crisis was not simply a crisis of accumulation.

It was perceived as being more fundamental. The socialist revolution itself was in doubt after it had failed to provide for the most fundamental material needs of the peasant majority in whose name the revolution had been enacted. Not only rural poverty, but industrial backwardness in relation to the Western and Eastern bloc countries, the continuous occurrence of shortages and oversupply were expressions of China's systemic crisis (Weber, 2021).

The Chinese leadership launched a systematic critique of the Maoist ideological principles of self-sufficiency and revolutionary idealism in which they drew from Chinese historical economic debates, contemporary economic debates in the West that started to be dominated by neoliberal ideology, and various missions abroad that went to Western capitalist countries, East-Asian countries and Eastern European countries where they already had experience with experimental market reforms (Gewirtz, 2017). Reforms were imagined as a specific return to orthodox materialism where material development decides historical progress and productive forces determine the relations of production. The overriding focus was therefore put on developing productive forces and the further industrialisation of China. The core issue became improving the efficiency of production, construction, distribution, and other aspects of the economy. There was an ideological shift to economic determinism and efficiency and the Chinese leadership began to reorient China to economic development accompanied by an enhanced division of labour. Economics previously shunned as a reactionary science was re-established in China as an important rationality and governance tool. The study of political economy was substantially transformed as new economics courses were established in Chinese universities that mirrored in content (the dominance of neoliberal and neoclassical thought) those in the West (Weber, 2021).

Still, this introduction of economics did not predetermine the version of economics to be applied in reforms in the country nor did it make China's reinstatement of capitalism a *fait accompli* (Clyne, 2021; Ross, 2021). It did however result in formal proclamations that the centrally planned economy model was responsible for the crisis and that the crisis was a feature not an aberration of this model. Reformers in China acknowledged the critique of planning without discarding Marxism and its theory of the crisis in capitalism. They followed Deng's idea of careful experimentation through reforms to establish a proper productive relationship between planning and the market. Since the beginning of the reforms there had been no mainstream inclination to completely replace the state with the free market (Ross, 2021).

The mainstream Chinese reformers did not see (reformed) planning and the market as being mutually exclusive. They argued for cautious change and focused on developing concrete material gains (Weber, 2021).

From the beginning until the late 1990s the reforms were concentrated on a quantitative expansion of the economy. They were generally based on the premise of reintroducing markets to rationalise the allocation of resources and encourage the development of productive forces (Boa Nova, 2021). Yet the introduction of markets shared Lenin's New Economic Policy aim of utilising the markets while preventing capitalists from regaining hegemonic control. The transformed economic planning retained a critical role in directing China's development and foreign investments were allowed but under strict limitations (Roberts, 2015). Generally, the reforms focused on targeting substantial sectoral imbalances attributed to the problem of irrational prices and the need to enact a general price reform with the help of the re-introduction of the market mechanisms (Tooze, 2021).

The various reforms targeted rural and urban areas and substantially transformed the socio-economic and politico-economic system in China. In urban areas, 'special economic zones' (SEZ) were established with greater independence from central government concerning international trade activities, specific incentives for foreign investors, export-oriented production, and the general prevalence of market mechanisms. Combined with the government's prioritising of investment in consumer industries precipitated rapid economic development and the development of a highly competitive environment among individuals, companies and cities (Boa Nova, 2021). These urban reforms were inextricably linked to the success and effects of the rural reforms.

The initial goal of the rural reforms was to raise the agricultural output level to secure enough food to properly feed the Chinese population. The key piece of these reforms entailed the introduction of the household responsibility system (HRS). This transferred the responsibility for the output from the rural commune to the household. It allowed peasants to sell their above-quota production on the market. It enhanced the output by combining planning and the mechanism of the market competition, and was developed based on the assumption that the state could not efficiently allocate all of the resources. It dismantled the communes established in the Maoist period and gradually terminated their collective provision of childcare, schooling, housing, food and healthcare. While the HRS did not privatise land, it

distributed it and imposed strict limits on the size of distributed land and the limits on the leasing of the land and the hiring of agricultural workers. Finally, the state protected the domestic agricultural market from global competition. The reform precipitated the rapid expansion of township and village enterprises (TVE) focused on light industry and other non-agricultural outputs that have formed the backbone of modern China's economic expansion (Boa Nova, 2021). The dismantling of the communes and increased efficiency meant that a substantial surplus of labour was created that was ever more migrating to the urban centres. This relatively cheap yet educated labour force became a major factor in the rise of Chinese urban industries and their global hyper competitiveness (Weber, 2021).

These reforms may be regarded to be part of a larger set of reforms focused on enacting a general price reform to spur development. The idea that initially prevailed was to introduce on the systemic level a dual price track system where the companies had to deliver the planned quota at a planned price but were allowed to sell the surplus output at the market price. The idea was to slowly raise the planned prices of undersupplied goods and lower the prices of oversupplied goods and to concentrate specifically on key consumer and producer goods (Tooze, 2021). This would make the price system more rational, while also allowing the state to retain control over central aspects of the system and ensure political and social stability. It would prevent the kind of price shocks experienced by countries which had enacted a full-scale price liberalisation. However, the non-teleological nature of the reforms was demonstrated in the 1980s by two attempts by the Chinese leadership to enact a price "Shock therapy" that were defeated either by other parts of the CCP elite or the public. The last defeat is inextricably connected with the Tiananmen uprising of 1989, which can largely be attributed to the radicalisation of a large section of the urban workforce precipitated by inflation in turn accelerated by the reforms. These unprecedented events forced the Chinese leadership to shelf its plans for general price liberalization (Bramall, 2008; Qiao Collective, 2020).

Despite the radical destabilisation occurring at the end of the previous decade, China's development in the 1990s was characterised by the intensified adoption of various neoliberal-inspired policies seen by the Chinese leadership as fundamental for the country's further development and in no way contradicting the proclaimed nature of the Chinese system. Since 1992, this has been imagined through Deng Xiaoping's notion of a "socialist market economy with Chinese characteristics" (Weber, 2021).

There was an enormous drive to sell off or liquidate state-owned enterprises (SOEs) and deregulate the labour market. These processes that were rationalised by increased efficiency added to the rise in unemployment as SOEs fired around 60 million surplus employees (primarily industrial workers), thereby establishing an additional reserve pool of labour to be disciplined by the market and exploited. The fired industrial workers were among the most protected given that they were the minority that truly enjoyed the “iron rice bowl” of permanent secure employment (Wemheuer, 2019).

In this period, the healthcare system was also partly privatised. This caused a sharp increase in inequality and a shift at the top of China’s income pyramid where Chinese capitalists had substantially increased their share in comparison to the public sector elite (Yang et al., 2021). China in the 1990s and early 2000s was confronted with the widespread loss of discipline in the CCP via the unprecedented spread of corruption tied to the influx of capitalists into the party, which started to undermine its strategic capacities to direct the country’s development by reining in and disciplining capitalists/private enterprises and private capital accumulation. A danger was perceived that alternative centres of power organised around private wealth could be established (Tooze, 2021).

This situation partially stemmed from the CCP’s own ideological reorientation articulated by Jian Zemin (Deng’s successor) in the “Three Represents” doctrine in which a new relationship between the party and the people was imagined. The Party was to be transformed into a catch-all party of diverse and conflicting material interests. To remain a vanguard of the working class, in the view of its leadership the CCP had to embrace the new “middle classes” (from intellectuals to managers) as well as entrepreneurs (capitalists) into a broader and heterogenous imagining of the working classes to secure their support for the system and the further development of productive forces. Although the revolutionary disposition and the ideal of egalitarianism were silenced, this ideological transformation also led to substantial internal party criticism (Lin, 2006).

This had a particular effect on the transformation of state policies when associated with the (potential) negative effect of other intensifying central contradictions of China’s development that were endangering the social cohesion and stability and ultimately the legitimacy of the CCP. Rising wealth and income inequality, an increasing rural–urban divide and regional inequalities, intensifying worker unrest, and greater corruption caused the perception of a

fundamental gap between the CCP and the people, which when coupled with widespread ecological degradation, forced the CCP leadership to correct its course in the early 2000s (Boer, 2021).

When Hu Jintao took over as Chairman, China embarked on a more coordinated regional development whose goal was to ensure a qualitative expansion that would address the central contradictions of the country's development. There was a focus on re-establishing the central CCP's greater control over local bureaucracies and increasing coordination and control over development by refocusing on planning by central authorities. Fundamental principles of China's further development were gradually established and further formalised upon the appointment of Xi Jinping as Chairman in 2013. Development was to be controlled, harmonious, scientific and coordinated. Five central axes of coordination were imagined, including the urban–rural, inter–regional, social–economic, human–environment and national–international axes. Large infrastructural and transportation projects were seen as an integral part of this new developmental orientation and as a central way to stimulate development. The primary goal was more rational and coherent regional and local development. The plan was to achieve this by stimulating cooperation and dampening competition among regions, cities and companies, by integrating planning, infrastructure and services, and by integrating markets and regional productive structures. The intention was to integrate various parts of China along with enabling equal development across the country (Boa Nova, 2021).

Although spectacular, China's development since the late 1970 may be characterised as a continuous zigzag of periods of further marketisation and periods of increased state control. This is inextricably tied to the fundamental contradictions between the law of value<sup>3</sup> and planning for the public

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3 The law of value is inherent to the functioning of the capitalist system nationally and globally. It has three central functions: the regulation of the distribution of labour power and the means of production in the sense of dynamically matching the supply and demand (increasing and decreasing production relative to fluctuating prices). It develops capitalist social relations by incentivising capitalists to maximise profits by increasing the exploitation of the labour force to gain a competitive advantage or realise higher profits. Finally, it serves as the prime incentive for technical innovation and thus for productivity growth. This reduces the cost of production by reducing the labour time needed to produce a commodity. The capitalists who through investments in cutting-edge technology are capable of increasing productivity gain a temporary competitive advantage and can make larger profits and/or gain market shares as they can temporarily produce a

needs. While the former logic stresses the liberation of productive forces, it produces socially destabilising contradictions (from inequality to social unrest), the latter logic emphasises ownership (relations of production) that produces different contradictions like stagnation in the development of the forces of production (Clyne, 2021).

However, to understand the exceptional nature of China's development we must not overlook the additional specific conditions of possibility that enabled the Chinese leadership to not follow or be forced into an Eastern Bloc style 'shock therapy'. The initial agricultural reform's success in raising the output meant that China was never faced with the real possibility of famine and complete societal collapse like other reforming countries. Its reforms were gradual and systematically enacted much earlier than in other similar transitions. Poverty was also crucial as entrenched interest groups and the population at large did not have much to lose from the systemic reforms (Tooze, 2021). Nonetheless, the key structural factor was the normalisation of relations with the USA, which was a precondition for the Western investments in China that followed. Western capitalist elites faced with the systemic crises of the 1970s began to develop and implement a neoliberal transformation. The primary goal was to jump start capitalist accumulation and re-establish profitability by breaking the power of Western organised labour and retrenching the regulatory welfare state and to generally financialise the system nationally and globally. By raising interest rates, the US-led West engineered debt crises in the Third World and many Eastern Bloc countries and forced structural adjustment policies upon these countries that further opened their economies up to the exploitation of Western capitalists. Among others, this took the form of offshoring and outsourcing production from Western to newly 'opened' developing countries that led to the establishment of contemporary complex highly profitable global production (and value) chains (Gindin and Panitch, 2013). The Western policies of offshoring and outsourcing production to developing countries were vital for China's development as the country's cheap and educated labour forces made it an

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commodity below its dominant value. The latter is namely defined by the average amount of labour (the socially necessary labour time) expended by society to produce a given type of commodity. However, there is a long-term inverse relationship in a capitalist economy between productivity growth and profitability since the ever-increasing productivity growth leads to the tendency of the rate of profit to fall and to the cyclical capitalist crises of overproduction (Sykes, 2022; Roberts, 2015).

ideal place for these policies. Hence, Western multinationals with the backing of Western authorities began to shift production to China and replace Western workers with the more exploitable Chinese workers (J. Smith, 2016). However, unlike similar processes in other developing states, the Chinese government was not forced but chose to support this process as it had minimal foreign debt. This allowed China to have systemic control and guide the process and set the terms to Western investors, among others requiring the joint ownership of companies and technology transfer (Weber, 2021). The US-led West and China started to become mutually economically interdependent. After the late 2000s, their relationship morphed into competitive interdependence and geopolitical struggle, starting with the Obama Administration and properly intensifying during the Trump and Biden Administrations (Chow and Werner, 2020). Still, to understand the present geopolitical tensions a more focused analysis of China's system and its key characteristics, ambivalences and contradictions is needed.

## **China's politico-economic system today, its characteristics, and contradictions**

China's system is officially defined as a socialist market economy and is thus in a specific stage of socialist development – the primary stage of socialism, whose main goal is socialist modernisation (PRC, 2018). According to the prominent Chinese Marxist Cheng Enfu (2021), China's primary stage of socialism differs from modern capitalism as well as later stages of socialism and communism. In modern capitalism, private ownership is primary and dominating, and distribution is enacted according to capital, whereas the state's role is to direct the market economy through (macro) regulation. In the primary stage of socialism, various forms of public ownership dominate, although there is a secondary role of private ownership. The distribution system also has a dual nature whereby the market-based distribution according to labour is primary, and distribution according to capital is secondary. The system of regulation is the state-dominated market economy. In the intermediate and advanced stages of socialism and communism there is only public ownership, albeit they differ concerning the system of distribution. In both of these further stages of socialism, distribution is made according to labour, while they differ in the system of regulation where the intermediate stage is a primary planned and secondary market economy and the advanced stage is a

fully planned economy. In communism, there is the total abolition of money and a proper classless society in which distribution is enacted according to need and the economy is totally planned.

Irrespective of its problems such as the non-addressed transition from various stages and its teleological nature in view of the internal contradictions between the law of value and the public needs that always appear in the context of existing markets, the classification provides a useful tool for interrogation. It draws attention to specific dimensions of the system in China such as the system of ownership, the presence and role of the markets and the state–market relationship, and the system of distribution, whose analysis is crucial for discovering the characteristics, ambivalences and contradictions of the system in the country today.

Regarding the system of ownership, there is a stark distinction between Western capitalist systems and China's political economy. Despite the reintroduction of markets, the public sector and the state-owned enterprises (SOEs) in China not only retained but consolidated their dominant position (Ross, 2021). The public sector is three times bigger than the private sector. SOEs represent the driving force of investments in China and account for 63% of the largest 500 Chinese companies, 83% of all their revenues and 90% of their total assets (Roberts, 2021a). In China, there is also no stable sense of (personal) ownership. Land/fixed property technically does not belong to individuals. It is leased by the government to individuals for a maximum 70 years. Assets and wealth can also be seized by authorities like, for example, regulations on trading in stock markets are not fixed and can change rapidly (Min, 2017).

Although the state–market relationship is also peculiar to China since the state has retained its central role in the economy, its role has been fundamentally reimagined and reorganised. Quantitative centralised planning of the pre-reform command economy was transformed into a novel form of planning, while simultaneously old-style notions and policies of the free market were additionally transformed (Boer, 2021; Weber and Qi, 2022). Planning has become part of a larger set of macro-economic policies and micro-economic policies of the state to ensure comprehensive coordination of the economic system. It does not depend on direct interference in the economic decisions made by the companies (Carneiro, 2021; Zheng, 2018). The guiding principle relies on the idea that the government and market should reinforce each other and that the state will ensure the resolution of the inevitable market imbalances (Heilmann and Melton, 2013). Market competition

is established as the central means for development, although planning is the operational command mechanism of the process (Zheng, 2018). This makes China's economic policymaking substantially distinct from capitalist states where the principle of self-regulating markets prevails and the Chinese approach of a long-term perspective, goal setting, sequencing and prioritising is unimaginable (Clegg, 2022).

The centralised coordination of the economy takes the form of strategic policies (5-year plans) that guide state policies with a long-term and inter-sectoral perspective. It appears in the form of strategic resource allocation (investment) by mobilising and concentrating them to achieve long-term goals or react to unprecedented crises (e.g., the pandemic) that could hold long-lasting implications. It also takes the form of enacted macro-economic control to achieve the set long-term goals by monitoring indicators and responding to long-term trends and short-term destabilisations chiefly in terms of cyclical economic crises of the global capitalist system into which the singular Chinese system is integrated. This coordination of the economy acts upon the principle of planning and experimentation under a hierarchy to at once avoid institutional rigidity and allow local developmental specificity while not sacrificing the capacity to guide the macro-economic process of development (Carneiro, 2021). The state's capacity to intervene in the economy had to be expanded to coordinate the market under the law of value and to harness the developmental benefits of competition in the form of enhanced production efficiency through innovation while striving to continuously tackle and regulate its negative, destabilising and destructive effects.

The Chinese state controls the banking system, controls the investment of SOEs through its ownership and bank loans, and indirectly steers the investment of critical private companies through (ex)party cadres leading and/or managing these companies. The coordination of the economy does not necessarily follow the profit logic. The state can make long-term investments that go against the market for a period, but not indefinitely as China's development now rests on the dynamism of the market nationally and above all globally due to its integration into the wider global capitalist economy and is hence subject to its relations, processes, trends and expectations. The state also provides stability by controlling disinvestment (e.g., the Evergrande bankruptcy) to prevent the unregulated destruction of capital that always occurs during the capitalist cyclical crises. A case in point is the regulated disinvestments in the steel sector, which was becoming too large relative to

national and global demand. If China were a normal modern capitalist country, it would be subject to cyclical crises and suffer a decline in investments in these crisis periods, which is not the case (Clyne, 2021; Roberts, 2021a; Ross, 2021; Weber and Qi, 2022).

However successful the Chinese state's coordination of the economy may be, it entails a constant balancing act whereby market forces, once unleashed, can spiral out of control despite efforts to steer them (Weber and Qi, 2022). A fundamental contradiction that characterises China's economy and society is based on the conflict between the coordinated state-owned sector of the economy and the private market sector of the economy. For the development of China, the publicly owned and dominated sector is and always has been the dominant sector without which there would be no sustained growth and innovation after the reintroduction of markets. Still, the public and private sectors are in constant competition and locked into a life-and-death struggle to achieve (private sector) or retain (public sector) dominance (Clyne, 2021).

Yet, this fundamental division among Chinese economic sectors, which one may also characterise as the division between the essential and non-essential spheres of the economy, changes over time. This is due to specific events (the pandemic) and circumstances (trade war) or due to the evolving structural environment (climate change). Some industries have been considered essential for most of the reform period, such as the metal, energy and pharmaceutical industries, and the finance sector. While the market is crucial for both spheres, in the essential sphere the market is subjected to direct state economic coordination and constantly actively constituted (created, stabilised, steered). The essential sectors are tightly controlled by the state and dominated by SOEs. This does not, however, put an end to contingencies and uncertainties in the market as they are inherent to the market mechanism and its crisis tendencies (Weber and Qi, 2022). These are substantially more pronounced in the parts of the economy declared non-essential that are governed solely through regulation. They are left to private actors and only indirectly stabilised and steered. Notwithstanding its many capacities to coordinate the economy, the Chinese state is not an all-powerful, monolithic, centralised bureaucracy that penetrates all markets (Hui, 2017). The central bureaucracy is smaller than in the USA, yet holds more power via its control over investment (Clyne, 2021). Regardless of the sector's essential or non-essential categorisation, the fact is that the production of goods and provision of services is focused on producing for the market, on mainly producing

exchange value (not use value) and mirrors the capitalist mode of production dominant in the Western states.

If we focus our analytical gaze solely on non-essential economic fields, China's economy can resemble a neoliberal dystopia of entrepreneurial subjects, working in precarious conditions, constantly monitored with respect to their efficiency, while being ever more isolated and atomised and trapped by the increasingly sophisticated attention-grabbing modern technologies (Chuang, 2022; Greer, 2017). These sectors are a visible contradiction of the Chinese system that proclaims itself socialist but in some respects is even more marketised, commodified and financialised than the system in Western capitalist states. Yet, when crises do occur in these sectors, and threaten either the long-term developmental goals or are perceived to have disproportional negative societal effects that endanger long-term social stability and cohesion, in comparison to its Western capitalist counterparts the Chinese state is prepared to intervene in a decisive systemic manner to regain control of the situation (Qi and Li, 2019).

There are also very few sectors and activities that are not commodified, albeit some, like healthcare, have zig-zagged from extreme commodification to gradual decommodification (Huang, 2012).

As concerns the internal division of labour in the sense of unequal working conditions in various industries and the extreme wage differential in various sectors (e.g., finance, technology) and for various positions (upper management) in companies, the sectors and positions that enjoy the greatest remuneration mirror those in the capitalist states. The level of inequality and existence of millionaires and billionaires that in no way can be attributed to the principle of each according to his contribution makes the claims that China is not capitalist suspect. In addition, the issue of workers' rights and their freedom to organise is mostly limited similarly or even more stringently than in the extremely worker-unfriendly USA. Workers' resistance activities are closely monitored and squashed quite quickly. This can take the form of destroying independent unions (labour activist organisations) or prohibiting independent Marxist reading clubs (Chuang, 2022).

On the other hand, through their resistance workers in China have managed to have an impact on their economic outlook because the CCP leadership has had to respond and intervene and, in stark contrast with Western states, wages have risen in the last decades more than productivity (Lo, 2021). Contrary to Western capitalist countries, the Chinese state also disciplines its

billionaires if their activities are deemed to be destabilising for China's development and cohesion.

The above contradiction reveals one of the principal ambivalences of the Chinese system: the issue of the ruling and dominant classes. China's ruling elite is the CCP elite that profits immensely from the Chinese economy yet is not properly capitalist since its representatives do not own SOEs (Clyne, 2021; Roberts, 2021b; R. Smith, 2020). Although workers do not control the state, in a sense they are the dominant class in society as they are the largest and the guarantor of the state's economic coordination. Without the workers' dominance, there would be no planning and the law of value would become dominant in China. The CCP lies at the core of the state because it embodies the unification of political and economic power that mostly is not found in capitalist regimes.<sup>4</sup>

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4 Along with the politico-economic analysis of the Chinese system's unprecedented development and its ambivalences and contradictions, there is a rich debate on China's governance structures and their normative and ideological foundations. These debates are concentrated on the underlying deeper issues of development and future survival of the Chinese political system and the CCP. For instance, Daniel Bell in his work *The China Model: Political Meritocracy and the Limits of Democracy* (2015) stresses the Confucian heritage and its (political) meritocratic nature that supposedly undergirds China's contemporary successes. The central argument is that this success would not be possible in the context of a Western liberal democratic political system and its many issues. The disharmonious and inherently destabilising tendencies, the argument goes, would be detrimental for China's development as Chinese society is supposedly suffused with notions of harmony derived from Confucian thought. Bell argues that the Chinese system is today a political meritocracy based on Confucianism at the top of its structure, with experimentation on the mid-levels, and a form of democracy at the bottom. Yet there is a stark discrepancy between the normative-ideological framework of governance and the reality of the Chinese system and its multiple and multidimensional contradictions (e.g., the importance (power and wealth) of princelings, sons and daughters of Chinese revolutionary leaders (Xi Jinping being the most prominent member)). Further, these arguments are problematic in terms of simplifying the complex Chinese heritage. Although important, Confucianism is just one of the central sources that inform Chinese thinking on governance and even this thinking cannot be considered to be static and homogenous. Finally, these arguments replace the materialist analysis that we seek to conduct in the chapter with an idealist analytical framework in which ideas are the prime motor of historical change and stability.

## **China's ambivalent and contradictory integration into the US-led capitalist (neo) imperialist global order**

The ambivalence and contradictions that characterise the Chinese system also stem from its integration into the global US-led capitalist (neo)imperialist system and its political, economic and geopolitical institutions and structures. These are hierarchical and based on stark asymmetries of power that mirror the unequal relations established during modern imperialism. The integration exposed the Chinese to (neo)imperialist exploitation that has helped transform the nature of Chinese society but has not been the sole driving force as China's development has been based not simply on cheap labour but also on increased productivity (Clegg, 2022; Clyne, 2021; Dunford, 2021; Lo, 2021; J. Smith, 2016). The US-led Western states, corporations and capitalist classes sought to integrate China in a hierarchical manner where China would play the role of permanent student and be led, utilised and exploited as an unequal partner. However, as addressed in the previous chapter, the Chinese could and can limit the power of the US-led capitalist forces. This has been crucial in transcending the limits set by the US-led West (via global capitalist-imperialist structures and institutions) for developing countries that trap them in permanent underdevelopment and exploitation by preventing them from leaving the lower ends of sophisticated global value chains.

By moving beyond these limits, China has been able to radically transform its macro-economic structure from an impoverished agrarian economy to a global manufacturing superpower and a leader in the development of several technological sectors. Today, China produces almost 50% of key global industrial goods: 50% of global crude steel production, 60% of global cement production, 50% of global coal production, and 25% of global vehicle production. It is the largest producer of ships, high-speed trains, robots, tunnels, bridges, highways, machine tools, computers etc. (Wen, 2016). It has the biggest share of overall global manufacturing output at 28.7% (USA 16.8%, JAP 7.5% and GER 5.3%) (Richter, 2019). Moreover, it has become a global leader in scientific research in the natural sciences and is on the path to overtake the USA in the share of high-quality research (Koshikawa, 2020; Ishikura, 2020). This has influenced China's technological development since it has become among the global leaders in terms of number of patents (WIPO,

2021). The radical transformation of China's relationship with the global order is also clearly visible in the rise of its exports.

While in 1978 it exported USD 6.81 billion and its global share was less than 1% in 2020, it exported USD 3,500 billion and had the biggest global share of 14.1% (Nicity and Razo 2021). In addition, over the decades since 1978 China has developed to become one of the greatest recipients of foreign direct investment (FDI) and a major investor in other countries (Li, 2013). It is today the largest single creditor in the world and largest single lender to emerging and developing countries. Its outstanding loans to other countries exceed 6% of global GDP (USD 5 trillion) (Xu, 2020). Even though it has not supplanted the Western states, Western-dominated international financial institutions and private Western commercial creditors that dominate global finances, it has gradually become one of the central players (Freeman, 2017). China is also the country with the highest foreign reserves totalling USD 3.4 trillion (USD 4 trillion when including Hong Kong's reserves), which it uses to balance its foreign trade and stabilise the domestic currency by using them to intervene in the currency market and uses it for liquidity in times of crisis (Picardo, 2023).

However, by transcending the set Western (neo)imperial limits through sophisticated state-led economic coordination, China is inevitably destabilising the global hierarchical capitalist order. This is gradually leading to ever stronger reactions from the US-led Western powers that have started to perceive and act on China as the primary global competitor or even as an existential threat to their continuing dominance. China has played a crucial role in stabilising the global capitalist system by substantially increasing investments in the times of crisis that could very easily have led to global economic devastation (e.g., the global financial crisis of 2008). Its corporate actors and the Chinese state with its global policies and investment and commercial activities also do not in any way express and act on revolutionary tendencies but in their outlook are in fact capitalism-affirming. Nevertheless, China is more and more viewed by the US-led West as a pariah state, an antithesis to the benevolent, democratic and free-market West (Lo, 2021; Roberts, 2021a; Ross, 2021; J. Smith, 2016).

