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**Influence of foreign private actors on political
decision-making in the Czech Republic: case
study of Japanese and German economic actors**

Master's thesis

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Study programme: Political Science – International Relations

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Year of the defence: 2019

Declaration

1. I hereby declare that I have compiled this thesis using the listed literature and resources only.
2. I hereby declare that my thesis has not been used to gain any other academic title.
3. I fully agree to my work being used for study and scientific purposes.

In Prague on 1st of May 2019

Petr Barták

References

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Abstract

Influence of non-state transnational actors on decision-making of sovereign states is one of the most important topics in the international relations discipline. Some academic approaches consider this influence as quite important. Others perceive it as only secondary. Economic actors are a specific case because they on one hand bring know-how, employment and economic growth. On the other hand, they decrease sovereignty of the host states. This thesis tries to uncover influence of the two strongest non-state transnational economic actors in the Czech Republic – German and Japanese Chambers of Commerce. The topic of lobbying of these actors in the case of lack of labor force in the Czech Republic was chosen because of its good empirics. The text also aims to test assumptions according to which bargaining power of such actors is influenced by geographical distance between the host state and home country of the transnational actor. This thesis also wants to address the general topic of influence of the transnational actors on states in the international relations, based on the findings of this case study.

Abstrakt

Rozsah vlivu nadnárodních nestátních aktérů na samosprávu suverénních států je jedna z nejdůležitějších otázek v disciplíně mezinárodních vztahů. Zatímco některé akademické proudy tento vliv staví do předních příček důležitosti, jiné ho považují za druhotný. Ekonomičtí aktéři jsou specifický případ, protože na jednu stranu s nimi přichází know-how, přinášejí zvýšení zaměstnanosti a ekonomického růstu. Na druhou stranu snižují suverenitu státu. Tato práce se snaží rozkrýt vliv dvou největších nestátních transnacionálních ekonomických aktérů v kontextu České republiky – Německé a Japonské Obchodní Komory. Jako empiricky dobře uchopitelný případ byl vybrán případ jejich lobbování při změnách legislativy u řešení problému nedostatku pracovních sil v ČR. Práce chce dále otestovat předpoklady, podle kterých je vyjednávací síla těchto aktérů závislá na geografické vzdálenosti od cílové země FDI. V závislosti na výsledcích zkoumání této případové studie se práce vyjádří i k obecné akademické debatě v mezinárodních vztazích ohledně vlivu nestátních aktérů na suverénní státy.

Keywords

Economic diplomacy, non-state actor in the international relations, bargaining power, lobbying, Czech-German Chamber of Industry and Commerce, Japanese Chamber of Commerce and Industry in the Czech Republic, lack of labor force in the Czech Republic

Klíčová slova

Ekonomická diplomacie, nestátní aktér v Mezinárodních Vztazích, síla ve vyjednávání, lobbování, Česko-německá obchodní a průmyslová komora, Japonská komora průmyslu a obchodu v České republice, nedostatek pracovních sil

Title

Influence of foreign private actors on political decision-making in the Czech Republic: case study of Japanese and German economic actors

Název práce

Vliv zahraničních soukromých aktérů na politické rozhodování v ČR: případ japonských a německých ekonomických aktérů

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Firstly, I would like to thank Mr. Lukáš Martin who is director of section of international relations at the Confederation of Industry of the Czech Republic. This thesis would not be possible to complete without his help. I would also like to thank the whole section of international relations of the Confederation of Industry of the Czech Republic and to all interviewed people who gave me their time and helped me tremendously. I am also grateful for Michal Parízek's invaluable insight during consultations.

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Diploma thesis project

Influence of foreign private actors on political
decision-making in the Czech Republic: case study
of Japanese and German economic actors



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Introduction to the topic

The academic debate about ability of non-state actors to influence the international relations is important even decades after it was introduced. This master thesis relies on theoretical background of neoliberal institutionalism and tests its premises.

Scholars such as Robert Keohane, James Rosenau, or Thomas Risse-Kappen came up with theories that tried to address previously unexplained phenomena in the international relations (Keohane, Nye 1972; Risse-Kappen 1994; Rosenau, Czempiel 1992). They acknowledged growing power on transnational actors and their influence over the international relations.

Transnational actors are heterogeneous group consisting of NGOs, interest groups, environmental movements, social movements and more. (Rosenau, Czempiel 1992). I am interested in the ability of non-state economic oriented transnational actors to influence the decision-making of a state.

This master thesis aims to research a case of Japanese and German economic actors influencing decision making of the Czech Republic in immigration policy. Japanese and German actors were chosen based on their geographical and cultural relations with the Czech Republic. The purpose was to find a diverse set of actors so that it is possible to derive generalizable results.

Both Japan and Germany have invested a lot of money in the Czech Republic. But they are geographically and culturally very diverse. Germany borders the Czech Republic and it is culturally close. It is natural that amount of investments is high. On the other hand, Japan is geographically and culturally distant. Despite the lack of networking opportunities, the investments are strong.

Both German and Japanese liquid capital holders try to legally influence the decision making of the Czech Republic. This master thesis researches roles of three main transnational actors from the given countries in the Czech Republic. Those are Japanese Chamber of Commerce and Industry in the Czech Republic (JapCham), Japanese External Trade Organization (JETRO), and Czech-German Chamber of Trade and Industry (GerCham). These organizations voice

preferences of hundreds of private companies. They are therefore considered to be transnational actors.

The matter of immigration policy was chosen for its political relevance and because it is empirically relatively accurately perceivable process. Researched actors are very active in the area of securing more labor force in the Czech Republic. It is possible to determine their involvement in lobbying and its impact on real changes in the legislation.

I believe that the topic of this master thesis is relevant for the international relations since it tries to offer a concrete research on the role of transnational actors in decision making of supposedly sovereign state. It pushes the debate about non-state actors in the field of international relations further.

Also, this master thesis has political implications. Question of lack of labor force in the Czech Republic and its mitigation via changes in immigration policy is one of the most important topics in the recent years. It directly hinders the economic development of the country and endangers future both foreign and domestic investments. Link between this political topic and IR layer is something that had not been previously researched.

Research target/Research question

This master thesis aims to find out whether there is a real influence of the transnational actors over the decision-making process in the Czech Republic. Several authors pointed out that the transnational actors became much stronger than during the Cold war and that they are able to set they own norms (Zumbasen 2011; Nölke, Graz 2007).

I will answer two research questions that are directed to the research topic.

RQ1: Do researched transnational actors have a real impact on decision-making in the Czech Republic in regard of immigration of the work force?

I aim to answer this question by reviewing changes in legislation that were caused by lobbying of the said Japanese and German transnational actors. I will compare information about lobbying efforts with real changes in the legislation.

RQ2: Are the German transnational actors more successful in achieving their lobbying goals than the Japanese ones in the case of influencing of the decision-making regarding immigration to the Czech Republic?

My theoretical premise comes from authors such as Tomz or Eising who speak of various ways for an actor to put a pressure on decision-making representative during negotiations. There are basically four options that might lead to a success – reliance on networking, offer of expert knowledge, support to career of the decision-maker, or threatening to move the capital elsewhere (Tomz 2002; Eising 2016).

I would like get an answer to this question by interviewing the representatives of JETRO, JapCham and GerCham. Also, I will confirm the information provided by consulting representatives of the Confederation of Industry of the Czech Republic.

Logic dictates that German transnational actors should have the strongest position, because they have an expert knowledge that influences the Czech economy, they have networking opportunities, and they can effectively move the capital do other neighboring country (Bouwen 2004; Eising 2016; Tomz 2002).

Both research questions should help me understand the ability of the researched actors to influence the decision-making of the Czech Republic regarding the immigration of labor force.

Literature review

This master thesis relies on theoretical assumption that non-state actors play an important role in forming structure of the international relations.

Majority of research conducted until the beginning of 70s gave most of the influence over the international relations to the hands of states. However, at the beginning of 70s, new theories started to emerge. The theory of transnationalism was established in “Transnational Relations and World Politics” (Keohane, Nye 1972). The authors criticize established theories (mainly realism) for not being able to fully explain reasons behind various events in the

international relations. Keohane and Nye pointed out that big part of international relations is influenced by interactions in which at least one actor is of a non-state nature. The authors also state that this transnationalism increases interdependence and decreases its sovereignty. They elaborated on this thought in their publication *Power and interdependence* (Keohane, Nye 1989).

Keohane and Nye therefore greatly contributed towards complex non-state centric theory in the international relations. Other authors (Mansbach, Vasques 1981; Mansbach, Fergusson 1976) supported this theory. Others (Bull 2002) acknowledged the existence of other important actors than states, but dismissed their supposedly shrinking influence over the IR. On the contrary, he emphasized ability of states to resist these new actors and retain its decision sovereignty.

The assumption that non-state actors play an important role in forming the order of the international relations came during 90s. The end of the Cold war meant an important shift towards a new understanding of power and influence. Daphné Josselin (Josselin 2001) perceives it as loss of importance of the states and increase in transnational interaction. Thomas Risse-Kappen (Risse-Kappen 1994) came up with an idea that contemporary IR theories have to be complemented with additional concepts that would reflect transnationalism.

Scholars in 90s (Rosenau, Czempiel 1992) brought a fresh concept of the New Transnationalism. Unlike transnationalism, the new transnationalism acknowledges wider variety of the non-state actors. Those are for example interest groups, social movements or NGOs.

Focus of part of the scholars in the new millennia (Zumbasen 2011; Nölke, Graz 2007) was aimed at the private transnational sector. Those actors now have a capacity of create rules that affect all the other actors in a part of the international relations.

This master thesis aims to develop an idea of private non-state actors having an important role in the international relations. They have power to influence the decision making of traditional actors in the international relations – the states.

The second basis for the assumption of the non-state actors being an important part of the international relations comes from academic literature that covers globalization.

The phenomenon of globalization started to be intensely studied during 90s. It is most widely identified as phenomenon that brings decrease in importance of states.

We can see that in work of authors such as Susan Strange, or Camilleri and Falk. These authors (Strange 1996; Mathews 1997; Keohane 1995) see the globalization as mark of decrease in sovereignty of states. Jessica T. Mathews points out that non-state actors historically played an considerable role in the world politics. She gives an example of The British East India Company.

Other authors (Hägel, Peretz 2005) believe that states have mechanisms that can mitigate the effects of globalization on their sovereignty. Such example can be state regulations. Michael Toms, Robert Gilpin and others debated around ability of states to influence the capital flows in a globalized world (Toms, 2012; Gilpin 2001). This master thesis works with an assumption that the globalization hinders sovereign states in implementing their will.

Conceptual and theoretical framework, research hypotheses

This master thesis relies on theoretical background of neoliberal institutionalism in the international relations. Transnational actors are perceived as a legitimate participant in the international relations (Keohane, Nye 1972; Mansbach, Vasques 1981 Keohane, Nye 1989). It is an instrumental case study that aims to redraw generalization. The goal is to test contemporary theoretical approaches towards the influence of transnational actors on a state level in context of the Czech Republic. Is their influence strong enough to have a real impact on the decision-making?

It is important to understand mechanisms and concepts of the economic negotiations. The negotiation in the investment field puts interests of investors against interests of the host country. The host state wants to get as many

investments as possible to ensure the economic growth. On the other hand, it does not want to accept demands of the investors (Tomz 2012).

The foreign actor might negotiate relying on help of personal contacts (networking), support of decision-maker's career (sponsorship of political campaign for example). It can offer an expert knowledge that might be useful in estimating impacts of new legislation (Bouwen 2004; Eising 2016) , or it can point out to a possibility that other countries have more friendly environment for investors and it can move capital there instead (Tomz, 2012).

This instrumental case study will work with several hypotheses that will assist in answering the research questions. All of them will be addressed in the empirical part of the master thesis.

Following two hypotheses are related to RQ1 – *“Do researched transnational actors have a real impact on decision-making in the Czech Republic in regard of immigration of the work force?”*

H1a: Researched Japanese and German transnational actors have realistic influence over the decision-making in the Czech Republic regarding immigration rules of the foreign laborers.

H1b: Researched Japanese and German transnational actors do not have realistic influence over the decision-making in the Czech Republic regarding immigration rules of the foreign laborers.

H1a will be confirmed if I find evidence that lobbying activities of the researched actors influenced a change in the Czech legislature regarding the immigration of the labor force.

H1b will be confirmed if I fail to find sufficient evidence that lobbying activities of the researched actors influenced a change in the Czech legislature regarding the immigration of the labor force. The result of my findings will be consulted with people who monitor the situation (Confederation of Industry of the Czech Republic).

The next three hypotheses reflect the RQ2 – “*Are the German transnational actors more successful in achieving their lobbying goals than the Japanese ones in the case of influencing of the decision-making regarding immigration to the Czech Republic?*”

H2a: Researched German transnational actors are more successful in influencing the decision-making in the Czech Republic in case of immigration of the labor force than the Japanese ones.

German actors have theoretically the best negotiating position since they have networking options (both negotiators attended the same university for instance), and they are not domestic actor which means that they can still move the capital to a different country. They can also offer the most valuable expert knowledge (Bouwen 2004; Eising 2016; Tomz 2002).

H2b: Researched Japanese transnational actors are more successful in influencing the decision-making in the Czech Republic in case of immigration of the labor force.

The presumption here is that since the Japanese are not closely connected to the Czech Republic, they can easily replace it for Poland for example. They have a real possibility to move capital elsewhere more easily than German actors (Tomz, 2002).

H20: Geographic distance and networking are not decisive factors in ability of the researched actors to influence the decision-making in the Czech Republic.

It is possible that factors mentioned above are not decisive in abilities of the researched actors to influence the decision-making of the Czech Republic at all. There may be unforeseen circumstances that influence the researched process. I want to address this possibility in this null hypothesis.

Empirical data and analytical technique

The main value added of this instrumental case study is its empirical part. This part will work with primary sources mainly. Those will be gathered from direct participants of the researched process of influencing decision making of the Czech Republic regarding immigration laws. It will be possible thanks to my strong contacts in international relations section in the Confederation of Industry of the Czech Republic. Therefore, I am able to meet the relevant people.

I will ask three or four question at these meetings. Those will lead to answering my research questions and confirming or denouncing the hypotheses. The questions will try to uncover how and why the actor participated in attempts to influence the decision making process in question. I will also try to find out if these attempts were successful and what tools the actor has to achieve its goal (Bouwen 2004; Eising 2016; Tomz 2002).

I will meet representatives of the Japanese Chamber of Commerce and Industry in the Czech Republic, Japanese External Trade Organization, and Czech-German Chamber of Trade and Industry. Furthermore, I would like to meet representatives of the Czech Republic who have foreign investments in their work agenda. Those would be the commercial councilor at the embassy of the Czech Republic in Tokyo and representative of the Czech Invest in Japan.

In order to verify accuracy of the information provided during the meetings, I will consult the findings with the employer section and section of the international relations in the Confederation of Industry of the Czech Republic. These specialists monitor the development of the immigration policy regularly and they are directly in touch with all three researched transnational actors.

I will use qualitative approach in this master thesis. The information I will work with will come from the meetings mentioned above, from databases of the Ministry of industry, the Ministry of the Interior, the Confederation of Industry of the Czech Republic etc.

