

Reconfiguration of automobile production chains in Europe and consequences for developmental effects of automotive FDI in Central and Eastern Europe

This project departs from the recent literature on institutional underpinnings of national production regimes and comparative advantages and specifically from the attempts of applying that framework in the context of post-communist states of Central and Eastern Europe. In any discussion on “typology” of capitalisms in CEEs, the presence of a powerful external actor, i.e. foreign capital mediates the emergence of different institutional, product market and labour market arrangements and therefore raises questions about the opposite lines of causality: how the choice of product market strategies impacts institutions underpinning industrial relations and overall industrial framework and sprouts important theoretical implications for the origin and sustainability of specific varieties of capitalism also in the developed countries.

“Varieties of transnational capitalism”, as the framework is known (Greskovits and Bohle: 2007), operating in a relatively fluid institutional environment, relies heavily on the sectoral analysis which gives clues about the impact of different forms of FDI on the formation of an industrial structure and the accompanying labour market arrangements. However insightful, this approach glosses over the differences that exist among the producers within industry, and their specific strategies that may alter the implications of the structural effects assumed by the sectoral analysis. Most importantly, active agency on the part of the large transnational firms not only reconfigures the on-site relations with labour and suppliers in the host country, but via its corporate channels engages in arbitrage of institutional frameworks in different locations, possibly leading to institutional reorganisation.

The project focuses on the automobile industry, as the “best case“ example of sectoral analysis (skill, capital, and technology intensive, commands relatively long investment horizons and contains a promise of substantial spillovers through supplier networks and skill and technology upgrading). The aim of the research is to identify different factors that determine the actual spillover effects and consequences of automotive FDI in three areas: supplier networks, research and development and labour relations. The project should specify relevant *conditions* (regarding labour force, supplier structures, government’s involvement etc.) and *mechanisms*, or strategies of major automotive TNCs (product strategies, market strategies and especially relations with other actors within the production network) that predict the type and size of spillovers, and the possible trade-offs between them.

I will argue that developmental potential of the industry strongly depends on the place the CEE location acquires within the intra-firm division of labour. This is, however, by no means a one-sided process. In the last two decades, the repositioning of CEE within the European automotive corporate architecture has led to reconfiguration of the overall networks, with growing consequences for its West European counterparts. Whether this trend is entirely in favour of Eastern Europe or it might lead to the weakening of the bargaining power of any single local actor, East or West, remains to be seen.