

## 13. Varieties of Dependence in Europe

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*Although dependence is often studied in a Latin American context, László Bruszt has shown that it is also possible to apply a dependency approach to the study of inter-European dynamics. László Bruszt is a Professor in the Political Science Department at the Central European University and I had the pleasure of interviewing him over Skype in 2016.*

#### **How did you get involved with dependency theory as a European scholar?**

Bruszt explains that he first got involved with dependency theory after 1989 when he started studying post-socialist economic development. With David Stark and some other colleagues from economic sociology, he was studying the possible choices these countries had and what potential future pathways could be. At the time, the literature dealing with these post-socialist societies were of two types. On the one side, you had mainstream economic literature, which advocated open, capitalist markets, and on the other side were the orthodox Marxists that argued that there were no possibilities for development for these countries within a capitalist system. Bruszt became interested in exploring what kinds of choices these countries had, as he did not agree with either of the two extremes. It, therefore, became useful to consider the literature of Cardoso and Faletto to understand the possibilities of development for the periphery countries.<sup>37</sup>

Bruszt considers his use of the dependency framework to be more of an overall approach to development, inequality, vulnerabilities, and unequal distribution of opportunities. He was largely influenced by Albert Hirschman and Peter Evans, in addition to Cardoso and Faletto. Evans was important to Bruszt because of his seminal thinking about developmental states and how different coalitions are formed and develop, and what the

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<sup>37</sup> Cardoso, F. and Faletto, E., *Dependency and Development in Latin America* (Los Angeles: University of California Press, 1979).

various constraints to development are<sup>38</sup>. Furthermore, Bruszt was inspired by Hirschman, Cardoso and Faletto's search for possibilities. Instead of being deterministic, they would recognise the need to identify the relevant constraints to development.

### **How do you use dependency theory in your work today?**

Bruszt prefers to use the term *dependency approach* rather than *dependency theory* because a theory implies a more refined relationship and certain rules for how an economy will behave. However, economic conditions and institutions are factors that are contested and various political alliances can be built around them, which in turn can allow for different kinds of development paths. Based on the work of Cardoso and Faletto, for Bruszt, dependency is about *situations* of dependency, not dependent structures. This is important because situations can be altered by political actions. Of course, it is also important to analyse dominant economic institutional structures, but Bruszt believes they should be studied as potentially alterable factors and not as deterministic limitations.

As it is difficult to find one answer to underdevelopment, Bruszt points out that it is fruitful to study various situations of dependency and look for the specific sources of the uneven distribution of vulnerabilities and for the opportunities that exist in a transnationalised economy. When Eastern European countries became a part of the European transnational production chain, they entered at the lower end. Their competitive advantage is based on cheap and unskilled labour, while the multinationals – the managers of the global production chains – control the transfer of technology and thereby also the opportunities for development. In Bruszt's work, he explores how deep this dependence is and whether there are extant structures that open opportunities for development. For example, there are differences between the transnational sectors. While in some Eastern European countries multinationals enter to engage workers in the assembly-based, unskilled and semi-skilled sectors, in other countries you might have domestic producers that employ high-skilled labour and produce higher value-added goods. One can therefore not assume that Eastern Europe is one uniform bloc, as there are variations in the situations of dependency in the different countries. Some are less exposed to the power of the transnational firms based in the core and some countries have much more diverse economic structures. By exploring such differences among cases with similar starting positions, one can detect differences in domestic and transnational developmental agency. In some of these countries, states have specialised

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<sup>38</sup> Evans, P., *Dependent Development: the Alliance of Multinational, State and Local Capital in Brazil* (Princeton, New Jersey: Princeton University Press, 1979).

units exploring developmental opportunities and supporting institutions that help economic players to survive insertion in transnational markets and improve their positions within these markets. In other countries one has atomised and unorganised private actors side-by-side with weak and inefficient states. In addition, transnational integration regimes like the EU can alter both the room for domestic developmental agency and the capacities of domestic actors.

### **Where do the initial differences in degree of dependence come from?**

Bruszt explains that the differences between degrees of dependence come from early choices that were made post-socialism, particularly when it comes to institutional changes. Notably, the legacies of the economic and political structures of these countries were very similar. Almost all of them were mis-industrialised – not under-industrialised. By mis-industrialised, Bruszt means that the countries inherited industrial structures that had very low levels of competitiveness. In some cases, the assets that were inherited from the old regime were depleted and destroyed. Furthermore, some countries deindustrialised, thereby undermining the existing assets and skill formation that had taken place. Democratisation also failed in several countries, and some countries had to deal with oligarchs. Meanwhile, other countries were more successful. Bruszt recommends a book by Dorothee Bohle and Bela Greskovits on this topic for a deeper understanding of early policy choices and how different kinds of political alliances were formed, and the difference this made.<sup>39</sup>