Planed thesis outline

- a) Short introduction to the topic
- b) Literature review and theoretical framework
- c) Research design
- d) Empirical part A (introduction to the interviews and people who were interviewed)
- e) Empirical part B (analysis of the information gathered)
- f) Conclusions of the empirical part and generalization of findings

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List of abbreviations:

AmCham = American Chamber of Commerce in the Czech Republic

FDI = foreign direct investment

GerCham = Czech-German Chamber of Industry and Commerce

GPE = global political economy

IGO = intergovernmental organization

IPE = international political economy

JETRO = Japanese External Trade Organization

MNCs = multinational corporations

NGO = non-governmental organization

Shokokai = Japanese Chamber of Commerce and Industry in the Czech Republic

SPČR = Confederation of Industry of the Czech Republic

TNA = transnational actor

Introduction

Discipline of international relations covers mainly the interactions between states, international institutions and their representatives. Private actors such as multinational corporations and their influence on states are covered as well, but not to the same degree.

Since Keohane's and Nye's revolutionary books on non-state interaction in international politics in the 1970s', the world changed a lot. The general trend is in favor of more free trade, increasing *interdependence*, and globalization with all its advantages and disadvantages. *Foreign direct investments* (FDI) form a strong force that boosts economic growth of countries. Governments are generally interested in having as much economic growth as possible. Investors would like to get the best possible deal for their FDI as they can get. Since they can offer potential economic growth, know-how, and employment, do foreign transnational actors nowadays have efficient influence over state's decision-making?

This thesis presents three research questions that aim to uncover influence of two of such actors – the Japanese Chamber of Commerce and Industry in the Czech Republic, and the Czech-German Chamber of Industry and Commerce. As representatives of countries with two highest shares of foreign direct investments (FDI) in the Czech Republic, their lobbying activities in the country should be strong. Main point of this thesis is to examine whether the researched actors have influence on decision-making of the Czech Republic in a case of legislative changes regarding lack of labor force in the country. The secondary motive is to

offer a generalizable comment about the influence of non-state actors in the international politics.

The thesis presents two additional research questions. These are connected to the relationship between geographical distances and *bargaining power*. In geographical relation to the Czech Republic, Japan and Germany represent two extremes of a scale. While Germany is situated very close, Japan is located very far away. German actors are in theory in lobbying advantage, because they can utilize closeness of Germany and the Czech Republic to improve networking power that can be translated to better lobbying opportunities. On the other hand, Japanese actors can in theory leave the Czech Republic more easily if the Czech environment ceases to be advantageous for them. Therefore, they can use the *exit* option in bargaining.

The qualitative approach based on relevant texts and interviews with representatives of the researched actors as well as representatives of Czech institutions serve as a backbone for this paper. It is expected that findings of this thesis (especially the main research question) will offer possibilities of generalization regarding influence of *non-state transnational actors* on state's decision-making.

There is a slight difference between the project of this thesis and its final version. The reason is that the project was submitted in very early stages of research and it was necessary to adjust the research questions and the hypotheses to better reflect the researched case. Especially research questions and hypotheses are formulated more clearly. However, overall theme of the thesis was not changed.

1. Literature review and theoretical premises

1.1 Role of *non-state actors* in the international relations

The topic of this thesis is the influence of *non-state transnational actors* (TNAs) in the international relations. It is therefore necessary to at least touch the debate around their influence before moving to concrete academic approaches that cover *foreign direct investments* (FDI), multinational corporations (MNCs), and *bargaining power*.

This section briefly introduces evolution of the *non-state actors* being an important player in the international politics. Major theoretical IR schools and their view on the topic are introduced, and it is shown how the perception of the *non-state* actors in the IR changed over time (reflecting events and trends in the world politics). Special attention is given to Keohane's and Nye's contribution for the topic of the *non-state* actors in the IR.

Various international relations theories view the *non-state* actors differently. *Realism* rarely acknowledges their importance. *Liberalism* gives them a lot of credit. *Neorealism* puts them

to the field of *low politics*.¹ *Neoliberal institutionalism* perceives them as important actors but inferior to states that play dominant role in the IR.² The *non-state* actors play a role in *constructivism* as well.

The degree to which these actors are able to influence the decision-making of a sovereign state is neither uniform nor clear. IR scholars also offer different interpretations of this phenomenon. The influence of the *transnational actors* over the state is generally determined by the ability of a state to control its territory, and by level of international institutionalization. The more decentralized the state and the more institutionalized the international society, the easier it is for the transnational actors to influence the state's decision-making.³

1.1.1 Critique of state-centric approach in the international relations

Realism was a dominant theoretical approach in the international relations until the end of 1960s' and beginning of 1970s'. Changes in the international system instead of academic debate brought innovative approach, one being the Cuban missile crisis, and the other one being the Vietnam War. *Realism* had difficulties in explaining why a hegemon such as the United States failed to use their military and economic superiority over Vietnam at the negotiation table for instance.⁴

The first two great debates in the international relations did not deal with question of who should be considered as an actor in the international politics. 1970s' were crucial for new understanding of the role of *transnational actors* in the international relations. World's economic problems called for more versatile approach in the international relations. *Liberalist* ideas seemed to be able to address such issues.

Economic shocks in the 70s' also contributed to different understanding of interactions between states. Part of the academic discourse claimed that the relations are much more complex than diplomatic and armed confrontations. Economic ties can be very strong and therefore decision of one actor can strongly influence the other. Academic debate in the 70s' pointed out that state's security is therefore also determined by actors that are not under direct governmental control.⁵

While *realists* claimed that state is the only actor in the international politics, the said period suggested that this scenario is less and less likely to be the whole picture. Apart from increased significance of the international organizations, a new type of actor gained

¹ Stanley Hoffmann, "Obstinate or Obsolete? The Fate of the Nation-State and the Case of Western Europe," *Daedalus* 95, no. 3 (1966): 164.

² Robert O. Keohane, "International Institutions And State Power: Essays in International Relations Theory," *Westview Press*, 1989, 8.

³ Thomas Risse-Kappen et. al., *Bringing Transnational Relations Back In: Non-State Actors, Domestic Structures and International Institutions*, (Cambridge: Cambridge University Press, 1995), 6-7.

⁴ Chris Brown, *Understanding International Relations*, (London: MacMillan Press LTD., 1997), 41.

⁵ John Baylis, and Steve Smith, *Globalization of world politics*, (Oxford: Oxford University press, 2001), 427.

importance – *multinational corporations* (MNCs). Of course, private firms existed before, but these new ones were unique for scale of their production and reach of markets they targeted. The international relations were affected by these changes.

The biggest merit of *liberalism* was the fact that it addressed issues *realism* did not. Phenomenon such as role of *non-state* actors in the IR, importance of norms, or significance of interdependence became at least partly covered.⁶

Book titled *Transnational Relations and World Politics* by Keohane and Nye (1971-1972) proved to be a turning point in understanding the international politics. This collection of essays does not necessarily introduce a brand new theory, but challenges the *realist* discourse by providing an alternative view on the international relations that was based on state-centrism.

That text meant an important push towards extending the concept of being an actor in the international relations to more subjects than just states. Keohane and Nye identified transnational relations as regular interactions in the international relations where at least one of the actors is not a sovereign state. Thus, they contributed greatly to scholarly debate in the international relations. Interactions between states are very complex and they are not limited to diplomacy and military power. States can suffer a lot of damage just from moves that harm their economy.⁷

The book assumes that interactions between states are not always the most important ones in the IR. A lot of international interactions are made by the *non-state actors*. States do not have abilities to completely control them. The authors focused on a role of revolutionary movements, trade unions, scientific networks, air transport cartels, multinational business enterprises and more.⁸ They pointed out that for example *foreign direct investments* (FDI) also greatly influence *interdependence* and give investing actors motivation to move to new markets. Keohane and Nye state that FDI can create quasi-monopoly which is lucrative for any company.⁹

Neorealists came with their own response to growing importance of the *non-state actors*. Hedley Bull identified transnational organizations as actors whose influence stretches across borders. Their goal is to disregard regional boundaries and connect various national societies. He included multinational business corporations, universal political movements, NGOs, religious groups, and inter-governmental agencies into this category.¹⁰ But with the same breath, he added that these actors are under factual direct control of national states, namely by the United States.

⁶ Baylis, and Smith, *Globalization*, 163.

⁷ Robert O Keohane and Joseph S. Nye, *Transnational Relations and World Politics*, (Cambridge: Harvard University Press, 1981), 26.

⁸ Keohane and Nye, *Transnational Relations*, XI.

⁹ *Ibid.*, 37.

¹⁰ Hedley Bull, *The Anarchical Society*, (New York: Palgrave, 2002), 260.

This view agrees with Keohane's and Nye's claim that the new transnational actors have origins in developed world. However, Hedley Bull rejected the idea of states being undermined by the transnational organizations. According to him, states still control range of activities of the multinational organizations in the state's sovereign territory.¹¹

Even though several authors did not agree with Keohane's and Nye's point of view, their book established a solid foundation for scholars who started focusing on the *non-state actors* as being regular and important part of the international relations.

While the book *Transnational Relations and World Politics* opened several important questions in the IR, Keohane's and Nye's book *Power and Interdependence* started to develop proper theory covering these observations. They do not claim that their statements are applicable everywhere in the world. But the goal was to disregard the *realist* claim of being the ultimate theory of the international relations that explains everything.¹²

Keohane and Nye perceive the *interdependence* as complex alternative to *realist* notion of traditional struggle between states. They talk mainly about *interdependence* between states, but the *non-state actors* are also taken into account. Both the governments and the *non-state actors* such the multinational corporations seek to increase their gains, usually on expense of others.¹³ But it is important to point out that *realist* notion of importance of the state and its military power is still valid for the *interdependence* theory.

They also point out that the *interdependence* might not always be symmetric. Actors that are less dependent on their counterpart might use such advantage to gain additional *bargaining power* and therefore get more benefits from their asymmetric relationship.¹⁴ State is vulnerable due to external factors in areas that are not covered by *realism*. This vulnerability differs depending on the specific state, economic and political situation, and time period.

It can be said that the *interdependence* runs alongside traditional *realism*. There are lots of interactions between states and the *realist* ones are only part of them. None of these connections have ultimate priority over the others. The importance may shift over time and according to various circumstances.¹⁵

It may seem that in *interdependence* between state and the *non-state actor*, the state has stronger *bargaining power* because it controls its own armed forces and can sovereignly issue new laws. Keohane and Nye claim such idea as being only partially valid. They give an example of bargaining between Canada and the United States. The USA have far stronger military which had very small effect during the negotiation. Canada however can use its

¹¹ Bull, *The Anarchical Society*, 262.

¹² Brown, *Understanding International Relations*, 43.

¹³ Robert O Keohane and Joseph S. Nye, *Power and Interdependence*, (Longman, 2001), 387.

¹⁴ Keohane and Nye, *Power and Interdependence*, 9.

¹⁵ Brown, *Understanding International Relations*, 43.

economic strength (mainly oil export).¹⁶ Possibility of armed conflict between the two is simply low, so military superiority plays negligible role.

Various authors decided to test these new assumptions about role of the *non-state actors* in the international relations. Richard W. Mansbach and Yale H. Ferguson in their *The web of world politics: nonstate actors in the global system* analyzed interactions between states and non-state actors between 1948 and 1972. They concluded that around 50% of them included at least one *non-state* actor and around 10% excluded traditional state actors entirely.¹⁷

1.1.2 Role of non-state actors in the IR in context of neoliberal institutionalism

Situation in the world politics in 80s' was not in favor of transnational understanding of the international relations.¹⁸ There was a certain increase in tension between the Eastern and Western blocks. *Détante* seemed to be an outdated concept. The states were the major power that influenced the international relations. The idea that sovereign governments are just among many other actors did not look as perspective as in the 70s'. The *non-state actors* seemed to be less important compared to the *high politics* at the time.

Neoliberal institutionalism emerged as an answer to *pluralism*. The problem with *pluralism* was that there were only few scholars who actually identified themselves with it. *Neoliberal institutionalism* became quite a popular theory that attracted several influential thinkers such as Keohane, Axelrod, Oye and Nye.¹⁹ It was also widely accepted in a number of North American universities.

The most important reform of *pluralism* was the shift towards state being the key actor in the international relations. However, other actors exist as well, and their influence is not trivial. Robert Keohane in *International Institutions and State Power: Essays in International Relations Theory* (1989) explained the relationship between states and the *non-state actors* as the *non-state actors* being subordinate.²⁰

Neoliberal institutionalism agrees with *realism* in a matter of the notion of anarchy. International system is based on it, but it does not mean that there is no room for cooperation, or that the cooperation is not desired or even possible. *Neoliberal institutionalism* disagrees with *realism* in the case of *absolute gains* versus *relative gains*. *Neoliberal institutionalism* claims that state will cooperate even if it gains less profit than "the opponent".²¹ In other words, *absolute gains* are favored instead of *relative gains*.

The most prominent case for *neoliberal institutionalism* is the European integration project. The theoretical idea is that states will give up absolute control over some of their resources

¹⁶ Keohane and Nye, *Power and Interdependence*, 16.

¹⁷ Richard W. Mansbach and Yale H. Ferguson, *The web of world politics : nonstate actors in the global system*, (Prentice Hall, 1976), 276.

¹⁸ Ken Booth and Steve Smith (EDS.), *Současné teorie mezinárodních vztahů*, (Barrister and Principal, 2001), 34.

¹⁹ Baylis, and Smith, *Globalization*, 176.

²⁰ Keohane, "International Institutions: Essays", 8.

²¹ Charles W. Kegley, *World Politics, Trend and Transformation*, (Belmont: Cenrage Learning, 2009), 37.

and even sacrifice a portion of their sovereignty in order to create functional international community that would address regional problems and promote economic growth.²² Free trade is not viewed as guaranteed cooperation, but it facilitates the process of it. Cooperation is not perceived as natural state, but as a result of work of international institutions and influential individuals.²³

To this day, *neoliberal institutionalism* is considered to be the most successful alternative to the *realist* and the *neorealist* thinking.²⁴ Even though it considers state as the most important actor in the IR, it gives credit to the *non-state actors* as well.

1.1.3 Non-state actors as legitimate part of the international relations

Scholars slowly started asking the question of “how do the *non-state actors* influence the IR” instead of “if they influence it” after the 1970s’ and 1980s’. Academic literature divides the *non-state actors* into two groups. The first one being those that were created by states and fulfill agenda set up by the governments. These are classified as international intergovernmental organizations (IGO). There are hundreds of them today and their main purpose is to cover areas where states have limited ability to successfully operate.²⁵ Discourse of IR scholars agrees that not even the most powerful governments have full control over the IGOs.

The second one consists of truly *non-state actors* that exist independently on the governments. At the beginning of 1990s’, there were around 23 thousand NGOs worldwide.²⁶ This number grew ever since. Today, there are around 40 thousand NGOs that operate internationally.²⁷

The end of the Cold War further weakened the *state-centric* approach in the IR. The states ceased to be as important as in the era of tension that threatened to start a large scale war with possible use of nuclear bombs. Thomas Risse-Kappen counters apparent decrease in focus on the *non-state actors* from prior years in collections of essays *Bringing transnational relations back in*.²⁸ This book contains many examples of how the *interdependence* and the *non-state actors* shape the international politics as well as domestic policy.

