

Navigating Economic Governance:

**German Export and Investment promotion between Varieties of
Capitalism and Multi-level Governance**

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Abstract

This thesis examines the German system of Export and Investment Promotion Agencies (EIPAs) using a combination of the Varieties of Capitalism (VOC) and Multi-Level Governance (MLG) approaches. It challenges the traditional application of VOC and using the MLG approach argues for an expansion of its theoretical framework to account for a hybrid type of actor organisation and governance interactions across multiple levels. Accordingly, this thesis examines the theoretical framework of both approaches before their utilisation. It then proposes to address their shortcomings by examining whether the VOC approach can be refined and further improved by combining it with aspects of MLG to better reflect the complex interactions between different state and non-state actors and their type or organisation within a country's economy.

This is accomplished in several ways. First, an in-depth case study of the Export and Investment Promotion Agencies (EIPA) sector in Germany on multiple, vertical levels of governance is conducted. To do so, a combination of 28 elite interviews and key primary sources such as financial documents, official program reports and parliamentary hearings were used. This is followed by a case within a case example examining Germany's single largest state-funded program for export promotion, called the Export Initiative Renewable Energy (*Exportinitiative Erneuerbare Energien*).

Overall, the thesis argues for a combined VOC and MLG approach and rejects VOC's traditional dualism. It instead recognises the possibility of a hybrid type of actor organisation within market economies. The analysis identified a new type of actor organisation, referred to as "coordinated competition". This was based on emerging evidence showing that regional, federal and international level actors display complex and opportunistic behaviours which are best understood in the context of a hybrid type of VOC market system. The results also show the role of the state as a direct market actor on both a regional and federal level. These findings both challenge the traditional understanding of VOC and confirm several of the criticisms of the approach found in the academic literature. The case supports the argumentation that both VOC and MLG are valuable heuristic analytical devices which can benefit from an expansion of their theoretical frameworks.

Based on the results of the analysis of the German EIPA system, this thesis addresses three main gaps in the academic literature. First, it provides a detailed analysis of the setup of the German EIPA system. Despite its size, history and economic significance, Germany's EIPA system, along with EIPAs in general, has received little academic attention. This has resulted in them being somewhat of a 'black box' to academic research. The results of this thesis provide a rich understanding of the governance systems and actor behaviours that could add to the overall academic understanding of EIPAs as actors in the political economy literature. Second, it illustrates that a combined VOC and MLG approach should be applied to accurately understand the complex governance relationships and forms of actor organisation that shape this sector of the German economy. This is critically important, as it allows one to take into consideration and incorporate different levels of governance structures and spheres of influence that were missing in the VOC literature. Finally, based on the case analysis of Germany, it argues that the VOC approach should be expanded to incorporate a new, ideal-type hybrid category, in which actors are organised via a combination of Coordinated Market Environment (CME) and Liberal Market Environment (LME) characteristics. This new hybrid type of VOC allows for a more precise reflection and analysis of the complex actor relationships found within Germany's export and investment promotion system.

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Acronyms

Acronym	English	German Full Text
AHK	German Chambers of Commerce Abroad	Deutsche Auslandshandelskammern
AWZ	Bavarian Foreign Business Centre	Außenwirtschaftszentrum Bayern
BAFA	Federal Office for Economic Affairs and Export Control	Bundesamtes für Wirtschaft und Ausfuhrkontrolle
BMF	Federal Ministry of Finance (Germany)	Bundesministerium der Finanzen
BMEL	Federal Ministry of Food and Agriculture (Germany)	Bundesministerium für Ernährung und Landwirtschaft
BMU	Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (Germany)	Bundesministerium für Umwelt, Naturschutz und nukleare Sicherheit
BMWi	Federal Ministry of Economics and Technology (Germany)	Bundesministerium für Wirtschaft und Technologie
BMZ	Federal Ministry for Economic Cooperation and Development (Germany)	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung
BW_i	Baden-Württemberg International (limited liability company)	Baden-Württemberg International, Gesellschaft für internationale wirtschaftliche und wissenschaftliche Zusammenarbeit mbH

CDU	Christian Democratic Union of Germany	Christlich Demokratische Union Deutschlands
CME	Coordinated Market Economy	
DIHK	Association of German Chambers of Commerce and Industry	Deutscher Industrie- und Handelskammertag e.V.
DENA	German Energy Agency	Deutsche Energie-Agentur
DMAN	German Management Academy Lower Saxony (non-profit limited liability company)	Deutsche Management-Akademie Niedersachsen gemeinnützige GmbH
EEAS	European External Action Service	
EEN	Enterprise Europe Network	
ERDF	European Regional Development Fund	Europäische Fonds für regionale Entwicklung (EFRE)
EIPA	Export and Investment Promotion Agency	
EU	European Union	Europäische Union
FDP	Free Democrat Party (Germany)	Freie Demokratische Partei
GIZ	German Corporation for International Cooperation (limited liability company)	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH
GTAI	Germany Trade and Invest (limited liability company)	Germany Trade and Invest - Gesellschaft für Außenwirtschaft und Standortmarketing mbH
HK	Chamber of Crafts	Handwerkskammer
IHK	Chamber of Commerce and Industry (Germany)	Industrie- und Handelskammer
LME	Liberal Market Economy	
MENA	Middle East and North Africa	
MLG	Multilevel Governance	
MOU	Memorandum of Understanding	

MW Nds	Ministry of Economics, Labour, Transport and Digitisation of Lower Saxony	Niedersächsisches Ministerium für Wirtschaft, Verkehr und Digitalisierung
NIHK	Chamber of Commerce of Lower Saxony	Industrie- und Handelskammer Niedersachsen
NGlobal	N Global (limited liability company)	Niedersachsen Global GmbH
SPD	Social Democratic Party of Germany	Sozialdemokratische Partei Deutschlands
StMWi	The Bavarian State Ministry of Economic Affairs and Media, Energy and Technology	Bayerisches Staatsministerium für Wirtschaft und Medien, Energie und Technologie
VOC	Varieties of Capitalism	
WM BWL	The Baden-Württemberg Ministry of Economic Affairs, Labour and Tourism	Ministerium für Wirtschaft, Arbeit und Tourismus Baden-Württemberg (WM BWL)
		* English translation provided by author for convenience in instances where no official translation exists.