At least since the Trump Administration in 2016 (trade war), China and its corporations have become the targets of growing hostility from US-led Western states aimed at severely undermining China's further development. Still, the heterogenous nature of the Western capitalist class and their diverging

interests from each other over China and its prominent role in specific industries and mining/producing certain essential things for Western economies mean these are rife with contradictions. Simultaneously, China has become the target of more intense US-led Western geopolitical activities in the form of novel or reinvigorated security cooperation and alliances whose express aim is to prevent China from dominating and threatening its neighbours and implicit goal is to restabilise and consolidate the global hierarchical geopolitical order and its asymmetries of power by preventing a new hegemon from rising up that would replace the USA (Hung, 2020).

On the other hand, China's regional, international/global activities are contradictory when considering its proclaimed socialist nature because they are capitalism-affirming (J. Smith, 2016). China's policies have never been particularly emancipatory or in support of socialist struggles abroad. It has supported and still does some of the most brutal dictatorships and reactionary governments (e.g., the Philippine's Duterte), while also supporting Cuba, Venezuela and Iran in their struggle against US-led Western imperialism. In contrast, the historical and present record, its policies and flows of surplus value demonstrate that China is not an imperialist country, while being confronted and exploited by the (neo)imperialism of the US-led West (Daum, 2021).

As the CCP has tied its legitimacy and internal stability and the cohesion of China, and its global standing and policies to continuous economic growth and the general improvement of the living standards of most Chinese, despite their proclaimed socialist aspirations it relies on the global capitalist system operating without interruption. Continuous economic growth is accordingly an imperative for the CCP and, in the ever-increasing geopolitical instability and with the US-led Western policies of striving to decouple (or 'de-risk') from China, the short-, mid- and long-term intertwined politico-economic and geopolitical policies are geared to re-creating stability and the conditions for continuing economic growth. Through its regional and global activities, chief among them the flagship Belt and Road Initiative, it is working to establish specific alternative trade and investment networks and security and economic collaboration arrangements to ensure the security of supply of its crucial natural resources and to secure and expand its logistical/trading routes, where both are essential for stable and continuous economic growth. China also does this through internally focused policies aimed at making the country's system less dependent on the Western dominated global value and

supply chains and more self-sufficient by making China more autarkic and self-sufficient (M. Li, 2016).

These policies must not only be seen as a response to the contradictions of an unstable and ever more hostile geopolitical and global economic context, but also to the fundamental contradictions of China's continuous growth model overdetermined<sup>5</sup> (cf. Althusser) by the global capitalist system and its contradictions. Similarly to capitalist systems, the Chinese system is prone to overcapacity and various unproductive speculative investments. Penetrating new markets and securing cheap imports (resources and goods) was and has been imperative for Chinese continuous growth that has relied on continuously intensifying expansionary economic policies where levels of investment and credits must be constantly increased to retain the substantial growth levels seen in previous periods (R. Smith, 2020).

The flagship Belt and Road Initiative may be viewed as a 'spatial fix' to the perceived issues and contradictions of Chinese development and the slower economic growth that is somewhat like what China provided Western capitalist states with in their accumulation crisis of the 1970s, the stagnation of the 1980s, and global financial crisis of the late 2000s (M. Li, 2016). The initiative was launched in 2013 and was based on extensive investment in infrastructure (ports, roads, railways, airports, canals, pipelines) of partner countries that would serve the development needs of both the country involved and China by establishing or intensifying existing economic cooperation. Even on the declarative level, the initiative is not imagined as an alternative path to development based on the socialist model of development but as a potentially fairer, less unequal structure of mutual capitalist interdependence to some degree mirroring the existing capitalist order. In its investments abroad, China mirrors the practices and policies of its Western counterparts, while also sometimes demonstrating its supposedly more equal relationship with its partner countries (McNally, 2021).

On the other hand, in cooperation with other central non-Western states, especially the other BRICS countries (Brazil, Russia, India, South Africa), China has gradually developed a geopolitical and politico-economic alternative vision to the current global order headed by the USA. The vision and policies

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5 Overdetermination refers to the relationship between the global macro structure (its characteristics, logics and tendencies) and local structures, institutions and processes, where the latter cannot be understood without understanding the crucial influence that the global macro structure has on them that determines how they develop and function.

are not based on the notion of a unipolar world led and backed by a central hegemon but one of a multipolar world made up of several crucial centres of power that would replace the existing Western-dominated neo-colonial hierarchical and exploitative structures. While this vision is not a revolutionary in the sense of an alternative politico-economic model, it is revolutionary in the sense that it is not based on the notion of a hegemonic power (Wolf, 2023). According to its policies and official proclamations, China is not aiming to establish a global hegemony, a Pax Sinica, and to replace the existing Pax Americana but along with its partners seeking to create a multipolar global order of political, economic, technological, cultural and social cooperation and development (Desai, Hudson, Dunford, 2023). However, the geopolitical developments of the past few years suggest the transformation of the global geopolitical order over the next decade(s) will be violent, potentially leading to a global order divided among competing blocs of states, where the previous economic and financial globalisation will be replaced by regionalisation and various forms of protectionism. Although this order might be more politically and economically divided, in the long run it promises to be less hierarchical and less exploitative concerning the countries of the global South. In the short and mid term, the states of the Global South could suffer and indeed already are as the US-led West is applying ever more aggressive and punitive policies against all countries that challenge its global hegemony and/or do not bow down to its geopolitical and politico-economic interests. This must be seen as part of a complex, dynamic, non-linear and contingent decline of the global hegemony of the USA and the transformation of the existing order where with (almost) any available means the USA (and its allies) are fighting to stop this decline that is in various instances failing and speeding this process up. China's geopolitical position vis-à-vis the USA (and its allies) has been strengthened by the heavy-handed, erratic, sometimes irrational policies of the USA and its allies with respect to the global South (Hudson, 2019). The unprecedented policies like the US-led West's freezing and confiscation of the foreign reserves of Afghanistan and Venezuela held in Western banks after its failure to dominate and control the two countries, the various US military interventions in the Global South that ultimately failed (e.g., Iraq, Libya, Syria), the long list of destructive economic sanctions against states from the Global South, and range of forms of strong arming these states to act according to US and Western interests, including sponsoring regime change and *coup d'états*, point to the neocolonial nature of the

relationship between the US-led West and the Global South (Ahlman, 2022; Corbishley, 2022; Hudson, 2019). In contrast, over the last decade China has established ever closer ties with Latin American, African, and Middle Eastern countries through economic cooperation and substantial investment and loans. While also engaging more and more in public diplomacy and wielding its soft power as what is perceived to be a fairer arbiter in long-standing conflicts (e.g., the détente between Saudi Arabia and Iran) than the US-led West (Gallagher, 2023; Cole, 2023; Corbishey, 2022a).

China has also together with other non-Western states taken important steps to ensuring the de-dollarisation of a substantial share of global trade, which is directly related to countering the USA's utilisation of its currency, that holds the status of the global reserve currency, as a geopolitical weapon used against those that challenge its hegemony. This has become crucial specifically in the context of the Ukraine proxy war between Russia and the US-led West that commenced in 2022 in which the latter has implemented unprecedented economic and financial sanctions against Russia while also extensively supplying Ukraine with military equipment and financial aid. The de-dollarisation of trade efforts made by Russia and its BRICS partners, notably China and India, has proven very valuable for stabilising Russia's economy and has enabled Russia to survive the economic onslaught of the sanctions. From China's point of view, these processes have further bolstered its economic and geopolitical cooperation with Russia and allowed China to secure a steady supply of vital natural resources like fossil fuels at prices below global market prices (Haiphong, Hudson, Desai, 2023). Still, this partial de-dollarisation of cross-border trade transactions must not be understood as meaning the imminent end of the US dollar's global supremacy and the rise of alternative national currencies such as Chinese renminbi in the short and mid-term. Trade-related foreign exchange flows are 60 times smaller than the investment-related foreign exchange trading, which remains predominantly enacted in US dollars as the USA has the most liquid and deep capital markets with an abundance of financial assets to be bought and traded. This is a direct outcome of the highly financialised nature of the US economy where financial assets reign supreme, there are limited capital controls, yet relatively well-regulated markets, and the courts are neutral arbiters of monied interests. Since China is unwilling to both abolish capital controls and to run the sustained trade deficits needed to get its currency into circulation abroad, the renminbi cannot be considered a proper alternative to the US

dollar. Hence, despite the Ukraine war giving a boost to the de-dollarisation process, it will be very gradual (Smith, 2023; Desai and Hudson, 2023).

The Ukraine war has also revealed the various weakness of the US-led West and the unintended and contradictory impact of the war on the Global South. Considering the geopolitical tensions between the USA and China over the Taiwan question<sup>6</sup> that have mostly been intensified by reckless aggressive US actions, the Ukraine war may be seen as showing the Chinese leadership the limits of US-led Western power (Johnston, 2023). The latter has namely been incapable of subduing and subjugating a state with a strong modern military force, industrial capabilities, and rich in natural resources, especially those central to industrial production and the production of food, and is capable of trading with non-Western states (Galbright, 2023; Smith, 2023). The US-led West has also been unable to convince many countries in the Global South to side with it on condemning Russia's invasion, particularly by introducing economic sanctions against Russia and supporting Ukraine (Ajala, 2022; Bushnell et al., 2023; Corbishley, 2023). This has clearly demonstrated not only the US-led West's waning global ideological power to control the narrative and its failure to present the conflict as an existential struggle, but also the fact that many countries from the Global South rely heavily on Russian natural resources and industrial products for their development and survival.

Yet, the Ukraine war has also revealed to the Chinese leadership that the USA can be extremely ruthless in the pursuit of its geopolitical ends and profits and that it is prepared to sacrifice or severely weaken its allies in the process. A case in point is the economic sanctions that its European allies implemented against Russia responsible for serious negative repercussions for their economies in the forms of exorbitant energy prices, high overall inflation, and rendering various energy-intensive industries unviable, thereby bringing about temporary or permanent deindustrialisation. The USA and its corporations have benefited greatly from these self-imposed conditions

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6 China's policies are built on the notion of Taiwan being a historical part of China, which for a long time was the official position of Taiwan, whose formal name is the Republic of China. It became a separate political entity only after the end of the Chinese civil war in 1949 when the losing side, the Kuomintang, fled to the island. Hence, any kind of US support for Taiwanese independence given this history cannot be seen as unproblematic and non-aggressive towards China. Especially since the USA's formal position is the position of the One China policy that refers to officially recognising just one Chinese government, the PRC. See: <https://www.state.gov/u-s-relations-with-taiwan/>

as it has been able to sell fossil fuels at exorbitant prices while also poaching various industries from Europe to the USA (Desai, Hudson and Dunford, 2023).

## **China's technological development – the 'dancing with tigers' of politico-economic, geopolitical and ecological contradictions**

Technological development was from the very beginning of the reform period viewed as essential by the CCP leadership. It was perceived as fundamental for developing the stagnating productive forces and jump starting economic growth to rejuvenate the Chinese economy (Quan, 2022). Later, it became crucial for continuing the rapid economic growth that has been one of the central pillars of the CCP's legitimacy. Technological innovations became vital for tackling the falling economic growth rates by moving the Chinese economy upwards in the global value chains (Lo, 2021). Although rapid technological development was integral for addressing the contradictions of the Maoist period, this same process and the framework of policies and institutions that enabled it produced its own contradictions inextricably linked to the inherent and intensifying incongruities of China's system that started with the re-introduction of markets and re-integration into the global capitalist-imperialist order.

China's technological development framework and broader technological sector generally have been, like the general economy, characterised by the contradictory marriage of markets and planning. The Chinese have hoped to emulate the framework of the technological development of Silicon Valley and the US tech sector to harness the dynamic spontaneous market forces for technological innovation but with the recognition that government interventions in funding and partially directing it are central to establishing the conditions of possibility for the market forces to operate. While it has mirrored the US framework, China's framework has shown some key differences. These are tied to the specificity of the Chinese state's coordination of the economy and its gradually developing capacities to intervene and direct the sector towards fields and technologies deemed strategic by the CCP leadership, while also utilising the state's capacities to tackle the intensifying contradiction that the unruly market in (parts of) the tech sector has produced.

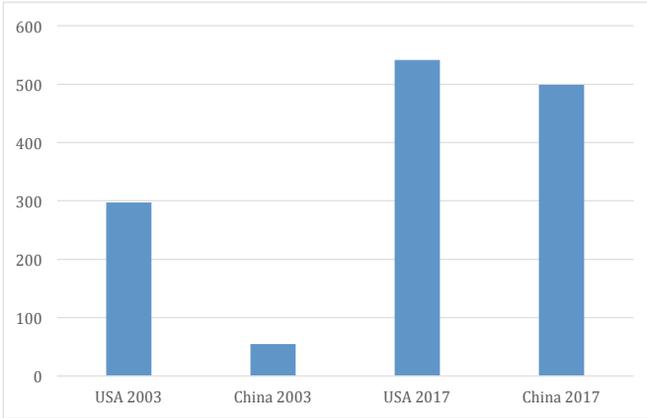
Similarly to the general economy, this process has not been linear but tied to the intensification of specific contradictions that the leadership in a given period seeks to tackle, which hence causes a zig-zag pattern of increased and decreased interventions and regulations of “unwieldy capital” (cf. Xi Jinping; Clyne, 2021; Weber and Qi, 2022).

The latest intensification of state regulation and intervention in the Xi Jinping era under the banner of the “common prosperity” (2021) doctrine must be viewed in the context of this broader historical pattern of development. The recent regulation must also be seen from the perspective of the specific heterogeneity of the tech sector and the development of particular parts of it and their historically specific and dynamic perception or categorisation as being linked to the development of (non)strategic technologies. While those parts of the tech sector deemed essential (hard-tech – e.g., semi-conductors, robots, high-speed trains, photo-voltaic panels, wind-turbines) have been subjected to sophisticated and comprehensive state economic coordination, non-essential tech (e.g., software development, web-services, platforms) is subject to the mechanisms of the unruly market. Yet specific parts of the non-essential sector can, due to their increased strategic importance and/or (potential) economically and socially destabilising impact that poses a danger to social cohesion and the power and legitimacy of the CCP, become strategic or the targets of comprehensive government intervention (Ongweso, 2023; Weber and Qi, 2022).

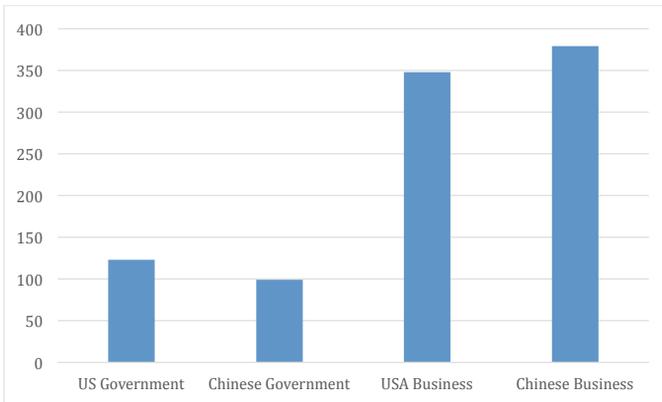
With respect to emulating the Silicon Valley model, China’s technological development has been tightly interlinked with the development of a modern military possessed with high-tech weapon systems. To achieve these goals, China has invested heavily in its science and technology infrastructure, reformed its defence industry, and begun to engage in the legal and illegal transfer of technology from the West. The main initial programmes here included the Torch Programme. It had four major parts encompassing the development of innovation clusters, technology and business incubators (e.g., Huawei started in one of these incubators), seed funding and Venture Guiding Fund. In 1998, Venture capital firms were allowed to be established and in 2009 the ChiNext stock exchange for tech firms and start-ups commenced providing the tech-sector with additional liquidity (Blank, 2013).

Figure 10.1: R&D expenditures – ITIF report 2019

U.S. and Chinese R&D 2003 and 2017 (billions \$, PPP)



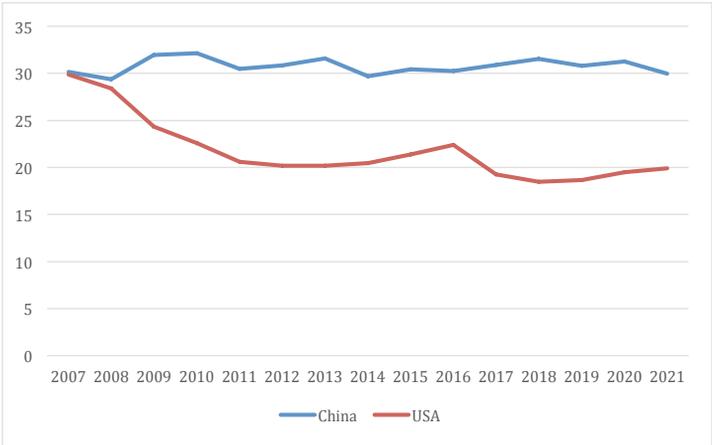
U.S. and Chinese R&D 2017 (billions \$, PPP)



Source: Information technology & innovation foundation (2019)<sup>7</sup>.

7 For cross-country comparison of gross domestic expenditures on R&D between 2000 and 2022 see: OECD (2023).

Figure 10.2: High-technology exports (% of manufactured exports) – China vs the USA



Source: World Bank (2023).

However, China established another pillar of technological development – “The Great Firewall of China” – that began to be implemented in the early 2000s. With this wall, China has essentially closed its media, social network, web-search, e-commerce software market off to foreign companies that do not follow the strict government rules and most Western (US) tech giants (e.g., Google) either could or chose not to conform to these rules and failed to gain substantial market shares (Quan, 2022). This protected environment and large market helped to foster the rise of Chinese firms (e.g., Alibaba, Baidu, Tencent, Bytedance) that have become dominant in several fields in China. The initial adapt, adopt and extend model of technological innovation established a cut-throat hyper-competitive environment in which everyone was trying to emulate successful start-ups and fill every possible niche. The behaviour of firms was vicious, illegal and unethical. Still, the most vicious were the gradually established tech giants that, like the monopolists of Silicon Valley, attempted to cover every possible market by destroying potential competitors by either copying their features, headhunting their employees, or buying them up (Blank, 2013). Firms such as Alibaba, Tencent and Baidu have become anti-competitive monopolies that started to flaunt their power by not simply disregarding the anti-trust regulations, developing and

utilising data gathering and algorithmic (AI) technologies with impunity, and developing specific services (financial technologies) that circumvent the strict regulation (in the financial field) and could be systemically destabilising. Some of their founders (e.g., Jack Ma of Alibaba) began to openly criticise the government's regulation and made political interventions (notably among US tech-billionaires) that could have led to the establishment of novel centres of private power. Along with other contradictions and issues like the brutal working conditions in the tech sector, increased worker resistance, and the various other societally negative consequences forced the CCP leadership to act to rein in the “unwieldy capitalism” and capitalists. While the uncooperative founders were harshly disciplined and the value of their firms on the stock exchange plummeted, the firms have also been subjected to tougher and the most comprehensive tech regulations in the world. These regulations targeted anti-competitive behaviour and included novel legislation regulating data gathering, personal information privacy, cyber security and the utilisation of algorithms (social media content, search results, video recommendations, filtering of content, setting of prices) (Sadowski and Ongweso, 2022).

This highlights the singular nature of China's system as something similar could not be repeated in the Western capitalist states. Yet these regulations cannot be seen as having fundamentally altered the existing model of Chinese technological development. Capitalist markets are not regarded as an issue in themselves but only an issue in their rouge form, which will inevitably lead to the development of novel issues, problems and negative impacts on society as the continuous growth model requires ongoing innovation, novel services, and commodities that are driven by the profit logic.

These regulations also do not apply to the government's own extensive surveillance and data gathering activities and capabilities which continue to expand and enable stricter control over the lives of Chinese citizens and thus making dissent and opposition more difficult, further limiting their freedom and thereby making any kind of steps in the direction of the next stage of socialist development less and less possible in the current Chinese system (Chuang, 2022; Ongweso, 2023).

Nevertheless, domestic technological development has also become critical in the context of intensifying geopolitical tensions for strengthening China's position relative to the US-led West's increasingly aggressive anti-Chinese policies (e.g., trade war). Such politico-economic and geopolitical issues

are inherent to the global capitalist (neo)imperialist system in which China is integrated. As this US-led system is built on the previous Western imperialist system, it is innately hierarchical, based on the unequal exchange of commodities, unequal distribution of wealth, unequal division, and exploitation of labour, and has an uneven ecological impact. Further, since the dominant position of the US-led West relies on its structural power that is built on its technological supremacy, any perceived challenge has been met with aggressive actions to thwart it (Malkin, 2022; J. Smith, 2016).

To some extent, despite its almost global reach, the billions invested in various infrastructural projects in partner countries, and offering an alternative commerce and supply network the PRC’s Belt and Road Initiative may be regarded as a less fundamental challenge than China’s technological development. The latter may be seen as a potential unprecedented challenge to the USA’s structural power (Malkin, 2022). Starting in 2019, China overtook the USA concerning the number of patent filings (Hosokawa, 2020). The Chinese state and private MNCs have also systematically begun to acquire larger portfolios of various patents and substantially increase their own R&D in the most advanced technology fields (e.g., semi-conductors, 5G, robotics, high-speed trains, solar panels) where they are becoming important players as concerns the setting of technological standards<sup>8</sup>.

*Table 10.1:* Top 5 countries in AI, computing and communications

Technology	Top 5 countries					Technology monopoly risk
Advanced radiofrequency communications (incl. 5G and 6G)	China (29.65%)	USA (9.5%)	UK (5.18%)	South Korea (4.89%)	India (4.83%)	8/10 3.12 high
Advanced optical communications	China (37.69%)	USA (12.76%)	UK (5.64%)	India (3.88%)	Saudi Arabia (3.48%)	8/10 2.95 medium

<sup>8</sup> For the comparisson of the share of manufacturing capacities of clean energy technologies and components, where China is by far the leading country, see: Energyintel (2023)

Artificial intelligence (AI) algorithms and hardware accelerators	China (36.69%)	USA (13.26%)	UK (4.2%)	South Korea (4.15%)	India (3.48%)	7/10 2.76 medium
Distributed ledgers	China (28.38%)	USA (11.32%)	India (8.94%)	UK (5.54%)	Australia (4.81%)	6/10 2.51 medium
Advanced data analytics	China (31.23%)	USA (15.45%)	India (6.02%)	UK (4.19%)	Italy (3.92%)	8/10 2.02 medium
Machine learning (incl. neural networks and deep learning)	China (33.20%)	USA (17.93%)	India (4.87%)	UK (3.87%)	South Korea (3.32%)	7/10 1.85 low
Protective cybersecurity technologies	China (23.33%)	USA (16.80%)	India (7.67%)	Australia (5.71%)	UK (5.20%)	5/10 1.33 low
High performance computing	USA (29.31%)	China (25.57%)	South Korea (6.34%)	Germany (4.68%)	UK (3.98%)	3/10 1.15 low
Advanced integrated circuit design and fabrication	USA (24.18%)	China (21.19%)	India (7.16%)	Germany (4.46%)	Italy (3.57%)	4/10 1.14 low
Natural language processing (incl. speech and text recognition and analysis)	USA (25.73%)	China (23.57%)	India (5.74%)	UK (4.55%)	South Korea (3.37%)	5/10 1.09 low

Source: Australian Strategic Policy Institute (2023: 21).

Table 10.2: Top 5 country rankings: Defence, space, robotics and transportation

Technology	Top 5 countries					Technology monopoly risk
Advanced aircraft engines (incl. hypersonics)	China (48.49%)	USA (11.69%)	India (6.96%)	UK (3.93%)	Iran (3.60%)	7/10 4.15 medium
Drones, swarming and collaborative robots	China (36.07%)	USA (10.30%)	Italy (6.13%)	India (5.15%)	UK (4.53%)	5/10 3.50 medium
Small satellites	USA (24.49%)	China (17.32%)	Italy (7.82%)	Germany (4.36%)	UK (4.11%)	5/10 1.41 low
Autonomous systems operation technology	China (26.20%)	USA (21.01%)	UK (5.28%)	Germany (5.11%)	South Korea (3.55%)	3/10 1.25 low
Advanced robotics	China (27.89%)	USA (24.64%)	UK (5.49%)	Italy (4.81%)	South Korea (3.79%)	4/10 1.13 low
Space launch systems	USA (19.67%)	China (18.24%)	Germany (9.81%)	Canada (8.18%)	South Korea (6.53%)	1/10 1.08 low

Source: Australian Strategic Policy Institute (2023: 17).

Control over key technologies is vital for the USA's structural power in multiple ways. Regarding its economic power, it is crucial for the general profitability and power of the US economy. The latent potential of Chinese MNCs to reduce the global predominance and control of key IP of US MNCs would hold grave consequences for the USA. The fact that China is not subservient to the USA's geopolitical interests means the above-mentioned latent potential also acts as a general threat to the US military power that underscores the USA's productive, financial and ideological power. The US state is capable of accessing a foreign country's crucial communication infrastructure if it was supplied by US tech firms. Infrastructure supplied

by Chinese firms would make this almost impossible, while giving the PRC similar capabilities (Fernandes and Xu, 2020; Malkin, 2022). This would additionally have a broadly negative effect on the USA's ideological power. The loss of control over key IP fundamental to future technologies would destabilise the USA's image as the most innovative society whereas the loss of control of central online platforms would drastically reduce its abilities to shape public opinion, silence or even censor opinions deemed dangerous by the US/Western political and economic establishment and to manufacture broad consent for the current US-led global capitalist-imperialist order (Vrečko Ilc and Šabič, 2021).

The above discussion can help us understand the Western fearmongering and bipartisan support of Western elites to hinder China's technological development and the fundamentally unresolvable geopolitical contradiction constitutive of the existing global order that was a vital condition of possibility for the country's rapid development, which in turn has started to subvert the existing fundamental hierarchies.

China's recent long-term policies for technological development such as the Made in China 2025 (2015) and its follow up Xinchuang (2020) that aim to establish the country's technological independence in the sense of making and controlling its own advanced technology so as to become self-reliant and end its dependence on foreign companies have due to the Western anti-Chinese policies and the revelations concerning the surveillance capabilities of the US state become more ambitious and more extreme (Wyk, 2022). The US-led West and China are now entangled in a contradictory struggle to create technology stacks impervious to geopolitics, even though the existing highly geographically specialised technology supply chains and complex technological and economic partnerships and interdependences of the present global capitalist system make these efforts radically destabilising in the long run (Ongweso, 2023).