The end of the Cold War reopened IR debate about importance of the *non-state actors* in the international politics. This debate was also influenced by notion of *globalization* and its supposed growing effects on the world’s economy and the international relations. Academic

²² Baylis, and Smith, *Globalization* 189.

²³ *Ibid.*, 177.

²⁴ *Ibid.*, 189.

²⁵ Muhittin Ataman, “The Impact of Non-State Actors on World Politics: A Challenge to Nation-States.” *Alternatives: Turkish Journal of International Relations* 2, no. 1 (2003): 43. https://www.researchgate.net/publication/255597716_The_Impact_of_Non-State_Actors_on_World_Politics_A_Challenge_to_Nation-States.

²⁶ Seyom Brown, *New forces, old forces, and the future of world politics*, (New York: HarperCollins, 1995), 268.

²⁷ „NGO,” NGO, accessed January 30, 2019, <http://www.ngo.in/>.

²⁸ Risse-Kappen et. al., *Bringing Transnational Relations Back*, 4.

literature covering the *non-state actors* in the IR eventually adjusted itself to debate about *globalization*.²⁹

The previous debate of the *state-centric* vs. *non-state centric* theories is replaced by coverage of interactions between states and the *non-state actors*. These interactions are analyzed with globalization in mind.³⁰ Gilpin claims that *globalization* became the most important part of the world economy after the end of the Cold War. However, he argues that this phenomenon is quite overrated since absolute majority of changes in the global economy is caused by decisions of national governments.³¹

Contemporary scholars rarely deny existence and influence of the *non-state actors* in the international relations. They differ in their view on these actors' importance though.³² Since the 1990s', the *non-state actors* in the international relations are mostly seen as being active in the context of *global governance*, although states are still perceived as the main actors.³³ They even have influence over political systems in some countries. States no longer wait for support of their "home" country in FDI negotiations. They became more independent. Some say that their influence might sometimes be stronger than the one of the national states.³⁴

1.2 Role of multinational corporations and foreign direct investments in the international economy and the international relations

This section covers development of the academic debate that led to formation of the *international political economy* (IPE) and the *global political economy* (GPE). MNCs are covered in more detail and their influence on national states and global governance is explained. Also, the concept of bargaining power and factors that influence it are introduced. In this section, all three research questions of this thesis are also presented and linked to relevant literature.

1.2.1 International political economy and global political economy:

Emancipation of the *non-state actors* in the international relations academic debate eventually led to development of new theoretical approaches that aimed to better interpret changes in the world politics. *International political economy* (IPE) was created as such mean.

Scholarly fusion between politics and economics was not very common before the 1970s'. Even though *mercantilism* and *marxism* connected these two fields centuries ago, larger part

²⁹ Thomas Kappen, "Transnational Actors and World Politics" in *Handbook of International Relations*, edited by Walter Carlsnaes, (Los Angeles: SAGE, 2013), 430.

³⁰ Kappen, "Transnational Actors", 431.

³¹ Robert Gilpin, *Global Political Economy, Understanding The International Economic Order*, (Princeton: Princeton University Press, 2001), 3.

³² Compare concepts of high/low politics in neorealism with neoliberal institutionalism for example.

³³ Kappen, "Transnational Actors", 442.

³⁴ John M. Stopford and Susan Strange, *Rival States, Rival Firms: Competition for World Market Shares*, (Cambridge: Cambridge University Press, 2009), 4-10.

of the 20th century neglected this approach. Joan E. Spero blames *liberalists* for creating this misconception.³⁵ She says that they strictly divided economy and state. Economic agenda became domain of private actors, not a state. *Neorealists* on the other hand divide IR into *high* and *low politics*. Economic topics and *global governance* are included to the *low politics* according to them.^{36 37}

Several scholars started to connect economy and international politics in the 1970s'. It was Susan Strange who greatly influenced academic debate about the connection between economics and IR in her article *International Economics and International Relations: A Case of mutual neglect* (1970).³⁸ There is way in which politics influence economics and in which economics influence politics.

In her book *The Politics of International Economic Relations* (1990), Joan E. Spero in her book looks at the former. She goes through history and searches for explanations and examples. States eventually became responsible for economic well-being which was reflected in their policies. Spero covers environmental issues, international finance, free trade policies vs. protectionism, oil policies and more.³⁹

According to Robert O'Brien and Marc Williams, there are three most important actors that directly or indirectly influenced the IPE. These three scholars are Susan Strange, Robert Keohane, and Robert Cox.⁴⁰

Susan Strange is perhaps the most influential representative of the IPE approach which is characterized as being *realist* by some academic authors.⁴¹ But she can be perceived as being *marxist* because of her emphasis on the decreasing role of state. She often utilizes some *liberal/neoliberal* aspects in her work (for example the influence of MNCs, technological progress or power of markets). She even openly criticized old approaches that were based on studies of regimes and ignored economic issues.⁴²

Strange repeatedly emphasized the interdisciplinary nature of the IPE. According to her, IR scholars should not ignore economic questions and economists should not ignore the notion of power.⁴³ Her book *States and Markets* (1988) covers relationship between states' power

³⁵ Joan E. Spero, *The Politics of International Economic Relations*, (New York: St. Martin's Press, 1990), 1.

³⁶ Brown, *Understanding International Relations*, 145.

³⁷ Hoffmann, "Obstinate or Obsolete?": 164.

³⁸ Susan Strange, "International Economics and International Relations: A Case of mutual neglect." *International Affairs* [online]. 1970, 46(2), 309, 315.

³⁹ Spero, *Politics of International Economic Relations*, vii-viii.

⁴⁰ Robert O'Brien and Marc Williams, *Global Political Economy: Evolution and Dynamics*. 4th ed. (Basingstoke: Palgrave Macmillan, 2013), 25-26.

⁴¹ O'Brien and Williams, *Evolution and Dynamics*, 25-26.

⁴² Susan Strange, "Cave! Hic Dragones: A Critique of Regime Analysis." *International Organization*. 1982, 36(2): 479-480.

⁴³ O'Brien and Williams, *Evolution and Dynamics*, 26-28.

and markets. She introduced her categorization of power in the world economy (security, production, knowledge and financial structures).⁴⁴

Robert Keohane is associated with the *neoliberal institutionalism*, but he had major influence on the IPE as well. Apart from *Power and Interdependence* (1977)⁴⁵, his book *After Hegemony* among other things used economic-based theories to explain the behavior of governments/states. He linked concept of negotiations between MNCs to interactions between states. When one party is not sure about the other party's true intentions, it is difficult to cooperate. In other words, he connected economic models and *rational choice theory*.⁴⁶ The impact of this book paved the way for methodology of rational choice in the American IPE.⁴⁷

Robert Cox influenced IPE from the *marxist* perspective. He claimed that *hegemonic power* is linked to economic, social, political, and cultural influence as well instead of just military dominance.⁴⁸

The IPE started in Western universities as a normal course and evolved into a legitimate IR discipline. The main target of the research became an influence of MNCs, international finance, and international trade.⁴⁹ Robert Gilpin claims that the difference between *neoclassical economics* and the *international political economy* is that the IPE has wider scope and does not limit itself only to economic efficiency. It develops the notion of mutual benefits of trade and of distribution of goods and capital acquired this way.⁵⁰ Several authors such as Joseph M. Grieco⁵¹ or David A. Baldwin⁵² cover this relationship in greater detail.

As stated above, the *international political economy* is related to both economics and international relations. As such, theoretical approaches in the IR have influence on the IPE. Robert O'Brien and Marc Williams describe the IR perspectives in the IPE in their book *Global Political Economy – Evolution and Dynamics*⁵³:

When interpreting the IPE, there are several approaches that are based on the IR theories. The first one is the economic nationalist perspective. *Economic nationalists* acknowledge the importance of MNCs but they claim that these actors are subordinate to states. It is primarily state interest that drives MNCs' activities. *Economic nationalism* works with an assumption

⁴⁴ Susan Strange, *States and Markets*, (2nd ed. London: Continuum, 1994), 43-119.

⁴⁵ See in previous chapters.

⁴⁶ Robert O. Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy*, (Princeton: Princeton University Press, 2005), 244-245.

⁴⁷ O'Brien and Williams, *Evolution and Dynamics*, 30.

⁴⁸ Ibid.

⁴⁹ O'Brien and Williams, *Evolution and Dynamics*, 1.

⁵⁰ Gilpin, *Global Political Economy*, 77.

⁵¹ Joseph M. Grieco, *Cooperation Among Nations: Europe, America, and Non-Tariff Barriers to Trade*, (New York: Cornell University Press, 1993), 27-51.

⁵² David A. Baldwin, *Neorealism And Neoliberalism: The Contemporary Debate. New Directions In World Politics*, (New York: Columbia University Press, 1993), 209-211.

⁵³ O'Brien and Williams, *Evolution and Dynamics*, 16-22.

that gain of one state means a loss for another state. Therefore, we can use the zero sum game.

The second perspective described by O'Brien and Williams is based on *liberalism*. *Liberalists* acknowledge much more actors (state, MNCs, interest groups etc.). IR are formed by *interdependence* instead of *anarchy*. State is not unitary, but it is formed by multiple interests. Instead of the *zero sum game*, they use the *positive sum game*.

The third perspective originates in the *critical tradition* in the international relations (*marxism, feminism, environmentalism*). *Marxist* theories focused on class interest rather than on state. *Feminist* theories cover the role of men and women and its impact on society. *Environmental* theories cover the impact of humans on the environment and vice versa.

The IPE also covers the topic of national autonomy in a world with increasing level of interdependence. As Gilpin says in his *Global Political Economy* (2001):

*"At the same time that states want the benefits of free trade, foreign investment and the like, they also desire to protect their political autonomy, cultural values, and social structures."*⁵⁴

In other words, states try not to grant MNCs too many benefits because it would weaken their sovereignty.

The other side (behavior of MNCs to national state) is covered by Joan Edelman Spero. She says that there is enough evidence to state that MNCs actively influence political process in host countries, mainly in the developing ones. Such influence can be official or unofficial. Legal ways include lobbying to influential people or institutions, or financial contributions for political parties and PR campaigns.⁵⁵ ⁵⁶Illegal one is for example bribery. Alternatively, MNCs may decide to ignore rules made by the host country counting on limited enforcement capabilities.⁵⁷

⁵⁴ Gilpin, *Global Political Economy*, 80.

⁵⁵ Spero, *Politics of International Economic Relations*, 123.

⁵⁶ John Ravenhill, *Global Political Economy*, 5th edition, (Oxford: Oxford University Press, 2017), 319.

⁵⁷ Spero, *Politics of International Economic Relations*, 124.

The topic of influence of the *non-state actors* on decision-making of states is a very broad concept. Answering it in broader scope is not possible in this thesis. Instead, the text takes a specific example of *transnational non-state actors* (TNAs) in the Czech Republic and tries to uncover the influence of such actors on the decision-making process in a specific case that is empirically easily graspable – the change of legislation due to lack of labor force in the country. The main general research question is posed as:

RQ1) Do TNAs in the Czech Republic have influence on its policy-making?

As an instrumental case study, this thesis makes an aspiration to at least contribute to broad academic question of influence of the *non-state actors* on national state by answering similar question from the Czech environment.

Global political economy (GPE) was created to address this connection between these approaches with ambition to become an independent discipline independent on the international relations. These three perspectives reflect scholar's interpretation of facts and can therefore cloud perception of facts. Unlike the IPE, the GPE does not revolve around the state and its position in the IR. Ronen Palan et al. cover development and theories in the GPE in their collection of essays *Global Political Economy, Contemporary theories*. The GPE normally perceives actors as being rational. However, there is also a tendency of seeing them as post-rational. They are not seen as direct "machines" for improving their own position, but as complex entities that pursue additional (originally unseen) motives.⁵⁸

1.2.2 Multinational corporations (MNC) in the international relations:

Multinational corporations (MNCs) are among the most visible *non-state actors* in the IR, and also among the most covered in the academic literature (in category of *non-state actors*). They typically perform a lot of activities in developing states, although their presence in the developed world is also significant. The rise of MNCs and their *foreign direct investments* (FDI) is associated with the 1970s' when they acquired solid position in developing countries, and the term *globalization* started to be commonly used.⁵⁹ However, they "rediscovered" the developed world in the 1980s' when the governments were offering various benefits because they desired an improvement to state's economic conditions.⁶⁰

Thomas Risse perceives the MNCs and the *non-state actors* in the IR in general as having both strong impact on interstate relations, and a say in the *global governance*.⁶¹ On the

⁵⁸ Gilpin, *Global Political Economy*, 15.

⁵⁹ Gilpin, *Global Political Economy*, 7.

⁶⁰ Ibid., 6.

⁶¹ Kappen, "Transnational Actors", 427.

other hand, Paul R. Krugman and Maurice Obsfeld denounced the importance of FDI by saying that FDI's effect on the world economy cannot be distinguished from the one of the international trade.⁶² Only few people would question their importance in the world. Some authors (E. Peterson) even claim that they are the most important aspect of the world economy.⁶³

Alvin Bennett (1991) says that increase in movement of goods, services and people worldwide directly increased *bargaining power* of MNCs when dealing with states.⁶⁴ Lynn Miller (1985) found evidence that traditional sovereign states are over time less and less able to regulate their own private sectors.⁶⁵ That gives more opportunities for MNCs.

The most powerful of them operate with more capital than some states. They are typically difficult to hold accountable for its violation of law because they do not wholly belong under jurisdiction of one state. They can have enormous influence over economy, which gives them power.

MNCs are perceived as a sign of *economic liberalism* and vanguard of decrease of power of states.⁶⁶ However, critique also claims that even though *multinational corporations* have the ability to help developing states economically, they usually have a close relationship with their home government. Seyom Brown (1995) points out, that less developed states are in danger of losing control over their own economy because of the power of MNCs that are connected to their home governments.⁶⁷ He gives an example of Turkey that was forced to buy weapons only from the USA. An importance of role of MNCs in contemporary world is undeniable. They have the power to enhance or undermine the policy of their home state.⁶⁸

Kenichi Ohmae predicted that MNCs will eventually evolve into a perfect global citizen largely thanks to virtually disappearing borders.⁶⁹ Every case of MNCs and its activities in a country is unique and derived from the relationship of MNCs to local government, the situation in the county, the nature of MNCs, the economic situation around the world and such.⁷⁰

In 1990, Strange and Stopford published *Rival States, Rival Firms: Competition for World Market Shares*. The book focuses on the *non-state actors* and their impact on development

⁶² Paul R Krugman, *International Economics, Theory and Practice*, 10th ed. (Boston: Pearson, 2015), 162-163.

⁶³ Erik Peterson, "Looming Collision of Capitalisms?," in *New forces in the world economy*, ed. Brad Roberts (Cambridge: MIT Press, 1996), 5.

⁶⁴ Alvin LeRoy Bennet, *International organizations : principles and issues*, (Englewood Cliffs : Prentice-Hall, 1991), 264.

⁶⁵ Lynn H. Miller, *Global Order: Values and Power in International Politics*, (Boulder : Westview Press, 1985), 66-67.