1 Introduction

Export and Investment Promotion Agencies (EIPAs) are important actors within the context of political economy. They are a loosely defined group of organisations whose purpose is to support companies in their export endeavours and attract foreign direct investment to their domestic market economies. There is no definitive definition for EIPAs, as their focus between investment attraction and export promotion can vary significantly, as can their ownership structure and the services they provide. According to the World Association of Investment Promotion Agencies (WAIPA), its membership criteria refer to:

‘any agency, government body or entity whose prime function is “to promote any country, political sub-division of a country or other uncontested territory, as a destination for, or as source of investments” ‘ (WAIPA, 2023).

In many cases, EIPAs are state-owned or found within a particular government ministry, on a federal or regional state level. However, there are exceptions to these ownership structures, including in Germany, whose EIPA system includes and relies on a combination of private and state actors.

In the German EIPA system, the state and private sector actors engage closely within the market economy. To date, the study of EIPAs in the academic literature has been primarily focused on quantifying their impact, with very few country case studies or engaging in in-depth qualitative analysis using different theoretical approaches such as Varieties of Capitalism (VOC) and Multi-Level Governance (MLG). This limits the nuanced understanding of their governance systems – critical for understanding their behaviour and impact. One major privately owned and operated type of EIPA, the German Chamber of Commerce Abroad (AHK) network, received more than €61 million of annual federal-state funding in 2021 (up from € 40 million in 2015) whilst also providing chargeable services for regional and federal state actors for policy implementation-related activities (Deutscher Bundestag, 2023). Additionally, these actors receive membership fees from private firms and offer a range of products and services to the private market. By 2022, the AHK network alone employed more than 2400 staff globally, up from 1700 staff in 2013 (Deutscher Bundestag, 2013; Hauser *et al.*, 2016; DIHK DEinternational GmbH, 2022). Further highlighting the close interrelationship between

the state and private sector in Germany's EIPA system is the fact that these chamber organisations are officially classified as one component of the three-pillar system of German economic diplomacy (*Drei Säulen System der Wirtschaftsdiplomatie*), together with the German Federal Republics Foreign Office (AA) and the federally owned Germany Trade and Invest (GTAI) limited company (Auswärtiges Amt, 2021). Notably and in contrast to the other two organisations remains a private actor with no state-ownership or direct means of hierarchical control.

The significance of EIPAs in the context of Germany's economy is considerable given the economy's emphasis and dependency on its export capacity. Germany's export capacity has been described as critical for its economic structure and success and has shaped the overall economic set-up (Moser, Nestmann and Wedow, 2008a; Felbermayr and Yalcin, 2013; Hassel, 2017a). By 2022, Germany's total exports surpassed €1.574 billion, with the top three regional states in terms of exports (Bavaria, Baden Württemberg and Lower Saxony) making up for €215, €262 and €97 billion of this amount (StMWi, 2023). These are considerable numbers and indicate the significance of developing and managing export capacities for both regional state economies and the German economy as a whole. The three regional states mentioned regional states all operate and fund their own export and investment promotion programs and maintain EIPAs separate from the German federal government. Yet little is known regarding the exact governance frameworks in which they operate.

On a federal state level, the Federal Ministry of Economics and Technology (BMWi) alone allocates € 86.5 million annually in support of two major EIPAs, namely the private sector AHK network and GTAI, which is fully owned by the ministry in addition to spending €120 million on federal export and investment promotion programs (BMWi, 2020b). Given the size and complexity of this sector of the economy, rigorous academic analysis is warranted. Furthermore, the sector is well suited for applying and testing theoretical concepts from the field of political economy, yet academic attention has remained relatively limited. Accordingly, this research chooses to focus on the German EIPA system and gives special consideration to the regional state level, concentrating on three regional states with the highest values of total exports by value (Statistisches Landesamt Baden-Württemberg, 2022; StMWi, 2023).

Past academic research that investigated EIPAs, primarily focussed on assessing the quantitative economic impact they have or was restricted to a comparative analysis between different countries (Lederman, Olarreaga and Payton, 2006; Rose, 2007; Hauser and Werner, 2009; Ramsteck, 2009a,

2009b). While this has provided interesting cross-country analysis, they do not provide an in-depth understanding of the governing actors at play. Regardless of Germany's popularity as a research subject for debates in political economy (see for example Culpepper, 2001; Vitols, 2001; Wood, 2001; Benz, 2007; Moser, Nestmann and Wedow, 2008b, 2008a; Hall and Gingerich, 2009; Liebmann, 2009; Palier and Thelen, 2010; Bastasin, 2013; Hassel, 2017a; Noelke et al., 2019; Braun and Deeg, 2020a), there is only extremely limited research into its EIPA system – which is an essential component of its export economy. Notable exceptions to this are the work by Walzenbach and Ramsteck. In his work, Walzenbach focused on institutional coordination within the context of Germany's export promotion policy. He illustrated how the German state used export financing services and credit insurance to support the domestic industry's external trade capacity. Ramsteck took a different approach and focused on a historical comparative analysis between the export promotion policies and federal state export promotion agencies in Germany and the UK. While both authors offer valuable insights into an aspect of Germany's export promotion, the academic literature lacks a comprehensive analysis of Germany's export promotion system as a whole and the type of governance between the state and private sector across various levels. This is important because as this thesis will show, both state and private actors are crucial market actors in Germany and its EIPA system is built on a complex form of governance which displays coordination and competition market aspects. In addition, the German case can provide insights regarding the interactions across multiple levels and highlight the role of EIPAs at the substate level. This has previously not been considered in the academic discourse and is addressed by this research incorporating private and state actors on a regional state level in Germany (*Länderebene*).

