



Dioscuri Research Project
Eastern Enlargement – Western Enlargement
Cultural Encounters in the European Economy and Society after
the Accession

**Citizens and Governance in
Knowledge-based Society**

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DIOSCURI

Policy Recommendations

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Background

With no intention to promulgate any strong or exclusive concept of economic culture, the DIOSCURI project started from an understanding that the actions of those who take part, govern and think of economic transactions in countries of post-socialist transformations are inspired and challenged by knowledge, perceptions, and values beyond the authority of the legal provisions of the *acquis communautaire*. Our comparative inquiry also assumed that the European enlargement and integration mobilize cultural encounters in which foreign and local actors interact, clash over and negotiate institutions of entrepreneurship, governance, and knowledge generation by producing hybrid configurations of knowledge and norms.

Because of the scope and method of the research, it is more legitimate to draw some lessons, rather than propose specific courses of actions to those who make decisions on economic policy and regulations, craft reform agenda for public administration, and design institutional frames for research and higher education in domestic and European contexts.

General lessons

It would be tempting to understand cultural differences between the “East” and “West” in Europe in the framework of cultural imperialism. Our research suggests, however, that one could rarely meet widespread feelings of inferiority/superiority, fierce conflicts (“clashes of civilizations”) between the parties. Similarly, the outcomes of the encounters between actors in the economy, governance, and knowledge production are only rarely articulated as a major asymmetry in any direction (e.g. colonial desires by the West or stubborn resistance by the East). In most cases, a pragmatic combination and synergy of cultures emerges that we call hybridity.

Most of the sequences of cultural adjustment point to a partial convergence of economic cultures between “East” and “West”. Yet, even if one witnesses voluntary takeover rather than imposition, the adaptation processes are lengthy and messy. Cultural encounters of salience often include simultaneous activities performed by different actors, therefore, diachronic and synchronic developments may alternate, upsetting any linear sequence that would connect the initial recognition of cultural difference with a final compromise.

Entrepreneurship and knowledge generation in economics, including its applied streams, appear to react faster to cultural challenges, and with more potentials and interfaces for innovation and adaptation, than governance and public administration. The latter shows more resilience and explicit resistance, even barriers to spill-over effects, than the two other main domains of economic culture. Invisible preliminary adjustment, to which some of the countries in CEE and SEE were partially open before the changes in 1989 in the field of entrepreneurship and knowledge generation, often intervenes in tailoring the final outcome of the cultural encounters.

Although it is difficult to identify whole countries in CEE and SEE as pioneers and laggards by the DIOSCURI research method, some important types of actors and institutions that are either more or less prone to actively seek compromises could be sorted out. The complexity of the domestic (and local) contexts in which encounters are located as well as the self-

understanding of the actors tend to shape the cultural compromises, rather than the actual cultural distance between actors concerned.

Several institutional stories tell about a tri-partite cultural space in which foreign actors and two main groups of local actors could be identified. Among the local actors, the first group thoroughly, the second is not or only modestly exposed to international ideas and practices. “Westernized Easterners” and the rest of “Easterners” sometimes show greater distance from each other than foreign and local actors in general. Some other cases uncover two simultaneous dynamics in the outcomes of cultural encounters: on the surface there is convergence, whereas at the bottom there is growing differentiation in terms of modeling actions according to Western or some transnational or global sets of values.

In line with authoritative readings of the Europeanization trends, our research has endorsed that the logic of appropriateness (desire for legitimacy and acknowledgement), incentives (material and non-material gains or hopes for those), and historical legacies or direct effects of institutions may stand behind following and implementing EU norms and directives. Economic integration has the political, legal and institutional machinery in the larger European project. The DIOSCURI project proposes that its spill-over effects in the sphere of governance and knowledge generation are far from being obvious or paramount. The latter fields embrace often idiosyncratic forms of legitimation, incentives, and institutional settings.

Our research has not ventured in the political economy of systemic change, yet our case studies highlight that there is no single best way to transform former state economies and to build state capacities to govern. The success of Central and Eastern Europe suggest some good sequencing of marketization and democratization. Economic cultures do not compose simple externalities to wise policy making: policy actions shape economic culture by making and avoiding certain decisions. Challenging some institutions and norms, reform measures and pioneer actions could enhance the gains or the transitory costs of economic and social transformation and the European enlargement.

Field 1: Entrepreneurship

DIOSCURI case studies endorsed the mainstream lessons of the post-socialist transition inquiries which argue that the degree to which an economic organization in CEE and SEE tends to model itself on Western institutions depends on the stage of transformation in the country, the importance of the sector, and the ownership structures. Further, organizations remodel themselves on Western organization in a specific field or sector in order to ensure survival, to gain legitimacy and efficiency. The modes of adaptation differ according to the main characteristics of the organization, in particular the ownership structure and size. In foreign-owned larger enterprises imposition and imprinting is common, in large domestic firms acquisition, inducement, and incorporation prevail, whereas small enterprises follow imprinting, incorporations, bypassing, and acquisition of knowledge and patterns of economic behavior.