⁶⁶ Ataman, "A Challenge to Nation-States.": 49-50.

⁶⁷ Seyom Brown, *New forces, old forces, and the future of world politics*, (New York: HarperCollins), 1995, 213.

⁶⁸ Meaning a state in which MNC has its headquarters.

⁶⁹ Kenichi Ohmae, *Borderless World: Power and Strategy in the Interlinked Economy*, (New York: Harper Business, 1990), 211.

⁷⁰ Gilpin, *Global Political Economy*, 280.

and world economy in general. The authors explicitly claim that the growing share of FDI directly diminishes the power of the governments to regulate economic events.⁷¹

MNCs are hierarchical, not democratic institutions. That is perceived as potentially dangerous due to their growing influence.⁷² The reason is that they do not only seek quick profit, they also want to make sure that regimes governing trade stay in favor of FDI and free trade.⁷³ The impact of MNCs on their host countries is dependent on the host government. Negative influence of FDI is given when the host state fails to control the externalities and direct effects of the investments. This happens mainly in developing countries.⁷⁴ There are states that managed to incorporate FDI in their national plans. An example would be Singapore.⁷⁵

Joan E. Spero analyzes the position of MNCs in several developing countries and covers a debate around its effects on these countries. Critiques claim that FDI are in the end harmful for the developing countries because MNCs profit will not stay in the host country.⁷⁶ Also that MNCs do not compensate the host countries enough for using their resources, that they create a gap in wages in that country, and that it often interferes with political process of these states to ensure that a “friendly” political party stays in power.⁷⁷

Robert Gilpin rejects such claims in his book *The Political Economy of International Relations*, saying that there is not enough evidence available to support them. Quoting Gilpin:

“(...) negative consequences of foreign investments are actually either the result of the policies of the less developed countries themselves or an integral part of the development process itself.”⁷⁸

Proponents of FDI point out to higher wages, know-how, technology and more.⁷⁹ There is evidence though saying that developing countries that opened their economies to FDI had much bigger economic growth than countries with their economies closed.⁸⁰

⁷¹ Stopford and Strange, *Rival States, Rival Firms*, 14.

⁷² Susan Strange, *The Retreat Of The State: The Diffusion Of Power In The World Economy*, 8th ed. (Cambridge Studies In International Relations. New York: Cambridge University Press, 2005), 197.

⁷³ Gilpin, *Global Political Economy*, 281.

⁷⁴ O'Brien and Williams, *Evolution and Dynamics*, 187.

⁷⁵ John H. Dunning, *Multinational Enterprises, Economic Structure, and International Competitiveness*, (New York: Wiley, 1985), 415.

⁷⁶ Spero, *Politics of International Economic Relations*, 240-243.

⁷⁷ Robert Gilpin and Jean M. Gilpin, *The Political Economy Of International Relations*, (Princeton: Princeton University Press, 1987), 247.

⁷⁸ Gilpin and Gilpin, *The Political Economy*, 248.

⁷⁹ Spero, *Politics of International Economic Relations*, 240-243.

⁸⁰ Sanjaya Lall, “Multinational Enterprises and Developing Countries: Some Issues for Research in 1990s’,” In *Multinationals in the Global Political Economy*, edited by L. Eden and E. H. Potter, (London: Palgrave Macmillan, 1993), 122-123.

Over all, Gilpin says that FDI have neither determined positive or negative impact on development, especially in the less developed countries. It is up to the host government to utilize the opportunity and direct development of their country in the right direction.⁸¹

1.2.3 Influence of non-state actors on the state's political process:

The influence of MNCs on national states is a topic of academic debate. There are two main camps. The first one perceives MNCs as a fuel for transformation of global economic and political affairs. The second camp claims that *globalization* is overestimated and also that MNCs have to obey government's will.^{82 83}

Kenichi Ohmae is a strong proponent of the theory saying that MNCs are very important in context of the international relations. In his book *Borderless World: Power and Strategy in the Interlinked Economy*, he claims that MNCs are logical answers to *globalization* and uniform demands of customers. Also that MNCs are undisputable rivals of national states and that they are even stronger in some aspects.⁸⁴

On the other hand, Doremus et al. their *Multinationals and the Myth of Globalization* try to reject claims mentioned above in this text by pointing out the strategies of Japanese, American and German MNCs that copy approaches of their home governments. These states also support their own MNCs.⁸⁵ Richard O'Brien in his *Global Financial Integration: The End of Geography*⁸⁶ or Walter B. Wriston in *The Twilight of Sovereignty: How the Information Revolution is Transforming our World* expressed similar opinions.⁸⁷ Japanese government perceives its MNCs as strictly national and does not admit that they may become "stateless". The idea is that what is good for Japanese MNCs is good for Japan.⁸⁸

Recent development in the international trade regarding the growing importance of China proved that some countries perceive MNCs as part of national economic safety. German minister of economy Peter Altmaier introduced a new fund that is supposed to prevent unwanted influence of foreign firms on the German ones.⁸⁹

⁸¹ Gilpin and Gilpin, *The Political Economy*, 252.

⁸² Gilpin, *Global Political Economy*, 294.

⁸³ Kappen, "Transnational Actors", 440-441.

⁸⁴ Ohmae, *Borderless World*, 211.

⁸⁵ Paul N. Doremus, *The Myth Of The Global Corporation*, (Princeton: Princeton University Press, 1999), 141.

⁸⁶ Richard O'Brian, *Global Financial Integration: The End of Geography*, (New York: Council on Foreign Relations Press, 1992), 111.

⁸⁷ Walter B. Wriston, "The Twilight of Sovereignty: How the Information Revolution is Transforming our World," in *Fletcher Forum of World Affairs* [online]. 1993, 17(2), 117-130.

⁸⁸ Gilpin, *Global Political Economy*, 300.

⁸⁹ "Germany Enters the Global Economic Wars," *Economy*, Bloomberg, accessed March 6, 2019, <https://www.bloomberg.com/opinion/articles/2019-02-05/germany-s-peter-altmaier-enters-the-global-economic-wars>.

Joseph A. Camilleri and Jim Falk also believe that globalization makes it more and more difficult for states to influence economic matters.⁹⁰ Susan Strange in her book *The Retreat of the State: The Diffusion of Power in the World Economy* operates with similar assumptions. Its goal is to cover seemingly decreasing control of a state over its own territory and society as well as changing influence abroad.⁹¹

Others do not agree with such claims and state that the influence of globalization on economic matters is overrated. They point out that the majority of problems that are blamed on globalization are caused by other factors such as technological development.⁹²

The explanation depends on interpretation. It can be seen as a success of MNCs lobbying activities that want to lessen the risk of losing an investment, or perhaps as a potentially offensive mechanism of the US government. It gives another tool to the United States to influence decision-making of foreign governments. MNCs can therefore help with it.

An example of MNCs actively influencing political situation of a host state would be the case of International Telephone and Telegraph Company (ITT) in Chile in early 1970s'. ITT tried to prevent the election of a marxist presidential candidate Salvador Allende. He was elected despite that and ITT used both legal and illegal actions to overthrow him.⁹³

1.2.4 Determinants of FDI targets:

Foreign investors enter negotiation with governments to try winning the best possible conditions for their investment. These can be for example temporal tax cuts or guaranteed access to infrastructure. They know that there are other markets, states and governments that would welcome their FDI. A firm decides its target region based on two main factors. It has to be easily accessible to a market with sufficient demand and the region should offer reasonably skilled labor force that does not demand excessive wage levels.⁹⁴

Yet it is also important to have a certain level of business environment available such as a network of contacts, an institutional base or even a friendly population. It is beneficial for a global company to create a net of contacts with the other firms as well.^{95 96}

This thesis perceives the notion of institutional base, networking opportunities, friendly population and other "soft" determinants as a tool for the *non-state transnational actors* (TNAs) in the Czech Republic that can for example be used while persuading the host country to adjust its legislation.

⁹⁰ Joseph A. Camilleri and Jim Falk, *End of Sovereignty? The Politics of a Shrinking and Fragmenting World*, (Brookfield, 1996), 236-239.

⁹¹ Strange, *Retreat Of State*, ix-xi.

⁹² Gilpin, *Global Political Economy*, 363.

⁹³ Spero, *Politics of International Economic Relations*, 244-245.

⁹⁴ Ravenhill, *Global Political Economy*, 319.

⁹⁵ Ohmae, *Borderless World*, 10.

⁹⁶ Doremus, *The Myth*, 88.

It is assumed that the more networking opportunities the actor has, the more likely it is for them to succeed in a lobbying activity. Institutional background that helps promoting FDI flow into the country is also presumed to have similar impact. The same applies to cultural closeness that can help when lobbying at influential people (for example a dinner with a minister). The thesis poses the following research question:

RQ2) Is TNAs' influence in the Czech Republic associated with their networking opportunities, based on dense commercial and political ties?

This text takes an example of Japanese and German transnational actors not just because these two have the highest share of FDI on the Czech market⁹⁷, but also because of the notion of networking possibilities. It is assumed that geographic and cultural proximity has an impact on networking opportunities of the researched *non-state transnational actors (TNAs)*.

German and Czech business and political environments are much closer to each other than in case of Czech-Japanese business and political relations (mainly because of the European Union and the fact that the two countries border each other). Therefore, German actors should theoretically be more efficient in networking and lobbying on personal level.

Mobility of capital is traditionally perceived as a mean to increase economic efficiency. The more money the investor has available, the more potentially profiting actions he or she can issue.⁹⁸ The goal of FDI is to gain partial or absolute control over production/marketing facilities abroad.⁹⁹ There are no strong international rules or laws for FDI regulation.¹⁰⁰ Everything is kept under state and market mechanisms. There had been attempts to put more unified regulation in the Uruguay round, but there was no major success in that regard.

Bargaining power is distributed differently in developed and developing world. Developed countries have stronger bargaining position in negotiations. While developing countries can rely on their right to control their own territory, MNCs bring technology, capital and know-how with their *foreign direct investments (FDI)*.¹⁰¹ ¹⁰² As a result, MNCs have an advantageous position during initial negotiations with them. Susan Strange points out the technological advancement and finance play a crucial role in options of a state to control

⁹⁷ "Japonsko: Obchodní a ekonomická spolupráce s ČR," Businessinfo accessed March 14, 2019, <https://www.businessinfo.cz/cs/clanky/japonsko-obchodni-a-ekonomicka-spoluprace-s-cr-18634.html>.

⁹⁸ Michael Tomz, "International Finance" in *Handbook of International Relations*, edited by Walter Carlsnaes. Los Angeles: SAGE, 2013, 696.

⁹⁹ Gilpin, *Global Political Economy*, 278.

¹⁰⁰ *Ibid.*, 300.

¹⁰¹ Spero, *Politics of International Economic Relations*, 236.

¹⁰² O'Brien and Williams, *Evolution and Dynamics*, 187.

society and economic development.¹⁰³ John Ravenhill concurs and says that it is the effect of globalization.¹⁰⁴

O'Brien and Williams talk about the importance of FDI in both developing and developed countries. These investments may be important for national development. Through bargaining, governments need to find balance between beneficial policies that attract FDI and between social and other agendas. The states still follow their "national interests".¹⁰⁵

Tomz claims that flow of capital has a positive effect on host economy. It motivates the domestic firms to increase their productivity as an answer to growing incoming competition. It also positively influences the behavior of governments. The more competent and active in economic matters the government is, the more attractive it is for the investors to be interested in the said country.¹⁰⁶

MNC has to take some degree of uncertainty into account when entering a new market and invest there. The company simply does not know what will be the end costs and if the FDI will be profitable enough.¹⁰⁷ *Foreign direct investment* is a risky way for MNCs to earn money. It is theoretically more beneficial to expand manufacturing within already covered market. MNCs have access to wider palette of resources. That means that they can use unique qualities of new market like cheaper labor force or access to natural deposits more efficiently.¹⁰⁸

It was an effort of MNCs that the USA adopted the *Hickenlooper amendment*, which says that the USA can cut off any help to a country that nationalizes American MNCs property. Same goes for the *Gonzales amendment* according to which the USA will vote against multilateral bank loans for a country that nationalizes property of the American MNCs.¹⁰⁹ This can be seen either as a success of lobbying activities of the *non-state actors* influencing the policy of a national state. Or it can be perceived as agenda of the economic nationalism (see above in this text).

MNCs in general are difficult to control by the host government. They move accordingly to avoid taxations and sanctions. In the end, MNCs can to a degree operate outside of host state's jurisdiction by cleverly using the tools mentioned above.^{110 111}

¹⁰³ Strange, *Retreat Of State*, 8-9.

¹⁰⁴ Ravenhill, *Global Political Economy*, 316.

¹⁰⁵ O'Brien and Williams, *Evolution and Dynamics*, 191.

¹⁰⁶ Tomz, "International Finance", 696.

¹⁰⁷ Spero, *Politics of International Economic Relations*, 238.

¹⁰⁸ Gilpin, *Global Political Economy*, 284.

¹⁰⁹ Spero, *Politics of International Economic Relations*, 244.

¹¹⁰ O'Brien and Williams, *Evolution and Dynamics*, 193.

¹¹¹ Ravenhill, *Global Political Economy*, 317.

There is a difference between FDI *bargaining* before and after the actual investment. MNCs typically have a choice of where to invest before FDI is agreed upon. Once the investors spend money to make hardly movable resources (such as factories or heavy machinery) available, their exit options become less viable.¹¹² They cannot use it when negotiating with the government so efficiently.

The host government often regrets previously welcoming a policy that could result in tax cuts for the investing MNCs for example. The host country suddenly gains the upper hand in negotiations because it can “touch” that investment now. Therefore, the government might try to cancel some of these benefits. This case has become more common for investments regarding the exploitation of natural resources than in manufacturing.¹¹³

Yet, there is another aspect to it. When one investor decides to leave, others might follow. Not necessarily because they want to pressure the government, but because they expect a decrease in profits caused by the leaving investor.¹¹⁴

This thesis perceives this “*exit*” option as a *bargaining* tool that can be used by a *non-state transnational actor* when trying to persuade a host country to act in a certain way. As stated above, FDI are a very good tool that can bring technology, capital, and perhaps most importantly, employment. A host government is motivated to keep the investment in their country.

RQ3) Is TNAs' influence in the Czech Republic associated with their geographic distance, due to their credible exit options?

Geographical proximity is considered again here, but from a different perspective. We can say that Japanese actors have more credible “*exit*” option because their home country does not border the Czech Republic and there is no significant cultural or historical connection between the two countries. While Czech and German markets are intertwined quite a lot, German “*exit*” options should therefore be lower than in the Japanese case.

Peter A. Hall and David Soskice focused on the relationship between institutional framework of countries and economic model. They divided capitalistic economies into two types. The first type represents countries that do not rely on economic institutions and central coordination very much. These are the United Kingdom, the United States, Australia, and Canada. The second category consists of countries with high density of institutions that regulate market (for example trade unions). Hall and Soskice put majority of the researched

¹¹² Ravenhill, *Global Political Economy*, 319.

¹¹³ Raymond Vernon, "Long-run Trends in Concession Contracts," in *Proceedings of the American Society of International Law at Its Annual Meeting (1921-1969)* 61 (1967): 87-88.