This thesis addresses this gap in the literature by making use of analytical strengths of the Varieties of Capitalism (VOC) and Multi-Level Governance (MLG) approaches and applying them as part of an in-depth analysis of the German EIPA system. Both the VOC approach, based on the work of Hall and Soskice, and the MLG approach, based on Marks and Hooghe, have gained a degree of prominence in the past 20 years within the field of political economy and have been extensively used to analyse and categorise different forms of actors organisation (for VOC see Crouch and Streeck, 2000; P. A. Hall and Soskice, 2001c; Kang, 2006; Crouch, 2009, 2012; Hall and Gingerich, 2009; Hall and Thelen, 2009; Liebmann, 2009; Bruff, 2011, 2021; Hancké, Rhodes and Thatcher, 2012; Streeck and Thelen, 2012; Hassel, 2014a; Johnston and Regan, 2016; Prevezer, 2017; Hay, 2020; Schedelik et al., 2021; Weiss, 2021 and for MLG see Marks, 1993; Scharpf, 1997b, 2000b; Walzenbach, 1998, 2006; Hooghe and Marks, 2001a, 2001b, 2003; Banducci, Karp and Loedel, 2003; Marks and Hooghe, 2004; Benz, 2007; Conzelmann, 2008; Stein and Turkewitsch, 2008; Börzel and Heard-Lauréote, 2009; Piattoni, 2009;

Börzel, 2011, 2020; Faludi, 2012). Both approaches are designed to understand and classify the interactions within state and economic systems. The VOC approach focuses on the organisation of state market economies, with a focus on the organisation of firms as market actors, whereas the MLG approach focuses on the structures and governance relationships between actors within state structures. Given the close interrelationships and the lack of complete inseparability of states and markets, both approaches have significant commonalities. In addition, both approaches are heuristic in nature and can assist researchers in the categorisation and analysis of complex organisational structures resulting from diverse actor interactions (see Walzenbach, 2006 for MLG and Hay, 2020 for VOC).

This thesis proposed that an examination of the German EIPA system using a combination of the VOC and MLG approach can reveal new insights into a previously neglected field of research in political economy and simultaneously assist in expanding and improving the heuristic capacity of both theoretical approaches. Particularly the VOC approach offers a compelling theoretical framework to analyse the organisation of actors within a market system and categorise the interactions they display. Germany's economy has frequently been used as a paradigm example of what the VOC defines as a Coordinated Market Environment (CME) (Soskice, 1997; Fioretos, 2001; Hall and Soskice, 2001a). However, in these instances, the analysis of the German economy has focused on a macro level and neither adopted a sectoral nor sub-state level approach. Accordingly, this research seeks to address this shortcoming by analysing Germany's EIPA system and considering the multiple levels of governance in this context. This allows this research to assess the ability of the traditional understanding of VOC to be reconciled with the real-world example of the German EIPA system and reveal new insights in the previously understudied field of EIPA systems. Therefore, a central research question of this thesis is:

How can VOC and MLG contribute to the understanding of the German EIPA system and what are the implications for the academic understanding of VOC resulting from this?

As part of the theoretical review of both approaches, this thesis recognises both their heuristic potential yet argues that in their traditional form, neither approach is sufficient to provide precise analytical insight into the governance structures and types of actor organisation within the German EIPA system. Especially VOC's inability to recognise the state as a direct market actor, as well as the adherence to a dualistic theoretical framework, weakens its heuristic capabilities. VOC's dualistic

nature and the resulting assumed path dependency of actors in terms of market organisation has been a matter of academic controversy in the past and is not settled to this point. According to Bruff:

‘Intense debates have taken place within the literature on several key issues. For instance, the Varieties of Capitalism framework, which postulates the existence of two distinct ‘types’ of capitalism (Liberal Market Economies (LMEs) and Coordinated Market Economies (CMEs), has catalysed discussions on how many varieties of capitalism exist, whether we should view the varieties we identify as pure or hybrid varieties, whether a country can move from one variety to another over time, and if internal consistency (termed ‘institutional complementarity’) exists even if the bifurcation into two types is accepted’ (Bruff, 2011).

Accordingly, this thesis finds that in its current form, VOC alone is ill-equipped for the task and cannot fulfil its full heuristic potential. However, it holds significant analytical potential which can be accessed by expanding its theoretical framework and combining it with aspects of MLG. This addresses several long-standing criticisms and yields a valuable theoretical approach which can assist in analysing complex types of market organisation, such as those found within the German EIPA system. This is achieved in a two-fold manner, first by moving away from an exclusively firm-centred focus on market organisation and recognising the organisational impact which state actors either directly or indirectly have on forms of organisation on multiple levels organisations. This can be achieved by integrating concepts from the MLG approach, which recognises the multiple levels of governance and different types of governance interactions which actors portray within a system. Secondly, by recognising the possibility of a hybrid form of organisation and governance interaction, which displays characteristics of both forms of VOC, this thesis challenges the dualistic nature of the traditional VOC approach. This new ideal type of actor organisation displays both CME and LME characteristics, thus resulting in a display of coordinated competition. Furthermore, rather than displaying a continuous progression towards either of the VOC’s spectrums extremes, adopting a new hybrid ideal type accounts for the opportunistic behaviour of actors which this thesis identified within the German EIPA system. Independent EIPAs and particularly their leadership staff displayed an ability to adopt strategies and forms of interaction and organisation to fulfil their actor's objectives and self-interest.

Given that German EIPAs operate on a regional, state, federal and supranational level within the German economy, this market sector is well suited to display the advantages of the proposed

expanded VOC and MLG approach. The interaction between state and private sector actors within the market requires a new, expanded theoretical framework of VOC and MLG to account for. Accordingly, this thesis makes an original contribution to the fields of VOC and MLG. It directly applies the combined approaches to a significant economic sector and thus shows its heuristic abilities. Furthermore, it addresses a previously neglected field of study and offers compelling new insight into the governance systems and functioning of the German EIPA system.