Some case studies and county reports refer to the origin or the main reference of cultural packages that arrive to CEE and SEE through investment. For example, main orientation or import from Rhenanian or Mezzogiorno capitalism, or exposure to Anglo-Saxon model, does

not exclude to finally arrive at an own template which combines several elements of these models.

The DIOSCURI research revealed that foreign investments through privatization and green field development are the main sites of cultural encounters. In several countries these two main tracks run parallel: the expanding service sector motivated by market access and manufacturing sector motivated by efficiency. Labor intensive investments are still relevant in SEE, the higher-added value investments (considerations of labor quality, productivity not only labor cost) are becoming more and more prevalent in CEE. The latter model seems to offer more space for negotiating and adapting modern managerial technique and European labor standards.

New economic ventures driven by foreign capital often become sites of management experiments and laboratory for regulating labor and marketing. Similarly, the "oases of flexibility" in the "Eastern" economic spaces are seen to attract entrepreneurial innovations. At the back of the foreign investors' mind one may find direct connection between a powerless, unemployed workforce and the comparative advantage of the East towards the West starting a downward spiral in wage levels and working conditions. But the well-trained workforce, productivity and social peace are also key consideration. Local reactions to these experiments vary in their degree of reflexivity or complacency.

Market-seeking investments into retail, tourism, food, beverages and business services show particular dynamics in which local knowledge of doing business and consuming habits is a key. Despite significant local variations, these sectors provide the most visible examples of westernization by introducing new forms and ethos of services. They often turn to the most visible symbols of westernization in the economy and broader social imagination. Economic actors in these sectors strategically localize global knowledge and their overall corporate image (e.g. transnational companies), or strategically globalize local knowledge and their corporate image (e.g. local wine producers).

Transnational companies play an important role in giving face and strong symbolic power to the notion of hybridity and cultural blends. They may tend to see CEE and SEE counties as test fields but they ultimately generate interdependencies: they seem to have leverage to insert major influence on rules of entrepreneurship but they are also adjusting themselves to ever changing local configurations. They seem to be overpowered and ready to move away, by the same token, they are the ones that could not take easy advantage of local conditions due to the enhanced attention of the media. They vie for "intrapreneurship" in the company but they are occasionally surprised by the genuine capacities of the local managers and employees partially developed and tested during socialism, and partially during hardships of post-socialist transformations.

Success of organizational change lies not only in scrupulous and systematic introduction of internationally legitimated standardization and homogenization of business practices in the enterprises. Success is also dependent on good strategies to prepare and react to the expectations and skills of local managers and employees, and accommodate to local and national legal regulations. Strategies of persuasions in external and internal communication selectively relying on the notion of "internationality" and "locality" may help multinational and domestic companies to take advantage of cultural encounters for business success.

Field 2: Governance

Prior to the EU accession process that concerned four countries of the DIOSCURI project in the recent past and two other ones during the course of the research, reform of public administration and governance was encouraged and supported by various international technical assistance agencies and larger bilateral donors. Externally developed proposals and internally conceived reform measures were inspired by the traditional Weberian approach to and novel entrepreneurial visions on public administration, often simultaneously or contradicting to each other. Professionalization and democratization of governance often appeared as competing principles and thus difficult targets for reconciliation or sequencing.

The EU accession process and its instruments have become the single most important factor to shape policy and administrative reforms in the countries concerned even if the reform of state administration does not compose part and parcel of the *acquis*. The development of capacities to transpose the *acquis* appeared to be an important incentive mechanism to foster changes in institutional culture seen as prerequisites to good governance.

DIOSCURI research revealed that the implantation of EU norms and procedures, and thus the establishment of new institutional cultures is not predetermined by the prevailing political structures and climate. Countries advancing relatively well with political reforms could perform weakly in responding to the accession requirements in certain fields whereas relatively slow countries could be diligent students.

As the Europeanization process involves many actors with different strategies, it has no easily predictable results. The new rules sometimes are eagerly accepted by those who have no choice but to become “Europeanized”. In other cases actors pretend to accept new rules but rely on and maintain an old institutional culture. Even if new rules are implemented due to soft and harder authority of the EU, sustainable institutional change often fails. Encounters between European and domestic actors often result in hidden and overt resistance to accommodate on both sides (in contrast to fields of entrepreneurship and knowledge generation). Resistance is driven by strong political convictions, institutionalized lobby positions, or simple inertia.

As a well-known symptom of foreign aid industry, chapters of the EU accession story cast light on how new institutions can be inserted as islands into frozen structures, in this case, either still fully centralized or reluctantly decentralized administrative environment saturated with corruption and political clientelism.