¹¹⁴ Tomz, "International Finance", 699.

countries into this category. All three states represented in this thesis (Germany, Japan, the Czech Republic) fall into the category of coordinated economies.¹¹⁵

It is assumed that both TNAs from these countries rely on such institutional framework in their activities. In other words, they do not act on their own (for example by approaching a minister directly), but they utilize the available institutional opportunities to enhance their lobbying power.

1.3 Understanding and implications of the theoretical part:

The sections 1.1 and 1.2 of this text helped to identify the researched actors in the context of academic debate of international relations. It is possible to empirically grasp their relations to national states, their economic power, and their *bargaining power* while trying to persuade their host government to act in certain way.

The previous parts introduced the three research questions of this paper which are based on academic literature and the author’s assumptions regarding the specific case of the Czech Republic.

The academic literature presented several ways for MNCs (*non-state transnational actors*) to influence the decision-making of a host state. Following figure sums up relevant parts from the theoretical section of this thesis, and provides easier visual representation.

Figure 1a:

Tools theoretically available to TNAs for influencing their bargaining power:^{116 117 118 119}

Legal tools	Networking	Institutions	Cultural Factors	Exit
Illegal tools	Bribery	-	-	-

Both Japanese and German actors originate in an environment of highly developed countries with low level of corruption. The author of this thesis believes that Japanese and German *non-state transnational actors* in the Czech Republic do not use illegal tools while lobbying. And even if there were cases of corruption, this text does not have a way to discover and identify them. Therefore, only legal tools of lobbying are considered here.

¹¹⁵ Peter A. Hall and David Soskice, *Varieties of capitalism: the institutional foundations of comparative advantage*, (Oxford: Oxford University Press, 2003), 59.

¹¹⁶ Ravenhill, *Global Political Economy*, 319.

¹¹⁷ Ohmae, *Borderless World*, 10.

¹¹⁸ Hall and Soskice, *Varieties of capitalis:*, 59.

¹¹⁹ Tomz, “International Finance”, 699.

We can derive four hypotheses based on the research questions presented in the theoretical part.

H1: TNAs have influence on policy-making in the Czech Republic.

The H1 will be confirmed if there is enough evidence of the researched TNAs influencing the changes in the Czech legislation. We can perceive such changes as direct adjustments of a legislative proposal caused by an activity of TNA. That would be unmistakable evidence supporting the assumption that the TNAs do have such influence in the Czech Republic. The other confirmation could come from simple lobbying activities that aim to “inform” Czech officials about possible effects of their decisions. That would be softer and more delicate way in which the TNAs influence Czech decision-making. It is difficult to translate such activity into real influence though.

A null hypothesis derived from the RQ1 is stated as:

H0: TNAs have no influence on policy-making in the Czech Republic.

Remaining hypotheses address assumptions about geography playing a role in ability of TNAs to influence the decision-making in the Czech Republic.

H2: TNAs' influence on policy-making in the Czech Republic is associated with their networking opportunities, based on dense commercial and political ties.

The H2 corresponds to the RQ2. It takes into account the networking, institutional environment and cultural factors (see Figure 1). German *non-state transnational actors* in the Czech Republic are believed to have advantage over the Japanese ones thanks to geographical and cultural proximity. They can easily approach influential people, make bonds with other companies, and navigate more smoothly in the institutional environment in the Czech Republic.

H3: TNAs' influence on policy-making in the Czech Republic is associated with their geographical distance, due to their highly credible exit options.

The H3 reflects the RQ3. While assuming that the researched *transnational non-state actors* do have influence on policy-making in the Czech Republic, this hypothesis takes into account

a factor of the “*exit*” option as a *bargaining* tool (see Figure 1). Geographical distance works in favor of Japanese actors because they can (in theory) move to another state (for example Poland or Hungary) hoping that they could get better treatment from the host government. German actors do not have such degree of choice because of the already intertwined economies and geographical proximity.

The hypotheses will be tested by interviewing relevant high representatives of researched actors (Japanese and German chambers in the Czech Republic that represent interests of their MNCs), and by taking information from official documents relevant to the researched topic. The interviews provide unique information that is not normally accessible in a form of documents. On the other hand, the official documents provide factual base for the results presented by this thesis.

2. Empirical section

2.1 Introduction of the researched case and actors

2.1.1 Interpretation of the theoretical part and its implications

The theoretical part of this thesis helped us better frame the researched actors (German and Japanese *non-state transnational actors* in the Czech Republic). Based on the work of many academic authors, we can identify their relationship to national states, their political and economic power, and their tools to influence behavior of states during *bargaining*.

The empirical part complements the academic literature regarding the influence of *non-state transnational actors* (TNAs) on states. While considering political and economic factors that are discussed in the theoretical part, this thesis uncovers the influence of the Japanese and German TNAs in the Czech Republic in the case of influencing the Czech decision-making in the topic of lack of labor force in industry.

There are the three research questions (RQ) that emerged from the academic literature to be addressed in the empirical part.¹²⁰

RQ1) Do TNAs in the Czech Republic have influence on its policy-making?

RQ2) Is TNAs' influence in the Czech Republic associated with their networking opportunities, based on dense commercial and political ties?

RQ3) Is TNAs' influence in the Czech Republic associated with their geographic distance, due to their credible exit options?

This thesis is an instrumental case study. The goal is to answer the RQs, but also to address the topic of influence of *non-state transnational actors* on states in a general sense of meaning. It is not realistically possible for this text alone to answer such a broad question, but the results of this case study might contribute to the academic debate.

¹²⁰ For academic context of these questions, please refer to the theoretical part.

2.1.2 Method

Crucial sources of information for this thesis are interviews between the author of this text and high representatives of actors that are involved in the researched case. To secure as much impartiality as possible, actors not only from German and Japanese side were interviewed, but high representatives of Czech organizations that have FDI in their agenda as well (Confederation of Industry of the Czech Republic, CzechInvest, etc.).

It is difficult to verify all the information provided in the interviews by checking official documents that cover the researched case. Some of the information from the interviews is related to day to day practice between various actors (CzechInvest, Japanese Chamber of Commerce in the Czech Republic, Confederation of Industry of the Czech Republic etc.). Their verification from some kind of document covering this issue is not always possible.

As such, the data gathered is verified in two ways. The first way is to ask a different actor a similar question as the one that should be verified. The information acquired from the Japanese actor for example is verified by asking a German actor and a representative of CzechInvest. Answers gathered this way are compared and their validity is checked. The second way of verification is to directly compare the information provided to available documents where it is possible (for example from the Ministry of Industry and Trade of the Czech Republic). Apart from these sources, additional (mainly background) information is gathered from journals specializing on industry and FDI, as well as from relevant websites.

Concrete hypotheses that were introduced in the theoretical part are tested based on findings from the empirical part while using the available resources.¹²¹

H0: TNAs have no influence on policy-making in the Czech Republic.

H1: TNAs have influence on policy-making in the Czech Republic.

H2: TNAs' influence on policy-making in the Czech Republic is associated with their networking opportunities, based on dense commercial and political ties.

H3: TNAs' influence on policy-making in the Czech Republic is associated with their geographical distance, due to their highly credible exit options.

¹²¹ For academic context of these hypotheses, please refer to the theoretical part.

2.1.3 Introduction of the interviewed representatives

This section introduces the position of the interviewed individuals and it provides basic information about their home organizations. To ensure preservation of rights of privacy of the interviewed people, their identity is made anonymous and only their approximate rank within their home organization is mentioned. The interviews were made with the following people:

- 1) A high representative in a field of PR and communication from the German-Czech Chamber of Industry and Commerce. The interview took place at 9th of July 2018 in Prague.
- 2) A high representative from the leadership of the Japanese Chamber of Commerce in the Czech Republic. The interview took place at 13th of July 2018 in Prague.
- 3) A high representative from the leadership of the Japanese External Trade Organization in Prague. The interview took place at 13th of July 2018 in Prague.
- 4) A high representative of the CzechInvest office abroad. The interview took place at 9th of January 2019 in Prague.
- 5) A high representative in a field of economic relations at the embassy of the Czech Republic in Tokyo. The interview took place at 17th of December 2018 in Tokyo.
- 6) A specialist in a field of international economic cooperation at the Confederation of Industry of the Czech Republic. The interview took place at 13th of August 2018 in Prague.
- 7) A specialist in a field of employer vs. state relations at the Confederation of Industry of the Czech Republic. The interview took place at 27th of July 2018 in Prague.
- 8) A high representative of the section of International Relations at the Confederation of Industry of the Czech Republic.

2.1.4 Introduction of the researched organizations and home institutions of the interviewed individuals

Czech-German Chamber of Industry and Commerce (GerCham)

The Czech-German Chamber of Industry and Commerce (GerCham) in Prague was founded in 1993.¹²² It serves as an official mean of increasing import of German goods to the Czech Republic, but helps economic cooperation in general as well. It has around 680 members and it is the biggest bilateral chamber of commerce in the Czech Republic.¹²³

GerCham pursues the following concrete goals in the Czech Republic. It strives to increase technical education with emphasis on better connection between schools and companies. GerCham also wishes to improve stability of Czech entrepreneur environment by securing stable laws and regulation. Transparency and fair opportunities correspond to that. This organization's agenda also covers improving conditions for research and development

¹²² Jörg Mathew, Bernard Bauer, "Editorial," *Plus*, April, 2018,3.

¹²³ Eric Schweitzer, "Grusswort," *Plus*, April, 2018,7.

in the Czech Republic.¹²⁴ GerCham is active in representing interests of its members when dealing with the Czech government (lobbying). But it is also offering several events that promote networking.¹²⁵ Its president is Jörg Mathew since 2017 and the CEO is Bernard Bauer since 2006.^{126 127}

Japanese Chamber of Commerce and Industry in the Czech Republic (Shohokai)

The Japanese Chamber of Commerce and Industry in the Czech Republic (Shokokai) is a non-state transnational body that aims to represent the interests of Japanese affiliated companies in the Czech Republic. Shokokai improves the business environment, promotes cooperation between Japanese MNCs and Czech state and businesses. It organizes regular meetings and directly communicates with Czech companies and relevant Czech institutions such as the Ministry of Industry, CzechInvest and the Confederation of Industry.¹²⁸

Its general agenda is to promote economic relationship between Japan and the Czech Republic. It often cooperates with the Japanese External Trade Organization (JETRO). Shokokai has around 160 member companies. Its chairman is Masataka Nishizaki.¹²⁹

Japanese External Trade Organization (JETRO)

The Japanese External Trade Organization (JETRO) is a world-wide spread organization that is related to the Japanese government. It promotes economic exchange between Japan and the rest of the world. It has 70 offices outside of Japan.¹³⁰

It was founded in 1958 to improve the ability of Japanese companies to export across the seas.¹³¹ Today, its main agenda is to support flow of FDI into Japan.¹³² However, secondary goals vary from general improvement of mutual economic relations with many countries. It organizes various events to support import of Japanese goods from categories of food, industry, design, entertainment.¹³³

¹²⁴ "Profil ČNOPK," AHK, accessed March 15, 2019, <https://tschechien.ahk.de/cz/o-nas/profil-cnopk/>.

¹²⁵ "Networking," AHK, accessed March 15, 2019, <https://tschechien.ahk.de/cz/cleinstvi/networking/>.

¹²⁶ "Jörg Mathew was elected the new President of the German-Czech Chamber of Industry and Commerce," Hochtief, accessed March 19, 2019, <http://www.hochtief.cz/en/information-for-media/recent-events/2019/jorg-mathew-was-elected-the-new-president-of-the-german-czech-chamber-of-industry-and-commerce>.

¹²⁷ "Životopis: Bernard Bauer," AHK, accessed March 19, 2019, https://tschechien.ahk.de/fileadmin/AHK_Tschechien/Pressemitteilungen/Pressefotos/141204_Zivotopis_Bernard_Bauer.pdf.

¹²⁸ "Welcome to the website of the Japanese Chamber of Commerce and Industry in the Czech Republic," Nihonshokokai.cz, accessed March 14, 2019, <https://www.nihonshokokai.cz/en/>.

¹²⁹ "Members structure," Nihonshokokai.cz, accessed March 14, 2019, <https://www.nihonshokokai.cz/en/about-chamber/members-structure/>.

¹³⁰ "Activities," JETRO, accessed March 15, 2019, <https://www.jetro.go.jp/en/jetro/activities/contribution.html>.

¹³¹ "What is JETRO?," JETRO, accessed March 15, 2019, <https://www.jetro.go.jp/en/jetro/>.

¹³² "Promoting foreign direct investment (FDI) into Japan," JETRO, accessed March 15, 2019, <https://www.jetro.go.jp/en/jetro/activities/fdi.html>.

¹³³ "Promoting trade and business between Japan and the rest of the world," JETRO, accessed March 15, 2019, <https://www.jetro.go.jp/en/jetro/activities/business.html>.

Apart from analytical and statistical capabilities in a field of international trade, JETRO participated in several programs to bolster economic growth in the developing countries.¹³⁴

At the time research for this thesis was conducted, the director-general of JETRO office in Prague was Murakami Tadashi. However, Kimura Reiko became the new director-general since October 2018. The agenda of JETRO and Shokokai is not necessarily overlapping in general. However, they cooperate in a lot of ways in the Czech Republic. Therefore, this paper takes into account the influence of both of these actors as representatives of the Japanese MNCs.

Confederation of Industry of the Czech Republic (SPČR):

Its goal is to promote stability of Czech legislation and good quality of new norms. It also performs economic diplomacy with the target of as high export as possible. The organization has around 11 thousand members.¹³⁵ The Confederation of Industry of the Czech Republic cooperates with the Czech government in many aspects. One of these aspects is promoting income of FDI into the Czech Republic. SPČR is a member of BusinessEurope, it has the ability to do lobbying in the European Union and OECD.¹³⁶

The fields of interest of SPČR are legislation, FDI, workforce market, education, infrastructure or research and development.^{137 138 139} The organization is very active in addressing issues such as the lack of labor force in the Czech Republic or support of Czech export worldwide.¹⁴⁰

For example, SPČR lobbied for easier export of Czech goods outside of the EU. As a result, paperwork is simpler now.¹⁴¹ In 2018, SPČR processed around 4000 request for employees from Ukraine.¹⁴² SPČR is also active in the Industry 4.0 agenda, especially in small and medium enterprises.¹⁴³

Regarding FDI, SPČR lobbies for a reform of FDI incentives that are still based on 1990s' model without emphasis on added value of manufactured goods, import of unique technologies or research and development.^{144 145}

¹³⁴ "Assisting business expansion of developing countries," JETRO, accessed March 15, 2019, <https://www.jetro.go.jp/en/jetro/activities/oda.html>.

¹³⁵ František Chaloupecký, "Úvodní slovo," *Spektrum* 2Q, 2018, 3

¹³⁶ "Cooperation and Lobbying," Confederation of Industry of the Czech Republic, accessed March 19, 2019, <https://www.spcr.cz/en/about-us/lobbying>.

¹³⁷ "Who we are," Confederation of Industry of the Czech Republic, accessed March 19, 2019, <https://www.spcr.cz/en/about-us/who-we-are>.

