

NEWSLETTER SUMMER 2003

INTERNATIONAL SOCIOLOGICAL ASSOCIATION

RC 09 Social Transformation and Sociology of Development

This issue of our Newsletter serves two purposes: to give you some recent information on our common research topics and to open a dialogue on Social Transformations and Development in Post-Socialism. To this second end, we give here Nina Bandelj's opening research results concerning Foreign Direct Investment (FDI) in Central and Eastern Europe. We encourage the submission of short responses for the next issue of our Newsletter (please send them to nbandelj@princeton.edu).

New Executive Board of RC 09

for the term 2003/2006:

- President: Ulrike Schuerkens, University Paris V, France
- Vice-President: Willfried Spohn, University Viadrina, Frankfurt//Oder, Germany
- Secretary: Nina Bandelj, Princeton University, USA
- Members:
- Zaheer Baber, Department of Sociology, University of Saskatchewan, Canada
 - Michal Bodemann, Department of Sociology, University of Toronto, Canada
 - Mustafa Koc, Department of Sociology, Ryerson Polytechnic University, Canada
 - Peter Park, The Fielding Institute, Wilmington, De, USA.
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Name Change of our Research Committee 09

During our last Business meeting in Brisbane (10 July 2002), we discussed a topic that was tackled already some years ago. The Executive Board members thought that we should change the name of our Research Committee. If the name "Social Practice and Social Transformation" was of some interest several years ago, it seems inappropriate in the current research situation. We believe that much more scholars will be interested in our

Research Committee, if we don't support any longer the term "Social Practice". This name was adopted in 1980 and corresponded during the 1980s and 1990s to some interests of scholars affiliated to our Research Committee. At its creation in 1974, our Research Committee had the name *Innovative Processes in social Change* and thus already changed its name some twenty years ago. The Executive Board discussed the topic with different delegates from other Research Committees and delegates from the ISA Executive Board, too. The conclusion we drew from all these discussions was that there was a general agreement that the name was no longer appropriate to the actual research situation and that it should be changed.

In Fall 2002, we requested our members to give us their opinion on this name change. There was an overall agreement. Thus at its annual meeting held on April 7, 2003, the ISA Research Coordinating Committee reviewed our request and suggested the name "Social Transformation and Sociology of Development". This new name will permit to include in our activities scholars who are interested in social transformations and development processes all over the world. Transformation is here seen as a structural change of a society and development is meant as a better situation than the former one. We consider that the two notions apply to situations in the northern hemisphere, but in the southern hemisphere, too. Furthermore, they include transformation processes in Eastern Europe as well as in Asia, Africa and Latin America where social structures are exposed to fundamental changes. Moreover, sociologists from the South are often known as development experts and will welcome this name. These are some of the reasons, which were advanced in order to change the name of our Research Committee.

RC 09 Publications

We are glad to inform our members that RC 09 has now got a publication, which reflects the current interests of our Research Committee. We invite our members to order the book or the Double issue of *Current Sociology* with Sage Publications. We hope that you find these publications interesting and we would be delighted to receive your comments.

Social Transformations between global Forces and local Life-Worlds by Ulrike Schuerkens (ed.), *Current Sociology*, 51, 3/4, 2003 and Hardcover Book, Sage, December 2003

1. Preface by Willfried Spohn
2. Introduction by Ulrike Schuerkens (ed.)
3. The Sociological and Anthropological Study of Globalization and Localization by Ulrike Schuerkens
- A) SYSTEMATIC PART
4. Culture, Identity, and Hegemony: The Body in a Global Age by Lauren Langman
5. "Ethnicity is Everywhere": On Globalization and the Transformation of Cultural Identity by Helmuth Berking
6. Multiple Modernity, Nationalism and Religion - A Global Perspective by Willfried Spohn
7. Structural Change in Western Africa as a Legacy of European Colonialism: The Labour System in Ghana and the Ivory Coast by Ulrike Schuerkens