The pre-accession fund management was an important learning track for the new member states. Selected cases revealed that domestic learners with at least some modest preliminary exposure to Western administrative culture managed better and interiorized more from the European civil service culture than their counterparts. Senior civil servants in some countries took a pragmatic approach, learned quickly and fully adjusted to the new norms. This appears to be the situation in case of the “eminent” countries, Slovenia and the Czech Republic where the accepted norms have found adequate institutional backing. Other countries were not so successful and/or easygoing in the short run (like Hungary and Poland) but could catch up in the longer run, in the post accession phase, like Poland.

As test cases to EU related programs, technical assistance programs delivered by other international donor agencies uncover that in the course of the development projects the basic

relation between local managers and experts and their western counterparts has evolved from dependency on outside expertise towards more cooperative partnership. The power relationship however frequently remained asymmetrical due to the symbolic superiority of the West.

Several subtypes of asymmetrical mode of interaction can be differentiated. In the paternalistic mode the West (represented by the respective development agency) is taking the lead and the responsibility for the initiative by imposing the rules and allocating the roles and tasks. The recipients of the aid accept this as legitimate and willingly comply with the distribution of power. In the empowerment mode the international agency assumes participatory approach to development and invites the local people to share the ownership of the project. Still the initiative and the power reside with the westerners, who have generously chosen to redistribute it. The response of the local people varies: they might grasp the opportunity, resist out of distrust or lack of experience and capacity, or simply withdraw in passive dependence. In the emancipatory mode the superiority of the West is experienced as domination and is challenged in terms of different countervailing strategies. As a result the local culture is reconstructed as equal in value if not superior to the western one.

Compared to fields 1 and 3, asymmetrical modes of cultural encounters are more prevalent in the field of governance. The power relations are not static, but evolve in the course of the cross-cultural interaction. The point of departure is the tacit assumption about the superiority of the “West”, shared by both parties. Such an assumption is embedded in the essence and design of the development projects (the more developed support the less developed). This assumption, however, is not taken for granted, but is continuously challenged by the local people vis-à-vis the contradictory evidence of the projects.

It is much more difficult to identify an “East-West” cleavage in the work of the European institutions that have become populated by Eastern actors as well since full membership granted. For example, the European Parliament appears to be a highly heterogeneous body in which cultural encounters result in a variety of strategies and professional identities. Researchers had failed to find stable cultural cleavages in this institution before, for instance a North-South divide. DISOCURI findings show that active participation and policy making is possible for newcomers as well despite individual strategies and perceptions, diverging ideological convictions and cultural competencies due to the complexity of the institutional environment.

Field 3: Knowledge generation (in economics)

The fast importation of Western knowledge is accompanied by the persistence of behavioral patterns specific for the region. The institutions of higher learning are less meritocratic than in the West, and more prone to clientelism and informal networking of often not the most desired kind. The possible reasons are on the one hand institutional, and on the other hand cultural. Among the institutional reasons are limited countervailing powers against the entrenched interest of the faculty, for whom copying models is often the best survival strategy, as well as limited resources Eastern European societies devote to research and education. Among the cultural reasons are the practices dating from times preceding state socialism, but reinforced by its logic, of arranging things informally and of bending impersonal procedures.

While there has been some change in the content of the knowledge thought, still it looks that it has not been easy to shed certain old habits, in particular on three levels: approach to teaching, the research, and the faculty recruitment and promotion. Thus, old teaching patterns, according to which not much activity is expected from students, replicate. Even in one of the most advanced of the institutions analyzed, tend to treat the knowledge they transmit perhaps too uncritically, treating economics too much as a set of truths, too little as a method of approach.

Since the early 1960s, neither Eastern exceptionalism nor an uncritical emulation of the West have ever been all-exclusive options in Eastern European economic thought but the cultural compromises between them have changed considerably. Regarding post-1989 intellectual and institutional encounters, strategies of coping with the unpleasant surprises seem to have led in both the older and younger generational groups of economists to a selective reception of Western ideas, a combination of imported knowledge with the local one. After some initial surprises, no heated and lasting conflicts followed between the two worlds of ideas. Instead of culture wars one sees unilateral adjustment (by the East) up to a point, in Hirschman's terms, weak voice and rare exit. Although peace is not unconditional and eternal, utopian expectations that usually serve as sources of conflict slowly disappear, as do frustrations in their wake.

Knowledge generation by CEE and SEE think tanks reveals that a fundamental dichotomy prevails in Western economic culture itself. Europe combines two conflicting principles: the statist, regulationist and interventionist philosophy and distinctly liberal and free-market values. The former are entrenched in the EU bureaucracy's functions and activities. The latter are realized in the most far-reaching projects, such as the single market and the eurozone. With its double face Europe delivers ambiguous messages and the Eastern mediators easily succumb to hybridity, if not to tasteless eclectics. Confronted with this confusing source of inspiration, they are free to make pragmatic or opportunistic choices by mixing or by opting for what is more akin to the local idiosyncrasy. Whatever their preference, they are secure to establish a mirror image of the chosen option somewhere in Europe.