1.1 Thesis structure

The structure of this thesis is as follows. Chapter One introduced the German EIPA system alongside the VOC and MLG approaches and formulated the research question. The chapter provides three points of justification regarding the selection of the German EIPA system as a case study. First, the German EIPA system accounts for an economically and politically relevant sector of the German economy, which is essential in shaping Germany's export sector and international economic competitiveness. Second, the sector has received only very little academic attention despite the prominence of Germany within the VOC literature. Third, the sector displays some highly interesting forms of governance interactions, such as collaboration between and indirect support and cross-financing between regional and federal state actors, as seen in the funding model of some regional state EIPAs such as the German Management Academy Lower Saxony (DMAN) or regional export promotion programs such as Go Bavaria highlighted in Chapter Five, as well as the organisation between state and non-state actors via co-owned private sector limited companies or the awarding of grant funding to private sector actors for implementing state services (as seen in the example of the AHKs or the Export Initiative Renewable Energy detailed in Chapter Six). For the above reasons, therefore, the German EIPA sector is ideally suited to apply and further refine the VOC and MLG approaches.

Chapter Two describes the normative background of both the VOC and MLG approaches and develops an overarching framework for understanding their compatibility. To do so, the chapter outlines the historical development of both approaches and examines the existing set of critiques levelled at both. Overall, this chapter argues that the heuristic nature of VOC makes it suitable to illustrate how actors in market economies interact and establish organisational frameworks. Finally, the chapter concludes that given their strong commonalities but different foci, combining both approaches can enhance economic academic analysis if their theoretical foundations are refined and developed further.

Chapter three describes the methodology used in the empirical component of the thesis. Using recent and key methodological studies in the field, the chapter discusses the rationale for a qualitative study in a traditionally quantitative research field, case study selection and subject matter expert recruitment approaches.

Chapter Four provides a detailed description and analysis of the EIPA system and its history within Germany. This is essential to fully understand the nuances found within the German EIPA system. It introduces the complex case study field of the EIPA system in Germany and illustrates the importance of both state and non-state actors regarding economic governance. The chapter provides a historical analysis of the AHK network and shows that the complex governance system between the state and private sector in the German EIPA system dates back to the 19th century. The analysis also shows that characteristics of both actor coordination and market competition highlighted in the VOC approach have been salient since the inception of the EIPA system. This form of governance interaction is especially pronounced in the setup of the AHK network. These actors display strong hybrid VOC characteristics and depend on a governance ecosphere which is defined by collaboration between state and private market actors.

Chapter Five presents the findings from the empirical component of the thesis, including 28 semi-structured interviews. The findings are analysed based on the five key features of the traditional VOC approach identified in Chapter Two in Section 2.1.2.2, (Actor relationships, Organisation, Formal structure, Contracting Type and the Nature of Interactions). In doing so, the chapter empirically illustrates that despite many of the German EIPAs displaying CME-type characteristics, there is a continuous emphasis on LME and particularly competitive characteristics which remain core to the market organisation between actors. Rather than actors being driven towards purer types of VOC market organisation, they reflect a coordinated type of competition. Furthermore, a prevalence of Type II MLG interactions is observed in conjunction with this type of hybrid organisation. Both the state and private associational actors operate as direct market actors. They can demonstrate opportunistic behaviour across different levels of governance. Regional state actors may engage with higher-tiered actors on a federal or international level to access funding or other resources. Furthermore, both regional and federal state actors depend on private market actors from multiple levels to implement their economic policies. This is done to address shortcomings in their administrative capacity and benefit from operational efficiencies via synergies rather than outsourcing. Simultaneously, private sector EIPAs such as Chambers of Commerce have also specialised in targeting state actors as clients. The resulting governance system cannot adequately be captured by a dualistic understanding of VOC. Instead, a hybrid type of VOC is best suited to portraying this coordinated form of competition in the German EIPA system.

Chapter Six uses a case within-case example to illustrate this hybrid type of VOC in action. The chapter provides a thick description of the single largest ongoing German federal export promotion program called the Export Initiative Renewable Energy (*Exportinitiative Erneuerbare Energien*). This federal export promotion program was shaped both in terms of its design and implementation by the complex governance system and type of actor organisation typical of the German EIPA system. Particularly the three-way relationship between the BMWi, the Association of German Chambers of Commerce and Industry (DIHK) and the AHK network illustrates the interrelationship of actors and how both coordination and competition-based interactions can be interdependent. Furthermore, the case underscores the hybrid nature of the system, with opportunistic behaviour by individual actors and particularly their senior staff being common and crucial in shaping the governance interaction between market actors.

Chapter Seven summarises the major academic and practical contributions and implications of this research. This chapter summarises the argument for a new, distinct hybrid category of VOC, which challenges the traditional dualistic understanding and assumed path dependency of the traditional approach. It highlights the ability of the proposed new VOC ideal type to account for the identified types of market actor organisation within the German EIPA system. It concludes that both VOC and MLG approaches are compatible, with VOC benefiting from a newly gained ability to acknowledge the role of the state as an actor and recognise interaction across multiple levels. This ability is vital for acknowledging the regional-level aspect of the German EIPA system, which has been neglected in the past. The chapter continues by listing the practical implications that this research may have for practitioners in the field, such as ministry civil servants, political decision-makers, or senior private sector EIPA staff. Finally, it acknowledges the key limitations of this thesis and provides an agenda for future avenues of research.

2 Theoretical Literature Review of Varieties of Capitalism (VOC) and Multi-Level Governance (MLG)

This chapter is broken down into four main sections. Section 2.1 outlines the current state of the VOC literature, including introducing the framework, previous and alternative approaches, the criticisms of VOC and the application of the VOC approach. Section 2.2 outlines the key tenants of MLG, including its historical development, the different types of MLG and criticisms of MLG. Section 2.3 proposes how MLG and VOC can be combined and outlines the commonalities in both approaches. This will be the basis of the theoretical framework for the thesis.

2.1 Theoretical Framework: Introduction to Varieties of Capitalism (VOC)

This chapter's Section 2.1 will outline the current state of the VOC literature. It begins with a description of the key tenants of VOC, including previous and alternative approaches. After this, it outlines the key criticisms of VOC, including internal market homogeneity, quantifying radical innovation, and problems with the path dependency of VOC. Following these criticisms, it outlines the application of VOC in the political economy literature.