¹³⁸ Jan Proksch, "Musíme zefektivnit výzkum a vývoj v ČR," *Spektrum* 4Q, 2018, 14.

¹³⁹ Lenka Dudková, "Bojujeme za dobrou novelu zákoníku práce," *Spektrum*, 4Q, 2018, 16.

¹⁴⁰ Lenka Dudková, "Plošné zavedení e-neschopenky pomůže zabránit zneužití pracovní neschopnosti," *Spektrum* 1Q, 2019, 15.

¹⁴¹ Lenka Dudková, "Papírování při exportu mimo EU ubude," *Spektrum* 2Q, 2018, 28.

¹⁴² Dagmar Kuchtová, "Úvodní slovo," *Spektrum* 1Q, 2019, 3.

¹⁴³ Lenka Dudková, "Centrum Průmysl 4.0 s podporou SP ČR," *Spektrum* 2Q, 2018, 29.

¹⁴⁴ Radek Špicar, "Jak to vidím," *Spektrum*, 4Q, 2018, 5.

CzechInvest:

CzechInvest is arguably the most visible actor that promotes FDI flow into the Czech Republic. It is estimated that FDI worth 1 trillion Czech Crowns flew into the Czech Republic while CzechInvest operated (1992-2017).¹⁴⁶ It is an organization that was established by the Ministry of Trade and Industry of the Czech Republic.

The CEO is appointed by the Ministry of Trade and Industry, the current one is Silvana Jirotková (since 2018).¹⁴⁷ CzechInvest has several offices around the world that enhance trade between the Czech Republic and its trade partners. There are offices in Tokyo and Düsseldorf (Japanese and German actors are researched by this thesis).¹⁴⁸

CzechInvest primarily aims to increase economic competitiveness of the Czech Republic. It mainly supports small and medium enterprises, but large firms as well. The organization offers a wide variety of consultation services ranging from subsidies to networking. CzechInvest serves as a registration point for investors who wish to use investment incentives provided according to the Czech laws.¹⁴⁹

2.2 Empirical analysis

2.2.1 Position of German and Japanese non-state actors in the Czech Republic

The following sections (2.2.2.–2.2.7.) form the core of this thesis. The main information sources are the interviews with various important individuals that represent the researched TNAs as well as other institutions that are involved in the researched case. These sources are mixed with information from official documents that are relevant to the researched case.

The hypotheses and the research questions are addressed in the following sections. RQ1 is addressed in the section 2.2.7., because it is necessary to use insight from the rest of the chapters to fully answer it.

2.2.2 Reasons for the Czech Republic to be a frequent target for FDI:

This section summarizes reasons behind the Czech Republic being a desired target for FDI. Understanding this special position will facilitate addressing the hypotheses and the research questions later in this thesis.

¹⁴⁵ Lenka Dudková, "Úkoly Svazu Průmyslu pro rok 2019," *Spektrum* 1Q, 2019, 6.

¹⁴⁶ "History," CzechInvest, accessed March 20, 2019, <https://www.czechinvest.org/en/About-CzechInvest/History>.

¹⁴⁷ CzechInvest, "History."

¹⁴⁸ "Foreign Offices," CzechInvest, accessed March 20, 2019, <https://www.czechinvest.org/en/Contacts/Foreign-Offices>.

¹⁴⁹ "Get Support for Investment Project," CzechInvest, accessed March 25, 2019, <https://www.czechinvest.org/en/Our-services/Investment-Incentives>.

German and Japanese FDI currently represent the biggest volume of FDI in the Czech Republic.¹⁵⁰ For the Japanese and German investors, the Czech Republic is attractive because there is a good and relatively cheap labor force. However, salary increase threatens the country's comparative advantage.¹⁵¹ The Czech Republic is a country with 8th lowest work expenses in the European Union. In 2016, one hour of work had cost 281 Czech crowns on average. In comparison, such hour in Germany had cost 903 Czech crowns. The average in the European Union had been 695 Czech crowns.¹⁵² Taking into account the high quality of Czech labor force combined with relative low wage costs present reason to invest in the Czech Republic.

There were 119 billion Czech crowns worth of investment coming from Germany to the Czech Republic in 2016.¹⁵³ The Czech-German trade was worth 88 billion Euros in 2017.¹⁵⁴ A survey conducted among foreign companies placed the Czech Republic on top of the list of FDI targets in the Middle and Eastern Europe. The reason was economic stability, and quality combined with motivation of employees.¹⁵⁵

The Czech Republic is a country with strategic logistic importance. It connects South-North as well as East-West of Europe.¹⁵⁶ Being a member of the European Union is very important for Czech international trade. Around 83% of Czech export goes to EU countries. Ever since the Czech Republic joined the EU, the amount of its export became three times as large.¹⁵⁷

The Czech Republic is a preferred target of German FDI because of cheap labor force, and good quality of their work. Compared to for example Korean investors who rarely employ sub-contractors for their factories, Germans established partnerships with local Czech companies that supply large German firms with components (typically in the automotive industry). Germans can therefore check quality of supplied components more easily.¹⁵⁸

According to the interviews, there are currently no new huge scale FDI negotiations between Japanese or German investors and the Czech Republic. Large manufacturing facilities are not often built in the Czech Republic anymore (not by Japanese, Germans, nor anyone else). Investors from many countries (including Japan and Germany) focus on smaller projects and facilities with higher added value.^{159 160 161 162}

¹⁵⁰ "Japonsko: Obchodní a ekonomická spolupráce s ČR," Businessinfo accessed March 14, 2019, <https://www.businessinfo.cz/cs/clanky/japonsko-obchodni-a-ekonomicka-spoluprace-s-cr-18634.html>.

¹⁵¹ Interview between the author and high representatives of JETRO and shokokai, July 13, 2018.

¹⁵² Christian Rühmkorf, "Ekonomické Zprávy," Plus, April, 2017, 7.

¹⁵³ Rühmkorf, "Ekonomické Zprávy."

¹⁵⁴ Peter Altmaier, "Grusswort," Plus, April 2018, 6.

¹⁵⁵ Christian Rühmkorf, "Konjunktura," Plus, April, 2017, 10.

¹⁵⁶ Christian Rühmkorf, "Tvář Tého Transformace," Plus, June, 2018, 14.

¹⁵⁷ Lenka Dudková, "14 Let od Vstupu do Evropské Unie," Spektrum, 2Q 2018, 23.

¹⁵⁸ Interview between the author and high representative of the section of International Relations at the Confederation of Industry of the Czech Republic, April 24, 2019.

¹⁵⁹ "Investiční pobídky," Služby pro investory, CzechInvest, accessed April 24, 2019, <https://www.czechinvest.org/cz/Sluzby-pro-investory/Investicni-pobidky>.

¹⁶⁰ Interview between the author and high representative in a field of economic relations at the embassy of the Czech Republic in Tokyo, December 17, 2018.

The interviewees said that Japanese MNCs have a reputation of not willing to risk much. The decision-making is quite structured, planned and not very impulsive. It took a long time for Japanese companies to enter the Czech environment after the Velvet revolution. First Japanese companies arrived in the second half of 90s'. They were looking for highly skilled laborers, for infrastructure, supplier networks to support automotive, optics and electronics industries.¹⁶³

After these firms "tested" the Czech environment, others followed. Japanese companies shared good experience among themselves. There was a rapid increase in the amount of Japanese companies in the Czech Republic at the beginning of the new millennium. The Czech Republic could offer long-term cooperation, favorable geographic position with access to European markets. Inclusion of the country to the EU further increased this advantage.¹⁶⁴

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2.2.3 The problem of lack of labor force in the Czech Republic:

The purpose of this section is to present scale and implications of the researched case (the lack of labor force). Understanding the actor's motives behind lobbying should contribute to improved ability to address the hypotheses and the research questions.

The lack of qualified labor force in the Czech Republic is apparent mostly in the industrial sector. Especially large companies have trouble finding enough employees to completely fill their facility. This problem does not affect only manufacturers, but contractors as well.¹⁶⁶ Yet, this problem is not present just in the Czech Republic. States such as Germany also feel the same issue, mainly in medical care and technical jobs.¹⁶⁷

The Czech government promised to improve the situation, but both German and Japanese actors think that current solutions are not efficient enough.^{168 169} Germans see frequent changes of the government as partial reason for this situation. But they also appreciate that at least bureaucrats stay in their offices longer.¹⁷⁰

¹⁶¹ Interview between the author and high representative of the CzechInvest office abroad, January 9, 2019.

¹⁶² Interview between the author and high representative of the section of International Relations at the Confederation of Industry of the Czech Republic, April 24, 2019.

¹⁶³ Interview between the author and high representative in a field of economic relations at the embassy of the Czech Republic in Tokyo, December 17, 2018.

¹⁶⁴ Interview between the author and high representative of the CzechInvest office abroad, January 9, 2019.

¹⁶⁵ Interview between the author and high representative in a field of economic relations at the embassy of the Czech Republic in Tokyo, December 17, 2018.

¹⁶⁶ Interview between the author and high representative in a field of PR and communication from the German-Czech Chamber of Industry and Commerce, July 9, 2018.

¹⁶⁷ Christian Rühmkorf, "HR management Nové Generace," Plus, April, 2017, 29.

¹⁶⁸ Interview between the author and high representatives of JETRO and shokokai, July 13, 2018.

¹⁶⁹ Interview between the author and high representative in a field of PR and communication from the German-Czech Chamber of Industry and Commerce, July 9, 2018.

¹⁷⁰ Interview between the author and high representative in a field of PR and communication from the German-Czech Chamber of Industry and Commerce, July 9, 2018.

The Ministry of Industry would like to get more workers from outside of the EU.¹⁷¹ ¹⁷² The Ministry of Internal Affairs is cautious about it because of possible increase in criminality for instance. It may be difficult to punish a worker who is active in criminal actions. The procedure usually takes years.¹⁷³ ¹⁷⁴ Japanese actors do not believe that bringing foreign workers will solve the whole problem.¹⁷⁵ Some companies tried to contract foreign workers themselves (from Bulgaria and Romania for example). But it is very expensive because of accommodation and medical expenses.¹⁷⁶ That gives them even more motivation to lobby for a change of legislation of the Czech state.

Firms try to keep their good employees by introducing special benefits, innovative work environment, and more.¹⁷⁷ They sometimes recruit new workers directly from other firms. It mitigates the issue for one company, but deteriorates for the other. This situation is especially unfavorable for the Japanese actors. They are generally against increasing salary of employees for this reason. If the other firm is willing to pay more, the laborer often choose the new employer.¹⁷⁸ German TNAs are in advantage over the Japanese ones because they are able to efficiently educate workers themselves (including language).¹⁷⁹

There is a trend of increasing investments despite not having enough labor force available. Around 55% of companies expected an increase in their investment expenses in 2017. It is probable that these investments go to digitalization and automation in order for the companies to be less dependent on the employee market.¹⁸⁰

Several companies in the Czech Republic plan to focus more on the Industry 4.0. Foreign workers are often perceived as only a temporary solution.¹⁸¹ ¹⁸² JETRO already organized

¹⁷¹ "Economic migration," Economic Migration, Ministry of Industry and Trade, accessed March 4, 2019, <https://www.mpo.cz/en/foreign-trade/economic-migration/economic-migration--239491/>.

¹⁷² "Změna Režimu zvláštního zacházení pro kvalifikované zaměstnance z Ukrajiny a zavedení Režimu ostatní státy," Archive, Ministry of Industry and Trade, accessed March 4, 2019, <https://www.mpo.cz/cz/zahranicni-obchod/ekonomicka-migrace/zmena-rezimu-zvlastniho-zachazeni-pro-kvalifikovane-zamestnance-z-ukrajiny-a-zavedeni-rezimu-ostatni-staty--235130/>.

¹⁷³ Interview between the author and specialist at a field of international economic cooperation at the Confederation of Industry of the Czech Republic, August 13, 2018.

¹⁷⁴ Interview between the author and specialist at a field of employer vs. state relations at the Confederation of Industry of the Czech Republic, July 27, 2018.

¹⁷⁵ Interview between the author and high representatives of JETRO and shokokai, July 13, 2018.

¹⁷⁶ Interview between the author and high representative in a field of PR and communication from the German-Czech Chamber of Industry and Commerce, July 9, 2018.

¹⁷⁷ Bernard Bauer, "Editorial," Plus, April, 2017, 3.

¹⁷⁸ Interview between the author and high representative in a field of economic relations at the embassy of the Czech Republic in Tokyo, December 17, 2018.

¹⁷⁹ Interview between the author and specialist at a field of international economic cooperation at the Confederation of Industry of the Czech Republic, August 13, 2018.

¹⁸⁰ Christian Rühmkorf, "Průzkum ČNOPK," Plus, April, 2018, 73.

¹⁸¹ Interview between the author and specialist at a field of employer vs. state relations at the Confederation of Industry of the Czech Republic, July 27, 2018.

¹⁸² Interview between the author and specialist at a field of international economic cooperation at the Confederation of Industry of the Czech Republic, August 13, 2018.

workshops with the theme of automation in manufacturing.¹⁸³ The automation is currently on a relatively low level because there is not enough capital available and there had not been enough motivation to increase it since Czech workers are cheap and productive.¹⁸⁴ According to the interviewed individuals, the current situation on the labor market might not immediately seriously endanger the current FDI in the country, but it will be a major concern of any future investments that could come to the Czech Republic (with or without high added value).^{185 186}

2.2.4 Lobbying of German and Japanese actors and its efficiency:

This section aims to cover a range of lobbying attempts of the researched TNAs. Its efficiency is perceived on an example of reforms the Czech government makes to tackle the lack of labor force in the Czech Republic. The H0 is addressed in this section, but the RQ1 is answered in the section 2.2.7 instead. The reason is that it requires context that is provided in the following sections.

GerCham tried to initiate discussion about the Industry 4.0 with Czech officials before 2015. It was not very successful. The Ministry of Industry and Trade of the Czech Republic came up with its own strategy that was not discussed with the Czech-German Chamber of Industry and Commerce.¹⁸⁷ GerCham was especially active in the project “Pospolu”. The Chamber sent two open letters to the Czech Prime Ministers, in 2012 to Petr Nečas and in 2015 to Bohuslav Sobotka. GerCham pointed out the increasing problem of finding employees in industry and trade. They called for a reform of the Czech education system. They approached Prime Minister Andrej Babiš and approached the new government as well.^{188 189}
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Project “Pospolu” was an effort of companies in the Czech Republic (TNAs included), and SPČR to implement structural changes to the Czech education system that should improve practical skills of Czech students. The goal was to utilize parts of a dual education system that is known for example from Germany. Students were meant to spend part of their studies as interns in partner companies. These firms had a chance to prepare them for

¹⁸³ Interview between the author and high representatives of JETRO and shokokai, July 13, 2018.

¹⁸⁴ Interview between the author and specialist at a field of international economic cooperation at the Confederation of Industry of the Czech Republic, August 13, 2018.

¹⁸⁵ Interview between the author and high representatives of JETRO and shokokai, July 13, 2018.

¹⁸⁶ Interview between the author and high representative in a field of PR and communication from the German-Czech Chamber of Industry and Commerce, July 9, 2018.

¹⁸⁷ Interview between the author and high representative in a field of PR and communication from the German-Czech Chamber of Industry and Commerce, July 9, 2018.