## Conclusion

The chapter has sought to further understanding of the Chinese socio-political system, its development, contradictions and ambivalences, and ambivalent and contradictory relationship with the US-led global capitalist and imperialist order. By utilising Marxist and adjacent critical analyses, it has aimed to transcend the immanently anti-Chinese discursive framework that

overdetermines Western mainstream analyses. It first focused on the genesis of the present post-reform Chinese system where it identified the decisive internal and external conditions of possibility for the country's unprecedented politico-economic development, the central reforms and the non-teleological nature of this process characterised by experimentation and a productive yet inherently contradictory re-introduction of markets and transformation of planning that has remained in its novel form and is vital for economic coordination. China's singular geopolitical and politico-economic position was demonstrated to have enabled the Chinese leadership to have agency concerning the direction of reforms and to utilise the country's re-integration into the global capitalist order for China's accumulation and not only for the West. It was argued that this has allowed China to develop spectacularly yet it also inevitably created conditions for the later tensions with the US-led West since it gradually undermined the existing hierarchies of the neoimperial capitalist order. Second, the chapter focused on interrogating China's current politico-economic order that cannot be properly captured by concepts like the socialist market economy and state capitalism. The specificity of the system that has nominal socialist aspirations, is thoroughly marketized and commodified was stressed, while the state retains and extends its great capacities for economic coordination. We argued that this hybridity results in a constant struggle with continuous and intensifying contradictions arising from the tension between the market and planning, but also from the reification of the development model based on continuous economic growth from which the CCP draws its ultimate legitimacy and on which the global capitalist order is predicated. Third, the chapter tackled the contradictory nature of China's reintegration into the global capitalist order that has enabled the country's unprecedented economic development. The latter has substantially benefited the US-led Western capitalist classes in the form of profits from a cheap, educated and healthy workforce. However, China's development under the leadership of the CCP and the PRC's cooperation with major non-Western states (BRICS) and its geopolitical and politico-economic Belt and Road Initiative has in recent years become a point of contention since it is regarded by the USA as an existential threat to its continuing hegemony and for its destabilising of the global neoimperial capitalist order. It was argued that in view of the recent geopolitical developments, above all the Ukraine war and the growing tensions over Taiwan, the destabilisation of the existing order is underway not only due or primarily due to the more aggressive

policies of China and other non-Western states but also to the heavy-handed, aggressive and erratic policies of the US-led West. We also made an informed prediction that this destabilisation will not lead to China simply replacing the USA as the new hegemon but a multipolar global order that will potentially be less hierarchical and exploitative even though it will still be based on the capitalist politico-economic system. We concluded that this transformation can be expected to be violent.

Finally, the chapter focused on the PRC's technological development where it showed the central role it has played in China's rapid growth and the valuable role it plays in the CCP's policies introduced to tackle the crucial politico-economic and geopolitical contradictions. It revealed that the latter cannot be resolved via technologies as these either do not address the root causes or create their own contradictions such as the intensified geopolitical tensions with the US-led West given that the USA's hegemony depends on technological supremacy to retain the structural power of the USA.

Future analyses should focus more systematically on the issue that could not be comprehensively addressed here; namely, the issue of the ecological crisis and the fundamental ecological contradictions of China's existing politico-economic order and the destabilisation of the current geopolitical order. China's extractivist developmental model predicated on never-ending growth is more and more reaching the absolute ecological limits of economic growth. The logic of continuous accumulation is faced with the fact of a finite planet and ever worsening climate change and other ecological crises that pose an existential threat to humanity and other living beings. The ever-growing production and consumption are inextricably linked to the continued unsustainable rise of emissions and environmental degradation eroding the foundations of China's developmental success. The progressing climate and other ecological crises are or will soon begin to dramatically impact the living conditions of most of the Chinese population, while increasing the suffering of those Chinese already disproportionately exposed to pollution and thereby leading to growing social instability. The increased severity of droughts, floods and fires, the greater danger of zoonotic diseases and pandemics along with the potential breakdown of food production, disappearing river transport routes, hydroelectricity generating abilities etc. all point to the existential need to radically change not simply the capitalist but also China's developmental model and to put an end to the imperative of continuous economic growth (Jensen et al., 2021). In view of China's implemented and planned

policies that are practically identical to those in capitalist Western countries, there will be no radical transformation but a doubling down on this developmental model and hence the intensification of the ecological contradictions.

Due to the PRC's growing importance and the rising global geopolitical and politico-economic tensions between it and the US-led West and noting the intensifying ecological contradictions, a more nuanced and complex analysis and understanding of the PRC by the scholarly and expert community is sorely needed. We hope this contribution is a step in this direction since it refrains from idealising and denigrating the PRC and its relationship with the capitalist and imperialist global order.

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# **Chapter 11: Neoliberalism and the Muslim World**

Primož Šterbenc

## **Introduction**

In 2003, the United States of America invaded Iraq with one of the goals of its invasion being the profound social-economic transformation of Iraq and the wider Arab world into a market economy according to the prescriptions of the neoliberal doctrine. However, this aggressive attempt failed since the Iraqi economy and society, culturally based on Islam, proved to be highly resistant to the imposition of the neoliberal measures. Nevertheless, this should not come as a surprise because the Islamic socio-economic approach differs considerably from the Western (neo)liberal doctrine.

In order to understand the differences between the two approaches, one should take account of developments after European colonialism since during this period, perceived by the majority of Muslims as very negative, the Muslim world for the first time encountered capitalism, then based on liberalism. One should bear in mind that since the 20th century, when Muslim countries gained formal independence, and especially since the end of the Cold War, a large part of the Muslim world has been structurally dominated by the West. This has enabled the latter to impose neoliberal measures on economically weaker Muslim countries. Consequently, there has been strong resistance in the world of Islam.

## **Attempt of the USA to impose the neoliberal model on Iraq**

In March and April 2003, led by the Bush Administration the USA invaded Iraq and a US-led occupation of the country ensued. One important aim of the invasion was to impose neoliberal measures on Iraq in order to transform

the wider Arab world from a state-centric economic model to a free market economy. The Bush Administration was namely using Iraq as a test case for whether the USA could create, within the Arab world, a system of American-style free market capitalism.<sup>1</sup> One needs to view this aggressive American act against the backdrop of the fact that the Arab states had proved to be among the most reluctant in the Third World to subscribe to the new neoliberal orthodoxy that since the 1970s had been implemented in other parts of the non-Western world (Latin America, Africa, Eastern Europe, Asia).<sup>2</sup> This means that, in socio-economic terms, the dominant mode in the Arab world has traditionally been state-owned enterprises and governmental regulations, which is profoundly incompatible with the neoliberal doctrine (Aarts, 1999: 915; Looney, 2003: 570–571; Klein, 2007/2008: 171–184, 326–330; Steger and Roy, 2010: 76–118).<sup>3</sup>

Almost immediately after the US-led occupation of Iraq started, American Paul Bremer, head of the “Coalition Provisional Authority” promulgated four orders that included “the full privatization of public enterprises, full ownership rights by foreign firms of Iraqi businesses, full repatriation of foreign profits ... the opening of Iraq’s banks to foreign control, national treatment for foreign companies and ... the elimination of nearly all trade barriers”. He also enacted the law that lowered Iraq’s corporate tax rate from roughly 45 percent to a flat 15 percent. Moreover, the Bush Administration

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- 1 Thus, President Bush spoke of “a new Arab charter that champions internal reform, greater political participation, economic openness and free trade”. A new regime in Iraq, he added, “would serve as a dramatic and inspiring example of freedom for other nations in the region” (Looney, 2003: 571).
  - 2 It is telling that the authors who describe the global systematic implementation of the neoliberal policies (Harvey, 2005; Steger and Roy, 2010) do not include the Arab and the Muslim worlds. However, this does not imply that no neoliberal measures have been implemented in the Arab and the Muslim worlds. For more about this, see section 3.3.
  - 3 The neoliberal doctrine, which became the dominant socio-economic paradigm in the West under the governments of Margaret Thatcher in the UK (1979–1990) and Ronald Reagan in the USA (1981–1989), stresses the following elements: fiscal adjustment (reductions in subsidies and tax reform); privatisation of a substantial portion of public sector enterprises; decontrolling and/or adjusting prices; deregulation of the financial sector; trade liberalisation; incentives for foreign investments; privatisation of social security; substantial reduction of the protection of labour. One can also define neoliberalism through the “D-L-P Formula”: deregulation (of the economy); liberalisation (of trade and industry); and privatisation (of state-owned enterprises) (Braer and Maloney in Looney, 2003: 572–574; Steger and Roy, 2010: 14, 21).

planned to impose additional measures like modernisation of the Baghdad stock exchange, reform of the Iraqi Central Bank, and establishment of a new currency (Looney, 2003: 576; Harvey, 2005: 6; Klein, 2007/2008: 345).

However, the US plan backfired. Already in 2004, the country between the Tigris and the Euphrates sank into sectarian (Sunni-Shia) violence while in the following years US troops encountered strong Iraqi armed resistance. The most immediate reason for the Iraqi rejection of the radical socio-economic project was that the American administrators of Iraq were giving enormous contracts aimed at the reconstruction of Iraq exclusively to American corporations and bypassing Iraqi companies. Further, primarily due to their ideologically motivated hatred of public institutions the Americans fired 500,000 state workers (soldiers, teachers, doctors, engineers). Yet, besides those practical reasons for Iraqi resistance, one must take into account that in Iraq there was no culture of competition and free markets. On top of the domination of state-run companies, a culture of entitlements pervaded the country.<sup>4</sup> The likely criticism of the neoliberal model by many Iraqi groups meant that its implementation would require a broad-based popular consensus which, however, was missing (Looney, 2003: 583–585; Klein, 2007/2008: 346–356).

The aversion of Iraq and the wider Arab and Muslim worlds to the neoliberal paradigm should come as no surprise since Islam, which is a profoundly ethical and socially sensitive religion and holistic worldview,<sup>5</sup> is fundamentally incompatible with the capitalist system and especially its neoliberal variant.<sup>6</sup> It is instructive that the famous thesis the American political philosopher Francis Fukuyama (1992) expressed in his work “The End of History and the Last Men” in the early 1990s that after the collapse of the Soviet communism and centrally planned economic system there was no alternative to the Western system of liberal democracy and free market capitalism

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4 Bremer’s plan to privatise Iraq’s 200 state companies was regarded by many Iraqis as yet another act of war by the USA (Klein, 2007/2008: 353).

5 Authors who have described Islam or the Islamic socio-economic approach (Naqvi, 1994: xvii, 13–14; Ramadan, 2004: 149–151; Rahman in Beyer, 2006: 171–172; Tripp, 2006; Crooke, 2009: 7) have emphasised that its main characteristic is its ethical (moral) dimension (focus on social justice).

6 One cannot simply equate capitalism and neoliberalism since for several decades after the Second World War the prevalent variant of capitalism was the Keynesian paradigm, which prescribes an important socio-economic role of the state. Yet, ideologically speaking, capitalism became the dominant socio-economic system on the basis of classical liberalism which has by and large been taken over by neoliberalism.

has been sharply criticised by Muslim intellectuals.<sup>7</sup> Similarly, in his seminal work “The Clash of Civilizations and the Remaking of World Order”, Samuel P. Huntington stressed that following the Iranian Islamic revolution (1979) an intercivilisational quasi war developed between Islam and the West. This conflict has been substantially generated by the feeling of the bulk of the world’s Muslims that the West has been imposing its values, particularly individualism, on the Muslim world. Namely, Western elites have argued that in order to successfully modernise the world of Islam must follow the Western pattern of modernisation, and drop its own religious values, moral assumptions and social structures in the process (Huntington, 1996/1998: 68–74, 211–218).<sup>8</sup>

Below, important differences between the Islamic and the Western liberal socio-economic paradigms are elaborated, the latter being the ideological basis of the capitalist system and also the inherent core of the neoliberal doctrine.<sup>9</sup>

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- 7 For example, by Ahmet Davutoglu (1994: 5), Abdullahi A. An-Na’im (1999: 105) and Akbar Ahmed (2002: 28). Actually, Fukuyama himself argued that in global terms the Muslim world has been unique. Thus, while talking about possible ideological competitors to a liberal democracy, he claimed: “But now, *outside the Islamic world*, there appears to be a general consensus that accepts liberal democracy’s claims to be the most rational form of government, that is, the state that realizes most fully either rational desire or rational recognition” (emphasis added) (Fukuyama, 1992: 211–212).
- 8 Huntington (1996/1998: 66) has explained that this view of Western elites has derived from the concept of universality of Western civilisation, which has been aimed at justification of Western cultural domination over other societies. One can surely argue that the idea of universality of Western civilisation has merely been another form of the *Orientalism* – the way of thinking which presupposes the difference between superiority of the West and inferiority of the Orient. The *Orientalism* has to a large extent been focused on Islam and its alleged “backwardness”. For example, when Napoleon Bonaparte occupied Egypt (1798–1801), his Orientalist scientists were stressing that France wanted to save the Orient from its barbarism by the way of offering him the useful Western (European) model (Said, 1978/1996: 60, 98, 105–113).
- 9 One can argue that there have been three elements which together have formed ideologically coherent entirety: classical liberalism, which has, by and large, been inherited by neoliberalism (of course, in order to understand the latter, it is also important to take into account the neoclassical economic doctrine); the Western economic science (political economy) which has been based on the ideas of classical liberalism; and the capitalist system.

## Differences between the Islamic and (neo) liberal socio-economic approaches

One can describe what distinguishes the Islamic and (neo)liberal socio-economic approaches by comparing them based on four mutually connected (and somewhat overlapping) and complementary aspects: perception of the role of an individual and the community; attitude to the issue of individual freedom in the sense of how the institution of private property is perceived; attitude to greed (individual selfish behaviour in support of one's exclusively own material interests); and perception of the role of the state.<sup>10</sup>

### *Role of the individual and the community*

Within the Islamic socio-economic framework of perception, special place is ascribed to the community or collectivity of mutually socially connected humans. The ideal of community and imperative of preserving it are immutable and religiously prescribed points of reference. In other words, every Muslim is permanently reminded that in his socio-economic activities he should not think only of himself and forget other Muslims, members of the community.

Thus, Ramadan demonstrates that social solidarity is part of the faith and the most tangible evidence of Muslim's religiosity. Collectivity is an essential element of the moral nature of the Islamic economy. One should know that to be with God is to be with other people. To profess faith means to behave in a socially responsible way. To possess means to have a duty of sharing. It is impossible to shamelessly accumulate possessions in the name of personal freedom if this is the result of exploitation and social injustice. It is also impossible to

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10 Ever since the 1970s, Muslim thinkers have strived to develop "Islamic economics", which would differ from the discipline of economics that since the 18th century has evolved in the West. In their opinion, there has been a need to imagine an alternative economic order based on distinctively Islamic principles, aimed at the creation of socially just societies. They have argued that the dominant economic systems of our time have caused serious injustices, inefficiencies, and moral failures. The prescriptions of "Islamic economics" have rested partly on the Koran (the Muslim holy book) and the Sunna (recollection of the words and deeds of Prophet Muhammad and his companions) and partly on economic logic (Kuran, 1993: 302–304; Tripp, 2006: 103–109).

In the present text, the Islamic socio-economic approach will be explained on the basis of works of "Islamic economists", and also of works of other authors (Muslim and Western) who have written about socio-economic aspects related to Islam.

forget interests of society as a whole and take care solely of one's own interests (Ramadan, 2004: 178–179, 181).

Similarly, Kuran points out that Islamic economic injunctions consist of moral guidelines. Accordingly, the individual is encouraged to enjoy material gains, but he must be willing to share his possessions with others, particularly the poor. As a producer or trader, he is free to seek profit, yet while exercising this freedom he must avoid harming others. Islamic economists insist that moral education should imbue people with the notion that they belong to a community of Muslims whose interests take precedence over their interests as individuals (Kuran, 1993: 326–327).

However, in the Islamic socio-economic approach the imperative of preservation of the community does not mean the denial of the individual and his individualism. He has every right, and indeed duty, to live out his capabilities (talents), pursue his own economic interests, and make profit. Islam is hence not a totalitarian ideology that prohibits private property and aims for absolute egalitarianism. Yet, the individual should not pursue profit in such a way that harms other members of the community. Here, the Islamic socio-economic approach has ambitiously represented itself as a kind of middle way between capitalism and communism (socialism).<sup>11</sup>

On the other hand, the (neo)liberal socio-economic approach has been based on a profoundly individualist paradigm. This paradigm has glorified the individual and his inalienable rights and consequently has neglected, marginalised or even dismissed role of the community. In this view, the individual has an inherent right to pursue his economic interests and to freely choose what to do, without any duty to take other members of society into account.

The foundations of the liberal social-economic approach were laid by John Locke in his famous work “Two Treatises of Government”. The leading thought in this text is that the main obligation of every political authority has been to preserve the Life, Liberty and Estate (Property) of every individual (e.g. II, § 87, 123). Thus, in Locke's view, “*the end of Law* is not to abolish or restrain, but *to preserve and enlarge Freedom*”. And “*for Liberty* is to be free from restraint and violence from others which cannot be, where there is no Law” (II, § 57) (Locke, 1960/2009: 306, 323–324, 350). One should bear in

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11 Islam's search for equilibrium between interests of the community and rights of individuals was pointed out by, for example, Mannan (1970/1980: 62–63), Naqvi (1994: 73–74) and Tripp (2006: 66–67, 97–98).

mind that Locke's work has had both an enormous historical influence and an enormous impact on the European mind (Laslett, 1960/2009: 3, 122).

In the 1970s, after the Keynesian socio-economic model experienced considerable difficulties, in the West the "New Right" (neoliberalism) asserted that political and economic lives should be based on individual freedom and initiative. This view was maintained by Robert Nozick and Friedrich August von Hayek (Held, 1989: 231–232). In his work "Anarchy, State, and Utopia", Nozick revitalised the liberal views and philosophically reasserted a radically individualist view, which emphasises the complete freedom of the individual and rejects any legitimacy of the community. His basic idea was that different individuals exist with separate lives and hence nobody should be sacrificed for others (Nozick, 1974: 33). Similarly, in his work "The Road to Serfdom" Hayek systematically criticised any kind of collectivism, which he viewed as totalitarian, and defended individualism. Hayek therefore claimed that societal goals can exist only as a coincidence of individual goals, whereby former is limited to the point at which the coincidence of individual goals ends (Hayek, 1944/1991: 68–70).<sup>12</sup>

### *Perception of private property*

The Islamic attitude to private property is based on three complementary (overlapping) concepts. First, the concept of trusteeship presupposes that all property belongs to God while human is just a trustee, not absolute owner, of his possession, and therefore is required to use it in accordance with God's commandments. Every human is instructed to use his property in a moral way. Namely, the concept of trusteeship implies that private ownership should be free of excessive rapacity and egoism. Second, the concept of the rights of deprived people assumes that the poor possess no assets not due to their own fault but because of the way production is socially organised. Consequently, Islamic economics insists on the "rights" of the poor in the wealth of the rich, to the extent that the basic rights of all members of society are met. Third, the concept of individual's social responsibility requires that he should return to the society part of his wealth. In this regard, property is said to have a "social function", meaning that ownership is linked to a goal greater than the mere

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12 In 1947, Hayek founded the Mont Pelerin Society, a group of like-minded and passionate intellectuals, which for the first time systematically formulated the economic principles of neoliberalism (Harvey, 2005: 19–20; Steger and Roy, 2010: 15).

satisfaction of individual wants. Put differently, the proprietor holds obligations to other members of society and hence the rich cannot squander their wealth without taking the needs of the poor into account. There is a sort of contract between society and individuals-asset holders: society protects the individual's property in return for his moral use of it (Mannan, 1970/1980: 6–7, 63, 88–91, 95–96; Ahmad, 1991: 16–17, 20, 32–33; Naqvi, 1994: 48, 57, 61, 69, 74, 77–78, 80, 82–83; an-Nabhani, 2002: 61–63, 67, 69, 116).

On the other hand, the liberal socio-economic approach, and especially the neoliberal doctrine, strongly emphasise the freedom of individual with regard to the use of his private property. John Locke pointed out that common property became the property of an individual on the basis of his labour and thus did not originate in the consent of all of the Commoners (II, § 26, 27, 28) (Locke, 1960/2009: 286–288). Locke thereby provided the notion that an individual earned his private assets exclusively by his own work and that consequently he alone has the right to decide how to use it.

Milton Friedman, one of the most important intellectual supporters of neoliberalism, similarly argued that an individual who has earned a fortune cannot be forced by others to share his/her wealth with them because that would constitute a violation of freedom.<sup>13</sup> Further, in Friedman's view the introduction of progressive taxes aimed at redistribution amounts to the use of force in order to take away from some people and give to others, which directly violates individual freedom. If redistribution is motivated by "justice", and not charity, there is a sharp conflict between equality and freedom (Friedman, 1962/1992: 170–171, 179, 202).

### *Attitude to greed (rapacity)*

On one hand, the Koran explicitly acknowledges the possessive and materialist instincts of humans. Thus, when speaking of human, it reads: "And truly, he is vehement in the love of this world's good" (The Koran, 100: 8). However, despite this, Islam does not glorify egoistic behaviour, nor does it treat it as the point of departure for economic generalisations. Instead, it de-emphasises the individual's selfish instincts in favour of voluntary altruism. In this respect, the Koran reads: "Wealth and children are the adornment of this

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13 Friedman had an influential role in guiding neoliberalism from constituting a mere minority view in the 1950s to becoming the ruling economic orthodoxy in the 1990s (Steger and Roy, 2010: 17).

present life: but good works, which are lasting, are better in the sight of thy Lord as to recompense, and better as to hope” (The Koran, 18: 46). In Islam, the urge to accumulate wealth has been reduced on the scale of human values and subordinated to an overarching vision which attributes importance to non-monetary and moral values as well. Moreover, Islam views greed very negatively (Naqvi, 1994: 77, 157; Ramadan, 2004: 180).

On the other hand, in the West over the last four centuries and based on the development and domination of capitalism and the influence of liberalism, considerably different, a profoundly materialist-acquisitive way of thinking has gained ground. In the 17th and 18th centuries, the intellectual and industrial revolutions brought changes to European society that paved the way for the establishment of the new discipline of economics. The assumption that greed in the service of reason was the driving force of the economy led economic and social thinkers (Adam Smith, Bernard Mandeville and others) to argue that its inhibition was not only unnatural, but would result in poverty and universal misery (Mandeville, 1970/1989: 53, 133–198; Smith, 1976/2010: 296–297; Tripp, 2006: 105–106).

Although the founders of neoliberalism, who in 1947 established the Mont Pelerin Society, were critical of classical economists (Adam Smith and David Ricardo), they also held to Smith’s view that the “invisible hand” of the market was the best way to mobilise the basest human instincts like greed and the desire for wealth and power for the benefit of all (Harvey, 2005: 20).

### *Attitude to the role of the state*

Given that the Islamic socio-economic approach attributes great importance to the maintenance of social cohesiveness, limits an individual with regard to the use of his property, and is critical of the egoistic instincts of humans, it is quite logical that it assumes that the state will play a strong role. Thus, the state, which protects the collective interests of society, has every right to regulate the private sector in order to achieve the objectives of the Islamic system. The Islamic approach is namely sceptical of the efficiency of the “invisible hand” of the market. The free play of market forces is seen as not dependable for generating a pattern of growth which meets the Islamic imperatives (eradication of absolute poverty; distributive justice to the effect that inequalities of income and wealth are contained within acceptable limits) (Ahmad, 1991: 16, 28, 81, 88; Naqvi, 1994: 106).

Importantly, under the Islamic approach the rule that should be the most appropriate way to maximise social welfare entails a combination of state control and free entrepreneurship; the proportion between the two depends on the goal pursued. In Islam, the final aim is to attain economic growth with distributive justice. Therefore, the role of the state is to ensure such economic growth that increases the welfare of all citizens. This means all governmental policies should adhere to the imperative of preventing the concentration of wealth in the hands of the rich. Moreover, the state should provide for the social security for marginalised people, financed by progressive taxation, and maximum feasible employment (Mannan, 1970/1980: 86, 318–319, 370; Naqvi, 1994: 94–95, 104–106).

As for the (neo)liberal socio-economic approach, one can hardly overstate the importance it ascribes to the operation of the free market. Under the influence of the classical economists, liberalism has accepted the idea of the superiority of economic activities and hence considered the phenomenon of the economy to be identical to the phenomenon of society. Accordingly, social life has been reduced to economic categories, leading to a radically reduced role of politics and political theory. The radical idea of liberalism has been that society must be regarded as the market. The market has been viewed as the superior organising principle due to its neutral and depersonalised operation. The economic market, and not a political treaty, has been regarded as an adequate mechanism for regulating society. Politics has thus lost its role of distributing goods on the basis of some standard of justice, which it previously held for centuries. The new rules saw goods being distributed by the depersonalised mechanism of the market (Wolin, 1960: 300–304; Rosanvallon, 1979/1998: 6–151).

Neoliberalism has also insisted on the minimal role of the state and need for the market to operate freely. Hayek stated that as much as possible we should let our common affairs be regulated by spontaneous societal forces and use as little coercion as possible. He considered competition to be an organising principle far superior to regulation by the state (Hayek, 1944/1991: 29–30, 47, 49–52). Similarly, Friedman argued that the state should only set up and explain the rules of the game while the rest should be done by the market. He opposed the view that the state should provide “full employment” and “economic growth” since he believed the invisible hand of the market has proven to be a much stronger generator of progress than the state’s visible hand (Friedman, 1962/1992: 33, 38, 45–47, 206–207).

## The Muslim world's encounter with (neoliberal) capitalism in a historical perspective

Historically speaking, one can divide the encounter of the Muslim world with capitalism, based on the (neo)liberal doctrine, into three periods: period of colonialism; post-colonial period; and period of the re-imposition of Western hegemony. In the following sections, each period will be analysed according to the criterion of (non)implementation of the postulates of the Islamic socio-economic approach.

### *The period of colonialism*

In 1838, Great Britain and the Ottoman Empire concluded a commercial treaty which opened the empire up to foreign trade, leading to the direct incorporation of its agriculture and industry into the capitalist world market. This created devastating consequences for many segments of the Ottoman population since some regions became affected by oscillations in the world market due to their production of specialised agricultural commodities. In addition, in some regions traditional industries collapsed because of competition from manufactured goods produced in Europe, and numerous peasants were forced to migrate to the cities. Similar processes were affecting other parts of the Muslim world (Southeast Asia, India, Iran and North Africa) (Tripp, 2006: 14).

When the European colonial powers took over the Muslim world, they brought capitalism with them, a variant based on the individualist liberal socio-economic paradigm.<sup>14</sup> Local rulers and states were integrated into the commercial and financial networks which were part of the globalisation of European capital and power. Segments of the Muslim population were directly affected as they became impoverished and redundant. Consequently, in some places, for example in India in the 19th century, this led to rebellions of poor peasants and impoverished craftsmen against corrupt financial and political elites, which were suppressed. Further, the European powers were often imposing liberal measures on local economies, trade and finances. For

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14 Between the first part of the 19th century and beginning of the 20th century, Great Britain, France and Italy gained physical control over the entire Middle East and the greater part of the Muslim world (Peters, 1979: 53–61; Hourani, 1991/2005: 269–270, 282–285, 318).

example, in Egypt the British were introducing a *laissez faire* policy to local agriculture, thereby eroding social cohesion and considerably adding to social inequality. Importantly, the colonial administrators regarded Islam, including the tendency to introduce Islamic values to public life, as a retrogressive religion hostile to progress (Mansfield, 1991/2003: 104–105; Nasr, 1999: 564; Tripp, 2006: 32).