8. Glocalization of Law: Environmental Justice, World Bank, NGOs and the Cunning State in India by Shalini Randeria

9. Knowledge between Globalization and Localization: The Dynamics of Female Spaces in Ghana by Christine Mueller

B) CASE STUDIES

10. Transnational Migration and Development in Post-War Peripheral States: An Examination of Guatemalan and Salvadoran State Linkages with their Migrant Populations in Los Angeles by Eric Popkin

11. Particularizing the Global: Reception of Foreign Direct Investment in Slovenia by Nina Bandelj

12. Disintegration and Resilience of Agrarian Societies in Africa – the Importance of Social and Genetic Resources. A Case Study about the Reception of Urban War Refugees in the South of Guinea-Bissau by Marina Padro Temudo and Ulrich Schiefer

13. Paradise Lost? Social Change and *Fa'afafine* in Samoa by Jo Schmidt

14. Autochthonous Australian Syncretism by George Morgan

Midterm Conference

of ISA, RC 09 "Social Transformation and Sociology of Development" will be held in Beijing, China, 7th until 11th July 2004 during the 36th World Congress of the *International Institute of Sociology* organized by the Institute of Sociology of the Chinese Academy of Social Sciences: "Social change in the Age of Globalization".

We suggest the following three sessions:

Session chaired by Ulrike Schuerkens (University Paris V, France) with the title "Migration, Transnationalism and Social Transformation"

Session abstract: In this session, we are looking for papers which tackle the combined effects of international migrations and world development. During the last years, it became more and more evident that globalization characterizes more and more international migrations. New forms of interdependence, transnational societies, and regional cooperation transform the lives of millions of people, who are linking the future of states and societies. In the countries of the South, international migrations contribute to the development of these societies by remittances of migrants from the North to the South which play an important role in national and even international development plans.

World system theory considers international migrations as a structural consequence of the extension of markets into a global political-hierarchical system. With the extension of capitalism to ever greater parts of the world, growing parts of people are introduced into the global economy. International migrations followed the creation of global links between primary goods, labour and land. Some simple theses are resulting from this: international

migrations follow international capital movements, but in the opposite direction. The creation of ideological and material relations still complete these migration processes: colonialism, common languages, commerce, transport, mass media, and travel link and linked different regions of the world and let appear international migration flows into some core states. For many countries of the South, international migrations are one aspect of the social crisis which accompanies their integration into a global market, and their social and economic development. Since some years, it appears that migrant communities create networks that link regions of origin and those of immigration. Today, these transnational links contribute to changes of economic, social, demographic and cultural structures which put into question national identities. International migrations don't change only migrants themselves, but whole societies and their relations with each other.

For this session, we would like to encourage theoretical orientated case studies or theoretical reflections based on empirical facts linked to the research frame indicated above. Papers should include macro-sociological approaches and, when possible and appropriate, an historical perspective. Abstracts should be sent to the session chair until 31 December 2003: ulrike.schuerkens@caramail.com

Session chaired by Zaheer Baber (University of Saskatchewan, Canada): "Globalization, Culture and Communication"

Session abstract: Among the factors fuelling the process of globalization, there is no doubt that information and communication technologies are very significant. A wide range of Information and Communication Technologies have simultaneously emerged in response to and have contributed to globalization. As a consequence of the radical restructuring of time and space, the rapid mobility of icons, images and ideologies, there have been a number of cultural transformations at various levels. Papers presented at this session are expected to address these cultural transformations. Any cultural transformation, ranging from issues of identity, ethnicity, politics, civil society activism, economic processes, migration, diasporic communities etc. may be discussed as long as the connections between globalization and information/communication technologies is made explicit.