¹⁸⁸ Open Letter sent to Petr Nečas, May 28, 2012.

¹⁸⁹ Open Letter sent to Bohuslav Sobotka, June 22, 2015.

¹⁹⁰ Interview between the author and high representative in a field of PR and communication from the German-Czech Chamber of Industry and Commerce, July 9, 2018.

specifications of the real life work. The project started at the end of 2012 and finished in 2015.¹⁹¹

Even though it was officially an initiative of the SPČR, TNAs (especially GerCham) had crucial influence on it.^{192 193} The project is generally perceived as relatively successful, but it did not entirely fulfill its main goal (to provide reform for the Czech educational system to better respond to employers' standards).^{194 195}

Utilizing parts of the dual education system did not end with the "Pospolu" project. The system of Dual Education had a trial run in the Moravian-Silesian Region. In 2019, more regions in the Czech Republic will join as well.¹⁹⁶

Companies are sometimes willing and able to finance the dual education themselves. An example would be Stuttgart. Mercedes and Karcher actively offered the possibility for students to participate in dual education. The companies provided funds necessary to make it happen.¹⁹⁷ Some firms tried to partner with schools themselves and train their potential future employees. But it is too expensive.¹⁹⁸

The Japanese TNAs said that the Czech government's openness and willingness to improve business environment based on suggestions from foreign actors would be a driving force for future investments.¹⁹⁹ Less qualified foreign workers could mitigate the lack of labor force in the country. GerCham successfully lobbied for increase in amount of new workers coming to the Czech Republic from specific countries. But at the same time, GerCham emphasized the importance of reform of the Czech education system.²⁰⁰

The Czech government created a team focusing on the economic migration. It gathers once/twice a year. Organizations such as CzechInvest, Škoda, NGOs, AmCham are consulted.

¹⁹¹ „Souhrná závěrečná zpráva o projektu,“ Aktuality, Národní Ústav pro Vzdělávání, accessed June 30, 2018, https://pospolu.rvp.cz/filemanager/userfiles/zprava_souhrnna_grafika_v5.pdf.

¹⁹² Interview between the author and specialist at a field of employer vs. state relations at the Confederation of Industry of the Czech Republic, July 27, 2018.

¹⁹³ Interview between the author and high representative in a field of PR and communication from the German-Czech Chamber of Industry and Commerce, July 9, 2018.

¹⁹⁴ Interview between the author and high representative in a field of PR and communication from the German-Czech Chamber of Industry and Commerce, July 9, 2018.

¹⁹⁵ Interview between the author and specialist at a field of employer vs. state relations at the Confederation of Industry of the Czech Republic, July 27, 2018.

¹⁹⁶ Jan Stuchlík, "Duální vzdělávání se rozšíří do dalších krajů," *Spektrum* 4Q,2018, 13.

¹⁹⁷ Rühmkorf, "Tvář," 18.

¹⁹⁸ Interview between the author and high representative in a field of PR and communication from the German-Czech Chamber of Industry and Commerce, July 9, 2018.

¹⁹⁹ Interview between the author and high representatives of JETRO and shokokai, July 13, 2018.

²⁰⁰ Interview between the author and high representative in a field of PR and communication from the German-Czech Chamber of Industry and Commerce, July 9, 2018.

The team has a wide range of activities and it is perceived as liberal in regard to said reforms.²⁰¹

The Czech ministries created two tools that should help bringing new workers to the Czech Republic. The first one is called “Fast Track”. It serves as an easier way to get visa or residence permit. The second one is “Welcome Package”. It grants better conditions for investors, startups and delegated employees. They get similar treatment as the Czech/EU citizens.²⁰²

The Ministry of Industry runs two separate projects that aim to facilitate the access of workers from Ukraine into the Czech Republic. These are called “Regime Ukraine” and “Project Ukraine”. The “Regime” is dedicated to employees with lower/middle qualification (grade 4-8). The “Project” targets people with higher qualification (grade 1-3).^{203 204 205}

It became easier for a company to send employees for training purposes. The training may take up to 6 months. Necessary documents must be sent to the SPČR. This is the only way to bring workers from certain countries to the Czech Republic for these purposes. The SPČR requires that these incoming workers get a salary that is adequate to their job instead of them getting the lowest possible one.^{206 207 208}

It is not just Ukraine that has these special projects. There are campaigns that focus on Mongolia, Philippines or Serbia as well.^{209 210} The European Union is in general in favor of increased flow of workers across borders. Its directives have influence on the Czech legislation as well.²¹¹

²⁰¹ Interview between the author and specialist at a field of employer vs. state relations at the Confederation of Industry of the Czech Republic, July 27, 2018.

²⁰² “Projekt Welcome Package pro investory,” Economic Migration, Ministry of Industry and Trade, accessed April 4, 2019, <https://www.mpo.cz/cz/zahranicni-obchod/ekonomicka-migrace/projekt-welcome-package-pro-investory--221758/>.

²⁰³ Interview between the author and high representative of the CzechInvest office abroad, January 9, 2019.

²⁰⁴ Interview between the author and specialist at a field of employer vs. state relations at the Confederation of Industry of the Czech Republic, July 27, 2018.

²⁰⁵ “Pilotní projekt: Zvláštní postupy pro vysoce kvalifikované zaměstnance z Ukrajiny a Indie,” Economic Migration, Ministry of Industry and Trade, accessed April 4, 2019, <https://www.mpo.cz/dokument170394.html>.

²⁰⁶ Interview between the author and specialist at a field of international economic cooperation at the Confederation of Industry of the Czech Republic, August 13, 2018.

²⁰⁷ Interview between the author and specialist at a field of employer vs. state relations at the Confederation of Industry of the Czech Republic, July 27, 2018.

²⁰⁸ “Zácvik,” Economic Migration, Ministry of Industry and Trade, accessed April 4, 2019 <https://www.mpo.cz/cz/zahranicni-obchod/ekonomicka-migrace/zacvik--221763/>.

²⁰⁹ Interview between the author and specialist at a field of employer vs. state relations at the Confederation of Industry of the Czech Republic, July 27, 2018.

²¹⁰ “Režim ostatní státy (Srbsko),” Economic Migration, Ministry of Industry and Trade, accessed April 4, 2019, <https://www.mpo.cz/cz/zahranicni-obchod/ekonomicka-migrace/rezim-ostatni-staty-srbsko--239091/>.

²¹¹ Interview between the author and specialist at a field of employer vs. state relations at the Confederation of Industry of the Czech Republic, July 27, 2018.

According to the interviewees, the Czech government primarily helps domestic companies. Foreign ones are still important, but they have secondary priority.²¹² Partial hesitance of the Czech Republic to assume models from Germany can be explained by several ways. Some believe that it is the case because of historically complicated relationship between the Czech Republic and Germany.²¹³ The other explanation says that it is caused by the bad experience with the communist period that was based on technical middle level education and central directives.^{214 215}

Based on the information available, we can reject the null hypothesis.

H0: TNAs have no influence on policy-making in the Czech Republic.

All the interviewed representatives of influential actors and institutions said that the researched actors do have some degree of influence over the decision-making in the Czech Republic.

The exact scale of this influence is methodologically complicated to measure, but perhaps the most prominent example of such influence is the project “Pospolu” (mentioned above). This initiative was influenced by TNAs in the Czech Republic. The most impactful lobbying actor in this regard was the GerCham.²¹⁶

2.2.5 The impact of networking opportunities of the researched actors on their lobbying power in the Czech Republic:

This section covers the difference in networking opportunities of the two researched TNAs. It is presumed that German actors have an advantage in lobbying because they are geographically, culturally and politically closer to the Czech Republic (see the theoretical part of this thesis for reference). The Japanese actors lag behind in these aspects compared to the Germany vs. Czech Republic relationship. The hypothesis 2 (H2) and the research question 2 (RQ2) are addressed in this section.

When asked to compare the potential influence of GerCham and Shokokai, the interviewed individuals said that CherCham has an advantage in many aspects. The Chamber has

²¹² Interview between the author and specialist at a field of employer vs. state relations at the Confederation of Industry of the Czech Republic, July 27, 2018.

²¹³ Interview between the author and high representative in a field of PR and communication from the German-Czech Chamber of Industry and Commerce, July 9, 2018.

²¹⁴ Interview between the author and specialist at a field of international economic cooperation at the Confederation of Industry of the Czech Republic, August 13, 2018.

²¹⁵ Interview between the author and specialist at a field of employer vs. state relations at the Confederation of Industry of the Czech Republic, July 27, 2018.

²¹⁶ See above.

hundreds of members and a strong position in negotiations. It has a established institutional support and can rely on language and cultural proximity. Shokokai utilizes all the institutional advantages available to overcome this issue.²¹⁷ Japanese transnational actors utilize direct representation of the Japanese government in the Czech Republic, Shokokai and JETRO. On the other hand, Japanese TNAs are in advantage from historical perspective. Both countries have always liked each other. There were no historical incidents between the two.^{218 219}

German companies employ Czech high managers in their branches in the Czech Republic. In contrast, Japanese firms usually keep Japanese managers as CEOs. As a result, networking opportunities between Czech high officials and German companies are further facilitated. The reason is that a Czech manager has closer relationship to the Czech officials. They share a language, culture, etc. It is possible that they even attended the same university for example.²²⁰

Based on the interviews however, Japanese actors partially exclude themselves from the Czech environment. They are comfortable within their own circles. But they do not live in parallel world either. There is a complication of absence of direct flight route between Prague and Japan. Czech companies are not well known in Japan because only very few firms (less than 10) entered Japan via FDI and stayed.²²¹

In the case of large FDI, CzechInvest is able to arrange a meeting between a Japanese actor and for example a minister (to facilitate networking). This approach is not always the case with all Japanese companies operating here. As such, they join forces with other actors such as GerCham and negotiate as one. Also, they approach and collaborate with SPČR and CzechInvest to facilitate networking.^{222 223 224 225 226}

²¹⁷ Interview between the author and specialist at a field of international economic cooperation at the Confederation of Industry of the Czech Republic, August 13, 2018.

²¹⁸ Interview between the author and high representative in a field of economic relations at the embassy of the Czech Republic in Tokyo, December 17, 2018.

²¹⁹ Interview between the author and high representative of the CzechInvest office abroad, January 9, 2019.

²²⁰ Interview between the author and high representative in a field of PR and communication from the German-Czech Chamber of Industry and Commerce, July 9, 2018.

²²¹ Interview between the author and high representative in a field of economic relations at the embassy of the Czech Republic in Tokyo, December 17, 2018.

²²² Interview between the author and specialist at a field of international economic cooperation at the Confederation of Industry of the Czech Republic, August 13, 2018.

²²³ Interview between the author and high representative of the CzechInvest office abroad, January 9, 2019.

²²⁴ Interview between the author and high representatives of JETRO and shokokai, July 13, 2018.

²²⁵ Interview between the author and high representative in a field of PR and communication from the German-Czech Chamber of Industry and Commerce, July 9, 2018.

²²⁶ Interview between the author and specialist at a field of employer vs. state relations at the Confederation of Industry of the Czech Republic, July 27, 2018.

The data available point out the fact that networking is a very important aspect of lobbying in the Czech Republic. Therefore, we can confirm the hypothesis 1.

H2: TNAs' influence on policy-making in the Czech Republic is associated with their networking opportunities, based on dense commercial and political ties.

However, lobbying of the Chambers alone is not so efficient. It can for example be perceived as conflict of interests.²²⁷ Foreign TNAs use institutional environment of the Czech Republic to do the lobbying. The case of the lack of labor force is no exception. In fact, the Chambers are very active in this regard. They unified their approaches and spoke through SPČR or CzechInvest.²²⁸

It is not very difficult to found a chamber in the Czech Republic. The Czech state has only limited options how to prevent that (if it wanted to). The interviewees pointed out the logical implication, Chambers in general do not have a strong say in the Czech decision-making by default. That does not mean that they do not have an influence over it though. It is important to cooperate with one another and with the Czech institutions (CzechInvest, SPČR).^{229 230}

To address the research question 2, we have to consider not only simple unilateral lobbying activities of the Chambers alone, but we have to take into account the institutional environment of the Czech Republic (SPČR, CzechInvest) that intentionally strengthens networking opportunities of such actors.

RQ2) Is TNAs' influence in the Czech Republic associated with their networking opportunities, based on dense commercial and political ties?

The researched actors assessed their own lobbying and networking power. This information was verified from other interviewed actors as well. By default, GerCham has better starting position thanks to cultural, political and economic connections to the Czech Republic. Shokokai lags behind in this regard. However, additional factors have influence in the networking as well. These are the collective efforts of the TNAs that result in unified bargaining actor, and institutional environment of the Czech Republic.

²²⁷ Interview between the author and specialist at a field of international economic cooperation at the Confederation of Industry of the Czech Republic, August 13, 2018.

²²⁸ Interview between the author and specialist at a field of international economic cooperation at the Confederation of Industry of the Czech Republic, August 13, 2018.

²²⁹ Interview between the author and specialist at a field of employer vs. state relations at the Confederation of Industry of the Czech Republic, July 27, 2018.

²³⁰ Interview between the author and specialist at a field of international economic cooperation at the Confederation of Industry of the Czech Republic, August 13, 2018.

We can answer the RQ2 as: The *TNA's influence in the Czech Republic is associated with the networking opportunities. Geographical, cultural and political proximity contributes to amplified potential influence thanks to more broad networking opportunities. The disadvantage of TNAs that are geographically, culturally and politically more distant is mitigated by the institutional environment of the Czech Republic that facilitates the networking, and by collaboration among various TNAs between themselves.*

2.2.6 The impact of exit credibility of the researched TNAs in their lobbying power in the Czech Republic:

This part of the thesis examines the ability of Japanese and German TNAs in the Czech Republic to use the *exit* option (move their business to a different country) in negotiations with the Czech officials. It primarily focuses on the lobbying in the lack of labor force tackling, but it is easily generalizable. The hypothesis 2 (H2) and the research question 3 (RQ3) are addressed in this section.

It is presumed that Japanese TNAs are in advantage in this regard, because they can move their business to another country (for example rest of V4 states) if they consider it being a profitable move. On the other hand, Germany shares a border with the Czech Republic and economies of these two countries are intertwined. The *exit* is still presumed to be an available move, but its credibility as a bargaining tool is considered to be smaller than in the Japanese case.

To evaluate the credibility of potential *exit* option in the *bargaining* negotiations, we have to understand the current position of Japanese TNAs in the Czech Republic and their reason for staying in the country. Japanese TNAs in the Czech Republic created a functional networking environment between themselves. They have supplier chains established, employees trained, factories built. Also, the interviews indicated that Prague is a pleasant place for Japanese managers to live in because of its friendly environment, Japanese cultural activities, and the fact that there is a Japanese school that is dedicated to teach in the Japanese style. The interviewed actors did not confirm Japanese willingness to use the *exit* options.^{231 232 233}

Of around 250 Japanese companies in the Czech Republic, only about two of them left the country so far.²³⁴ We may conclude that the Japanese companies cannot credibly rely on the *exit* option in the *bargaining* even though their geographic distance and the fact that Czech and Japanese economies are intertwined to a degree as Czech and German economies are. Their exit option is restricted by the established supplier chains, productive employees, infrastructure, and the Japanese nature of business expansion (see above).