As an outcome, influential Muslim thinkers (Jamal al-Din al-Afgani, Muhammad Abduh and Muhammad Iqbal) were critical of the transformation of Muslim countries brought about by capitalism since in their opinion changes (acquisitiveness, based on individual property rights and sanctioned by individual self-interest) were shaking the foundations of the moral economy. Even some members of the Muslim elite who admired capitalism's capacity to greatly increase material productivity were worried about its corrosive impact on the dominant values of a distinctively Islamic community (communal solidarities of Egyptian peasants and Egyptian society as a whole) (Beinin, 1987: 89; Tripp, 2006: 30–37).<sup>15</sup>

### *The post-colonial period*

During the colonial period, the Middle East and the wider Muslim world were integrated into the global capitalist structure in such a way to become the “periphery” of the Western-dominated world system. Hence, on the basis of core–periphery relations, periphery states, including those of the Muslim world, were subordinated within the global hierarchy, thereby making them dependent on the Western core powers.<sup>16</sup> Three elements were responsible for this. First, imperialism fragmented the Muslim world into a multitude of relatively weak states, which were in need of Western protection. Second, incorporation of the Muslim world economy into the world capitalist system transformed the world of Islam into a dependent economy characterised by the production and exporting of primary products and dependence on

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15 For example, Muhammad Talat Harb, the Egyptian financier and founder of Bank Misr (Tripp, 2006: 30).

16 This interpretation is based on the structuralist theory of international relations, as widely used by scholars of the Middle East (Hinnebusch, 2002a: 3). In general, structuralism has been promoted by the Marxist theories of world politics, for example by Johan Galtung's influential Structural Theory of Imperialism and Immanuel Wallerstein's World-systems theory (Galtung, 1971; Wallerstein, 1979; Hobden and Wyn Jones, 2017: 129–134).

importing manufactured goods.<sup>17</sup> Therefore, the Muslim world became vulnerable to price fluctuations of primary products in the world markets and more susceptible to the global powers' demands with regard to their policies. Third, imperialism set up "client elites" and cultivated "compradors" (traders and exporters), which resulted in common economic interests between the Western core and dominant local classes (Nasr, 1999: 572; Hinnebusch, 2002a: 2–4; Šterbenc, 2011: 146–148).

Accordingly, when Muslim countries, mainly in the first half of the 20th century, gained (formal) political independence, this did not mean independence from a world economic order based on capitalism. Capitalism had survived the political withdrawal of the colonial powers and was now being perpetuated by the local capitalist elites connected to the West. Against this background, influential Muslim (especially Islamist) thinkers intensified their criticism of capitalism since they believed that it stimulated hedonist individualism, tolerated high levels of unemployment and implied unlimited property rights.<sup>18</sup> They feared that without the Islamic social rules, aimed at neutralising the acquisitive instinct, the individual pursuit of self-interest would be encouraged. They referred to early Islamic history and Islamic jurisprudence, arguing that the state should be a guardian of Islamic values (Beinin, 1987: 92–100; Tripp, 2006: 46–71).

The situation changed because the bipolarity of the Cold War (the USA–Soviet Union rivalry) divided the "core" and gave Muslim countries an opportunity to attain autonomy. In the Middle East, Islamic and secular critics of the subordination to the capitalist West called for the revitalisation of a strong state in order to eliminate the social hierarchies created by the peripheral capitalist systems, and to plan and build independent and successful national economies based on industry. They also claimed that only the state, when properly directed, could ensure the reconstruction of a just and independent social order. This was realised in the 1950s and 1960s when

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17 After Muslim countries gained independence, their economies displayed the following characteristics of dependency. Cotton dominated in Egypt, cotton and jute in Pakistan, coffee and spices in East Africa and Java, cotton and silk in Syria, oil in the Persian Gulf, and rubber in Malaysia (Nasr, 1999: 572).

18 Most important among those thinkers were Hasan al-Banna (founder of the Muslim Brotherhood, the twentieth-century most influential movement for reorienting Muslim societies to a pure Islamic order), Sayyid Qutb (probably the most influential ideologue of Islamism) and Abul Ala Mawdudi (the main ideologue of Islamism in South Asia) (Commins, 1994/2005: 125; Nasr, 1994/2005: 98; Tripp, 2006: 49–60; Calvert, 2010/2018: 1).

radical officers came to power in Egypt, Iraq and Syria, and employed a statist industrialisation strategy enabled by the alternative Soviet markets and technology. The regimes in those states redistributed wealth, particularly land, and nationalised the means of production, while deploying arguments emphasising social justice and the social benefits of collective vs. private ownership.<sup>19</sup> This process was termed “Arab socialism” and for reasons of legitimisation (authentication) also “Islamic socialism” (Beinin, 1987: 101–102; Hinnebusch, 2002a: 5; Meijer, 2002: 173–186, 208–230; Tripp, 2006: 77–83). One can argue that in the two decades of statist policies the Islamic socio-economic approach was largely realised as the state provided social protection to the most vulnerable segments of the population and made great steps forward with respect to distributive justice, in turn also promoting social cohesion and a sense of community.<sup>20</sup>

### *Economic failure, re-imposition of Western hegemony, and neoliberal socio-economic pressure*

However, the enhanced social security the “Arab socialism” provided would not last, for two reasons. First, by the early 1970s, it was obvious that only Iraq and Algeria could sustain social protection based on state ownership of the means of production because of their enormous oil revenues. Elsewhere, state control of the economy had led to decreased productivity, underemployment and corruption. Second, due to the post-Cold War changes in the world system, namely the collapse of the Soviet Union and unchecked US hegemony, the autonomy of many states in the Middle East was considerably reduced. Consequently, the US-led globalisation of capitalism drew regional states into ever greater economic dependency (Lapidus, 1988/2014: 570; Hinnebusch, 2002a: 6; Tripp, 2006: 103).

While in the Middle East there has been stronger resistance to globalisation than in other parts of the world, notably in the region’s evasion of full

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19 The regime of Nasser in Egypt played a leading role in the regional process of statist industrialisation (Meijer, 2002: 173–186).

20 However, after initial endorsement of the new system, many Islamist thinkers were disappointed as they realised that in spite of the regimes’ rejection of the liberal (individualist) paradigm, the states followed a certain capitalist (secular) logic. They were also concerned that an antagonistic response to capitalism could lead to communism – both were founded on materialism. In their opinion, Islam could provide both the material and the spiritual reconstruction of society (Beinin, 1987: 101; Tripp, 2006: 80–83, 97–100).

economic liberalisation, the economically weakest states have introduced comprehensive neoliberal measures. In Tunisia, following economic troubles in 1986 the regime was forced to resort to an International Monetary Fund sponsored stabilisation programme and announced structural reforms, including privatisation. Under President Ben Ali, who had secured political stability, these measures were then implemented. After 1987, the government persistently pursued a policy of economic liberalisation. In Egypt, already in the 1970s President Sadat had introduced an open-door policy for foreign investment (*infitah*) that encouraged foreign banks and joint-venture companies. Yet, Sadat's economic liberalisation substantially increased Egypt's debt and dependency, making the state less and less self-sufficient and more vulnerable to the demands of Western donors and the International Monetary Fund. During the presidency of Hosni Mubarak (1981–2011), international financial institutions, in cooperation with the authoritarian regime and small elite connected to it, imposed comprehensive neoliberal measures on Egypt that impoverished large segments of the population. Since the early 1990s, also in Lebanon, extensive neoliberal measures have been put in place<sup>21</sup> by the domestic “contractor bourgeoisie” and Western-educated technocratic elite.<sup>22</sup> The country has also been subjected to neoliberal pressures at the hands of Western states.<sup>23</sup> In fact, the process of globalisation has to some extent caused the entire Muslim world to be placed under neoliberal pressure (Lapidus, 1988/2014: 570; Hinnebusch, 2002b: 96; Murphy, 2002: 237; Klein, 2007/2008: 459–460; Shenker, 2016/2017: 5–7, 61–64; Arsan, 2018/2020: 213).<sup>24</sup>

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21 In December 1991, the Lebanese parliament passed “Law 117” aimed at rebuilding areas damaged during the Civil War (1975–1990), which has allowed the outsourcing of public works to private corporations (Arsan, 2018/2020: 214).

22 Arsan (2018/2020: 257) argued that Lebanon has introduced neoliberal measures not due to the pressures of international financial institutions, but because successive prime ministers and finance ministers have been willing adherents to the Washington Consensus since their education in European and American business schools and economics departments mean they believe that the state needs to pave the way for private initiative. Polanyi (2008: 222–225) emphasised that, historically speaking, free markets did not emerge spontaneously but were created by the state.

23 For example, in January 2007, after Israeli attacks destroyed large parts of Lebanese infrastructure, Western donors offered financial help to Lebanon on the condition that neoliberal measures (privatisations, cuts to the public service etc.) would be implemented (Klein, 2007/2008: 459).

24 For example, governments need to borrow significant sums in world bond markets and their creditworthiness determines the availability and cost of such borrowing. In order to

*Islamist and secular resistance*

The fact that the Islamic and Western (neo)liberal socio-economic approaches are noticeably different and also largely incompatible makes it unsurprising that certain neoliberal penetration of the Middle East has caused anger and resistance among huge segments of Muslim societies, both Islamist<sup>25</sup> and secular. In Lebanon, the moderate Shia Islamist movement Hezbollah has resisted the neoliberal restructuring through activities aimed at strengthening the community. Hezbollah has thus encouraged members of the Lebanese Shia population to mutually exchange services without charge, thereby building a sense of broader social duty beyond that of individual duty. Among Lebanese Shias, there has accordingly been a feeling of religious commitment that stresses that to help others and participate in the community is a mark of faith (Crooke, 2009: 181–182; Norton, 2007/2009: 111).<sup>26</sup>

In addition, one should note that the imposition of neoliberal measures on the Muslim world has also contributed to the radicalisation of Muslims because the use of Western criteria and models in the socio-economic field has caused social and political backlash. Namely, the extreme violence perpetrated by radical Islamist organisations like al-Qaeda has to some extent been part of efforts to respond to the hegemonic power of Western capitalism, an ubiquitous and diffuse enemy trying to put a hold on people's imagination, by engaging in using spectacular violence aimed at mobilising Muslims against it.<sup>27</sup> The phenomenon of radical Islamism should hence also

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protect their creditworthiness, as assessed by the major credit-rating agencies, governments are pressed to reduce public spending (McGrew, 2017: 16, 25).

- 25 The term “Islamist” implies a conscious, determined pursuit of an Islamic doctrine, rather than the fact of being born a Muslim, or even of being a pious practising one (Ayubi, 1991/1994: 68).
- 26 In 2007, Hezbollah was a part of a coalition of unions and political parties which organised a general strike, demonstrations involving thousands, and a sit-in lasting two months, against neoliberal measures offered as part of Western “help” after the destruction caused by Israel. Hezbollah also organised the parallel reconstruction of destroyed homes (Klein, 2007/2008: 461–462).
- 27 Muhammad Atta, the main organiser of the spectacular terrorist attack of 11 September 2001 in the USA, had been outraged by the government plan in his native Egypt to commodify part of the old city of Cairo. He also allegedly had been angered by the social injustice and inequality caused by the neoliberal policies of the Sadat and Mubarak regimes (Tripp, 2006: 189–190).

In their opposition to (neoliberal) capitalism, the Islamists have mainly relied on the theoretical insights of two ideologues: Sayyid Qutb and Ali Shariati. Those thinkers strongly

be understood as an extreme reaction to the Western-led globalisation and its corollary, cultural homogenisation (Ehteshami, 2005: 41–45; Tripp, 2006: 180–193; McGrew, 2017: 22).<sup>28</sup>

As regards secular resistance to the neoliberal remaking of Muslim societies, one must consider the important message sent by the “Arab Spring”, the massive uprisings in the Arab world during 2010 and 2011.<sup>29</sup> It was no coincidence that those popular protests started in Tunisia and Egypt, the two countries most devastated by the neoliberal inroads. Namely, even though the Arab protests broke out for several reasons, it is safe to argue that the core and common denominator of grievances of different Arab populations was socio-economic deprivation.<sup>30</sup> More specifically, the neoliberal restructuring (imposed especially on Tunisia and Egypt) had profoundly weakened social protections and forms of statism. Deregulation meant the state was no longer able to provide (more) equitable distribution

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rejected the world that European capitalism had created and demanded an epistemological break with the assumed foundations of knowledge – social and prescriptive – that had accompanied the global expansion of empires founded on capital accumulation and the commodification of labour. They wanted to mobilise Muslims in the fight against the forces of capitalism, and therefore were changing traditional interpretations of Islam in order to stress the religion’s social revolutionary potential. The individual and the society were to be revitalised and defined with reference to the symbolic universe of which their obedience to God’s commands was crucial (Rahnema, 1994/2005: 241–242; Tripp, 2006: 150–153; Crooke, 2009: 74–75, 93–96).

- 28 Ehteshami (2005: 44–45) argued that in the 2000s radical Islamists were the biggest opponents of global capitalism. In his view, in the context of homogenising globalisation, they wanted to preserve the roots of a distinct worldview. McGrew noted that globalisation has not caused a harmonious global community, but increased the sense of division, difference and enmity. Terrorism, perpetrated by radical Islamists, has been part of this process (McGrew, 2017: 22).
- 29 The “Arab Spring” began in Tunisia with the self-immolation of the fruit vendor Mohammad Bouazizi on 17 December 2010, which sparked massive protests, and continued with a massive uprising in Egypt which started on 25 January 2011. In both countries, the authoritarian leaders, Ben Ali and Hosni Mubarak, were toppled. The uprisings then spread to Libya, Syria, Bahrain and Morocco.
- 30 Other reasons for the uprisings were the absence of democracy and human rights, the brutality of the highly repressive police-state, the regimes’ tendency towards hereditary rule, the subservience of the regimes to the USA, Israel (especially as regards the suffering of the Palestinians) and the former colonial powers, and the regimes’ denial of dignity for the people (Abdel Rahman, 2014: 65–66; Chalcraft, 2014: 161–162; Cole, 2014: 73; Layachi, 2014: 4). Tellingly, many of those reasons were also indirectly related to socio-economic deprivation.

and sufficient investment in infrastructure, in turn precluding developmental growth, including the creation of jobs for hundreds of thousands of unemployed young people. Of course, this also created high income inequality. Further, the state was no longer able to provide sufficient salaries (welfare) for government employees and those dependent on government expenditures, establishing the impression that it was only a state for the few. On top of this, the state was decreasingly able to control prices and subsidise staples. Finally, the privatisations that were required of numerous state enterprises and industries, that solely benefited cronies and relatives of the ruling elites, created in the minds of people a painful feeling of rife corruption, while also leaving numerous workers jobless. The overall result was the pauperisation of a large swathe of the population (Abdel Rahman, 2014: 65–66, 71; Chalcraft, 2014: 163; Cole, 2014: 73–74; Kadri, 2014: 80–83, 90, 92–93, 102; Layachi, 2014: 8–9; Sadiki and Bouandel, 2014: 44–47; Shenker, 2016/2017: 281).

The protests in Tunisia and Egypt were mainly organised by secular groups of educated youth, joined by segments of societies hit by the neoliberal measures – factory workers and civil servants. However, the critical force that ultimately led to the removal of Ben Ali and Mubarak was the hundreds of thousands of poor people who poured onto the streets. Although in Egypt the moderate Islamists (the Muslim Brotherhood) joined the protests and at critical moments provided protection from attacks by the regime thugs, they did not spearhead the “revolution” (Abdel Rahman, 2014: 65; Chalcraft, 2014: 158, 168–172; Cole, 2014: 74–75; Shenker, 2016/2017: 226).

Accordingly, in terms of declaration and point of reference, the uprisings were not based on Islam. Still, one should note that even (more) secular segments of Arab societies had been, at least to a certain extent, socialised in the prevailing culture – Islam.<sup>31</sup> Moreover, a large share of the protesting masses of poor people was clearly religious. It is important to emphasise that the neoliberal restructuring had decisively provoked the “Arab Spring” by severely disrupting explicit or tacit post-independence social contracts under which the state was responsible for the maintenance of welfare systems and distributive policies in exchange for popular toleration of the authoritarian rule.<sup>32</sup> It

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31 In the context of the “Arab Spring”, Rahman (2014: 319) pointed out that young people, who make up 70 percent of the Egyptian population, are Islamic in practice, even though they do not comprehend any ideological element in Islamically oriented political parties.

32 This point was stressed, for example, by Bowen (2012/2013: 13) and Layachi (2014: 8).

is therefore reasonable to argue that the people of the (mostly Muslim) Arab world have always expected the state to play an important (protective) socio-economic role, just as it has been dictated by the Islamic socio-economic approach based on Islamic culture. In other words, the imposed free markets and deregulation have been regarded as alien, even hostile, postulates stemming from a considerably different cultural environment, which has resulted in strong resistance.

### *Islamism without Islam?*

One would expect that in the Muslim world resistance to the neoliberal restructuring would be led by the Islamists because they claim to be the bearers of Islam and hence also of the Islamic socio-economic precepts. Yet, as mentioned, in 2011 in Egypt the moderate Islamists (the Muslim Brotherhood) were not at the vanguard of the massive protests against neoliberalism and authoritarianism. Further, as Shenker persuasively described, after assuming power<sup>33</sup> not only did the leaders of the Muslim brotherhood not try to change the profoundly unjust socio-economic system, but actually cooperated with the political and business elites which, under the tutelage of Western financial organisations, had been the cause of social devastation. Namely, while numerous ordinary members and sympathisers of the Muslim Brotherhood sincerely supported the revolutionary aim of the democratic left (secular youth, trade unions, workers) – the building of a socially just state – senior officials of the Islamist movement were pursuing their own interests and defending the status quo based on the neoliberal reforms.<sup>34</sup> This was an outcome of changes in the leadership of the Brotherhood in the 1980s and 1990s when rich business moguls took over the organisation and in the

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33 In the elections to the constituent assembly and for presidency, held after the removal of Mubarak (in November 2011 and June 2012, respectively), the Muslim Brotherhood won and its senior official Mohamed Morsi became the president. The Brotherhood won due to its organisational abilities and because it had provided help to socially marginalised parts of society. For a short period of time, the moderate Islamists shared power with the Egyptian Army, which has traditionally been the most influential actor in the country. Yet, in July 2013 the Army ousted Morsi and brutally repressed the Brotherhood (Abdel Rahman, 2014: 64; Owen, 2014: 270; Shenker, 2016/2017: 255–256, 258, 270–272).

34 For example, while in power, Mohamed Morsi prevented implementation of the ruling of the Administrative Court that had declared three of Mubarak's most high-profile privatisations to be unlawful and had ordered the companies in question to be re-nationalised (Shenker, 2016/2017: 290–291).

process side-lined the leftist elements that had opposed the privatisations and supported the struggle of workers (Shenker, 2016/2017: 255, 286–293).

Similarly, Kadri described how in Tunisia and Egypt the moderate Islamists who came to power in the first elections following the “Arab Spring” did not make any changes aimed at creating a more socially equitable and generally beneficial economic system.<sup>35</sup> Specifically, they did not introduce a more egalitarian (just) distribution that was needed in order to generate higher growth (based on stronger demand) and increase welfare. On the contrary, it seemed that they deliberately protected the stolen property, hence the description that there was “a revolution without redistribution” (Kadri, 2014: 83, 90, 102–103).<sup>36</sup>

It was quite obvious that the Islamists in Tunisia and Egypt failed to follow the imperatives of the Islamic socio-economic approach because, while in power, they did not pursue the prescribed aims of just distribution and economic growth benefiting the widest possible population by using mechanisms of the state. They in fact continued policies that had rewarded just a few and created enormous income inequality and unemployment. One may certainly claim that this was anti-Islamic. Therefore, one should ask why such a deviation from the Islamic socio-economic imperatives has occurred? Of course, one reason is that despite the uprisings the Arab (Muslim) World, as part of the global “periphery”, has remained structurally dominated by the Western “core” and is therefore scarcely able to reject the dictates of the latter.

Nonetheless, there is another, more conceptual reason: the rapid transformation of moderate Islamist parties in the Arab world. Al-Azm argued that Arab moderate Islamists have been increasingly adopting “middle-class commercial Islam”, which is moderate, conservative and good for business, and chiefly represented by the bourgeoisie (investment houses, venture capital, multiple forms of Islamic banking) in various Muslim and Arab

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35 Also in Tunisia, in the first parliamentary elections after the uprising, which occurred in October 2011, the moderate Islamist party Ennahda won. It created a coalition government with the secular party and remained in power for several years (Owen, 2014: 260–261).

36 Bhadrakumar (2014: lxviii) also stressed that in Tunisia and Egypt the ruling Islamists pragmatically embraced the Washington Consensus in order to be recognised by the West and to continue to receive support from Western financial institutions.

countries.<sup>37</sup> A model for this kind of Islam is the Justice and Development Party (AKP), the (declaratively) Islamist party that has ruled Turkey since 2002. Politically speaking, such Islam has been very significant since Turkey is the only Muslim society to have produced a seemingly democratic Islamist party, similar to Europe's Christian democratic parties, capable of coming to power electorally without bringing a catastrophe to the whole of society, as occurred in some other countries (Al-Azm, 2014: 283–284).<sup>38</sup>

Atasoy explained that AKP has embraced a neoliberal economic model and its ontology of economisation. This initially happened in the context of Turkey's bid for EU membership because in the process AKP needed to resolve the contentious issues of the Kurdish problem, the military's frequent intervention in politics, and the ban on Muslim women wearing a headscarf at university. These three issues tied AKP neoliberalism to the norms of liberal democracy, personal freedom and cultural expression. AKP defined its developmentalist project as a "neoliberal synthesis" between an attachment to liberal democratic principles and capitalist accumulation. Later, when Turkey's bid for EU membership stalled, mostly due to AKP's increasingly authoritarian rule and the problem of Cyprus, AKP gradually dropped its earlier attachment to the liberal democratic discourse while at the same time continuing with a neoliberal economic restructuring. AKP has managed to persuade large, deprived and frustrated segments of the Anatolian population with an Islamic orientation to participate in the neoliberal economic restructuring by emphasising that the reason for their marginalisation has been the Kemalist state-led developmentalism. Strong evidence of AKP's neoliberal orientation includes its massive reclamation of public lands aimed at selling them off to private owners for commercial use. AKP has hence favoured large commercial farmers at the expense of small-scale producers. This and other AKP policies have caused a contraction of common property resources and small-scale subsistence-oriented agricultural lands (Atasoy, 2021).

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37 The change within the leadership of the Egyptian Muslim Brotherhood, described above, was part of this process.

38 While explaining the evolution of the Muslim Brotherhood in Egypt, Rahman argued that the "Arab Spring" has brought a radical transformation of the political ideology of Islam itself. This has then resulted in an enlightened and moderate Islamic democracy in which there is no confrontation between Islamist organisations and the Western liberal democratic model (Rahman, 2014: 316–317).

One may argue that AKP has clearly turned away from the Islamic socio-economic approach also by adding to the inequalities among agricultural producers. If Arab moderate Islamist parties were to follow AKP's pattern, due to businessmen's influence and their desire to be accepted by the West as "moderate" and "normal" parties, in line with the model of Europe's Christian democratic parties, they would lose their Islamic credentials and betray large segments of impoverished Muslim populations.<sup>39</sup> This means that a peaceful struggle for the defence or implementation of the imperatives arising from the Islamic socio-economic approach would, paradoxically, be left on the shoulders of secular left-oriented activists and deprived people with an Islamic religious orientation. One can thus speak of "Islamism without Islam".

## Conclusion

The considerable incompatibility of the (neo)liberal and Islamic socio-economic approaches has resulted in the failure of the USA's attempt to (decisively) impose neoliberalism on Iraq and the wider Arab world, the outbreak of the "Arab Spring", and to some extent even the spectacular terrorist attacks that have been perpetrated by radical Islamists. Still, this does not mean that the process of neoliberal measures being gradually imposed on the Muslim world, as generated by Western financial institutions together with local authoritarian elites, has ended, largely due to the asymmetrical structure of power. Unexpectedly, in the Muslim world the process of the de-Islamisation of moderate Islamists has unfolded, which will place additional pressure on the remaining socio-economic elements based on Islam. However, one can expect further resistance from large segments of deprived populations along with the further radicalisation of a number of Muslims.

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39 Mandaville (2007: 106, 126–127) argued that AKP is not a classical Islamist party but more a pragmatic "Muslim democracy", which does not attribute much importance to Islamic law.

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# **Chapter 12: Human Rights at a Critical Juncture or on the Way to a Bright Future? Critical Analysis of Contemporary International Relations Scholarship on Human Rights**

Ajda Hedžet

## **Introduction**

Envisioning international politics without the concept of human rights seems difficult today as they have become an integral part of our reality and a driving force for progressive global change (Hopgood et al., 2017; Hopgood, 2021). Human rights play an undeniable and significant role in shaping international relations, with references to them often made at major diplomatic meetings and practices. Despite this, the precise origins of human rights remain a matter of contention among scholars studying human rights in the international relations context. The mentioned lack of consensus is not surprising given that human rights principles, practices and discourses have evolved through a dialectical relationship with power dynamics and the global order (Brysk, 2020a: 2). This dynamic has encouraged the emergence of human rights as a “ubiquitous language” (Hopgood, 2021: 121) that serves as a reminder of the shared commitment to upholding human dignity and today is used to condemn mistreatment by various state and non-state actors.

While human rights have been a central aspect of international relations for decades, their entry and integration into the field of International Relations (IR) only came during the 1980s (Dunne and Wheeler, 2019). The next three decades of scholarship on human rights in IR that developed following the end of the Cold War were marked by shifts impacted by the ‘Great Debates’ within the discipline along with the institutionalisation of human rights (Dunne and Hanson, 2009; Schmitz and Sikkink, 2013). The

new global challenges of Brexit, Trump, the decline of the power of the USA, and the unequal outcomes of globalisation (Forsythe, 2017) at the turn of the century motivated a great rise in (empirical) interdisciplinary critiques concerned with the absent legitimacy and ineffectiveness of (the scholarship on) human rights.

The two mentioned shifts have inspired a contemporary strand of IR literature on human rights in the past 20 years. This body of work establishes that the historical development of human rights in late modernity has yielded several successes and that the future of human rights appears brighter than many critical scholars are willing to acknowledge. Within this largely pragmatic constructivist scholarship on human rights in international relations, scholars maintain a surprisingly positive stance (Brysk, 2017, 2018, 2020b; Dancy and Sikkink, 2017; Sikkink, 2017, 2020). They reject claims that the rights discourse, institutions, and movements are ineffective and illegitimate (Sikkink, 2017), instead arguing that they remain resilient even in the face of pressing contemporary challenges (Brysk, 2020b). Such scholars find that the existing repertoire of rights has been able to address the demands arising in modern times (Dancy and Sikkink, 2017) and even provide strategies for ensuring a promising future of human rights (Brysk, 2020b).