Abstracts should be sent to the session chair until 31 December 2003: zaheer.baber@usask.ca

Session chaired by Ulrike Schuerkens (University Paris V, France) and George Morgan (University of Western Sydney): "Globalization, Tradition and multiple Modernities"

Session abstract: In the last decade, our research activities have concentrated on micro-sociological analyses of socioeconomic, political and cultural transformations of local life-worlds through the continuing and intensifying processes of globalization. Our regional focus has been particularly on the non-western world, but it has also included a western comparative perspective. In the emerging contemporary world, two processes of social transformation increasingly and inextricably intertwine. On the one hand, there are universalizing processes of modernization and globalization, mostly of western origins, that are spreading all over the world. On the other hand, there are tendencies to maintain traditional life-worlds, attempting at keeping up the authenticity of their

cultures. The interaction of these processes results in varying forms of implantation of and adaptation to western modernity and non-western traditions, various forms of reaction and resistance to the imposition of the western model or various forms of dissolution and destruction of traditional life-worlds by the impact of the western civilization. In this session, we would like to bring together either theoretically informed case studies or empirically based theoretical reflections within this research framework.

Abstracts should be sent to the session chair until 31 December 2003: ulrike.schuerkens@caramail.com

And if our members and other scholars are interested, we will organize another general session with the title "Social transformation" which would permit to gather interesting papers which don't fit in the other sessions.

Abstracts and papers should be in English and should be formatted as text documents (Rich Text Format), containing no more than 500 words.

Registration fees prior to March 31, 2004: 190 USD - 200 USD

Registration fees from April 1, 2004: 240 USD - 250 USD.

Hotels from 11 USD (YMCA) to 120 USD (5 stars).

Tour & Travel: Great Wall, Forbidden City, Summer Palace, Silk Road, Shanghai, Tibet, etc. prior to, during, or after the Congress.

The weather in Beijing in July is hot, and sometimes there are rainstorms. The average temperature is around 25.5 °C (average high is 30.8 °C, average low is 21.5 °C).

Please have a look at the Conference website for further information:

<http://www.iis2003beijing.com.cn>

The e-mail address is: ios@iis2003beijing.com.cn

List of References on our Research Topics to be published on our Website

<http://www.princeton.edu/~nbandelj/RC09>

We ask our members to suggest interesting books or your own publications to be included in a list of references to be published on our website. This would permit interested scholars to have a quick look on our research topics. They may find useful this list of references for teaching or research projects in the field of Social Transformation and Sociology of Development.

News from our Members

We send our new secretary, Nina Bandelj our best congratulations on her recent PhD received at Princeton University, USA on the topic Foreign Direct Investment in Central and Eastern Europe. Furthermore, we wish to thank our former secretary Colin Mooers, Ryerson University, for his dedicated work on our Research Committee during the last years. We wish him much success in his activities as the Chair of the Department of Politics and School of Public Administration at Ryerson University.

We would be delighted to receive information on your current research projects, recent publications and teaching experiences in order to inform other members of RC 09 and to offer opportunities for scientific collaborations.

We kindly invite all interested scholars to join our RC 09. The membership fees for a four years period are 10 \$ US for countries of category C, 20 \$ US for countries of category B and 30 \$ US for countries of category A and thus really low in comparison to some other RCs. Payment is possible for two or four years. Members receive our Newsletter and can participate in our activities during conferences. Furthermore, you will benefit from our network on the topic of *Social Transformation and Sociology of Development*.

New and Recent Titles

Adelman, Jeremy (ed.) (1999) *Colonial Legacies: The Problem of Persistence in Latin American History*. New York: Routledge.

Arce, Alberto and Norman Long (eds) (2000) *Anthropology, Development and Modernity's. Exploring Discourses, Counter-Tendencies and Violence*. London and New York: Routledge.

Binsbergen, Wim van (1998) 'Globalization and Virtuality: Analytical Problems Posed by the Contemporary Transformation of African Societies', *Development and Change* 29, 873-903.

Black, Jan Knippers (1999) *Development in Theory and Practice. Paradigms and Paradoxes*. Boulder, Col.: Westview Press.

Bradshaw, York W. and Michael Wallace (1996) *Global Inequalities*. Thousand Oaks, Calif., London, New Delhi: Pine Forge Press.

Brandstetter, Anna-Maria and Dieter Neubert (eds) (2002) *Postkoloniale Transformation in Afrika*. Mnzster: Lit.