2.1.1 The Conceptualisation of VOC

In 1992, Francis Fukuyama famously declared the End of History (Fukuyama, 1992). With the collapse of the Soviet economic system, liberal market capitalism seemed to have prevailed and defeated all Marxist predictions concerning the natural progression from capitalism to socialism and communism. Building on neoliberal theories such as those promoted by academics like Milton Friedman and Friedrich Hayek, technocrats and politicians have largely adhered to concepts such as the ten principles of the Washington Consensus, which included policy recommendations such as the liberalisation of inward foreign direct investments, trade liberalisation, competitive exchange rates, privatisation of state enterprises and deregulation (Hayek, 1976; Williamson, 1990; Friedman and Friedman, 2002). This resulted in a global process of trade liberalisation, globalisation, and economic regionalisation. As Urata points out, the mid-1990s saw a sharp rise in both the number of Free Trade Agreements (FTAs) even between geographically distant markets, as well as a strong growth in the number and depth of Regional Trade Agreements (RTA). One of the factors Urata attributes this development to is a country's: 'desire to strengthen their political and economic influence in the international arena' (Urata, 2002, p. 27). With the fall of the Soviet sphere of economic and political power, as well as the technological possibilities created through advances in logistics and communication, a global trend towards opening markets and adhering to a neoliberal capitalist understanding was on its way. To this day, countries struggling with economic problems are almost exclusively confronted with neoliberal market policy solutions, such as the World Bank structural adjustment programs, or in the case of the Greek economic crisis, the European Troika's requirement on privatization, welfare reform and a reduction in work and pension benefits (Lucarelli, 2013; Borooah, 2014; Featherstone, 2015).

Similarly, within the context of the European Union (EU), the most influential policies and the organisation's original core political-economic values are concerned with the mobility of labour, the promotion of free trade and the abolition or streamlining of technical and legal guidelines between member countries to increase liberal market competition. The EU's precursors, the original European Coal and Steel Community (ECSC) from 1951 and the European Economic Community (EEC) founded in 1957 were still primarily concerned with economic instead of political or defence-related cooperation and illustrate the importance which the concepts of liberal trade and market capitalism have had on the formation of the EU. Although the EU permits a substantial amount of economic variation between its member countries and continues to grant special interest protection to certain industries such as agriculture and creative arts, it can nonetheless be seen as a driving force behind market liberalisation and countering individual state protectionism within Europe.

Specifically, the core Articles 107-109 of the Treaty on the Functioning of the European Union (TFEU), which entered into force with the ratification of the Treaty of Lisbon in December 2009, set forward a strong basis for a liberal market environment. Article 107.1 explicitly states that:

'Save as otherwise provided in the Treaties, any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods shall, in so far as it affects trade between Member States, be incompatible with the internal market' (European Union, 2008, p. 91).

Given this trend towards liberal market capitalism, and the lack of viable alternatives since the early 1990s, one may be inclined to agree with Fukuyama and accept a globalized trend towards liberal capitalism or at least adopt a Schumpeterian economic view in which liberal capitalism will continue to flourish until it reaches a point of saturation and stagnating growth (Fukuyama, 1992; Schumpeter, 1994). Peter A. Hall and David Soskice introduced a new area of discourse within the field of political economy and challenged the assumption of a universal economic "End of History", through their seminal piece, *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage* from 2001 (Hall and Soskice, 2001c). Despite the seminal characteristic of this publication, which resulted in the now prominent VOC approach, the concept of different forms of capitalism within the field of comparative political economy is neither new nor controversial.

2.1.2 The creation of VOC within the field of comparative political economy

Despite the relatively novel approach of the VOC framework, Hall and Soskice were not the first to propose differentiated capitalist systems. For example, in a 1993 publication, Albert distinguished between traditional liberal neo-American capitalism and the so-called:

“other capitalism’ such as the Rhine model – largely unrecognised or, at best misunderstood – which extends from northern Europe to Switzerland, and partially includes Japan. Like its rival, the neo-American model, it is indisputably capitalist: the market economy, private property, and free enterprise are the cornerstones of both systems’ (Albert, 1993, p. 100).

Albert therefore already pointed to a difference between capitalist systems and sought to categorise them for comparative purposes. This assumption falls in line with several challenges to the neoliberal assumption of converging free markets, with multiple theorists highlighting the varied nature of capitalism since the end of the 20th century (Clift, 2014; Hay, 2020). Accordingly, the field of comparative political economy has seen significant attention. Esping-Andersen outlined different modes of capitalist economies based on historical influences and refuted the claim that these economic systems are converging (Esping-Andersen, 1990). Instead of focusing upon the firm as the centre of analysis and the driving entrepreneurial force behind institutional change, Esping-Anderson takes on a state-centric, institutionalist position, by asserting the independent nature of the state Leviathan and its institutions themselves and stating that:

‘The welfare state is also made possible by the rise of the modern bureaucracy as a rational, universalist, and efficient form of organisation. It is a means for managing collective goods but also a centre of power in its own right, and it will thus be inclined to promote its growth’ (Esping-Andersen, 1990, p. 13).

Accordingly, capitalist economies differ from one another and will continue to develop depending on their historical experiences and the rational choice of their institutions.