Yet, scholars from an increasing number of social science disciplines simultaneously forecast the decline of human rights, using terms such as “twilights”, “end times”, and “roads to nowhere” (Moyn, 2010, 2017b; Posner, 2014; Hopgood, 2021). They also cast doubt on the effectiveness of the human rights regime, highlighting how especially neoliberalist thought (Whyte, 2019) has contributed to inadequacy in both addressing the growing inequalities (Moyn, 2015), particularly among marginalised individuals whose autonomy should have flourished, and holding powerful actors accountable (Kratochwil, 2014). These scholars also argue that human rights impede radical change due to their insufficient integration into struggles for freedom and equality in the Global South, resulting in a pronounced “backlash against human rights” (Vinjamuri, 2017: 114).

The latest upsurge of contemporary critiques and counter-critiques that arose in this newer generation of human rights scholarship over the last two decades finds human rights to be at a juncture (Hopgood et al., 2017). This challenges the ongoing representation of human rights as a movement, which scholars often argue has mostly aimed at expanding and spreading norms and practices for determining “who is human, what is right, and who

is responsible” (Brysk, 2022: 117). They question the effectiveness, relevance and legitimacy of the system, and who exactly are the winners that ‘take it all’ – the people or the elites? (Hadiprayitno, 2022: 189). As the growth of these scholarly discussions closely overlaps with the debates on the post-liberal world order, the time seems ripe to map and reflect on IR human rights scholarship, to try to distinguish the prescriptions and idealism of human rights found in this expanding body of studies. After all, as shown in this chapter, the explanatory power of contemporary scholarship that defends human rights requires more thorough interrogation. Particularly significant here is the growing prominence of discussions pertaining to the potential continuation of human rights, which coincides with the imminent era of a global order characterised by escalating inequalities and a rising politicisation, in which political competitors face challenges in reaching a consensus on the rules they ought to uphold.

Thus, the task undertaken in this chapter calls for an additional level of introspection given the growing threats posed by the populist backlash, authoritarianism and toxic nationalism that are increasingly endangering the protection of international human rights in the post-liberal order (Monshipouri, 2020). These trends not only make it easier to gather evidence of human rights failures but also serve as a reminder of the enduring importance of discussing human rights, particularly relative to different forms of progressive and radical social justice. By critically engaging with various strands of scholarship on the future of human rights in international relations, conducting a comprehensive review of contemporary research, drawing on ideas arising from reflexive sociology, the purpose of this research is to evaluate how the taken-for-granted assumptions regarding human rights in international relations shape our understanding of the possibility of change. This approach can help one become more aware of the hidden assumptions that structure the research of human rights by revealing how specific problems are addressed and making the repressed underlying assumptions in scholastic thought visible (Karakayali, 2004; Eagleton-Pierce, 2011; Adler-Nissen, 2013b).

Reflexive sociology within the field of IR scholarship (Madsen, 2011; Adler-Nissen, 2013a: 5) already transcends theoretical frameworks such as constructivism, poststructuralism and critical theory. It draws strong inspiration from Bourdieu’s thinking, which is inspired by the critical, emancipatory trait that highlights the political mobilisations of group or class struggle

(Bourdieu, 1990, 2002; Bourdieu and Wacquant, 1992). Use of this approach allows us to in turn explore how the different micro-practices of agents are written into the structural changes and thus seek to provide analysis of the gradual emergence of a more structured field of human rights. A field formed during various periods based on the practices of a broader range of agents and institutions, contributing in different ways to defining the overriding logics of the field of human rights and, simultaneously, the logic of practice of the agents.

This chapter proceeds in three parts; first by providing a discussion of the ambivalent emergence of (modern), post-1945 human rights in international relations that addresses multiple and overlapping social fields, and functions as a tool for situating the (international and national) practices of human rights. Following a brief overview of the rise of human rights in international relations and IR, the focus shifts to two key discussions: the lack of social legitimacy and distributive inequality. The corresponding discussion of the ambiguous presence in IR and absence of the social legitimacy of human rights in international relations equally serves to highlight circulations of knowledge and concepts. Finally, the last section addresses one of the most pressing challenges of our time – economic (in)equality – and explores the extent to which contemporary scholarship considers modern human rights capable of addressing this issue.

## **Constructing modern human rights in the post-1945 world order**

One can find plenty of scholarly accounts trying to address when and how human rights gained their powerful international status, with the idea that the human rights of its subject citizens should be protected by the government acquiring a long history. Western scholars (Hunt, 1996, 2007; Griffin, 2008) commonly trace back to the struggles for religious freedom entailed in the struggles during the US and French revolutions.<sup>1</sup> They argue that the

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1 It should be noted that this trend can also be observed in a significant portion of critical contemporary literature on neoliberalism and human rights that draws on Marx's (1844/1969) work "On the Jewish Question" in which Marx critically examined the "egoistic" and atomistic conception of human nature and alienated selfhood enshrined in the French Declaration of the Rights of Man and of the Citizen (1789). Marx argues that the rights of man offered precisely the kind of subject and self-understanding required

adoption of the Universal Declaration of Human Rights (UDHR) in 1948 (UN General Assembly, 1948) saw these rights gain an international dimension, thereby also developing into a challenge to state sovereignty and a framework for activists demanding fundamental social and political change (Schmitz and Sikkink, 2013: 828). However, other scholarly accounts tend to identify pivotal moments from the 1800s onwards. These include the anti-slavery campaigns, the establishment of the Human Rights Commission in the 1940s, which played a crucial role in shaping the drafting of the UDHR, and the unravelling of the socialist and postcolonial 'utopias' in the 1980s (Hunt, 1996, 2007; Griffin, 2008; Moyn, 2010, 2014; Jensen, 2016; Whyte, 2019; Dunne and Wheeler, 2019).

In these discussions, scholars increasingly stress the limitations of oversimplifying the origins and motivations of actors involved in key moments in the development of human rights in the 1940s, 1970s and 1990s (Eckel, 2010, 2019; Moyn, 2010, 2018; Eckel and Moyn, 2013; Whyte, 2019). Understanding modern human rights namely requires recognising the multifaceted power and ideological dynamics in which they are framed. After all, states often prioritise power considerations as they maximise their power and manage relationships with other countries in international affairs, whilst contending with domestic mobilisation mechanisms, including grassroots activism, litigation, practices inspired by social movements, and public protests (Monshipouri, 2020: 14). This makes it essential to view human rights and their practices within the international sphere as part of a network of power relations that generate symbolic power. This can be observed in divisions of labour and struggles over which forms of production are legitimated (Madsen, 2011: 263).

Human rights can be understood in this way as a field, a symbolic space that primarily encompasses objective relations between different positions (Madsen, 2011: 263). This field of human rights is constantly undergoing transformation through interactions that chiefly involve the domination and control of various subjects of human rights (Kenyon, 2015). As the text below shows, this is directly seen when analysing all key historical moments

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for the prosperity of the capitalist order (Celermajer and Lefebvre, 2020: 21), with the content of human rights reflecting the desire of the capitalist entrepreneur to be liberated from social obligations and constraints. According to Marx (1844/1969), universal human rights are essentially bourgeois rights that claim to promote equality and dignity among individuals but, in reality, perpetuate and justify significant inequalities.

in modern human rights – the 1940s, 1970s, 1980s, and late 1990s to early 2000s. While on one hand these moments highlight the entanglements of complex relationships between “intellectual ideas, institutional change, and social mobilization” (Dunne and Wheeler, 2019: 340),<sup>2</sup> on the other, they still frequently overlook the symbolic power embedded in these processes and hence fail to acknowledge the challenges faced by marginalised or excluded actors.<sup>3</sup>

Beginning with the successful drafting of the UDHR, there has been extensive examination and a tendency among IR scholars to defend it against the perception of it being an externally imposed liberal project by powerful Western states (Sikkink, 2017). However, as critical scholars argue, the origin story of human rights, centred around the UDHR, is inherently colonial and ignoring this fact leads scholars to overlook the social struggles of marginalised subjects of human rights and their contributions (Kapur, 2012, 2014; Abdelkarim, 2022). For example, when discussing the discourse of international human rights in the context of the new world order Azoulay (2018: 161–162) underscores the preservation of colonial structures and the dominance of “principal, imperial, and colonial protagonists” as morally legitimate actors. This preservation, as the author finds, also involved the substitution of the rich and diverse language of rights with an abstract language, as well as disregarding the language developed by those that were subject to differential rule during colonialism and imperialism (*ibid.*).

Further, while critical scholars underline the fact that 1945 is a turning point that legitimised the unlimited right of the sovereign to intervene in lives because it was preserving “differential sovereignty as the sole legitimate political formation” (Azoulay, 2018: 170), IR scholars and political scientists have instead argued that the UDHR represents a collaborative product created by “all members of the human family” (UDHR, 1984, preamble), and shaped by the activism of diplomats from the Global South and ideas advanced

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2 Due to space limitations and the substantive focus on modern human rights for which 1948 represents the foundational yet disputed moment for human rights scholarship, the discussion in the next chapter focuses on the story of the 1940s. An alternative start could also go back in history, for example to the minority rights provisions identified within the Westphalian settlement, which is one of the key milestones in the formation of the modern international system (Reus-Smit, 2013).

3 This omission largely stems from the limited access of these actors to inter-governmental forums where international norm negotiations and decision-making within the United Nations (UN) human rights regime occur.

by Western diplomats (Glendon, 2001; Klug, 2015; Sikkink, 2020). While there was consensus on the universality of human rights during the drafting process, diplomats were concerned about problematic interpretations that might arise from universal moral principles, especially when filtered through cultural and religious particularities (Glendon, 2001: 69; Sikkink, 2017: 65). The inclusive drafting procedure of the UDHR therefore did not lead to a consensus on philosophical questions concerning rights, as Glendon (2001) demonstrated, and the tension between the universal and the particular in the human rights narrative remains an enduring aspect of the ongoing debate (Dunne and Wheeler, 2019: 342).

A complementary account in this scholarship stresses that the UDHR's "coming into existence" aimed to capture the shared catharsis of "pity and fear" (Walker, 2000: 280; Langford, 2018). For example, Dunne and Wheeler (2019: 342) state that the language used in the UDHR was aimed at establishing common ideals towards which humanity should strive while also suppressing the traumas associated with past mass killings. Nonetheless, the codification of universality in the UDHR represents a "pre-existing and baseline cultural belief" expressed through "aspirational, emotionally charged, and morally elevated language" (Goodale, 2018: 446, 444). Scholars assert that the catharsis stems not only from the pity for the unimaginable horrors of genocide but also from the fear of military imperialism (Goodale, 2018: 441). Interestingly, the omission of duties in the UDHR has also been attributed to this very reason.

Although earlier drafts of the UDHR included duties, they were removed following a plea by Malik, the Lebanese delegate, which was endorsed by states less supportive of the duties concept, including the governments of the UK and the USA (Sikkink, 2020: 29). It is important to note that Malik was strongly opposed to the imposition of global duties, particularly in relation to economic and social rights as Whyte (2019: 72) points out, because he believed that implementing them would undermine "free institutions in a free world" (Morsink, 1999: 224 in Whyte, 2019: 72). After all, Malik even publicly argued that for global economic integration to be achieved a moral transformation was required, and addressing human rights violations called for an individual spiritual transformation rather than collective political action (Whyte, 2019: 158).

Moreover, in response to the notion that the UDHR represents the shared catharsis of "pity and fear" (Walker, 2000: 280), critical scholars (Eckel, 2010:

114; Moyn, 2010: 66; Whyte, 2019) argue the atrocities of the 1940s were not the events that led to the reform of international relations with human rights as a central concern, nor did they reflect the multicultural nature of the document. Instead, as they suggest, a closer examination of the narratives surrounding the UDHR should carefully consider the presence of a global diplomatic elite socialised in educational institutions influenced by the West who played a considerable role in shaping the declaration during a moment of symbolic unity (Moyn, 2010: 66). A noteworthy example here is the American University of Beirut established by Protestant missionaries and founded by the Dodge family which had a strong commitment to civilising missions for indigenous people in the USA, African-Americans, and in the Middle East. While this educational institution had a formative influence on Malik's position regarding religious freedom and economic rights, as detailed by Whyte (2019: 65), this aspect is largely not discussed in the scholarship examining how the UDHR was drafted or the influence of codification of this key international document.

Despite the emphasis on critical scholarship playing a crucial role in expanding our understanding of how politically influential individuals manipulate human rights language to serve their shared political agenda, its significance extends beyond the context of post-colonial nation-building and the struggle for decolonisation. It also provides a nuanced perspective on the political struggles that accompanied the success story of 1945 (Eckel, 2010: 115); for instance, how the adoption of the human rights regime by decolonised nations was principally driven by the assertion of sovereignty and self-determination (*ibid.*). Further, critical insights not only add to our comprehension of historical events but provide valuable analytical tools for examining power struggles between different international organisations and agencies. This is evident in the struggle between the UN Educational, Scientific and Cultural Organisation (UNESCO) and the Commission on Human Rights (CHR) (Goodale, 2017: 3),<sup>4</sup> which led to extraordinary discussions and formal disapprovals (Goodale, 2017: 15). Remarkably, the catalyser of this

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4 As the story goes, members of the CHR did not appreciate the survey being initiated by a different organisation or the creation of the "Drafting Committee of Unesco on the Rights of Man", an interdisciplinary body which was even tasked with producing a report on the "theoretical bases" of human rights for the CHR (Goodale, 2017: 13). Relevantly, the chair of the Drafting Committee, was both a seminal IR scholar and one of the most overlooked figures in the modern history of human rights, Edward Hallett Carr (Dunne and Wheeler, 2019: 240).

struggle was a survey initiative: UNESCO's cross-cultural survey that aimed to establish a global consensus on the fundamental philosophical and ethical principles underpinning a new global social contract (Goodale, 2017).<sup>5</sup>

Thus, in spite of 1945 commonly being regarded in human rights scholarship as the key turning point, human rights were only progressively codified in the foreign policies of states, the mandates of intergovernmental organisations, and imagination of the global public over the last few decades. Moreover, IR scholars acknowledge that the increase in the relevance of human rights in international policymaking only happened gradually. Although the idea of a global system with complementary regional regimes may not have formed part of any 'grand plan' for human rights protection, human rights became firmly established in the UN system, mostly under the auspices of the UN Office of the High Commissioner for Human Rights (Whelan and McWard, 2020). This establishment helped popularise the "regime conception" of human rights that had influenced the human rights research agenda over the past three decades (Goodhart, 2020: 28). The process of codification within legal frameworks involved numerous international and regional institutions, monitoring bodies, courts, and special rapporteurs (Goodhart, 2020: 28). It also encouraged the gradual emergence of transnational civil society actors as central figures within the mainstream model of human rights promotion (Hopgood et al., 2017: 311).

Given the significance of the gradual institutionalisation and popularisation of human rights in the later decades of the 20th century, Moyn (2010) suggests that scholars should pay more attention to human rights diplomacy and the increased focus on it during the 1960s and 1970s. This period namely first witnessed various converging factors, including the election of President Carter in the USA and heightened international action on human rights. In addition, attention should be paid to the rapid emergence and rise of activism of newly established non-governmental organisations (NGOs) like Amnesty International and Helsinki Watch, that played vital roles in establishing human rights as a vital component of policymaking (Moyn and Lefebvre, 2020: 244–245).<sup>6</sup> Yet, as Whyte's analysis (2019: 32) emphasises, fully accounting

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5 Prior to this discussion, Carr had already officially rejected the final UNESCO report, arguing that the notion of seeking universal principles on which the UDHR could be based was fundamentally flawed (Goodale, 2017: 14).

6 The great relevance of NGOs and lack of morality behind actions, argues Moyn, can be seen if we just look at Peter Benenson, the founder of Amnesty International, who in private remained unconcerned over the difference made by human rights activism so

for the success of human rights organisations is only possible if the adoption of neoliberal dichotomies is considered, which involves contrasting a commercialised civil society with violent coercive politics.<sup>7</sup>

Moving on from the neoliberal tendencies underlying human rights diplomacy and NGOs, however, leads us right to one of the most important dominators highlighted by critical scholarship: awareness of how the narrative surrounding the origin of human rights, centred around the UDHR, presents a colonial tale that neglects the social struggles of marginalised individuals and their contributions to the discourse on human rights. After all, the rich discussion on the coloniality of human rights has seen scholars defending human rights (Forsythe, 2017; Sikkink, 2017; Dunne and Wheeler, 2019) commonly contend that disregarding the mobilisation of human rights language used by postcolonial leaders risks overlooking how this language has been used by human rights activists in the Global South,<sup>8</sup> as well as by other governments and international NGOs, to hold governments accountable for their human rights practices.<sup>9</sup> Still, despite the efforts of international NGOs, human rights

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long as it gave young people something to believe in following the downfall of socialism (Moyn and Lefebvre, 2020: 244–245): “The real martyrs prefer to suffer”, Benenson explained, adding “the real saints are no worse off in prison than anywhere on this earth. The suggestion that human rights are mainly about the belief and its preservation first and foremost—betrays some of the barely post-Christian assumptions he brought to the invention of human rights activism (Moyn and Lefebvre, 2020: 244–245).

- 7 Whyte (2019: 140) uses the example of Chile under Pinochet’s rule to illustrate how the consolidation of the neoliberal human rights discourse not only served to justify constitutional restraints and laws as necessary for preserving individual freedom, which a competitive market supposedly guarantees, but also to safeguard the market from egalitarian political movements.
- 8 For example, the UDHR and the language of human rights was ambiguously invoked in the following noteworthy instances: during a fight for national self-determination and racial equality by the Tanzanian leader Julius Nyerere in his ‘Arusha declaration’; by Patrice Lumumba in his Speech at Leopoldville; by participants at the Bandung conference; by the Non-Aligned Movement; and by the Pan-African movement. The latter incorporated the language of human rights to address economic development concerns during the Congolese and Zimbabwe Independence Movements (Burke, 2011; Klose, 2013, 2016; Forsythe, 2017; Sikkink, 2017).
- 9 Although they acknowledge that the universalist promise of the UDHR was quickly constrained by diplomatic realities as states gradually translated the aspirations of the UDHR into binding commitments at a slow pace (Forsythe, 2017) and recognise that states prioritised sovereign rights over human rights from the very beginning, as evidenced by the UN Charter, which made the protection of rights contingent upon the interests and motivations of states (Dunne and Wheeler, 2019).

lawyers, and sympathetic parts of Western governments concerns about the effectiveness and legitimacy of evaluating human rights continue to grow.

Critical voices within academia, advocacy and policymaking are hence increasingly calling for an examination of the real impacts of human rights on individuals – the subjects of rights – who are often overlooked as the “minority partner” of rights (Celermajer and Lefebvre, 2020: 1). The legitimacy of human rights in the post-1945 system has become a pressing concern, particularly as advances in human rights faced setbacks in the aftermath of the September 11 attacks during 2001 in the USA. Civil rights were curtailed, and human rights funding was redirected to counterterrorism programmes, while authoritarianism and populist threats resurfaced (Hopgood et al., 2017: 311–312). Even though there now exists extensive scholarship on the UN’s human rights system, scholars (Whelan, 2010; Koskeniemi, 2018: 53) have increasingly shown that the direction of rights practices has faltered in a fashion comparable to trends previously identified. Starting with a Western emphasis on civil and political rights, then slowly turning to a more inclusive stress on their ‘indivisibility’ from economic, social and cultural rights, before moving on to a 1970s–1980s post-colonial ‘revisionism’, which emphasised rights as instruments for economic justice and ‘development’, and closing with a period of a configuration in the 1990s when the system was ‘finally’ aligned with the preferences of the UN’s human rights treaty bodies.

The fact that modern human rights are influenced by ideology, international politics, law, and power dynamics (Madsen, 2011: 263–264) makes it unsurprising that scholarly discussions on key moments in the historical development of such rights raise concerns about their legitimacy. However, it is critical to recognise the selective recognition of power dynamics and structural limitations within modern human rights, as evidenced by the struggles of often overlooked or marginalised human rights subjects. This selectivity is also observable in case selection bias where positive cases that are in line with the internationalised liberal vision of human rights and neatly fit within the human rights framework dominate discussions (Berger et al., 2022: 3). As debates surrounding the universality vs. particularity of human rights and issues of marginalisation and domination intensify in the face of global challenges like populism and authoritarianism, it is becoming ever more important to critically examine these preconceived constructs (Madsen, 2011: 262). Taking a step back and engaging in a critical examination of these constructs is essential, particularly given the evolving global landscape.

Further, as the number of scholars participating in defending or criticising human rights rises, it is vital to recognise that the scholarly community is a product of society and therefore affected by social structures on the micro and macro levels. While the future of human rights may seem less promising and human rights are often deemed to be “going nowhere” (Hopgood, 2017; Hopgood et al., 2017: 311–312), they still represent a disputed building block of international society. Nonetheless, as discussed, the contemporary scholarly (re)construction of human rights, both optimistic and pessimistic, seeks to provide a more appropriate object of study, emphasising the need to better consider the transformations of society prompted by the evolution of human rights (Madsen, 2011: 261–262).

## **Rising doubts and the legitimacy of human rights**

As politically and legally shaped debates over the legitimacy of human rights continue to unfold, a growing number of scholars argue that human rights are not providing the tools needed for progress (Moyn, 2010, 2017a; Hopgood, 2013b, 2017; Hopgood et al., 2017). Still, more optimistic IR scholars find such pessimism about the legitimacy and effectiveness of human rights to be unnecessary or exaggerated since progress is evident (Sikkink, 2017, 2020; Brysk, 2020b). They also highlight that scholars identifying the lack of legitimacy and efficiency of human rights must carefully consider the diverse historical origins of human rights and undertake the task of measuring and determining non-ideal criteria for evaluating their impact and legitimacy within the international human rights regime (Brysk, 2020b: 333). It needs to be mentioned that even though the metatheoretical approaches these discussions build on hold many different virtues, they are not all equally well equipped to address questions concerning power and the legitimacy of human rights. However, as indicated by rising scepticism and resistance against the international human rights system, especially regarding the legitimacy and efficiency of human rights institutions, the time seems ripe to trace the development of the scholarship engaged in this debate and examine in which ways it has contributed to the crisis of legitimacy human rights are facing (Schaffer et al., 2013: 14).

Scholarly discussions on the legitimacy of human rights in IR scholarship and political science typically adopt a pragmatic approach, locating the issue

within an institutional or apologetic framework (Langford, 2018: 75). The general assertion is that the global diffusion of human rights has led to significant political changes in the post-1945 world order. Moreover, within this process, formal international human rights institutions, along with NGOs and individual activists, have made crucial contributions (Risse et al., 1999; Brysk, 2000; Thomas, 2001; Tsutsui, 2004; Landman, 2005a, 2005b; Wotipka and Tsutsui, 2008). The underlying understanding of the relevance of rights in this explanation is connected to their formation of enforceable legal principles that bind states, impose limits and enable particular behaviours needed for their respect and fulfilment (Goodhart, 2020: 29).

Although this idea resonates with both liberal and constructivist accounts within IR scholarship from the start, the two theoretical branches have developed in distinct, yet intertwined ways.<sup>10</sup> In fact, it was the strengthening of the two approaches in IR scholarship during the 1990s that sparked numerous scholarly debates. Critics warned that building on the foundations of liberal (political) theoretical traditions in IR scholarship required an understanding of the perspectives of critics who view rights merely as “an elite Western artefact of liberalism” since they believe that “subsets of human rights that are individual legal entitlements of freedoms as claims against the modern state are intertwined with liberal social contracts and interstate compacts – and are appropriate bases to leverage the legitimacy base of that system” (Brysk, 2020b: 355). Conversely, the ‘old’ or ‘Via-Media’ constructivist accounts (Barder and Levine, 2012; McCourt, 2016, 2022) of human rights have also faced criticism for their excessive focus on the transformative and progressive potential of human rights in world politics, which led them to adopt an idealist and normative stance on rights from the outset (Hofferberth and Weber, 2015; McCourt, 2022: 113).<sup>11</sup>

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10 First, the liberal account emerged from the Western tradition of thinking about the liberal rights of the individual that public authorities must respect (Dunne and Hanson, 2009: 63). Second, constructivist scholarship on human rights aimed to offer a sociological perspective on world politics (Reus-Smith, 1996: 2) by examining the changing aspects of rights claims, such as legitimacy challenges and the institutionalisation of new norms within the political process of communicative action. As a result, it provides insight into the relatively greater effectiveness of norm innovation when it builds upon existing standards and frameworks (Brysk, 2020b: 349).

11 For example, as one of the seminal IR scholars Sikkink (2008: 83) emphasises while discussing her experience with starting to work on human rights in the late 1980s, the mere choice of the topic alone conveyed a normative signal, compelling her to demonstrate

Hence, when considering these developmental trajectories in reevaluating the conceptualisation in more detail it becomes clear that the idea of pursuing human rights through international law relies on the belief that legitimising human rights rules is a critical step towards achieving compliance. The underlying assumption in this argument is that a widespread belief in the legitimacy of international human rights law inherently leads to greater adherence to these rules (Hurd, 2016). Yet, if the objective of human rights is to ensure a state's compliance with international human rights law and to effectively enforce it domestically, this general understanding of compliance is insufficient in terms of normative and social legitimacy. This is because states and non-state actors may also be motivated by other interests while deciding whether to comply (Goodhart, 2020: 30).

However, scholars continue to argue that “what makes rights right is states' agreement about them”, pointing out the central role of the international human rights regime in the legitimacy of human rights (Goodhart, 2020: 29). This is especially visible in the regime conception of human rights that gained prominence in the study of IR in the late 1980s and 1990s (Donnelly, 1986: 598) and has become an integral part of the legal, political and moral landscape (Alston and Goodman, 2013: v).<sup>12</sup> As the human rights regime became more popular in scholarly and policy circles, however, the fundamental problems associated with it became increasingly evident (Schick, 2006: 327). As noted by Goodhart (2020), one of the key downsides of this model is the tendency to take the legitimacy of human rights for granted. This may be seen in discussions on how human rights activism contributes to increasing the legitimacy of human rights within the existing institutional framework, where much of the new scholarship on the human rights research agenda envisions the future of rights within the system currently in place (Brysk, 2022).

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rigour in theory and methodology. Her explanation, however, also effectively captures the “built-in assumptions, incentives, and biases” inherent in Western political science, which have served as the central social space for the development of constructivist scholarship (McCourt, 2022: 113).

- 12 An “international regime” is formed by “norms and decision-making procedures accepted by international actors to regulate an issue area” (Haas, 1980: 358). Through regimes, states and other relevant actors accept normative or procedural constraints as legitimate, partially replacing “original” national sovereignty with international authority. Yet, this does not diminish the centrality of sovereignty as the key ordering principle; instead, regimes require limited relinquishments of sovereign national authority in specific issue areas to mitigate the costs of international anarchy (Donnelly, 1986: 601).