Goetze, Dieter (2002) *Entwicklungssoziologie. Eine Einfuhrung*. Weinheim & Munchen: Juventa.

Harmsen, Andrea (1999) *Globalisierung und lokale Kultur. Eine ethnologische Betrachtung*. Hamburg: Lit.

Hoogvelt, A. (2001) *Globalization and the Postcolonial World: The New Political Economy of Development*. Basingstoke: Palgrave.

Inglehart, R. (1997) *Modernization and Postmodernization: Cultural, Economic, and Political Change in 43 Societies*. Princeton, NJ: Princeton University Press.

- International Social Science Journal (1999) *Globalization*. LI, 160, 135-261.
- Kaiser, Markus (ed.) (2001) *Markt, Kultur und Gesellschaft: Zur Aktualitaet von 125 Jahren Entwicklungsforschung*. Hamburg: Lit.
- Kollmorgen, Raj and Heiko Schrader (2003) *Postsozialistische Transformationen: Gesellschaft, Wirtschaft, Kultur. Theoretische Perspektiven und empirische Befunde*. Wzrzburg: Ergon.
- Loimeier, Roman, Dieter Neubert and Cordula Weisskoeppel (eds) 2003 *Globalitaet im lokalen Kontext. Perspektiven und Konzepte von Handeln in Afrika*. Mznster: Lit.
- Long, Norman (2001) *Development Sociology. Actor Perspectives*. London and New York: Routledge.
- Martinussen, John (1999) *Society, State and Market: A Guide to Competing Theories of Development*. London, New York: Zed Books.
- Mense-Petermann, Ursula (2002) 'Kontinuität und Wandel. Zum Erklärungs-potenzial institutionalistischer Ansätze in der Transformationsforschung', *Berliner Journal fuer Soziologie* 2: 227-242.
- Nahavandi, Firouzeh (ed.) (2003) *Repenser le developpement et la cooperation internationale. ftaat des savoirs universitaires*. Paris: Karthala.
- Nederveen Pieterse, Jan (1998) 'My Paradigm or Yours? Alternative Development, Post-Development, Reflexive Development', *Development and Change* 29(4): 343-373.
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- Nolan, Riall W. (2002) *Development Anthropology. Encounters in the Real World*. Boulder, Col.: Westview Press.
- O'Riordan, T. (ed.) (2001) *Globalism, Localism and Identity: Fresh Perspectives on the Transition to Sustainability*. London: Earthscan.
- Schmidt, J. D. and J. Hersh (eds) (2000) *Globalization and Social Change*. London: Routledge.
- Schuerkens, Ulrike (ed.) (2003) *Social Transformations between Global Forces and Local Life-Worlds*. London: Sage and Double Issue of *Current Sociology*, 51, 3/4.
- Schulz, Manfred (ed.) (1997) *Entwicklung: Theorie - Empirie - Strategie*. Festschrift fuer Volker Luehr. Hamburg: Lit.
- Tetzlaff, Rainer (ed.) (2000) *Weltkulturen unter Globalisierungsdruck. Erfahrungen und Antworten aus den Kontinenten*. Bonn: Dietz.
- Thomas, Nicholas (1998) *Hors du temps. Histoire et Revolutionnisme dans le discours anthropologique*. Paris: Belin.
- Warnier, Jean-Pierre (1999) *La mondialisation de la culture*. Paris: fd. de la Decouverte.
- Wolf, Angelika and Viola Hšrbst (eds) (2003) *Medizin und Globalisierung. Universelle Anspraechе - lokale Antworten*. Mznster: Lit.
- Zdunnek, Gabriele (2003) *"Her-stories". Transformationsprozesse und geschlechts-spezifische Differenzierung in Nigeria und Ghana*. Mueenster: Lit.
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Social Transformations and Development in Post-Socialism: A Case of Foreign Direct Investment in Central and Eastern Europe

By Nina Bandelj

Introduction

On November 9th 1989, the Berlin Wall, which separated the socialist East from the capitalist West, fell. The fall symbolized what may be the most dramatic and revolutionary transformation of political and economic institutions in the twentieth century - the collapse of communist regimes and state-socialist economies. Because of their fundamental character these changes have been likened to a new great transformation (Polanyi 1944), no less because they have occurred at a time of profound changes in the character of the world economy.