²³¹ Interview between the author and high representative in a field of economic relations at the embassy of the Czech Republic in Tokyo, December 17, 2018.

²³² Interview between the author and high representative of the CzechInvest office abroad, January 9, 2019.

²³³ Interview between the author and high representatives of JETRO and shokokai, July 13, 2018.

²³⁴ Interview between the author and high representative in a field of economic relations at the embassy of the Czech Republic in Tokyo, December 17, 2018.

Japanese actors see the lack of labor force in the Czech Republic as a factor that seriously threatens mainly the future FDI instead of the current ones. In the future, MNCs might try to expand to countries such as Romania or Bulgaria instead.²³⁵

This thesis assumed that the geographical distance between the Czech Republic and Japan contributes towards the increased ability of Japanese TNAs to efficiently lobby because of their credible *exit* options. The assumption was that the further the countries are from each other, the easier it would be for MNC to move their FDI elsewhere.

H3: TNAs' influence on policy-making in the Czech Republic is associated with their geographical distance, due to their highly credible exit options.

Based on the information available, it was not possible to confirm this hypothesis (H2). Not a single interviewed person supported this assumption. *Exit* options are not often used in the bargaining in the Czech context. The real exit is also very rare (less than 1% in the Japanese case). Therefore, the fact that Japanese TNAs were in advantage in this regard were not confirmed.

German companies sometimes point out the fact that they could move part of their business to Romania or Bulgaria for example. However, GerCham claims that is the last resort solution. Such move would be expensive and it would “burn bridges.”²³⁶

The data gathered point out the fact that German actors do not have very credible *exit* options. Perhaps the only scenario in which Germans would be truly willing to move large part of their production elsewhere would be if the Czech Republic left the European Union.²³⁷

The *exit* options are further decreased by the fact that the foreign companies often have long term contracts with local suppliers, for example to provide a steady supply of necessary components for manufacturing.²³⁸

Japanese actors are also very much in favor of the fact that the Czech Republic is an EU member country. Similarly to the German case, if the Czech Republic should withdraw from

²³⁵ Interview between the author and high representatives of JETRO and shokokai, July 13, 2018.

²³⁶ Interview between the author and high representative in a field of PR and communication from the German-Czech Chamber of Industry and Commerce, July 9, 2018.

²³⁷ Interview between the author and specialist at a field of international economic cooperation at the Confederation of Industry of the Czech Republic, August 13, 2018.

²³⁸ Interview between the author and specialist at a field of international economic cooperation at the Confederation of Industry of the Czech Republic, August 13, 2018.

the European Union, this could become a reason for the Japanese actors to move a large part of their production elsewhere.^{239 240}

To answer the RQ3:

RQ3) Is TNAs' influence in the Czech Republic associated with their geographic distance, due to their credible exit options?

The information gathered to answer this research question implies that the *exit* as a *bargaining* tool is not efficient in the context of the Czech Republic in general and is rarely used. Geographical distance has minimal connection to the ability of the researched TNA's to improve their *bargaining* position.

We can answer the RQ3 as: *TNA's influence in the Czech Republic is not associated with geographic distance of the actors in a significant way. In reality, geographical proximity does not influence the ability of the researched actors to use the exit as a bargaining tool.*

2.2.7 The evaluation of the findings, answer to the main research question and possible generalization:

This thesis addressed a variety of assumptions regarding the influence of foreign TNAs in the Czech Republic. The interviews with the involved actors provided unique and invaluable information about TNAs in the Czech Republic, their influence over the state's decision-making, and facts that influence this ability.

With distinction between causality and correlation in mind, it is difficult to prove causality between activities of the researched TNAs and final versions of Czech laws and regulations. However, this thesis confirms the H1 based on the following set of evidence and claims.

H1: TNAs have influence on policy-making in the Czech Republic.

The first very soft layer of influence would be simple lobbying with the goal to inform Czech officials about implications of potential pass of a legislative proposal. This constant information flow can be perceived as a form of influence on its own. It is however empirically weak and it would not suffice to properly answer the RQ1.

²³⁹ Interview between the author and high representatives of JETRO and shokokai, July 13, 2018.

²⁴⁰ Interview between the author and specialist at a field of international economic cooperation at the Confederation of Industry of the Czech Republic, August 13, 2018.

All the interviewed individuals agreed with the statement that the researched individuals do have influence over the decision-making in the Czech Republic in a sense that laws and regulations they tried to change would look otherwise without their intervention. The interviews brought unique insight into every day practice of lobbying and institutional networking.^{241 242 243 244 245} The interviewed individuals represented a wide variety of actors involved and they had no real reason to withhold this kind of information.

Furthermore, findings of this thesis indicated that there is a custom of cooperation of TNAs between themselves, cooperation of a *non-state actor* with its official counterpart (Shokokai and the Japanese embassy in Prague for instance), and most importantly, cooperation between TNAs and Czech institutional environment (such as CzechInvest and SPČR).

It is mainly this last branch of cooperation that allows TNAs to influence the legislation via comment phase of legislative procedure. Neither TNAs, nor chambers in general have the right to make such comments. However, bodies such as SPČR have these rights. A case of activities of eight non-state groups (including GerCham and Shokokai) regarding reform of Czech law about outplacement agencies is presented here as evidence to support claim of influence of foreign TNAs in the Czech Republic.²⁴⁶

These eight actors utilized two of the means of facilitation mentioned above in this text (collaboration between themselves and cooperation with the Czech institutions). SPČR has legislatively granted the right to comment on some of the laws prepared. The Parliament is obliged to discuss them. The researched TNAs take their position to for example SPČR and negotiate unified stance that has a better chance of being implemented into final law. The case of outplacement agencies is a perfect example of such approach.²⁴⁷ Another one would be the implementation of the parts of dual education in several Czech regions.^{248 249}

²⁴¹ Interview between the author and specialist at a field of international economic cooperation at the Confederation of Industry of the Czech Republic, August 13, 2018.

²⁴² Interview between the author and high representative of the CzechInvest office abroad, January 9, 2019.

²⁴³ Interview between the author and high representative in a field of economic relations at the embassy of the Czech Republic in Tokyo, December 17, 2018.

²⁴⁴ Interview between the author and specialist at a field of employer vs. state relations at the Confederation of Industry of the Czech Republic, July 27, 2018.

²⁴⁵ Interview between the author and high representative of the section of International Relations at the Confederation of Industry of the Czech Republic, April 24, 2019.

²⁴⁶ "Společné stanovisko v rámci meziresortního připomínkového řízení k připravované právní úpravě agenturního zaměstnávání, a to v bodech omezení řetězení pracovních poměrů na dobu určitou a zavedení kvót," Asociace pracovních agentur, accessed April 24, 2019, http://www.apa.cz/dokument/Stanovisko_obch_komor_v_CR_agenturni%20zamestnavani_052015_final.pdf.

²⁴⁷ Interview between the author and high representative of the section of International Relations at the Confederation of Industry of the Czech Republic, April 24, 2019.

²⁴⁸ Interview between the author and specialist at a field of international economic cooperation at the Confederation of Industry of the Czech Republic, August 13, 2018.

²⁴⁹ Interview between the author and specialist at a field of employer vs. state relations at the Confederation of Industry of the Czech Republic, July 27, 2018.

Based on the information acquired during an interview, the final version of the regulation of outplacement agencies was directly influenced by the *non-state actors*. Same applies to other laws and regulation in general.²⁵⁰

We are able to answer the main research question:

RQ1) Do TNAs in the Czech Republic have influence on its policy-making?

The researched TNAs, the Czech officials, and factual data confirmed that TNAs in the Czech Republic do have an influence on the decision-making of the country. This influence differs from actor to actor. To improve this ability, the TNAs join forces with others in some cases and negotiate as unified actor. The researched TNAs also utilize institutional framework of the Czech Republic to do the lobbying more efficiently. The research indicates that geographical distance does not play a significant role in the ability of the TNAs to utilize the *exit* option as a *bargaining* tool. On the other hand, *networking* is proved to be associated with the geographical, political and cultural proximity between the countries.

The RQ1 is answered as: *TNAs in the Czech Republic do have influence on its decision-making. This influence is most commonly executed via networking connections and official institutional framework of the Czech Republic.*

Based on the academic literature, the Figure 1 (please refer to the theoretical part of this thesis) summarized the main tools the TNAs have to influence decision-making of a state. These tools were the following:

Figure 1b:

Tools in theory available to TNAs to influence their bargaining power (recapitulation):

Legal tools	Networking	Institutions	Cultural Factors	Exit
Illegal tools	Bribery	-	-	-

This thesis took into account only the legal tools from the Figure 1a/1b. The reason is that the researched TNAs come from countries with low level of corruption and have a good reputation. It is assumed that they do not participate in such illegal activities. Even if they did, research conducted in this paper could not uncover it anyway. Therefore, the thesis focused on the legal activities only.

²⁵⁰ Interview between the author and high representative of the section of International Relations at the Confederation of Industry of the Czech Republic, April 24, 2019.

Figure 2 serves to provide a clear summary of the findings of this thesis.

Figure 2:

Usage of tools that influence bargaining power of TNAs in the Czech Republic:

Type of tools	Networking	Institutions	Cultural Factors	Exit
Usage in the Czech context	Confirmed	Confirmed	Confirmed	Not Confirmed

The case of influence of TNAs on the decision-making of the Czech state in regard of the lack of labor force in the Czech Republic did not prove to be deviated in its general nature from other topics TNAs would like to influence.

The question of influence of TNAs over the sovereign states in the discipline of the international relations is a very broad subject that is not easily addressed. This text aspires to at least contribute to the academic debate regarding this topic a little bit. The influence of *foreign non-state actors* on national states is indeed a very broad topic and needs to be addressed from plenty of angles and approaches. This text offers one of them.

States have motivation to preserve their sovereignty to maintain as much control over their decisions as possible. One of the reasons is that the state primarily focuses on the well-being of itself and its citizens. TNAs typically have profit as their main goal. If the TNA’s proposed reform is good in improving economy, but does not benefit its citizens, it brings the two sides in a conflict.

On the other hand, this thesis suggests that the influence of the TNAs on the sovereign states is strong in crucial areas such as FDI that brings a lot of money, technology and employment. It is beneficial for states to listen to TNAs’ lobbying because it ultimately means a higher chance of more FDI in the future. TNAs often offer their expertise in similar problem tackling from abroad. An example in the Czech context would be the dual education project. Over all, the influence of TNAs in the Czech Republic on the state is perceived as beneficial in this thesis.

The influence of the *transnational actors* on sovereign states in the developed world cannot be ignored. Their potential contribution to economic growth can hardly be rejected especially by democracies which value economic prosperity. Despite nationalistic tendencies of some states nowadays, TNAs will be more and more important in the world economy and international relations in general.

Conclusion

This thesis examined the role of *transnational non-state economic actors* in the Czech Republic. The text aimed to uncover the influence of the Czech-German Chamber of Industry and Commerce, and the Japanese Chamber of Commerce and Industry in the Czech Republic, on the decision-making of the Czech state in the case of changes in legislation regarding the lack of labor force in the Czech Republic. The thesis introduced three research questions.

The research confirmed that the researched actors do have a say in the Czech decision-making. They use direct negotiation with the Czech representatives (such as high officials from ministries), as well as other methods such as using Czech institutional framework (Confederation of Industry of the Czech Republic, CzechInvest) to make their position more impactful. The researched actors do not stand against each other in the researched case. Instead, they collaborate to make their position stronger.

However, it is very important to add that empirical verification of influence of a non-state actor is difficult. This thesis provided a set of evidence that supports the claim that these actors do have such influence. Aside from identification of the information flow provided by lobbyists, the thesis provided two more layers of evidence. The first one is the repeated claim of the interviewed individuals saying that the researched actors are important lobbying force with real impact on legislation. The second layer is the identification of a specific case where the researched actors changed the legislative proposal. But it might be argued that the evidence is not clear enough. Over all, this thesis interprets the evidence in one way. Other authors might interpret it differently.

Based on the academic literature, the thesis tested two additional research questions apart from the main one. These were related to the geographical distance between the state from which the TNA originates and the host country for their FDI. It was presumed that the closer the countries are, the closer cultural, political, economic ties are established and therefore *networking* is easier. Stronger *networking* was assumed to translate into easier lobbying. The other claim said that the further the countries are from each other, the more credible it is for the TNA representative to use the *exit* option as a *bargaining* tool.

It was confirmed that the researched TNAs in the Czech Republic use *networking* to increase their lobbying power. German actors were presumed to have increased lobbying capacity because of intertwined nature of Czech and German economies, cultural closeness and political reasons. The *networking* does play an important role in the ability TNA to influence the decision-making of the Czech Republic. As German TNAs can count on advantages of closer relationship with the Czech Republic, Japanese TNAs cannot rely on such circumstances. It is concluded that geographical proximity positively contributes to the *networking*.

The finding of this text regarding the usage of the institutional framework of the Czech Republic corresponds to Hall's and Soskice's categorization of types of capitalism. The Czech Republic, Japan, and Germany were included into the category of coordinated economies.

The behavior of the researched actors reflects the negotiation customs of their home country.

The second assumption saying that the geographical distance had an impact on practical use of the *exit* option during *bargaining* was not confirmed. No evidence saying that *exit* is used in *bargaining* negotiations in the researched case was found. It turned out that the *exit* option is rarely used in the Czech *bargaining* negotiations.

It is possible to derive generalizable statements from this instrumental case study. Economic actors have advantage in lobbying compared to for example NGOs because they bring capital, technologies and know-how. They trade these commodities for the right to use some of the resources of host state. State trades part of its sovereignty for the boons that come with FDI which are generally desired by the voters (typically economic growth and employment).

The *transnational non-state economic actors'* say in the state's decision-making is a fact that has to be taken into account. The amount of such influence varies in each case and is dependent on many factors. The influence of these actors in the international and domestic politics is rarely direct in a sense of policy-making, but it is significant and must be taken into account. The general trend of more intertwined economies and free trade that has been contested only recently (protectionist tendencies of states such as the United States) suggests even greater importance of these actors in the future.

Summary

This thesis sought to uncover the influence of the *non-state transnational economic actors* on the decision-making of the Czech Republic. The problem of lack of labor force in the Czech Republic was chosen as the researched case. Relevant texts and unique interviews were used to provide the information necessary to answer the research questions.

The thesis offered three research questions. The main research question was directly related to the influence of the *non-state transnational actors* in the Czech Republic. The other two research questions tested the assumptions about the role of geography in the ability of the researched actors to utilize *networking* and the *exit* option in *bargaining* negotiations.

The findings of this thesis indicate that the researched actors have an influence on the decision-making of the Czech Republic. They cooperate with each other and negotiate with some of the Czech institutions to gain a higher chance of being successful in lobbying. A concrete example of change in legislation caused by activity of the researched actors was found.

It was confirmed that geographical proximity positively affects *networking* power of a transnational actor. The closer the countries are, the more *networking* is available. The last assumption regarding credibility of the *exit* option in *bargaining* was not confirmed. The reason is that according to the gathered information, *exit* is not used in the Czech environment at all.

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