Another important issue is that countries are linked to different integration regimes. Every country is to a greater or lesser degree integrated into either the European regime or the Russian regime. Those that are solely integrated into the latter, such as Moldova and Belarus, tend to be much more linked to primary commodity exports, dominated by oligarchic institutions, and therefore they tend to have more limited opportunities for development. The European Union (EU), on the other hand, has two regimes for the Eastern European countries.<sup>40</sup> First, you have the regime for the central European and Baltic countries that are members of the EU. Those countries are included into the EU open regional market, but the countries are given some form of compensation for this because of the dependency that they are exposed to. Secondly, you have the countries that are on the Eastern periphery, such as Ukraine. They have to take on a lot of EU rules and regulations without much compensation. This is also an important factor in accounting for the differences in situations of dependency.

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<sup>39</sup> D. Bohle and B. Greskovits, *Capitalist Diversity on Europe's Periphery* (Ithaca, NY: Cornell University Press, 2012).

<sup>40</sup> L. Bruszt and J. Langbein, "Varieties of Dis-Embedded Liberalism. EU Integration Strategies in the Eastern Peripheries of Europe," *Journal of European Public Policy* 27, no. 2 (2017).

One might wonder why the European periphery countries implement EU rules and regulations when they do not get any compensation for this. Bruszt explains that this is because they expected the EU to want to include them in the union at some point. However, the EU never actually intended to include these countries. This is unfortunate, as the experimentation with weak integration has created enormous domestic political struggles in these countries and it has been a large source of contestation.

### **What are the key variables to consider when studying situations of dependence in Europe?**

Bruszt considers both domestic economic and political structures, as well as European and global market structures to be important to study in order to understand these countries' situations of dependence. Bruszt and his colleagues have mapped these countries as per how sophisticated their exports are and the type of market integration regimes they are part of.<sup>41</sup> Furthermore, it is also important to consider the capacities of the domestic states and the domestic alliances within them.

Outside of Europe, in other parts of the world, economic integration used to mean limited market integration involving partial liberalisation of trade and capital. The room for domestic actors to set the rules of economy with a view of specific national developmental needs is larger. For example, the Asian countries had local content requirements to support domestic firms. They had strong means of controlling several aspects of their national development. However, European integration is much, much deeper. It takes away almost all those possibilities that were still taken for granted at the time of Faletto, Cardoso, and Evans.

EU membership means a complete liberalisation of the movement of goods, the abolition of all types of tariffs and other forms of discrimination, and removal of all forms of control over capital movements. To a lesser degree, services and labour movements are also liberalised. Members have to take over common regulations in nearly 40 different policy fields. This means that large part of the traditional development tools that were available in Latin America and East Asia in the 1960s and 1970s are absent in Eastern Europe. Furthermore, this means that the transnational dependence is closely linked to European politics as well as domestic politics. Bruszt imagines that perhaps the Eastern and Central European countries may be showing the future of some of the economies in the Global South that are liberalising and opening up now. Many, but not all, of the countries in the Global South, are rule-takers, and for

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<sup>41</sup> L. Bruszt and V. Vukov, "Making States for the Single Market: European Integration and the Reshaping of Economic States in the Southern and Eastern Peripheries of Europe," *West European Politics Volume 40*, no. 4 (2017).

them, therefore, the integration of Central and Eastern Europe has some lessons.

A key problem for European dependent states is that while the EU has very powerful tools to impose uniform rules on countries at very different levels of development, it has very weak capacities to deal with the diverse local developmental consequences of applying these uniform rules. Notably, when the EU integrated the Eastern/Central European countries, at least in the first decade before they became member states, it tried to anticipate *ex-ante* what the developmental consequences would be of imposing tens of thousands of EU regulations in these countries. The core countries were genuinely fearful that these peripheral countries would collapse like a house of cards once they were welcomed into the European market and that these costs would have to be paid by Brussels. Therefore, the EU spent a decade anticipating these problems and discussing how they could potentially be alleviated. For example, specific studies were done in Romania on what would happen to their peasants and their steel industry and what possible strategies could help assist these sectors or at least partially compensate them, when exposing these sectors to competition with the strongest economies in Europe. Consequently, different assistance programs were created to try to at least partially remedy the harmful consequences. These studies and programs were important, but as soon as these countries actually became EU members, these kinds of studies and considerations were completely halted. Once these countries were members they were meant to play by the same rules as Germany and France, and fulfil the same obligations. In fact, the EU now only has a weak capacity to see what is happening in the periphery and no longer tries to anticipate the developmental consequences of the rules they are promoting.