The confluence of economic transformations in Central and Eastern Europe and the increasing economic globalization in the world is the object of inquiry in my dissertation research. I have two broad concerns. First, I am interested in how the economies in Eastern Europe have transformed over the first decade after the fall of the Berlin Wall. How has market based activity emerged and how do markets operate in post-socialism? Second, I am interested in what patterns the global economic exchange. How can we understand which national economies get more and which less integrated into the world economy? Studying the determinants of foreign direct investment in Central and Eastern Europe is a strategic research site that allows me to address both these concerns simultaneously.

Foreign direct investment (FDI) is investment made by a company in the investor country into a foreign, host country. It can take a form of acquisition of already existing host firms or establishment of new companies in the host country, referred to as greenfield investment. FDI is a crucial medium through which national economies become inter-connected on a global basis. Tracing FDI flows over the years signals the rise in the intensity of the global exchanges. In 1970, annual world FDI flows were a minimal \$12 billion. By the 1990, this figure was up to \$200 billion. In the following decade the FDI inflows increased dramatically to almost \$1.5 trillion (UNCTAD 2002).

Understanding the determinants of FDI is particularly significant for the transition countries of Central and Eastern Europe where “reforming the economy is the order of the day” (Offe 1991: 868). In this spirit, prominent international organizations have advocated FDI as an engine in the transition to market and a powerful force for integration of this region into the global economy (IMF 1997, UNCTAD 1998). Many experts suggest that, “without massive inflows of foreign capital, successful transition [from planned to market economies] in Central and Eastern Europe is unlikely” (Schmidt 1995: 268). As a catalyst in the transition from state socialism, FDI is reported to affect key macroeconomic indicators, such as the balance of payments and employment. Moreover, foreign investors bring financial, managerial, and technological resources that induce corporate restructuring in formerly state-owned enterprises (Meyer 1998).

Sociological Perspective on Economic Transformations and Development

While previous research on FDI emphasizes the importance of efficiency accounts based on individual rationality, my approach conceptualizes FDI as a relational social process. I argue that FDI flows and transactions not only depend on profit maximization imperative but are socially constituted and shaped by institutions, power struggles, social networks and cultural understandings.

How can we understand overtime variation in FDI flows into Central and East European countries? Some countries received substantial inflows early in the nineties, while others attracted only minimal FDI in the first decade of post-socialism. To address this question, I compiled a data set on eleven countries over a ten year period (1990-2000) to study whether it is economic or institutional and social factors that chiefly matter in determining FDI trends. Despite the emphasis of the previous research on the importance of economic characteristics, such as GDP or GDP growth or labor costs, and country risk ratings, my analyses show that these factors contribute little to explaining the FDI trends in Central and Eastern Europe. Rather, investors seem to be assured by the legitimacy granted to the East European countries after they sign European Union Agreements. In addition, the decisions of post-socialist states to sell strategic state monopolies to foreigners significantly shape the FDI trajectories across countries over time, creating turning points in the overtime trajectories.

Noting the significance of domestic state decisions to sell strategic property to foreigners, I conducted event history analysis estimating the hazard of states to engage in such actions. These analyses show that states' actions are not pressured by economic necessity of foreign debt or budget deficit but depend on the institutionalized organization of domestic economies (through privatization policies, for example), which reflect an effort (or lack thereof) to protect domestic ownership in the spirit of economic nationalism. Moreover, state decisions converge over time responding to pressures from the international institutions and attempts to emulate behavior of other transition countries. These analyses show that markets do not emerge by mere presence of self-interested actors once the party-state's control of the economy is disbanded. Rather post-socialist states play a crucial role in constructing markets by engaging as sellers of state-owned property. Their actions reflect the institutionalized alternatives for action available to political actors negotiating domestic interests and international pressures.