In a way this is to be expected since the concept of transnational advocacy networks builds on the constructivist ideas behind the spiral model developed by Risse, Ropp and Sikkink (1999), or the “boomerang effect” by Sikkink and Keck (1998), and Brysk (1993), which shows that social movements and networks can pressure governments “from above” and “from below” together and participate in undertaking norm(ative) change. For this reason, however, it is also only to be expected that the stories produced in this stream of scholarship talk about states’ behaviours and, similarly, the cases the model uses to support the relevance of human rights within international relations fit comfortably within the Regime conceptualisation (Goodhart, 2020: 30).

It is the claims of the universality and persistency of human rights, which are pervasive in the mentioned scholarship, that thus make human rights vulnerable to the critical insights outlined above, and lead human rights to face accusations of lacking sociological legitimacy (Langford, 2018: 72). The question of universalism has remained unquestionably at the core of the post-war internationalisation of human rights, despite its rich heritage (Madsen, 2011: 286). The African values debates of the 1960s and 1970s and Asian values debates of the 1990s have played significant roles in highlighting the relativism of human rights within the transformations observed since 1945 (Dallmayr, 2002). The fall of the colonial order has further created space for critiquing the imperial tradition of exporting Western ideals under the guise of “the universal” (Donnelly, 1989; Renteln, 1990), just like the louder claims of active Western imperialism have sharpened the broader cultural critique of human rights (Langford, 2018: 73).

Further, these developments and claims have influenced both scholarly and policy circles. For example, in the work of Hopgood (2013a, 2013b, 2020) the origins of human rights are increasingly highlighted as particularist rather than universalist, and traceable back to the development of “secular religiosity” by European humanitarians.<sup>13</sup> In addition, the Third World’s “radical proposal” for a New International Economic Order (NIEO) that gained enough support in 1974 in the UN General Assembly for the adoption of a Resolution<sup>14</sup> became one of the most widely discussed initiatives

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13 Hopgood (2013b) specifically criticises the appropriation of human rights by American humanists.

14 The Declaration on the Establishment of a New International Economic Order (1974) was accepted and proclaimed with the Resolution of the General Assembly of the UN no. 217 A (III), on 1 May 1974 (see: UN General Assembly, 1974).

for transnational governance reform during the 1970s. The NIEO aimed to redirect more benefits of transnational integration towards developing nations (Gilman, 2015).<sup>15</sup> Although the NIEO may seem today like the apparition of an improbable political creature that emerged during the early 1970s amidst economic and geopolitical uncertainties, it presented a proposal for a radically different future that disappeared just as quickly (Gilman, 2015: 1; Dehm, 2019a: 159).

While the 1980s also witnessed the emergence of the third wave of democracy in the Global South and the former Soviet bloc, the newly liberated states not only embraced political democratisation and a stronger emphasis on human rights but also adopted the global prescriptions of economic liberalisation. The process of economic liberalisation consequently became a topic of discussion in the human rights context (Mutua, 2006). Yet, even though the rise of human rights during the 1980s is clearly intertwined with neoliberalism (Moyn, 2017a), the convergence of the human rights discourse in this instance corresponded to the neoliberal challenges posed to the post-colonial pursuit of the NIEO (Whyte, 2019: 35). Moreover, the political justification for the late 20th-century neoliberal counter-revolution gradually asserted that property rights are fundamental for the realisation of other human rights (Whyte, 2019: 10). Nevertheless, the extent of neoliberalism's influence on the concept of human rights remains downgraded by both human rights advocates and scholars examining social movements and struggles who employ the language of human rights (Whyte, 2019: 35).

Interestingly, the latter group largely also consists of 'newcomers' to human rights research like anthropologists, historians and sociologists who propose that rights are grounded in fundamentally different ontological and epistemological premises (Wilson and Mitchell, 2003; Morris, 2006; Hunt, 2007; Goodale, 2009; Moyn, 2010, 2018; Eckel and Moyn, 2013). While some scholars argue for a more conservative viewpoint, asserting that human rights have origins in both the Global South and the Global North (Monshipouri, 2020: 3), these recent empirical accounts in IR that explore the pluriverse of human rights do not necessarily address the epistemologies of the South. Instead, they largely focus on the broader institutionalisation

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15 The core of the NIEO's agenda was formed by a series of interrelated proposals that were aimed at improving the relative position of the 'developing states' by asserting the "economic sovereignty" of postcolonial states and addressed the reform to the structure, governance and norms of the global economy (Gilman, 2015).

of human rights in the Global South. The current impasse affecting human rights as a language for expressing struggles for achieving dignity is seen as a reflection of the epistemological and political exhaustion that plagues the global North (Santos and Martins, 2021: i). Namely, these accounts demonstrate that human rights have gained greater currency and legitimacy than critics suggest (Monshipouri, 2020: 3) and argue that pessimism about human rights is unwarranted or exaggerated (Sikkink, 2017), while attributing this negative illusion to the indivisibility of the struggles, pain and losses associated with the progress they facilitate.

Although contemporary scholarship understands the human and material sacrifices that accompany struggles for progress as resources of hope in the effectiveness of human rights (Banai and Chase, 2020), critical scholars remain attentive to the changes in political power influencing political resistance to human rights, whereas the international agenda concerning progress on human rights continues to depend on the ideology of governors, which still tends to come from the Global North (Sanchez, 2018). After all, even pessimistic scholars' targeting of the fragility of human rights in the face of the pure material power of those endowed with the monopoly of violence still does not match the hard realities of power politics that determine whose rights will be respected, when, where, and how (Banai and Chase, 2020: 49–50). As discussed, human rights are reproduced at the crossroads of a set of different agendas and actors. Human rights politics and institutions are also being gradually formed by these stakes. This means that modern human rights exist between continuity and change, they construct but are also constructed, as may be seen in the continuous emergence of new human rights discourses and practices as a product of the interdependence of the political and the social. Discussions on the legitimacy of human rights hence may not simply serve the ideological purpose mentioned by Koskenniemi (2003: 367) but key social ones as well.<sup>16</sup>

As Hurd (2008: 203) accentuates, when legitimacy is conceptualised in the sociological tradition it is emphasised as a tool that can help mitigate the threat of inequalities in the social order: "Legitimation is one source of reasons for individuals to accept the existing inequalities in society as appropriate (or natural, or defensible). It does not eliminate the inequalities; rather it justifies them and reduces their political salience. In this light legitimacy

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16 Koskenniemi (2003: 367) advises being cautious with respect to how academic and political "legitimacy talk" serves ideological functions, to mask power and its abuse.

is always a conservative force that acts to defend favoured values against revolution” (ibid.). Although the discussed IR scholarship that concerns the legitimacy of human rights is thus entangled with different ideals and theories, ranging from liberalism and constructivism, but also including realism, and even postcolonial and critical theories, many of these remain central for explaining the legitimation of the different discourses of modern human rights. It is important to remain aware that they not only represent scholarly explorations of human rights per se but also allow important insights into how crucial it is that different scientific and political theories along with justifications of rights became integrated into the production and legitimation of human rights (Madsen, 2011: 268).

## **Human rights and material equality in the post-1945 international order**

The question of human rights and economic inequality serves as a valuable link for understanding the demands for (distributional) justice within the ever-evolving international order (Reus-Smit and Zarakol, 2023: 11–12). As Carr (1948) argued, already during negotiations on the UDHR, the inclusion of economic and social rights is crucial for the legitimacy of the human rights regime (Dunne and Wheeler, 2019: 394). However, in human rights discourse and international human rights law little attention has been paid to addressing the challenges of wealth and income inequalities on global, national and regional levels (Brinks et al., 2019; Dehm et al., 2020). This is because the incorporation of social and economic rights, as well as the right to development, in the human rights arena of the post-1945 international system was primarily focused on reducing poverty (Brinks et al., 2019: 363). Moreover, this period was characterised by the relative neglect of the human rights movement, avoidance by national and international courts, and influenced by a neoliberal understanding of development (Young, 2019: 1).<sup>17</sup>

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17 This is not to suggest that international human rights law and discourse have completely ignored the promotion of what is commonly referred to as “status equality” – the prevention of discrimination based on factors such as race, religion, nationality and sex, with disability now included and age and sexuality more recently recognised (Brinks et al., 2019: 363). However, it must be acknowledged that these efforts have been significantly limited in scope.

This was most clearly visible in the approach taken by those drafting the UDHR who relied on a privatised, neoliberal perspective associated with poverty management and did not provide legally binding obligations and monitoring mechanisms (Whyte, 2019: 34). Instead, they preferred to define economic and social rights as “flexible standards”, thereby contributing to access to adequate food, shelter and education becoming understood as only weak aspirational policy goals (Richardson, 2015; Strydom, 2019). The emphasis on the right to development, in particular, has often included prescriptions for economic growth that overlook the distributive consequences of such growth. Further, the limited focus of human rights on achieving minimum standards for a dignified existence may fail to address the widening gap between the poor and the wealthy (Brinks et al., 2019; Dehm, 2019b, 2019a).

The IR scholarship, which has always been “obsessed with power” dynamics (Onuf, 2017: 18), and political science, which chiefly examines “the uneven distribution of power in society /.../, and its impact on the creation and distribution of resources, life chances, and wellbeing” (Marsh and Stoker, 2010: 7), however, have failed to address the ever stronger connection between material differences and social and economic rights (Jurkovich, 2020: 11).<sup>18</sup> This is not to say that this problem is not acknowledged in contemporary IR scholarship, because a need has been identified for more comprehensive analysis that considers a wide range of actors, agendas, and approaches connecting human rights to material and social justice (Brysk and Stohl, 2017; Sikkink, 2017). Even so, it is important to note that mere acknowledgement is only the initial step since the problem also requires self-reflection while examining conceptual approaches and the appropriation of data. Moreover, this examination should not only highlight supportive actors and intentionally seek affirmative evidence. It thus requires going beyond approaches that solely “examine the potential and limitations of expanding the scope of human rights” and “evaluate how an expanded understanding of human rights can lead to new possibilities for reform, as well as where it falls short” (Brysk, 2017: 4). Instead, requesting from scholars to identify a theoretical middle ground that recognises rights as both a “problematic natural law” and a “political construction: a contested and evolving basis for mobilisation and empowerment with the capacity for counter-hegemony in a liberal world order” (ibid.).

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18 As well as keep pace with other social science disciplines, such as legal scholarship, which have been increasingly observant of the sensitiveness of social and economic rights to material differences (Langford, 2018: 81).

It is however well worth noting that popular constructivist accounts of human rights, as explored by Brysk (2017, 2021) and Sikkink (2017, 2020), cautiously avoid critiquing rights (Brysk, 2017: 2). This means their capacity to call for a critical analysis of the strategies used by social justice advocates, including both reactive responses to social injustice and constitutive efforts to redefine human rights norms, is limited (Dehm et al., 2020: 3). This limitation becomes evident when addressing the potential for more radical progress in tackling new global challenges, such as material inequality, which may require moving beyond existing global structures or even the global system itself (Hopgood, 2019: 812). As an alternative, this approach finds the most viable strategy for expanding rights in the incremental improvements achieved through ongoing practices and the development of new norms, campaigns, and enforcement strategies within the global community (Brysk, 2017: 4). However, this perspective remains oblivious to the structural power of rights and the underlying class dynamics that give rise to new issues (Hopgood, 2019: 812).

A considerable concern raised in the scholarship is the treatment of rights as detached from the structures of contemporary capitalism, divorced from the historical context and struggles that led to their emergence (Whyte, 2019: 31; Dehm et al., 2020: 3). As discussed by Dehm (2019a: 162) yet largely overlooked in much of the human rights literature, the 1990s brought a specific approach to economic and social rights focused on immediate obligations to secure core provisions. Yet, this narrow focus marginalised critical engagement with questions of distributive justice and the broader international economic and social conditions required for the realisation of rights, which is reflected in excessively positive accounts of human rights. Further, despite the current recognition of socioeconomic or material inequality as being “the defining challenge of our time” (Brinks et al., 2019: 364), scholars argue that human rights offer limited resources for addressing this issue. The human rights movement, notwithstanding its noble intentions, remains mostly concerned with basic liberties and social services, diverting attention from the pressing “structural” injustices of the global order characterised by historically unprecedented levels of global and domestic economic inequality (Moyn, 2015; 2018). As income and wealth inequalities continue to grow, it is becoming clear that they exert a direct impact on human rights, determining “who can avoid harm, and reap profits from human rights violations as well as who will bear the cost of and suffer from ongoing harms” (Brinks et al., 2019: 363).

It is hence not surprising that the arguments concerning the emergence of human rights (with)in the age of inequality make them at best superfluous or at worst implicated have left such an important mark in this scholarship (Hopgood, 2013b, 2017, 2021; Moyn, 2015, 2017a, 2018; Whyte, 2019). As Hopgood (2013b: 95) contends, “human rights, like power and money, became a means to globalize neoliberal democracy”. Meanwhile, Moyn (2018) criticises the international human rights law system’s (un)willingness to address profound economic and social inequalities and its disregard for what he considers an inherent ethical, social and economic failure: income and wealth inequality.<sup>19</sup> Even though not all critical contributions portray human rights as “prisoners of the contemporary age of inequality” (Moyn, 2018: 6), scholars influenced by Marxist or Third World approaches do emphasise the similarities between human rights and neoliberalism (Baxi, 2006; Marks, 2013). Whyte’s (2018, 2019) work, specifically, critically examines how human rights have been employed to sustain a neoliberal economic system that concentrates resources and power in the hands of elites. The connection is evident: exploitative forms of capitalism impoverish workers, perpetuate inequality, and hinder the realisation of social and economic rights (Whyte, 2019).

Scholars from various social science disciplines over the past decade have increasingly explored how human rights can be deployed in more critical or structural ways to address broader redistributive struggles against inequality on the national and international levels (Brinks et al., 2019; Dehm et al., 2020). Yet, as Dehm, Golder and Whyte (2020: 2–3) emphasise, not enough insights have been provided into the reasons and ways in which human rights movements and NGOs have functioned as either “powerless companions” or “fellow travellers” (Whyte, 2018) under an economic agenda that privileges certain elites, thereby shedding light on instances when human rights movements were dedicated to solidarity and empowering marginalised communities.

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19 Moyn (2018) simultaneously stresses the different ways in which international human rights law enables and refuses to confront economic and social inequality and also does a poor job at addressing poverty globally. Moreover, human rights as a conceptual framework, movement, and international legal system also depoliticise matters of justice, equity and equality/inequality in ways that undermine the very aims and values of human rights, and paradoxically make their respect and fulfilment less likely even as they discursively appropriate principles of social justice (Schimmel, 2022).

This is particularly relevant in the “post-1945 international order”, which is ever more criticised for its economic inequalities, social hierarchies, institutional unfairness, intergenerational inequities, historical injustices, and normative and epistemic biases that favour Western values and knowledge systems (Reus-Smith and Zarakol, 2023: 1). The mounting dissatisfaction from both the left and the right ends of the political spectrum with the perceived injustices of this imbalanced global order has once again brought liberal institutions such as democracy, the rule of law, and the concept of human rights into the spotlight (Hopgood, 2021: 121). Consequently, old debates on key injustices have resurfaced, as shown in current discussions on reshaping or creating the “new” NIEO to better align with the needs of the 21st century (Chang, 2020; Sneyd, 2023), in response to the decline of the multilateral international trading system, the 2008 global financial crisis, and the coronavirus pandemic. However, while recognising that this project has left many actors from the Global South deeply disappointed due to its swift demise, despite the initial promise of restructuring global power and legal structures, its future remains uncertain (Dehm, 2019a). Still, the growing discussions around the new NIEO nonetheless underscore the ongoing relevance of human rights in addressing the crisis faced by the post-1945 international order as its rules, norms and institutional practices struggle to address the unresolved challenges and emerging destabilising forces, such as climate change (Reus-Smit and Zarakol, 2023: 1).

As has been argued, much of contemporary IR scholarship remains blind to the intertwined yet fundamental relationship between claims of justice and international disorder (Karataşlı, 2023; Reus-Smit and Zarakol, 2023: 6), notwithstanding the growing demands for a more equitable distribution of resources, increased institutional fairness, and reparations for historical injustices. However, these demands should not be ignored as they could be powerful tools in a democratic struggle that requires the rules to be re-established to address the harms caused by a world denoted by inequality, climate change, and discrimination. Especially as it remains uncertain whether human rights politics have effectively halted any negative trends (Nagy, 2008; Hopgood, 2013b), in the light of young people from the Global South and North being increasingly likely to experience prolonged periods of uncertainty and disillusionment, referred to as ‘wait-hood’ (Honwana, 2019), and faced with deteriorating economic well-being, health, and overall human development.

While social and economic rights have thus gained some prominence on the human rights agenda of both scholars and policymakers over the last decade (Young, 2019: 1), the emergence of a new “rights revolution”, which some scholars argue is presently underway (*ibid.*), may not adequately address the concerns of key rights holders if one adheres strictly to the rigid frameworks. Despite the increased participation of rights activists, particularly those in large countries of the Global South, in human rights practices and processes (Dancy and Sikkink, 2017: 34), meeting the challenges created by the post-liberal era should require more than just a pragmatist reset for the future of human rights (Brysk, 2020b: 348). After all, conceptually reconstructing the rights regime built on law and liberalism towards more inclusive norms and participation based on the expanding practice of rights on the ground (*ibid.*) requires becoming much more familiar with the underlying metatheoretical theoretical assumptions of grassroots sociological and historical understanding of rights, which for now remain largely unfamiliar to much of advocacy policy as well as political science and IR scholarship.

## Conclusion

The omnipresence of human rights in the post-1945 world order makes it difficult to imagine them undergoing a complete retreat that would allow for a truly fresh start. While their rhetorical achievements continue to be celebrated, discussed and showcased by international policymakers and scholars of IR, the last 20 years have been marked by crises that require appropriate tools and spaces for critical reflection, detached from overly optimistic and idealistic visions of human rights. After all, as the presented analysis of the emergence of modern human rights within contested historical moments reveals, human rights are shaped by multiple and overlapping social fields, struggles for power, academic ideas, institutional changes, and mobilisations.

However, international human rights also constitute a field that is constantly undergoing transformation via interactions primarily concerned with the domination and control of various subjects of human rights (Bourdieu and Wacquant, 1992: 101). As criticisms of human rights, especially regarding the legitimacy and effectiveness of human rights institutions, scepticism, and resistance against international human rights systems persist, scholars of IR continue to engage with these issues. This is because examining the tensions within the construction of human rights as a research object allows

scholars to engage in analysis that restructures and contextualises scholarly debates and discourses within IR scholarship, while also demonstrating that excessive optimism about human rights, often identified among constructivist scholars, sometimes overlooks the limitations of the approaches and frameworks employed.

As justice claims underpin struggles not only internationally but also domestically and transnationally (Reus-Smit and Zarakol, 2023: 2), recent accounts in IR on the global politics of justice, particularly within human rights research in international relations, deserve recognition for breaking away from the state-centric framing by highlighting the agency of “transnational advocacy networks” in promoting human rights protections (Keck and Sikkink, 1998; Risse et al., 1999). Still, contemporary accounts require a more critical direction because arguments regarding improvements in social and economic conditions (Brysk, 2017; Dancy and Sikkink, 2017; Sikkink, 2017) often overlook the economic and social outcomes, while favouring civil and political rights, as well as the power dynamics inherent in the systems they helped establish, and thus in a way reveal an ideological preference for Western neoliberalism (Hopgood, 2013b: 104).

Accordingly, there is a pressing need to better address the actions of grassroots organisations and civil society given that many of them lack the opportunity to have their voices heard. This is particularly so because a large part of the scholarship published in the past two decades has tended to focus on the deeds, supporters and advocates of human rights while simultaneously neglecting agents and dynamics from the Global South (Reus-Smit and Zarakol, 2023: 20). If “voice” is essential for humanising the citizenship gap, presenting counter norms to illiberal nationalism and fundamentalism, drawing attention to patterns of abuse, socialising the public to new roles as global citizens (Brysk, 2018: 105), any assessments of possible “reconstructions of the liberal order” (Brysk, 2018, 2021) must more adequately consider the challenges faced by the international order and the possibility that some of these challenges may require a complete rethinking.

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# **Chapter 13: Contradictions and Inherent Instabilities of the Current Form of the Rules-Based International Order – Feasible Pathways Forward**

Matjaž Nahtigal

## **Introduction**

The international liberal order, as emerged in the aftermath of the fall of the Berlin Wall, has led to frequent crises (financial, environmental, health, resource depletion, social) while being unable and insufficient to secure the prosperity and sustainable international development for the many. Uncritical advocates of the globalisation processes are unwilling to accept that the rapid liberalisation of trade, finance and the establishment of global value chains create strong distributional effects on the global, regional and national levels. The inadequate international legal safeguards to protect global public goods, such as the environment and climate, natural resources, public health and inclusive international development reveal the deficiencies of the liberal international order in its present form.

The rise of populism and demagogues around the world, including some of its most developed and advanced parts, indicates broad discontent among large segments of society, notably among workers in stagnating industries and firms, precarious workers, marginal groups, and across languishing regions in developed and developing parts of the globe. The policy space for regional and national governments to formulate and implement proactive economic and social policies to counter the pressures and negative effects of globalisation has narrowed considerably in recent decades. On top of that, the international liberal order has hitherto been unable to re-regulate many key international activities like the flow of finance, international taxation, international commodity markets, international labour, and environmental and social standards.

Establishing and maintaining an open international economy undoubtedly provides opportunities for participants from all over the world. The economic growth and overall development seen in the last several decades support this assertion. The rapid rise of China, as well as that of several other developing countries, and their integration into the international trade, investment and financial regime are examples of expanded opportunities. Yet, the latest UN Report on Sustainable Goals emphasises that the international community in the post-pandemic period and the period of international polycrisis (see below for more on the concept) is, in fact, farther away from achieving some of the Sustainable Development Goals (SDGs) than in 2015 upon the adoption of the UN Agenda 2030 (Sustainable Development Goals Report, 2022). To achieve the SDGs, such as the eradication of poverty, ensuring access to quality education, access to basic public and social services in many parts of the world, a substantial redirection of overall international development is necessary.

The liberal international order (LIO) in its present, unreformed version assumes there is one single universally valid and applicable social and economic model for all parts of the world, irrespective of local needs, aspirations, development potential and initiative. The LIO hence leads to economic power, finance, technological innovations and access to all other opportunities being concentrated in a handful of leading areas in developed and developing countries. The rivalries among the major trading blocs are eroding democratic developments around the world. As convincingly argued by two scholars in their recent book, the trade wars among the leading trading blocs are primarily class wars due to the highly uneven benefits and constraints of the present normative and practical international arrangements (Klein and Pettis, 2020).

The key challenge for the 21st century therefore remains how to develop an international legal, economic, social, political and cultural order able to establish a functional balance between open international markets, the domestic policy space, and the co-existence of a variety of economic and social models in the world. An international normative framework that would prevent a global race to the bottom, harmful 'beggar-thy-neighbour' practices, while enabling local, regional and national governments to develop and implement strategies of development aimed at a modern, inclusive knowledge economy and society. The international discourse should move beyond the traditional discourse on liberalisation vs. protectionism, globalisation vs.

deglobalisation and towards the existing normative framework and credible, sustainable and coherent institutional innovations on all levels of the international polity so as to empower the excluded parts of populations, local communities, and stagnating regions all around the world (Lovec and Svetličič, 2019).

The structure of this chapter is as follows: in the next section, the pattern of international socio-economic development is presented, followed by a section on the international institutional framework in the same period with a stress on that framework's international distributional effects. The final section discusses reinventing the policy space on all levels of the international polity. Two research questions are considered in this chapter: 1) what are the distributional and structural effects of the international institutional framework in place over the last four decades; and 2) how to establish a more inclusive, balanced and sustainable international framework for the next few decades?

## **40 years of unbalanced international and national development**

There is no doubt that the last four decades of international economic, trade, investment and financial developments have opened up immense opportunities for developed and developing countries in all parts of the world. The liberalisation of international markets has benefited many regions, firms, and their stakeholders, consumers and countries, both developed and developing (Irwin, 2022).

Still, the narrative concerning substantial economic and social improvements in many parts of the world for various stakeholders is incomplete (Roberts and Lamp, 2021). Without analysing the disparities, imbalances and unsustainability of the developments over the last 40 years, the narrative is at risk of being one-sided, partial and misleading.

The 'rules-based international order' is responsible for many benefits and improvements, yet also new forms of international imbalances, inequities and exclusions. In the first period of liberalisation between 1980 and 2000, it seemed that the negative effects primarily affected the developing countries. Soon after, even though the Doha Development Round was launched in 2001 to articulate the 'truly' development-friendly trade round within the WTO, multiple crises have also negatively affected many parts of the developed

world. The global financial crisis in 2007 with its epicentre on Wall Street required massive financial bail-outs by governments to prop up financial institutions, chiefly in the United States of America and the European Union. Budget deficits and public debts forced governments to introduce radical austerity measures, most visibly in Greece (Tooze, 2018), but also in many other countries. The slow and uneven recovery, especially of the real economy, triggered social unrest, popular discontent, and the rise of populism in large parts of the Western world (Lovec and Bojinovič Fenko, 2019). During the financial crisis and period of austerity, it was China that launched one of the most comprehensive and successful economic stimulus programmes. High levels of growth enabled especially the European Union, led by the German export-oriented economy mainly towards China, to gradually recover from the effects of the financial crisis and the self-imposed austerity measures (Tooze, 2018).

The pandemic, however, exposed new vulnerabilities and fragilities with regard to the international economic and social governance. Health systems even in the most developed welfare countries were put to the test and beyond. A decade of austerity revealed inadequate investments in the health systems, the personnel, the health facilities and the health equipment, such as intensive care units. Following decades of cost optimisation in the health sector – leaving no reserves in terms of more health units, sufficient equipment reserves such as ventilators, and especially with no additional trained personnel – the health systems were forced to cope with the major international outbreak. In the USA, for example, the treatment of patients depended on access to quality hospitals and the quality of treatment. Richer urban and suburban areas enjoyed access to well-equipped hospitals and high-quality healthcare, whereas people in poorer areas struggled throughout the pandemic. Many of the lessons regarding how to improve public health and invest in sustainable and quality health service networks point to the need for comprehensive improvements to be made to the health services even in the most developed countries of the world.

Europe's self-imposed decade of austerity at the cost of eroding the social pillars and public investments, the USA's attempts during the Obama Administration to revive the economy and improve healthcare demonstrate that prosperity in the context of the globalised world (Slobodian, 2018) and the rules-based international order have a limited reach and scope. The growing regional inequalities between the leading technological, research, commercial and financial centres and the declining regions unable to restructure and

adjust to the pressures of globalisation are another aspect of the imbalanced, unequal and unsustainable pathway of international governance in its present form. A backlash against the effects of ‘hyper-globalisation’ and the current arrangement of the rules-based international order has appeared in the Western world in the form of rising populism. The broad popular discontent of those left behind in languishing and declining former industrial regions found an alliance in domestic and international oligarchies instead of similarly left-behind farmers, workers, youth, and the squeezed middle class in developing countries.