The variation in capitalist structures observed within different economies is a well-researched field that has yielded some interesting results. However, in the absence of a common theoretical structure, such as the one supplied by the VOC approach, drawing wider conclusions about the different forms of capitalism observed in studies, is exceedingly difficult. Lacking a common analytical tool and structure, the focus on in consequence wider theoretical utility of many comparative studies is limited. For example, some studies looking into the variation between and within capitalist economies, have focused on economic sociology and the varying importance of social networks in market economies. Lincoln et al.'s 1992 study of Japanese Keiretsu networks, for instance, focused on 250 major Japanese companies and identified control networks, and argued that the market is driven by a system based on cross-shareholding and management transfer as well as intra-organisation lending and trade (Lincoln, James, Gerlach, Michael and Takahashi, 1992). In the context of Germany, Streeck acknowledged the unique nature of a "German type of Capitalism", by first demonstrating its existence and later concluding that it is incompatible with processes of internationalisation and market globalisation. He notes the vital function of the state for associations and the market as a whole within Germany, concluding that:

'the German state's quintessential ability to replace direct state intervention and provision with assistance to organized social groups regulating themselves in the pursuit of collective goods- such as the infrastructural conditions of international competitiveness and high labour standards and a hard currency regime- cannot be replicated at the international level' (Streeck, 2000, p. 52).

Other researchers focused on identifying and comparing aspects or sectors such as the resource sector of individual capitalist economies (Hayter and Barnes, 2001; Jensen and Wantchekon, 2004; Vuong and K. Napier, 2014; Wright, Frantz and Geddes, 2015). In the example of Hayter and Barnes, a dualistic categorisation, separate from VOC, was used to examine Canada's resource economy. Using the concepts of Fordism and Continentalism, the research concluded a shift in economic structures away from FDI and government policy-driven Fordist principles of mass production, towards a more specialised form of production, referred to as Continentalist, which is defined by flexibility and a close integration onto continental and global markets (Hayter and Barnes, 2001). Despite therefore recognising structural differences within the capitalist market system, such market or sector-specific studies in political economy lack comparative features as they focus only on a

specific economic sector or state economy. They fail to utilise a universally applicable approach, such as VOC, which offers a defined theoretical framework as a heuristic tool of analysis for researchers.

2.1.2.1 Definition of VOC

Peter A. Hall and David Soskice expanded the discourse on capitalism within the field of political economy and comparative politics by introducing the Varieties of Capitalism (VOC) approach, outlined in detail first in the seminal book, *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage* (Hall and Soskice, 2001c). This book began with the premise that a new approach for comparing capitalist market economies can assist in answering whether there are:

‘fundamental differences in national political economies conditioning economic performance and social well-being? How should these differences be construed? Can we expect them to survive the pressures that integration into an international economy place upon nations?’ (Hall and Soskice, 2001b, p. v).

To account for these questions, they introduced the concepts of liberal market economies (LMEs) and coordinated market economies (CMEs) representing two distinct versions of capitalist economies. LMEs and CMEs represent two distinct versions of a capitalist economy, to differentiate between capitalist economies and use a theoretical framework to identify similarities and differences (Hall and Soskice, 2001a). Hall and Soskice define LMEs as environments in which: ‘firms coordinate their activities primarily via hierarchies and competitive market arrangements’ (Hall and Soskice, 2001a, p. 8). The United States is identified as an example of LME structures. By contrast, in CME environments: ‘firms depend more heavily on non-market relationships to coordinate their endeavours with other actors and to construct their core competencies’ (Hall and Soskice, 2001a, p. 8). The case of Germany is explicitly used as an example of such CME structures (Culpepper, 2001; Hall and Soskice, 2001a; Vitols, 2001).

For their theoretical concept of VOC, Hall and Soskice focus on the firm as market actors, and markets themselves:

‘institutions that support relationships of particular types, marked by arm’s-length relations and high levels of competition. Their concomitant is a legal system that supports formal contracting and encourages relatively complete contracts’ (Hall and Soskice, 2001a, p. 9).

The proposed ideal forms of CMEs and LMEs are the two ultimate end products of market organisation within market economies and thus ultimately mutually exclusive of one another. Furthermore, they are ascribed to be path dependant and foster an internal homogenous environment, as ‘in any national economy, firms will gravitate toward the mode of coordination for which there is institutional support’ (Hall and Soskice, 2001a, p. 9).

Within the original 2001 book publication Hall and Soskice alongside authors such as Thelen, Fioretos, Vitols and Culpepper continue to define a fundamentally dualist understanding of VOC, which remains central to the subsequent VOC literature (Culpepper, 2001; Fioretos, 2001; Thelen, 2001; Vitols, 2001). **Figure 2.1** summarises the main feature assumptions, which can be seen as central to the traditional understanding of VOC based on Hall and Soskice. VOC offers what appears to be a simple-to-use analytical framework for a comparison between economies, but crucially it refrains from engaging in value-based evaluation of the suitability or intrinsic value of particular economic systems which it analyses. According to Liebman for instance, the popularity of VOC can be explained by the fact that it provides a comparative framework in political economy that: ‘refrains from the simple form of ‘A is better than B’ and that ‘convergence towards *the* one best solution’ is to be expected’ (Liebmann, 2009, p. 1).

In consequence, Hall and Soskice’s work in their 2001 book may be described as seminal, as it has and continues to impact the academic debate within the field of political economy and comparative politics. Their distinction between systems of organisation, based upon an institutionalist analysis, has allowed for academic discourse on the differences between mature market economies and has resulted in a renewed interest in understanding capitalist market economies from a neo-institutionalist perspective. The impact of this work has been large, with over 5000 citations since its publication, spanning the fields of economics and political sciences (Google Scholar, 2022). However, scholars have criticised the VOC approach for its inability to describe real-world phenomena (Crouch,

2009; Hay, 2020). Thus, the approach requires further refinement to improve its heuristic ability to provide a stronger theoretical tool to highlight system characteristics.

2.1.3 The five characteristics of VOC

As illustrated in **Figure 2.1** below, the VOC approach offers what appears to be a clear framework that seeks to categorise and differentiate state economies based on the predominant types of interactions between its actors. Each of the five identified traditional characteristics is described in further detail in this section.