When Bruszt studies the situations of dependence in Eastern and Central European countries, he therefore studies the possibilities of changing the political alliances and coalitions. The major problem is how politics is organised at the EU level, which makes it difficult to create new cross-national developmental alliances. If you use a dependency approach, you can consider the constraints and study which coalitions are forming. By doing this, you can also see why the easier route for many of the periphery countries is to form nationalist alliances.

### **What kind of lessons can be drawn from the Eastern European experience?**

Bruszt argues that one important lesson is that countries should not accept trade integration without transnational development cooperation. In fact, Bruszt has found in his research that the deeper the economic integration of lesser developed countries, the more support they need to deal with elementary state capacities, not just to implement

the rules, but also to live by them.<sup>42</sup> The EU experience shows that the market will not take care of everything on its own and that vulnerabilities, inequality, and poverty will increase with increased integration. The developmental consequences of market integration must be managed – other developing countries have to demand creations of transnational capacities to anticipate and alleviate these problems. Another lesson to be learnt from Central and Eastern Europe is how issues of development in integration regimes can be politicised. The policies of integration of the common market increase the issues of dependency for the Central and Eastern European countries, as politics are weakly developed at the supranational level.

The problems stem from the fact that the EU does not have its own transnational development policy, Bruszt explains. This creates a situation in which all the countries try to express their national interests, but the common interests of Eastern Europeans and Western Europeans are weakly represented. Since the EU as a polity is based on inter-governmental agreements and treaties, each country participating in joint decision-making has to defend whatever decisions they take at home. This means that when there is a problem in the Eastern or Southern periphery, the German or French policymakers in Brussels have limited incentives to internalise them. Competing solely with other German parties to get political positions in EU level decision making, they have strong incentives to externalise the problems of the peripheries and defend the policies they promote in their domestic spheres. Because of this situation, you have growing nationalism in a lot of European countries, including Britain, Hungary, and Poland. In these countries, the economic nationalists claim with some validity that they cannot regulate the multinational production chains, but that they can declare a war of independence against the ‘colonialists’.

While there are core, periphery, and semi-periphery countries, all regulations apply equally to every member in the EU. Thereby, even countries that have less competitive economic structures and that are less endowed with resources have to play by the common rules, although this puts them in a situation of seemingly perpetual dependence. Perhaps the best example is the common rules in agriculture, which pits large high-tech farms in Western Europe against Romanian and Polish peasants who might only have one or two cows per household. The outcomes of such a policy are quite predictable, Bruszt notes.

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<sup>42</sup> Laszlo Bruszt and Gerald A. McDermott, *Leveling the Playing Field –Transnational Regulatory Integration and Development* (Oxford: Oxford University Press, 2014). See also Laszlo Bruszt and Stefano Palestini, "Regional Development Governance," in *The Oxford Handbook of Comparative Regionalism*, ed. Tanja A. and Risse Börzel, Thomas (Oxford: Oxford University Press, 2016).

### **Is It possible for European periphery countries to break out of dependence?**

Again, Bruszt points out that the problems are different according to which country you are studying. For the countries that already have good positions in the European production chain, there is room for change. They can invest more in skill formation and they can use the existing assistance money from the EU for better alliances with multinationals. For example, Romania made a very good deal with a French car manufacturer that allowed them to upgrade and produce more value added.<sup>43</sup> Other countries, such as the Western Balkan countries are facing much tougher situations. These countries are facing long-term dependency that it will be difficult for them to get out of without major external help in restructuring. In the long run, it is not possible for the weakest of the periphery countries to converge to the core, without changing the Europe-wide integration capacities.

Unfortunately, for some of these countries, some of the best opportunities are seen by the more conservative nationalist forces as opportunities for creating anti-European alliances.<sup>44</sup> Hungary and Poland, for example, have the potential to create new developmental alliances, which are nationalist and exclusionary. What's more, the problems of the periphery of increased radicalisation are also now also in the core, as we see with Brexit for example.

Bruszt points out that many scholars today have forgotten the concept of dependency and those that have not forgotten are scattered. To increase our understanding of dependency, it would be useful to increase the dialogue between different parts of the world. Students of Africa, Latin America, and Europe should be speaking with each other through conferences, workshops, and projects. Even in Europe, most of the literature on dependence is geographically fragmented, as there is little dialogue between students in the Southern peripheries and Eastern peripheries. Hopefully, this e-book project can be a part of a movement towards increased collaboration across borders and institutions.

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<sup>43</sup> L. Bruszt, Langbein, J., Vukov, V., Bayram, E. and Markiewicz, O., "The Developmental Impact of the EU Integration Regime: Insights from the Automotive Industry in Europe's Peripheries," *MAXCAP Working Paper 16* (2015).

<sup>44</sup> László Bruszt, "Regional Normalization and National Deviations: EU Integration and Transformations in Europe's Eastern Periphery," *Global Policy* 6 (2015).