Global public goods like the climate, the environment and biodiversity, public health, social and labour standards as well as international security are even less effectively protected by the rules-based international order in place today. The emergence of a polycrisis – a series of overlapping international crises unfolding in various domains of the public sphere – appears to be the most convincing and accurate narrative of the present context as shaped by the international governance and international rules-based order (Tooze, 2018). This is not to overlook valuable and important international initiatives such as the Paris climate framework, the international efforts to preserve biodiversity, the WTO agreement on the international fishing quota, the IMF’s initiative to launch SDRs and temporarily suspend debt payments for poor countries during the pandemic, or the UN’s agenda to implement the Sustainable Development Goals. “Polycrisis” emphasises that the real economic, social, political, environmental and other international developments continue to diverge considerably from the goals proclaimed by the international community. To redirect international development towards more decentralised, inclusive and sustainable developments, institutional innovations and structural improvements need to be made on the regional, national and supranational levels of governance. Namely, institutional innovations that would go beyond the counter-productive narrative concerned with protectionism vs. liberalisation, the global government vs. international fragmentation, globalisation vs. de-globalisation, and public vs. private legal and economic institutions. Further, credible alternative trajectories (Rizman, 2014) that would rise above the reductionist narrative between uncritical proponents of globalisation in its current form and the one-dimensional critics of open international markets.

The concentration of advanced research, science, technology, innovations and patents in a handful of advanced regions in the developed and developing world creates the conditions that Roberto Unger and the OECD report

on the knowledge economy called the “insular knowledge economy” (Unger, 2019; Unger et al., 2019). It is an economy and society in which only the most privileged and advanced segments gain access to cutting-edge technologies, know-how, financial support and all other necessary resources. The rest of the economy and society remain insulated from the opportunities provided by the knowledge economy. Their production, economic organisation and social life are an extension of traditional Fordist production based on a semi-skilled workforce, rigid technology and the mass production of standardised goods and services. This form of production is unable to cope with the volatility of (international) markets and is slow in the innovation process. Regions caught in a Fordist-style of production are either stagnating or declining due to bankruptcies and an inability to support the development of new companies, start-ups and innovative firms by ensuring the jobs, skills and innovations of the future.

The overview presented in the annual Global Innovations reports is indicative: “New science and technology (S&T) clusters are emerging, with the majority located in a handful of countries” (Global Innovation Index, 2021: p. 7). Not only there is a strong concentration of science, research and advanced entrepreneurship in a handful of countries, it is also regionally focused on a small number of leading countries. Without institutions and policies to support the dissemination and broadening of access to a modern knowledge-based economy, the gulf between the small number of advanced regions in the developed and developing parts of the world and the rest of the economy and society is widening. The hierarchical segmentation of the knowledge economy together with the codification of advanced knowledge in the hands of a few leading super-firms is at once a cause of social stagnation and deepening inequalities and the consequence of an inadequate institutional and policy framework on the regional, national and international levels. For uncritical advocates of the international rules-based order, it is the best possible world, and there are no alternatives – at least not in the current normative context, which creates strong distributional effects without adequate equalising measures.

More concretely, the top 100 hundred clusters in science and technology (S&T) converge in three areas – North America, Europe and Asia – and two countries: China and the USA. China is on a par with the USA in the number of S&T clusters in the top 100 (Dutta et al., 2022: 58), followed by Germany, with 10. Alongside the strong regional concentration of science and research,

there is a concentration of science and technology in a small number of leading international super-firms (*ibid.*, 69). Further, evidence shows “that a very large proportion of the R&D investments financed and executed by the business sector worldwide is concentrated in a relatively small number of world-leading corporate innovators, in many cases large multinational groups” (Dutta et al., 2022: footnote 55 on 84).

The concentrated and insulated knowledge economy in the world means that, “the rising inequality between leading and lagging firms, leading, and lagging regions, across high-paid and low-paid workers, and across countries is recognized as a major drag on technology diffusion, adoption, and productivity” (Dutta et al., 2022: 81).

The gap between the advanced sectors of the economy and society and the economy and society in the rest of the world should be acknowledged as the most pressing challenge of today’s international rules-based order. Moving from an insulated knowledge economy to a socially broad-based, inclusive and sustainable knowledge economy requires institutional innovations and structural improvements on governance on the regional, national and international levels. Such a shift calls for a legal, economic, social, political and cultural reimagination of the current form of rules-based international governance.

The biggest constraint and deficiency of the current form of the rules-based international governance is the shrinking policy space on all levels of governance. The constraining impact of the present normative context at the expense of more proactive, development-oriented policies with more instruments and tools to implement the knowledge economy for the many localities, regions and countries all over the world – developed and developing – is the greatest deficiency of the version of the rules-based international order in place today. The more we insist on maintaining the status quo, the more we risk deepening the divides between the advanced, privileged sectors of the economy and society and the parts of the economy and society that are excluded. The existing version of the rules-based order represents a global one-size-fits-all regime based on the belief that no credible alternatives exist.

Maintenance of the international governance status quo would be more justifiable in the presence of strong social domestic and international mobility, broad educational, economic and social opportunities, and high-quality public services and broad access to public goods everywhere. Various international reports, such as the UN Sustainable Goals Report, UNDP reports,

World Inequality reports and many others reveal a narrative that varies from the dominant narrative of all-encompassing international developments and progress. Even when leaving to the side the rapid deterioration of global public goods like climate, biodiversity, natural resources, public health, international security, which are vital for international co-existence, one cannot claim that the normative arrangement in existence today provides a sustainable framework.

The authors of the latest World Inequality Report note that while economic growth numbers across the globe are received, data on international distribution, inequalities and various disparities remain far less studied, analysed or understood. This situation is due to the data on global inequalities being complex, demanding and requiring a nuanced understanding to avoid making superficial assessments.

Nevertheless, some structural findings concerning global inequalities are convincing: “Contemporary global inequalities are close to early 20th century levels, at the peak of Western imperialism. While inequality has increased within most countries, over the past two decades, global inequalities between countries have declined” (Summary, World Inequality Report, 2022: 11). Putting the relationship between the increase in inequality within countries and decline in inequality between countries for the purpose of the discussion to one side, while focusing solely on the growing inequality within countries, the World Inequality Report stresses the significant rise in inequalities within countries: “the gap between the average income of the top 10% and the bottom 50% of individuals within the countries has almost doubled. From 8.5x to 15x. This sharp rise in within country inequalities has meant that despite economic catch-up and strong growth in the emerging countries, the world remains particularly unequal today. It also means that inequalities within countries are now even greater than the significant inequalities observed between countries” (*ibid.*, footnotes omitted).

Of course, global developments in the past four decades have been complex, often volatile, and provided unequal benefits to different social groups in both developed and developing parts of the world. The ascent of the knowledge economy calls for highly developed and skilful workers, managers and other participants to truly seize the opportunities and benefits of globalisation and the rules-based system in its present form. Other stakeholders risk losing out and being left behind. The most important finding from the analysis of the current form of the rules-based international order

is that nations have become richer while governments have become poorer: “One way to understand these inequalities is to focus on the gap between the net wealth of governments and net wealth of the private sector. Over the past 40 years, countries have become significantly richer, but their governments have become significantly poorer. The share of wealth held by public actors is close to zero or negative in rich countries, meaning that the totality of wealth is in private hands (World Inequality Lab, 2022: 15).

The mentioned trend in the last 40 years present in all parts of the world is opposite to the trend that is a precondition for facilitating and stimulating an inclusive, socially broad-based knowledge economy and society. The latter refers to public investments in high-quality education, science and research, as well as in training, infrastructure and entire ecosystems of advanced economies and societies, public institutions together with the participation, strategic partnership and coordination of the public and private sectors. Especially in the languishing localities and regions around the planet, such a reinvented policy space with more tools and more instruments could from ground up redirect international developments from an insulated towards an inclusive knowledge economy and society.

The current form of the rules-based international order is not conducive to this redirection, which requires institutional innovations and structural improvements on levels of the international polity. The shrinking policy space as one of the main constraining factors is occasionally discussed in the literature, although it is not recognised as one of the critical impediments in the context of the current form of the rules-based international order.

This means that the rivalries, tensions and even trade wars among the main trading actors – the EU, China and the USA – are not primarily manifestations of the competition among the trading blocs as sovereign entities, but a sign of unresolved struggles and inequities within individual blocs. The interdependent world coupled with the dwindling policy space on the domestic level and the internal social and economic cleavages needs a much more carefully calibrated rules-based international system; ‘more carefully calibrated’ in the sense of addressing the needs and opportunities of languishing regions, firms and excluded parts of the population. The real conflict in today’s rules-based international order is not between states, but refers to the internal imbalances and inequalities found within all three major trading blocs. Instead of addressing these internal imbalances and inequalities directly, while seeking to agree on a reform of the rules-based international

order, all three major blocs are 'exporting' their internal, unresolved structural problems to the global markets. This leads to growing international conflicts. Geopolitics and geoeconomics are becoming more prominent precisely at a time when international cooperation to effectively address common issues such as climate, the energy transition, resources, biodiversity, public health, and social inequalities is more important than ever.

The international organisations that emerged after the Second World War and the international rules-based order developed over the last 40 years are inadequate in at least two respects: for providing and effectively protecting global public goods like public health, biodiversity, environmental protection, social equalities; for creating the policy space that stagnating regions around the world need to restructure themselves and advance toward an inclusive knowledge economy. Apart from the inadequacy of the present arrangement of international organisations and the rules-based international order, global leadership is lacking. Global leadership is missing in the sense of reflecting not only the legitimate domestic needs and concerns of major international powers, but also the needs, interests and opportunities with regard to the more balanced and sustainable development of the international community and humanity as a whole.

Accordingly, international rivalries and the weaponisation of almost everything in our increasingly mutually dependent world is producing a deepening of international tensions and socio-economic cleavages. The default response of all the major powers is to address the external imbalances caused by other major powers without accepting the internal imbalances. The global asymmetry between national interests and interests of the international community reinforced by the rules-based international order and absent the presence of equalising mechanisms and mechanisms of redistribution has reached an impasse.

The default model appears to be a decoupling from or the ('friendly') re-shoring, fragmenting or diluting of the existing rules-based international order in which after four decades geopolitics is trumping geoeconomics. We may be witness to a reverse trend to what has been seen in the last four decades: analogous to the development of the rules-based international order, inadequately designed to facilitate inclusive, balanced, and sustainable development in many developing and developed parts of the world; namely, a similarly unbalanced retreat to regionalism. This reversal would create similarly unbalanced local and regional development with local and regional

cleavages between the advanced, privileged and supported firms and economic sectors, yet with little improvements among large swathes of local and regional economies. Likewise, in the absence of improved rules the protection of global public goods cannot be adequately provided.

## **The internal structural imbalances in all major trading blocs are mutually reinforcing**

The reason for pessimism concerning the likelihood of transiting from one imperfect and suboptimal form of international governance towards another is the limited analysis and understanding of the root causes of the global trade, financial and other imbalances that have emerged in the past four decades. It would be tempting, oversimplifying and misleading to simply claim that China's rapid rise is the reason for today's global imbalances. During the global financial crisis, China was the only large trading bloc to maintain its financial stability and growth. China's own stimulus programme and imports have helped to keep the international economy stable and particularly contributed to the recovery of EU countries. Due to its enormous currency reserves, largely held in US treasury securities, it assists in stabilising the equally enormous US trade and fiscal deficits. This mutual dependency creates a certain international economic and financial (dis)equilibrium, yet it also establishes internal economic and social imbalances in both China and the USA (Klein and Pettis, 2020).

Bretton Woods did not originally envisage a situation in which one large country would generate constant surpluses and another large country constant deficits. This situation would require international clearing mechanisms, which were never agreed on and developed in the post-Second World War period of global economic integration. We thus have one country with low levels of public and private savings, trade, and budget in place and, on the other side, a large country with very high private and public savings rates, adjusted to its export orientation and generating trade surpluses. In between stands the European Union, also strongly export-oriented with moderated or even suppressed wages in the leading European surplus country: Germany. There are other important surplus countries around the world, such as the economically and technologically advanced Japan. It is an international economic, social, political and rules-based arrangement of governance that is inherently unstable. It would require a comprehensive conceptual, normative

and rules-based rethinking to simultaneously support the peaceful co-existence of different social and economic models, encourage more inclusive and sustainable development all around the world. Naturally, in practice, we are nowhere near the vision of such a constructivist approach to the future of international law and international relations (Gallagher and Kozul-Wright, 2022).

The destabilising effect is reinforced by the weak protection of global public goods, competition for access to global natural resources, technological rivalry, the weaponisation of comparative advantages and heightened security tensions. The rise of China in the setting of insufficiently crafted international rules, and in the absence of sufficient international built-in stabilisers, provides a convenient excuse for all the major trading blocs. This is not in any way to absolve China from its international and domestic responsibilities for its role in contributing to more inclusive, sustainable and equitable international and domestic development, including protection of ethnic minorities. The same responsibility applies to all other major economic, social and political actors around the world. This requirement calls for a critical self-reflection on the entrenched international and domestic positioning.

A peculiar characteristic of international practice is the relative lack of interest in actual normative, institutional and practical developments in other parts of the world. This lack of interest refers to successes, good practices, efforts and achievements, as well as constraints, obstacles, failures and structural problems. A large share of the international community is often prone to superficial analysis and superficial conclusions, let alone group thinking. It is hence appropriate that Athena Roberts and Nicholas Lamp examined the extent to which international law and the international legal profession truly are an international domain and to what extent they merely reflect the positions of various countries on international law (Roberts and Lamp, 2021).

China as a latecomer to the international arena is a country whose rise, development and reforms over the last 40 years are not sufficiently studied or understood outside of specialist circles. There is a tendency to oversimplify and make superficial conclusions about this complex, comprehensive process of economic and social reforms in the mentioned time frame. Joshua Ramo, author of the “Beijing consensus” model (Ramo, 2005), warned that we are dealing with the Heisenberg society; namely, one that is vast, complex, dynamic, rapidly changing, and difficult to comprehend. Leading Western historians of China like John Fairbanks also warned Western audiences that

instead of interpreting China's rise as an attempt to imitate Western standards, "we must scrutinize the adequacy of our basic assumptions about the Chinese scene" (Fairbank, 1994: 432; Pejic, 2022).

China's rapid economic and social development started well before it formally acceded to the WTO in 2001. The reforms commenced in 1979 with gradual, piecemeal, yet wide-ranging reforms spreading around the vast rural areas containing poor villages with poor farmers and their families. The transformation continued with the development of local entrepreneurship thanks to institutional innovations like township-village enterprises. These vehicles of economic, entrepreneurial and productive development based on the cooperation, competition, and innovation of all stakeholders – farmers, small entrepreneurs, local communities, and local banks – have substantially improved the living conditions and prospects in rural areas in China (Weber, 2021). It is impossible to categorise these firms according to the traditional Western legal concepts of public or private ownership. The closest was the idea of 'Moebius strip' ownership, or disaggregated ownership held by multiple economic, legal and social stakeholders achieving effective, inclusive and innovative balanced and diverse entitlements, incentives, shared responsibilities, and equitable benefits (Cui, 2011).

At the same time, the carefully designed special economic zones to attract foreign direct investment (FDI) were established. FDI did not arrive simply because of the abundant cheap labour, but equally or even more because of the development of high-quality infrastructure, the high quality of the educated and capable workers and other opportunities for international capital. A considerable share of the initial foreign capital came from the Chinese diaspora living in Hong Kong, Singapore and the USA. The FDI went hand in hand with the high levels of domestic public and private investments.

The development of state-owned enterprises also entailed several many characteristics that can simply be subsumed under the classical categorisation and evaluation used in the OECD's monitoring of state-owned enterprises. These encompass the employment of highly educated, talented and motivated young employees, who are educated in the West and lead Chinese universities. While state-owned companies have become a 'drag' on the market economy, they are often the most prominent companies in innovations, improvements and long-term development investments. Again, many state-owned companies cannot be directly compared with the Western concepts of state-owned companies due to the 'topsy-turvy' relationship between control

and management, as well as with other stakeholders. The traditional methodology of distinguishing between investments and subsidies cannot be easily applied and evaluated, nor can the problem that is well known in other former socialist economies: the issue of the “soft budget constraint” (Cui, 2011).

By implications, some rapidly developing internationalised companies, such as Huawei, have their own trajectory of legal, economic and technological development that simply cannot be translated and critically evaluated in terms of Western concepts and standards. Huawei is essentially a large company owned by employees as the shareholders where the company’s founder and executive director Ren Zhengfei holds less than 1% of the shares. Shareholder relations, along with principal–agent relations are again not identical to the Western corporate governance standards. Even being listed on Western stock exchanges while abiding by all the regulatory, accounting and reporting standards does not necessarily lead to the global convergence of corporate governance. Nor is it desirable or necessary to demand such convergence of corporate governance.

China’s macroeconomic, industrial, technological, trade and development policies have been deliberately coordinated. The federal system – yet another important, insufficiently studied aspect in the West – developed an advanced system of fiscal federalism with sufficient incentives for the provincial and city authorities to formulate relatively autonomous development policies. The right balance between the central coordination of development policies and the space for necessary adjustments on the provincial levels helped establish a successful model of productive fiscal federalism. Unlike in other developing countries, China’s development model has not primarily depended on inflows of FDI and on borrowing. It has been established on the basis of the highest levels of both (private and public) savings and investment that have spurred the high and sustained levels of growth seen in the last several decades. This ‘Gerschenkronian’ period of China’s development was often criticised in the West as being unsustainable, as a wrong model of development unable to secure the country’s long-term development.

After China joined the WTO, it was generally expected that China would mostly integrate by specialising in the manufacture of labour-intensive products for international (Western) markets and becoming an import market for advanced Western products and services (cars, mechanical engineering, electronic devices, chemical products, health sector services). China, however,

wished to develop its own advanced infrastructure, science, research, and technological innovations (Carrai et al., 2022). It has largely succeeded in this, to the surprise of many policymakers and experts in the West, and it has done so while also adjusting to the WTO framework. There is asymmetry between the Western expectations concerning how China's integration into the world economy should have looked like and the way the country has progressed in the world economy during the periods before and after its WTO accession (Shaffer, 2021). This asymmetry is arguably the root cause of the current rivalry between China and the West.

When discussing the rise of China, one should note that it has risen chiefly based on its own devices, resources and strategies. Accession to the WTO certainly brought new opportunities – and limitations – regarding China's growth and development (Tan, 2021). In the last decades of its development, it has moved from a social-market economy with many institutional, legal, economic and social innovations towards the more standard model of economic and social development known in the West. From the neoliberal synthesis perspective, the convergence of the economic and social models only varied with respect to the share of state-owned enterprises compared with the West.

Despite the social and economic successes of the rise of China, many of the internal imbalances and inequalities between the large cities on the coast and vast rural areas remain. In May 2020, Former prime minister of China, Li Keqiang offered the sobering thought that China has over 600 million people whose monthly income is barely 1,000 yuan (USD 140) and their lives have further been affected by the coronavirus pandemic (CNBCTV, 2020). Alongside the social and spatial imbalances, the environmental impact, depletion of natural resources and many other negative effects of the breakneck speed of the country's progress should be added. The challenges lying ahead of China are therefore daunting: a further reduction of poverty, increased social and economic opportunities for large segments of the population, provinces and localities, significant improvements in sustainable development, the expansion of social welfare beyond the relatively privileged and protected state-owned sectors, and further innovations in the economic and social model, which seems to be exhausted.

This short description of the complexity of the economic, social, legal and institutional aspects of China's rise over the last four decades is not presented with any sense of apology (Pejič, 2022). The outline presented in this section

is intended to stress the rise of China as a primarily endogenous model of development, especially distinctive in the first reform stages. It is distinctive in the sense that it has not followed the well-known prescriptions of the World Bank, the IMF or international technocracy regarding how to pursue transformative developmental policies (Martin, 2022). The Chinese approach to developmental policies and institution-building has often run contrary to the established principles of those mentioned actors. One only needs to think of the loosely defined property rights and legal entitlements that were more diverse, spread among various stakeholders and more comprehensive. Other institutional innovations include the important role of local banks in supporting the rural and entrepreneurial transformation. It might also be the case that some important institutional vehicles of development may have been forgotten even by the subsequent generations of Chinese policymakers and reforms in their pursuit of convergence with the global economy (Hočvar, 2019).

The short outline is also not meant to underestimate the effects of the consolidation of the country's authoritarian grip on power, unable to accept or engage with the dissenting voices and opinions in the public sphere. The inability to develop a model of co-existence with ethnic, religious and cultural minorities, notably in the historical multiethnic areas, that also deviates from the more harmonious and tolerant constitutional and social traditions, is another source of concern with the direction of China's future development. The argument that Western experts should principally deal with the plethora of breaches and non-compliance with international law, as well as the many instances of backsliding towards an illiberal democracy, can only be partly valid. Even in a world of incomplete and sometimes fragile democracies, a combination of internal and external discourses is necessary to articulate and recognise the efforts, constraints, legitimate interests as well as failures while pursuing development efforts. Common global problems can be addressed and solved based on qualified pluralism (Unger, 2022). This means supporting diverse institutional development strategies while preventing the pursuit of legitimate national development strategies that harm the equally legitimate development interests of others.

Hence, the need for a reimagination of international governance and the international rules towards an inclusive knowledge economy for the many and overall sustainable development. It may well be that no policymakers, governments or international technocrats presently possess sufficient tools,

instruments and especially concepts to rebalance the domestic economic and social developments. It might also be that the existing international normative framework does not support such development because the current version of international economic integration is depriving governments and regions in the developed and developing world of the opportunity to restructure their economies in periods of distress or prolonged periods of stagnation (Svetličič, 2022). It is noted that this was not the case under the more flexible GATT regime (McKenzie, 2020).

China as a latecomer cannot be blamed for creating the current version of the international rules-based order. It also cannot be blamed for adjusting to the existing rules-based order in a way that improves its international position (Walt, 2021) – at least not more than any other great power in the world. Today's international-based order required reforms irrespective of the rise of China, whose rise certainly makes the task of the reform considerably more challenging. However, any attempt to reform the international rules-based order calls for the necessary level of mutual trust, cooperation, and the recognition of legitimate national interests – but not at the expense of internationally balanced, sustainable and inclusive development. From the perspective of legal realism and realism in the international perspective, international relations are moving away from these preconditions for reforms towards international rivalries and conflicts. Yet, from the perspective of constructivism in international law and international relations, it is possible to envisage a more functional, workable and balanced international normative and conceptual framework based on qualified pluralism and the co-existence of several different social and economic models around the world.

Before making a genuine attempt to develop a new international development consensus – which we could label a Bretton Woods system for the 21st century – we must know more precisely what are the coherent, elaborated proposals for reforming the international monetary, financial, trade and development rules. Instead of ongoing mutual recrimination concerning who is in compliance, an opportunity must be provided for a comprehensive attempt at rebalancing the global economy and rethinking the current version of the rules-based order. Such a rebalancing of the world economy is in the interest of all of the major international stakeholders: the great international powers – whether established and emerging – the mid-sized countries in developed and developing countries, the excluded population in developed and developing parts of the world, and the middle class in an ever more precarious

situation facing an uncertain future. The rationale for such a major international overhaul is also clear in that open, mutually dependent economies it is not very likely that unilateral efforts – in the USA the Inflation Reduction Act, in the EU the Recovery and Resilience Facility, as well as the many goals and strategies declared in China declared in recent times – will be able to substantially restructure and establish more inclusive national economies without international coordination. In other words: any ‘New Deal’ efforts of the 21st century in the setting of open, mutually dependent international economies require a certain level of international coordination to succeed. Without such a reformed international normative framework, it is more likely than not that these efforts will merely reproduce the existing hierarchies, inequalities and divides along economic, regional, social and other development axes.

## **Reinvention of the policy space and the protection of global public goods**

All three major trading blocs are trying to recover from the pandemic. The risk is that, if the internal structural imbalances are not addressed, all three blocs will attempt to export these internal imbalances to the world markets and contribute to a new round of the global ‘race to the bottom’ or ‘beggary-neighbour’ policies. Such a scenario is already observable in the global race for the mining of precious metals for the green transition, which risks becoming part of a clean energy global race to the bottom. Another analogous scenario we can observe refers to global microchips manufacturing and the repositioning of global value chains in which geopolitics supersedes international economic developments.

The most important step for redirecting and rebalancing international trade and economic relations is opening up the policy space and reinventing the instruments and tools to support inclusive regional and national development strategies. The development of the WTO regime, along with the international monetary and financial system, has in the last few decades run in the opposite direction: the disempowerment of languishing regions in developed and developing countries, leaving the majority of working people to their own devices, while waiting for the trickle-down effects of globalisation. The transition from the GATT to the WTO trade regime further reduced the flexibility of government – in both developing and developed countries – to

steer their individual economic progress. One indicative recognition of this claim appears in paragraph 44 of the Doha Declaration: “We therefore agree that all special and differential treatment provisions shall be reviewed with a view to strengthening them and making them more precise, effective, and operational” (WTO Doha 4th Ministerial Declaration, 2001).

This statement may be seen as recognition that the policy space has never been sufficiently defined and operationalised, mostly harming developing countries as they seek to integrate with the open world economy. Moreover, the policy space has shrunk along with the progress of the international trade regime, further precluding the chances of developing countries to climb the ladder of industrial development. It is hence unsurprising that, despite the strong commitments found in the Doha Ministerial Declaration, progress with the operationalisation of special and differential treatment has never materialised. Although this insight may sound trivial to those outside the circle of experts in international trade law, it reveals the built-in discrepancies and contradictions within the existing international trade regime. When the inequities mostly affected the developing countries, the international concerns were less emphasised. After the financial crisis of 2008, followed by a decade of uneven recovery in both in EU and the USA, the rise of populism on both sides of the Atlantic and the struggle with the pandemic reveal the current international legal and economic framework to be inadequate. The rapid industrial development in China – solar power, wind turbines, 5G networks, electric cars, and many other competitive products – has also played a role.

Deepening of the policy space for developing and developed countries while expanding the Special and Differential Treatment to developing and developed countries would enhance the countries’ flexibility to implement their development strategies. This would facilitate strategic partnerships between the public and private sectors being established to strengthen competitiveness, boost innovations and improve the productivity growth of the economy. The current stalemate in the WTO is an opportunity to revive the global development round not simply to improve the prospects of developing countries, but also to improve the prospects of the many stagnating regions and their populations in the many languishing regions across the EU and the USA (Bacchus and Manak, 2021).

Such a redirection of the international trade regime in no way represents a return to the discredited practice of protectionism in several historical instances of international economic development. The safeguards in the

international economic rules to prevent harmful practices, like social, environmental or tax dumping, ‘beggar thy neighbour policies’ (e.g., thanks to competitive devaluation) and other similar practices should be strictly implemented. Still, they should not be implemented to allow for any hidden form of protectionism by rich developed countries against poor developing countries, but in a way that stimulates and rewards developing countries’ efforts by expanding their access to the developed markets. Resolving the international trade and trade-related disputes within the spirit of the reoriented international trade will require both technical skills and a sense of direction. Legal technical expertise should accompany the legal vision of more sustainable, inclusive and balanced international trade and development (Pistor, 2020).