Figure 2. 1 Defining characteristics of VOC system categories

Characteristic	LME System	CME System
<i>Actor relationships</i>	Competitive market arrangements	Nonmarket relationships
<i>Actor Organisation</i>	Inconsistent/competitive	Durable/Coordinated
<i>Formal structure</i>	Hierarchical	Non-hierarchical
<i>Contracting Type</i>	Formal contracting	Incomplete contracting
<i>Nature of interactions</i>	Demand and supply	Strategic interaction

(Fioretos, 2001; Hall and Soskice, 2001a; Thelen, 2001; Hall and Gingerich, 2009; Hall and Thelen, 2009)

2.1.3.1.1 Actor Relationships – Competitive market arrangements vs. non-market relationships

According to Hall and Soskice, VOC distinguishes between actor relationships by contending that:

‘In coordinated market economies, firms depend more heavily on nonmarket relationships to coordinate their endeavors with other actors and to construct their core competencies. These non-market modes of coordination generally entail more extensive relational or incomplete contracting, network monitoring based on the exchange of private information inside networks, and more reliance on collaborative, as opposed to competitive, relationships to build the competencies of the firm. In contrast to liberal market economies (LMEs), where the equilibrium outcomes of firm behavior are usually given by demand and supply conditions in competitive markets, the equilibria on which firms coordinate in coordinated market economies (CMEs) are more often the result of strategic interaction among firms and other actors’ (Hall and Soskice, 2001a, p. 8).

Based on this distinction, the relationship between actors is shaped by the market and not an independent choice of the actors within each system. There appears to be little regard concerning the possibility of combining the two separate types of relationships.

Hall and Gingerich later expand on this dualistic understanding by assuming that:

‘The varieties-of-capitalism approach implies that aggregate economic performance should be better in nations whose institutionalized practices correspond more closely to relatively pure types of LMEs or CMEs’ ((Hall and Gingerich, 2009, p. 470).

They continue by attempting to prove that internal homogeneity is inherently built into the VOC approach and that less pure forms of market organisation will be outperformed by those exhibiting purer forms of the CME or LME spectrum (Hall and Gingerich, 2009). This research, however, contends that this assumption of internal homogeneity is false, and a system may display a third way in which actor relationships are organised. Such a way exists in the shape of a VOC hybrid type. Here

actor relationships are based upon non-market considerations, and competitive relationships simultaneously, as actors attempt to balance the different impacts of both forms. In the context of the German EIPA system, such hybrid actor relationships appear in instances, where actors are indirectly involved in the design of tender specifications for example or utilise non-market relationships for their competitive advantage. Central to the hybrid VOC approach is an actor's ability to base their decision on their own rational choice and engage in Type II MLG setups.

2.1.3.1.2 Actor Organisation – Inconsistent/competitive vs. Coordinated/ durable

In terms of organisational structure, CME and LME systems and their actors can be differentiated by whether the organisational structures and relationships between actors are inconsistent and competitive or durable and coordinated. As a result of this, it is necessary to examine how the EIPA organisations themselves are structured and whether their internal and external organisational structures with external partners (such as subcontractors, or operational partners) are organised according to more CME or LME characteristics. This is particularly important, as many of the EIPA actors examined in this research can be classified as institutional actors, which Hall and Soskice describe as being able to engage in three separate ways with the market. These are:

‘(i) the *exchange of information* among the actors, (ii) the *monitoring* of behaviour, and (iii) the *sanctioning* of defection from cooperative endeavour’ (Hall and Soskice, 2001a, p. 10)

Later, Hall and Soskice explicitly point to such actors as business associations and co-ownership networks as examples of coordinated organisation within a system. This reaffirms the importance of institutional actors as a coordination mechanism within a CME system (Hall and Soskice, 2001a). Associational actors, as well as the durability of the organisational structures, play a significant role in assessing the form of VOC. This research, however, contends that associational actors as well as state actors are not restricted to managing the activities of private actors but themselves display hybrid VOC characteristics, by adopting competitive and inconsistent structures within their organisational set-up. As this chapter will highlight, such hybrid organisational developments can be seen in the way in which traditional CME actors such as local Chambers of Commerce and Industry (IHKs) and regional state ministries have incorporated hybrid actors such as German Chambers of Commerce

Abroad (AHKs) and regional state EIPAs into their organisational setup. The dividing line between a competitive and a coordination focus of institutional actors appears blurred in the German EIPA system, as all actors have incorporated inconsistent and competitive forms of actor organisation, either directly into their institutional set-up or rely on them to implement their objectives.

2.1.3.1.3 Formal structure – Hierarchical vs. Non-Hierarchical

According to Hall and Soskice, the formal structure that exists between different actors within an economic system is another feature that differentiates CMEs and LMEs. According to them:

‘In coordinated market economies in particular, many firms develop relationships with other firms, outside actors, and their employees that are not well described as either market-based or hierarchical relations but better seen as efforts to secure cooperative outcomes among the actors using a range of institutional devices that underpin credible commitments’ (Hall and Soskice, 2001a, p. 14)

Thus, CMEs are deemed to exhibit predominantly non-hierarchical structures with flexible relationships compared to the traditional set hierarchies observed in LMEs. This is paradoxical at first sight, as one would expect hierarchical tendencies in an economy to be more closely related to its degree of coordination. Upon closer inspection, however, the coordination observed in CMEs is made possible via what can best be described as an interaction resembling very closely a Type II form of MLG. The observed structure within a CME is expected to display predominantly examples of collaboration and strategic cooperation instead of contractually defined and ad hoc market interactions, which are attributed to LME systems. In their understanding of VOC, Hall and Soskice account for the possibility of hierarchical structures in CMEs yet attribute such instances as outliers and exceptions found in some state economies (Hall and Soskice, 2001a). Such a combination however appears to be the exception rather than the norm. As such, assessing the hierarchical nature of formal structures in a market system is used as one characteristic of defining between CME and LME systems.

This research however contends that both hierarchical and non-hierarchical structures are likely to coexist within a market system that possesses hybrid VO characteristics. By looking at interview data, as well as budgets and public information on the researched actors, this research proposes that the formal structures observed depend primarily on the ability of an actor to make independent decisions and have a degree of financial and decision-making autonomy. Both state and non-state actors such as regional state EIPAs and AHKs exhibit both hierarchical and non-hierarchical relationships with other actors, depending on the degree of dependency they have. More important however is the distinction that actors displaying hybrid features predominantly display Type II MLG relationships, whereas purer CME-type actors appear to display less autonomy and focus on Type I MLG interactions. A generalisation that determines the formal structure across the market system cannot be made. Accepting the impact that hybrid actors have and the types of governance relationships they engage in, however, is crucial for understanding the structure and organisation of the economic system.