The value of the sociological perspective on economic processes is also substantiated in my analysis of FDI flows between Western investor countries and hosts in Central and Eastern Europe. While Germany and the United States are the biggest investors in the region, distribution of their investment varies significantly. Both Germany and the United States invest heavily in Hungary, but U.S. investment is much larger in Croatia and Poland, and Germany invests more in the Czech Republic and Slovakia. Among smaller investors, Estonia receives more than half of Sweden's investment into the region and Slovenia receives a similar proportion of Austria's investment. Australia invests in Poland, Croatia and the Czech Republic, but Asian and Latin American investments into the region are negligible.

To address this empirical variation, I constructed a data set on a sample of investor-host country dyads, pairing each of the eleven Central and East European countries with world's top investor countries. I compared and contrasted current approaches, which consider country characteristics as determinants of FDI, with a relational approach that emphasizes institutional, political, economic and cultural connections between investor and host countries as critical factors influencing the global economic exchange. Quantitative analyses of FDI flows between country dyads provide little evidence for the effects of country characteristics such as GDP, political risk or country policy. Political alliances, migration, trade and cultural relations between investors and hosts are found to have strong positive effects on FDI flows and they add considerably to explaining the cross-national variance in FDI between individual Central and East European countries.

To understand the country-level trends, it is also important to examine the actions of individual companies that engage in FDI transactions. While research at the national level provides evidence for the embeddedness of macro-economic processes, it cannot address the impact of political, cultural and network factors on firm transactions. Organizational evidence, however, is key to explaining the quantitative associations from the investor-host country dyads analyses and for understanding why certain FDI attempts in Central and Eastern Europe are accomplished while others fail.

I examine how social networks, culture, politics and institutions constrain and enable economic transactions and influence the realization of foreign investment attempts. Data for this analysis come from interviews with managers, news articles, company documents and statistics about cases of realized, unrealized and modified FDI attempts. The evidence substantiates that power struggles, political party alliances and relying on personal and business ties shape market activities. In addition, actors greatly differentiate between economic partners on the basis of cultural conceptions they have about different nationalities.

Overall, I empirically find that understanding economic processes in times of globalization and market transition in Central and Eastern Europe is substantially enhanced by the sociological perspective. But social forces do not only provide a context for economic action and exert constraints on profit-maximization. Rather, institutions, power and culture are inherent components of market operations and behavior. Paying attention simultaneously to the role of states, international institutions, political alliances, social networks and cultural understandings is crucial for explaining the variation in FDI in Central and Eastern Europe, and operation of markets more broadly.

Conclusion

This research contributes to the empirical study of the emergence of capitalism in Central and Eastern Europe. Transition from state-socialism to capitalism implies that redistributive arrangements are replaced with self-regulated market exchange. With the fall of state-socialism, many analysts expect the social, political and cultural forces in the economy to give way to profit-maximization market imperative. Instead, with my comparative

sociological approach - one that draws on a variety of data sources and methods of analysis - I find strong evidence for the social embeddedness of post-socialist economies.

Analyzing social transformations and development in post-socialism, I also find that individual countries of Central and Eastern Europe have restructured their economies in a variety of ways, which implies that there is no one way of market organization that produces more efficient outcomes and that there exist multiple paths to development. This speaks to recent research in political science and sociology, which examines the variety of capitalisms in advanced capitalist societies and tries to understand the different institutional arrangements that contribute to national economic development. I believe that those of us interested in social transformations and sociology of development have a chance to significantly contribute to this debate by providing a perspective not only from Western Europe but all parts of the world.

References

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Schmidt, Klaus-Dieter. 1995. "Foreign Direct Investment in Eastern Europe: State-of-the-art and Prospects." Pp. 268 -289 in *Transforming Economies and European Integration*, edited by Rumen Dobrinsky and Michael Landesmann. Aldershot, UK:Edward Elgar.

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We wish to all of you an enjoyable summer. We look forward to reading you soon.

This Newsletter was prepared by Ulrike Schuerkens and Nina Bandelj.