More concretely as concerns the rules on subsidies that belong together with the “policy space” and development to the “trilateral agenda” (Howse, 2020), the Subsidies and Countervailing Measures (SCM) Agreement was adopted in 1995 at the height of neoliberal orthodoxy on the premise that industrial policy was outdated and should be as constrained on the international level as possible to exercise the necessary discipline over the governments. Adoption of the SCM Agreement represented a break from the previous GATT arrangement, which did not contain any enforceable legal disciplines on domestic subsidies (id., 6). In addition, the SCM regime placed subsidies in three categories: prohibited, actionable, and non-actionable. While the first two categories contained broad definitions of subsidies (export subsidies and domestic content subsidies), no subsidies were explicitly protected as non-actionable (id., 7, relevant SCM articles 1, 3, 8 and others). The implications of the SCM Agreement are multiple, direct and indirect for both developing and developed countries. Within the broader restraining international economic context, the industrial policy in the last few decades – in both its traditional and more sophisticated modern versions – has been substantially limited.

To tackle the challenges of the transition to a green economy and a socially inclusive knowledge economy, new forms of industrial policy (Chang and Andreoni, 2020) should be reinvented. The discussion should move beyond the existing counter-productive conversation on international trade protectionism vs. trade liberalisation. It should embrace the finding that certain types of subsidies are increasingly harmful (e.g., subsidies on fossil fuels), other types of subsidies are potentially – and temporarily – positive

(like measures to support the development of renewable energy), while many other subsidies lie in between. Another harmful version of subsidies is when they are hidden, which may lead to concealed forms of protectionism pursued chiefly by the rich developed countries. A more transparent and adjusted form of rules on subsidies is hence required that is closer to the original flexibility offered by GATT and adjusted for the transparency and prevention of ‘beggar-thy-neighbour’ policies.

As developed by the WTO’s rules, doctrines and jurisprudence, international economic law in its current form is not the sole source of constraints but, together with other international factors, such as policy recommendations by various international bodies, produce further constraining effects. We know from empirical practice that the leading industrial countries in the world are prone to departing from international economic constraints when they need to intervene in the markets to rescue a strategically important company (e.g., GM) or industry (e.g., steel industry) or to support technological advancement (e.g., manufacturing of semiconductors). During the financial crisis, we witnessed massive interventions on both sides of the Atlantic to prop up the distressed financial sector. Something similar applies to the car industry. To align with the international trade rules, many state aid measures were declared to be green investments not mainly to redirect the industry but to at least superficially comply with the international trade rules on subsidies. These approaches allow many of the policies and measures that the developed countries need (R&D subsidies, agricultural subsidies, regional subsidies), yet ban many others which the developing countries need (direct subsidies and the regulation of FDI).

In the current era of the knowledge economy, the (formal and informal) constraints inherent to the international economic law, must be reimagined to not only rebalance the persistent global inequalities, but to facilitate more inclusive and sustainable development in both the developed and developing parts of the world. Institutional innovations in law, economics, social policies, and culture have to be developed on the national, supranational and international levels to open up the policy space for more inclusive, sustainable and decentralised development (Cohen, 2019). It is possible that such a redirection is not in the interest of multinational companies and their shareholders. Yet, it is in the interest of citizens, employees, local communities and regions around the world. It is also in the interest of preserving global public goods.

Several supportive measures, subsidies and indirect measures are harmful. An example is massive fossil fuel subsidies. There are subsidies that can play a positive role in restructuring local and regional economies, and provide seed capital for start-ups, small and medium-sized companies. A thin line often exists between the definition of subsidies and investments. Occasionally, this distinction can only be established ex-post. In addition to direct public interventions, there are many indirect interventions that are even more difficult to trace and evaluate from legal, economic and social perspectives. These include public procurement, various (explicit or implicit) public guarantees, tax exemptions for companies or for employees, and multiple others. The point here is again to highlight the distinction between the legitimate goals of public policy – even though many of these goals can be questioned in terms of mainly economic efficiency and prudent policymaking – and the effects that primarily harm international competitors. The most recent discussion on the legitimacy and scope of the ‘national security’ argument in unilateral trade measures comes to the fore. Even the leading industrial countries have needed to resort to the protection of ‘national security’ because the current international world trade arrangement does not envisage other, more transparent tools and instruments needed for countries to restructure their economies and stagnating regions.

## **Conclusion**

Reinventing the policy space for the languishing regions around the world, and ensuring more tools and instruments for regional and national governments to restructure their respective economies is therefore necessary. The conceptual and normative international framework – the international rules-based order – has to be adjusted to support the establishing social inclusive and sustainable economic development in the context of a modern knowledge economy. As already seen in the stalled Doha Round, the policy space must be reconceptualised. This is not only true for the developing countries, but for the developed countries as well. The post-Second World War international organisations, institutions and rules were all mostly developed by Western countries. The outdated allocation of voting rights in the IMF, which is responsible for ensuring international financial stability, is one example. It is in the enlightened self-interest of China to accept its fair share of responsibility to help protect global public goods. It is also in enlightened self-interest

of Western countries to accommodate China in the international normative framework.

Dani Rodrik and Stephen Walt recently proposed a model of global cooperation that would simultaneously enable the legitimate pursuit of development by the major trading blocs, while effectively retaining the peaceful co-existence, the open international economy, the protection of global public goods and improve the position held by the developing countries (Rodrik and Walt, 2022). A new international development consensus along these lines would fall into three main categories: an international agreement on prohibited, harmful practices; a negotiated agreement on activities that improve conditions in one country without harming the conditions in other countries; preserved room for national autonomy in the pursuit of national development. Of course, the entire scheme of the proposal for a new international order is more complex and sophisticated. It is important to show that the conceptual pathways leading towards qualified international pluralism can be envisaged.

The international community is at a crossroads. The efforts of the world powers, such as the Resilience and Recovery programme of the EU, the Inflation Reduction Act of the USA, or similar efforts in China, are welcome. Still, without international coordinating mechanisms, the risk is that these efforts will not be sufficiently successful. Moreover, they could deepen global conflicts and rivalries, as well as global inequalities. They could also exacerbate global conflicts. The ongoing war in Ukraine is one such geopolitical and geostrategic conflict. Many other international conflicts may follow in the fractured international order. The position of developing countries and their uncertain prospects also appears to be marginalised.

In order to restore functional multilateralism and qualified international pluralism, new safeguards and stabilising mechanisms must be developed. To ensure peaceful competition among major powers – as opposed to confrontation or even war among them – “the reciprocal guarantee of the recognized vital security interests of the great and lesser powers” should be agreed (Unger, 2022). The choice is not “between globalist cosmopolitanism and regressive nationalism, our goal must be to achieve a qualified pluralism that the empowerment of the people and states of the world has as its counterpart the empowerment of their individual citizens to defy power, while obeying law, to reimagine the future, and to struggle, in thought and practice, for the future that they envision” (ibid.).

A new international development consensus based on reform of the current version of the rules-based international order is both possible and necessary. It is necessary to establish more socially inclusive, labour- and environment-friendly rules on the international and national levels. The policy space – monetary, fiscal, economic, social and cultural – must be reinvented on all levels of the international polity. The UN's Sustainable Development Goals have to be incorporated in all main international and national activities (Reddy, 2018), instead of remaining a residual aspiration of the international community. A qualified pluralism with in-built stabilisers should replace the ongoing international rivalries that threaten the future of the international community as a whole.

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## **Conclusion: What the Contradictions of the Liberal International Order Have Faced Us With, and What Lies Beyond**

Marko Lovec, Marko Hočevár, Tibor Rutar

In recent years, the internal crises of the (neo)liberal international order have been overshadowed in policy debates by external competition from a ‘more assertive Russia’ and the ‘growing role of China’ – a sign of the end of the US-led/Western hegemony and the beginning of a multipolar and less stable world. Although the shift in emphasis has helped the West rally around the LIO, the perception of Russia and China, let alone multi-polarism, as something contrary to the LIO does not do justice to the rich theoretical and empirical heritage of IR and especially to liberal and progressive approaches in the field. Today’s Russia, the successor to the Soviet Union, and China, expected by some to soon be the largest economy in the world, are products of the LIO. The Soviet Union would never have collapsed had it only been a matter of relative military strength, as neorealists postulate. The perception of China’s ascent as a side-effect of the USA’s balancing towards the Soviet Union and its imperial overstretch fails to recognise the benefits its rise brought to most of the world’s population. The failure of Russia’s war against Ukraine is also a sign of the weakness of hard power and the strength of soft power based on the LIO. China can be a partner, a competitor, or a rival, or even all at once depending on the LIO’s ability to resolve some of its internal contradictions, such as how to balance national interests while ensuring effective global governance and democratic accountability. Although divergent interests and multiple crises are not ideal conditions for effective global governance, they are also not an ultimate obstacle. In this final chapter, we examine the external challenges posed to the LIO by Russia’s war in Ukraine and the rise of China. We then discuss the internal contradictions of the LIO and the ways in which this book has sought to contribute to their understanding and possible resolution.

A key promise of the LIO was a significant increase in international cooperation and peace. Indeed, as described in the Introduction, various aggregate measures of peace and cooperation have gone up in the post-Second World War era, especially after the end of the Cold War, even when taking certain long and bloody episodes into account such as the war in Iraq or Syria. However, the pattern seems to have been temporarily – even if not completely – interrupted by the onset of Russia’s war in Ukraine in 2022, itself emerging from the 2014 Crimean crisis and the war in Donbas. The Russian Federation’s full-scale invasion of Ukraine is the most significant interstate war on European soil since the Second World War, with estimates and documents from the USA asserting that the war claimed up to a combined total of around 350,000 casualties (killed, wounded) already in its first year and (internally and externally) displaced over 15 million Ukrainian civilians (IOM, 2022; Operational Data Portal, 2023). Profound interstate violence has thus returned once more to Europe. Yet, at the same time, it is this very war that has seemingly strengthened certain aspects of the LIO, such as cooperation among Western powers, and brought NATO back from being “brain-dead”, as Macron labelled it only a few years ago (The Economist, 2019).

Perhaps the most hotly debated topic concerning the war over the last year refers to whether the invasion not only signals the crumbling of the LIO, but was itself caused by the LIO’s principal architects and ambitions. Several realist scholars, like John Mearsheimer and Stephen Walt (The Munk Debate, 2022), claim that Russia invaded Ukraine because the West’s liberal internationalism had started to extend too far to the East. The relentless expansion of NATO eastwards, the EU’s strengthening ties with Ukraine, and the 2014 ousting of Putin-aligned Ukrainian former president Viktor Yanukovich was apparently viewed as threatening Russia’s geopolitical security and sphere of influence as a (declining) great power. Thus, they argue, Russia reacted in the standard realist fashion of either trying to take over Ukraine and coercing it to become a bulwark on Russia’s doorstep, or – if that turned out to be unsuccessful – simply destroying it and cutting it in half so that its prospects of joining NATO and the EU become less likely. Mearsheimer has been chastised and even accused of providing cover for Vladimir Putin with his explanation of the war, even though he and other realists have also made it clear that they are merely espousing a descriptive account of how the war started, not normatively defending it (indeed, Mearsheimer has declared the war to be tragic and an obvious violation of international law).

Still, Liberals have pushed back strongly against the account put forward by the realists. Michael McFaul, the former American ambassador in Russia during the Obama Administration, has argued that liberal internationalism could not be the main cause of Russia's invasion (The Munk Debate, 2022; see already McFaul, 2014). For instance, Russia–USA relations were quite warm between 2009 and 2012, despite this period representing the height of liberal internationalism. Further, liberals often point to Putin's speeches made before the invasion and claim that realist and rational security concerns are not at all apparent in them, whereas irrational chauvinist and imperialist intentions are rife. Finally, they add that, even if Russia truly felt threatened by the West's liberal-internationalist expansion, Putin as a rational actor should have known that invading Ukraine would not bolster his country's security since such an aggressive act would only serve to unite the West against Russia and make it even more hostile to Russia and supportive of Ukraine. Namely, Putin must have known that, by invading Ukraine, he would make NATO an even greater threat to his country, which is the opposite of what he would want to happen if he were really thinking along realist lines, as Mearsheimer and others contend.

Although this is a complicated topic, and there are important elements of truth in both the realist and liberal/constructivist explanations of Russia's war in Ukraine, we do not intend to untangle them in this brief concluding chapter. Instead, we wish to underscore that this latest war is a tragic yet important symbol of the decline of particular aspects of the LIO and the at least short-term strengthening of several of its other elements. It may thus be seen as a potentially illustrative example of the tensions and contradictions that seem to have pervaded the LIO from the beginning.

The second important divide appearing in the last few years is between the USA and China. The economic and technological boom enjoyed by the Chinese was unprecedented in history and is also the outcome of China having been accepted to the core institutions and frameworks of the LIO (World Bank, WTO etc.). The shift of economic and technological power to East Asia, which was a central topic during the 1980s upon the rise of the Asian Tigers, has been a longer process. However, prior to the stagnation in the 1990s all of the East Asian tigers were incorporated into the LIO and became the closest allies of the USA in the Pacific.

The economic rise of China is the product of two related, albeit somewhat different processes: 1) the decision by US administrations in the 1970s to

try to politically distance China and the USSR within the framework of the Sino–Soviet split (Overholt, 1973; Mann, 1999; Goh, 2005; Thurston, 2021); and 2) the economic shift and globalisation processes set underway during the 1970s after numerous crises in the West, forcing capital to begin looking for a cheaper yet reliable workforce (see: Brown, 2000; Arrighi, 2009; Yue, 2018). This double movement was accompanied by internal market reforms and strong industrialisation, leading to the rise of China, which was not seen as any threat to the USA's hegemony and the LIO until the early 2010s. Nevertheless, after the global financial and economic crisis which had a great impact on Western capitalist countries but only a mild one on China, it became obvious that China's economic and political ambitions were growing. When China launched what is today the well-known Belt and Road Initiative (Du, 2016; Ferdinand, 2016; Liu and Danford) – the construction and connection of a series of railways and other infrastructure to connect China with other Asian countries, Africa and Europe along the ancient silk road, and also the technological project Made in China 2025 (Wübbecke et al., 2016; Zenglein and Holzmann, 2019), it became evident that a new period in the globalised LIO was unfolding because both projects were adding to China's economic, political and technological power.

China's projects around the world have strongly enhanced its role in developing countries (Shambaugh, 2020; Yahuda, 2020; Eisenman and Heginbotham, 2020; Kondapalli, 2020), while they have additionally managed to accumulate for the country large wealth and, in turn, ever more political power. The alternative economic model of China and its alternative cooperation with the developing world – which could indeed lead either to a Chinese version of the well-known and Western-pursued debt-trap diplomacy from the 1970s till the 1990s and/or to huge problems with the borrowers' inability to pay back their debts to China – has been regarded as a major threat to both the US-led LIO and NATO as a military alliance.

Therefore, a decade ago the USA shifted focus to China. First, Obama declared the USA's pivot to Asia, whereas the two following US presidents – Trump and Biden – imposed new sanctions and trade restrictions on China in order to prevent any further expansion of the country's economic and political power. Nonetheless, despite these sanctions and the trade war, China's influence around the world has not been eroded to any great extent, while the developing countries have been moving closer and closer to Beijing than to Washington (Ross, 2012; Shambaugh, 2013; Davidson, 2014; Kubo, 2019;

Feng, 2021). China's arguments that it is seeking a multipolar world based on strong trade and without political interference have been viewed in the West as a disguise for its challenge to the USA and the US-based LIO.

Crucially, the problems with Taiwan and the possible reintegration of the Republic of China with the People's Republic of China – despite the publicly declared one-China policy – have been becoming more pertinent as the technological trade war between the USA and China deepens<sup>1</sup>.

The EU has been a vital player in this global power struggle. It has maintained close relations with China, notwithstanding the pressures of the US administration to distance itself and to some degree to decouple from China. However, Scholtz's and Macron's visits in autumn 2022 and spring 2023, respectively, show the huge importance of the Chinese market and manufacturing sector for the two biggest economies in the EU, especially at a time when a recession has hit Germany and other EU countries might also be affected.

Notably, the CEEC has also played a considerable role in China expanding its influence in the EU, mostly through the BRI and different forms of bilateral cooperation. Hungary and Poland have engaged in economic cooperation with China by far the most, while other CEEC countries have also been developing closer ties with the country. Large infrastructure, especially railway construction, projects have been vital for the completion of one element of the BRI in Europe. Here, it will be interesting to see how some EU members and the CEECs in particular will position themselves towards China during the global crisis of the LIO, given that some of these countries have maintained close relations with Russia, whereas others are known for their anti-Russian sentiments and politics.

The significant rise of China is an unintended and unwanted outcome of economic globalisation as pursued mainly under the LIO umbrella and seen as a possible solution to the crises of the 1970s in the West. In this sense, if the LIO was actually the international emanation of the USA's hegemony from the end of the Second World War that became truly global and undisputed only in the early 1990s, when the first cracks and contradictions of the economic development and power were already visible, China's rise could in fact lead to a major remodification of the LIO, even in its complete dissolution. Still, it would be naïve to argue that the economic and political rise of China

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1 Clearly, a central element in this struggle is the importance of the production of semi-conductors and of Taiwanese-based companies for the global supply of micro-chips (see: Chu, 2023).

will bring about an automatic end of the LIO. As historical processes show, changes in the world-level hegemony are always complex and long-lasting, nearly always including a moment of the co-existence of various regional and competing hegemony. This means that one possible outcome of the current crisis might be that the LIO will become stronger, yet be more limited and, again, chiefly Western-oriented – like it was designed and construed to be – while the rest of the world will be vying to construct a parallel non-LIO on the China–Russia axis and with the BRICS (Salzman, 2019; Srinivas, 2022).

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Dani Rodrik (2011) famously argued that globalisation has made the LIO untenable, as demonstrated by a series of globalisation crises. According to him, the world is faced with a ‘globalisation trilemma’ whereby countries cannot have national autonomy, globalisation and democracy all at the same time, but can only choose two of the three. Although the LIO was originally based on national autonomy and democracy, international organisations and transitional actors have accumulated considerable power since the 1980s, leading to pressure on national autonomy and democracy. To prevent further crises and/or pressures on democracy, the choice today is either less globalisation and greater national autonomy or more democratic control on the global level. Rodrik’s argument which, like this book, attempts to bridge IR, political science and sociology, finds support in these pages, as shown by the de-democratisation trends presented in the introduction that relate specifically to the CEE region.

The first part of the monograph looked at the alleged biases of the LIO toward advanced economies and elite groups by examining how welfare gains have been distributed between and within countries. Chapter 2 showed that at least the most dogmatic arguments pointing to growing pressures on peripheral countries and social groups and increasing inequalities are not supported by the empirical evidence. The strong role of the welfare or redistributive state in the postwar period triggered a remarkable decline in inequalities within many countries, yet did not prevent inequalities between countries from rising, leading to regime changes and a trend toward openness to trade and finance commencing in the 1980s. In the ‘globalisation era’, inequalities between countries have become smaller, whereas inequalities within countries have, at least during the first two decades (1980s, 1990s), somehow

increased. As predicted by trade theories, trade in developing countries like China and India benefited labour-intensive industries and workers, explaining the global decline in poverty. In industrialised countries, in comparison, trade encouraged specialisation in capital-intensive products. Together with technological change, this negatively affected the industrial and working classes as the former core of the middle class (Milanovič, 2005). As discussed in Chapter 3, the rising importance of international markets limited the ability of many social groups and countries to influence their position. This in turn created dependencies on international trade and finance and made them vulnerable to external shocks. The extent of social adjustment often conflicted with the principles of democratic governance and put pressure on democratic institutions.

Another way of looking at the winners and losers of globalisation is from the perspective of national interests, especially large countries. The latter prefer the rule of power to the power of rules and, in principle, are not the ones most interested in strong and inclusive international orders. The exception is when great powers wish to use these orders to consolidate regional hegemonies to compete with other great powers. Competition with the Soviet Union may explain why the USA supported the LIO in the period after the Second World War since it did not benefit relatively from international trade and finance, notably in the later period, as indicated by its decision to abandon fixed exchange rates in the 1970s and its concerns of the growing economic role of the European Economic Community and Japan in the 1980s. After the end of the Cold War, the USA was a single military superpower, able to exert its influence anywhere in the world with coercion. Still, the hegemony of the USA was contested and short-lived, as evidenced by the many failed military interventions that were consistent with the neorealist prediction of imminent opposition to the hegemony in terms of traditional (military) sources of power (Chapter 4). On the other hand, the LIO outlived the USA's role in the Atlantic order due to the broader acceptance of liberal rules and norms and the widely shared benefits. According to Garzon (2017), the persistence of certain features of the LIO, such as the trade regime, contradicts traditional outlooks in IR which assumed that multipolarity (the rise of China, a more assertive Russia) would strengthen regional blocs led by individual great powers (Buzan and Weaver 2003; Buzan, 2011; Acharya, 2014). This is because of the global interdependencies, complex linkages and overlapping regimes that allow countries to resist regional hegemonies, whether in

Ukraine or Taiwan. Yet, this does not mean that today the LIO is the final chapter of the end of history; as the emerging split between the ‘democratic West’ and the ‘authoritarian East’ demonstrates, the LIO entails a hierarchy of norms developed from a particular – some would say privileged – position (Adler-Nissen and Zarakol, 2021). A critical social theory that assumes inclusive orders is discussed in more detail in Chapter 5.

One solution to Rodrik’s globalisation trilemma is to ensure greater democratic control on the global level. European integration is often seen as an example of a political construction in which relatively small European nation states have pooled their sovereignty to cope with the effects of globalisation and preserve the welfare state. Yet European integration, and in particular CEE – namely, the focus of the second part of the monograph – instead of being a perfect example negate the opportunities perceived by global institutions (as opposed to deglobalisation and authoritarian forms of governance). Rodrik (2018) regards the trade and financial liberalisation of recent decades as being more about distribution and specific interests than wealth creation, in contrast to the LIO’s earlier effects, leading to the rise of populism. Together with migration, this has triggered a shift in support for the LIO among right-wing political forces toward nationalism-conservatism. There is ample empirical research to support the argument for the EU (Colantone and Stanig 2017; Guiso et al. 2017), where right-leaning forces have traditionally been important supporters of European integration. Questions arise about the extent to which EU decision-making, typically shaped by a consensus and the interests of the elite, has accounted for the needs and views of Europe’s ever larger and more diverse membership. As discussed in the introduction, once economic, migration and similar crises stemming from the semi-formed and dysfunctional structure of the EU affected the EU’s ‘output legitimacy’, it became easy for sovereigntists to challenge the EU’s ‘input legitimacy’, creating a stalemate preventing the integration from moving forward to address the challenges. Chapter 6, which presents the populists’ accusations against the Maastricht Treaty that established the EU, shows that it would be a mistake to equate populism with nationalist rejection of European integration, and that many of the concerns expressed by ‘populist’ parties from different parts of the political spectrum – a label largely (ab)used to disqualify non-liberal centrist views rather than to discuss the limits of representative democracy and direct democracy – have been borne out by subsequent EU crises that have inspired a dramatic rise in Euroscepticism and nationalism. Similarly,

it would be a mistake to see the democratic backsliding in CEE merely as the result of the weak institutions in these countries and the lack of post-accession conditionality on the EU level, rather than as being due to a combination of asymmetric socio-economic and political pressures and the individual countries' domestic institutional weaknesses. Victor Orbán's regime in Hungary has been studied extensively as an example of semi-authoritarian rule to consolidate the effects of neoliberal markets, and may be seen as an attempt to mitigate some of the negative effects of the markets, as revealed by his social policies that were examined in Chapter 7.

The CEE region is also puzzling because the nationalist regimes that came to power and consolidated their rule in the 2010s pursued foreign policies that, at least rhetorically, were opposed to elements of the LIO, such as deepening multilateral integration and the rules-based order (Chapter 8). This clashed with the theoretical prediction that small, poor and democratic countries – a typical feature of CEE countries during the 1990s – were most likely to join regional integrations because they expected sovereignty gains and welfare gains from access to a larger market and distributive policies in a multilateral setting. This contradiction may be explained by the fact that the CEE regimes' opposition to the LIO has generally been quite moderate and selective; they opted for shallower forms of (further) integration in order to retain more national autonomy. Their attempts to dismantle checks and balances at home and seek alternative partnerships abroad should be seen in the context of the LIO and European integration crises. At the same time, the countries of CEE still rely heavily on many of the existing institutions and rules. This was made clear by the COVID-19 pandemic and the war in Ukraine, which put a spotlight on the limits of nationalism and authoritarian rule and showed that certain basic features of the LIO should not be taken for granted. While many believe that the war in Ukraine marks the return of hard power (power of coercion, especially by military means) as another sign of the crisis of the LIO and the rise of a multipolar world, the failure of the Russian regime to achieve its primary goals and the widespread mobilisation of support for Ukraine in the West (and beyond) reveals the essential role of soft power (power of persuasion, power of economic opportunity). Hard power, with respect to which the EU currently depends heavily on the USA and NATO, may still be valuable to deter – as discussed in Chapter 9 – but, to effectively project power and achieve transformative effects, shared norms and opportunities remain important.

The third and final part of the book looks beyond the spaces and understandings associated with the LIO. The Islamic world and China have been understood as normative and practical boundaries of the LIO. Islam has been viewed as a challenge to the LIO because of the lack of separation between religion and civil institutions and rights and, in the context of LIO-related interventionism in the Islamic world, radicalisation, including in the form of terrorist attacks. China is believed to have exploited the LIO by using state intervention and its massive size and scale to make strategic gains that it could convert into the power to exert coercion. As Chapter 11 shows, however, the LIO has not only challenged religious authorities but also had disruptive effects on socio-economic structures in the Islamic world. Meanwhile, China is not responsible for the stalemate in international trade negotiations – China has merely added weight to broader issues like new technologies, intellectual property, and domestic support that have affected trade negotiations between developed and developing countries (Baldwin, 2016). China (Chapter 10) is essentially what we make of it. The country should not necessarily be seen as a threat or competitor to the LIO; competition with China is also an opportunity to test and learn from different models and make progress with common goals. The peace agreement between Iran and Saudi Arabia that China recently helped broker is a good example.

The last two chapters deal with the question of how to overcome the intellectual limitations of the LIO. The mentioned order is challenged from both within and outside. Rather than thinking about which challenge to address first (i.e., closing ranks within the Atlantic order or fostering multilateral cooperation), we should address the two aspects simultaneously because they are inextricably linked – if the West wants to influence the East, it must first be able to reinvent itself. This requires certain changes in the hierarchy of norms toward long-term sustainability and a willingness to reap the benefits of more inclusive economic growth both domestically and globally (Chapter 13). Finally, Western countries cannot compete with Eastern countries when it comes to the quantity of resources like numbers of people, raw materials and, soon, capital. What gives the West an advantage over the East is the quality of its institutions, such as personal freedoms and democracy which, by encouraging entrepreneurship and good governance, enable the West to make the most of its available human resources. This highlights the importance of human rights, a concept at the heart of the LIO (Chapter 12). Human rights should be framed in a way that does not reproduce hierarchies by

focusing on specific individual rights and duties, but instead enables individuals to enjoy the greatest possible opportunities in given social contexts.

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