2.1.3.1.4 Contracting Type - Formal contracting vs. Incomplete contracting

The type of contracting is another feature which distinguishes LMEs from CMEs in the traditional VOC literature. According to Hall and Soskice, the two approaches can be distinguished by this feature. CMEs are described as:

‘These non-market modes of coordination generally entail more extensive relational or incomplete contracting, network monitoring based on the exchange of private information inside networks, and more reliance on collaborative, as opposed to competitive, relationships to build the competencies of the firm. In contrast to liberal market economies (LMEs)’ (Hall and Soskice, 2001a, p. 8).

Within the context of VOC therefore, formal contracting refers to a mechanism in which the supply of goods or services is clearly outlined before their occurrence by the relevant parties. Furthermore, collaboration is based upon a clear transaction of goods or services for profit between a minimum of two contractual parties. While working groups or a regular exchange of ideas or services between different actors may be formalised via Memorandums of Understanding (MOUs) for example, in the

context of VOC such instances would be seen as examples of incomplete contracting. This is because they fundamentally still rely to a large extent on an informal exchange of information and what Weiss refers to as 'trust relationships' (Weiss, 2021). As such, the traditional understanding of VOC contends two fundamentally different forms of organisations in terms of contracting.

This is an assumption again challenged by the hybrid concept put forward in this research. Despite exhibiting very close non-market relationships, actors within the EIPA system may still engage in formal types of contracting. Such instances, however, can neither be classified as examples of pure CME nor LME contracting, as governance structures inevitably influence the contracting procedure. Furthermore, export and investment promotion activities are frequently awarded by state actors in the form of grants. This has resulted in a whole market segment in which EIPAs contend for grant funding, which can neither be explained using traditional LME nor CME concepts. Instead, a hybrid understanding together with a concept of different types of MLG allows for a more accurate depiction of the type of market organisation occurring.

2.1.3.1.5 Nature of Interactions – Demand and Supply vs. Strategic Interaction

The nature of interactions is another category which differentiates CMEs from LMEs according to the traditional VOC approach. The focus here is placed on whether independent decisions of actors can be rationalised with an understanding of supply and demand requirements or better with strategic interaction that focuses on other, more long-term and intangible considerations. According to Hall and Soskice:

'In contrast to liberal market economies (LMEs), where the equilibrium outcomes of firm behaviour are usually given by demand and supply conditions in competitive markets, the equilibria on which firms coordinate in coordinated market economies (CMEs) are more often the result of strategic interaction among firms and other actors' (Hall and Soskice, 2001a, p. 8)

Therefore, by looking at the nature of interactions in which actors engage, one should be able to determine whether they align more closely with an LME or CME understanding of their type of VOC.

This traditional understanding however is also challenged by the concept of a hybrid form which allows for actor interactions to feature either a demand and supply or strategic focus, depending on the momentary requirements of the actor acting as the principle. The German EIPA system has developed into a complex MLG structure in which both Type I and Type II MLG structures are observed. State and non-state actors have created a governance ecosphere, which allows institutional actors to pursue their strategic objectives by making use of hybrid VOC actors such as regional state EIPAs or AHKs. These actors then implement their projects, resulting in an interaction which is driven by demand and supply-driven concerns just as strategic ones.

2.1.4 Criticisms of VOC

While the VOC approach offers researchers an attractive way to classify capitalist economies using a single theoretical framework, scholars have also noted several criticisms of the approach. First, VOC may be seen as insufficient in describing differences between countries. This is problematic as the approach's focus on theoretical ideal types can oversimplify economic realities and thus weaken subsequent comparative findings. Secondly, others have noted that the approach neglects the internal dynamics of change (Crouch, 2009; Streeck and Thelen, 2012). This can be a problem as despite not being a comprehensive theory with a predictive capability, VOC fails to recognise details within state systems and how they result in institutional change other than a continuous transition towards more 'pure' forms of LMEs or CMEs. Still, others have noted that the approach disregards the role of the state and the social structure within it (Schmidt, 2002; Watson, 2003; Noeke *et al.*, 2019). This is problematic as the firm-centric view of VOC thereby fails to capture a major governance aspect within market economies and may misidentify types of market organisation within countries. Additionally, Bruff argued that the institutionalist dependency of the VOC approach hinders its ability to truly reflect an economic system and criticised in particular the very narrow-minded application of VOC and noted that:

'it is clear that varieties of capitalism scholars consider the need to adopt a holistic, comprehensive approach to be important. However, such laudable principles are only partially affirmed in practice, where the reductionism inherent to an approach which takes institutions as the foundation of social life becomes apparent' (Bruff, 2011, p. 486).

The mentioned criticisms are mostly focused on the limitations of the VOC approach in its application to real-world cases. Three additional criticisms of the theory itself have also emerged in the literature. These are, the inability of the VOC approach to account for contradicting types of economies within different economic sectors of a single state's market (Section 2.1.3.1), its weak rationale for developing the concept of radical versus incremental innovation (explained in Section 2.1.3.2) and the path dependence of capitalist economies (discussed in Section 2.1.3.3).

2.1.4.1 Critique 1: Assumed internal economic homogeneity

VOC assumes that based upon the predominance of the characteristics outlined in Section 2.1.3, market economies may be identified either as LMEs or CMEs. Instances in which actors display characteristics contrary to the predominant type attributed to their state's economy are portrayed as doomed outliers. These will underperform due to a lack of institutional complementarities and eventually be removed or converted, as: 'In any national economy, firms will gravitate towards a mode of coordination for which there is institutional support' (Hall and Soskice, 2001a, p. 9).

This assumption of internal homogeneity within economies which have been classified as CMEs or LMEs is highly problematic. Crouch for example highlights this using the example of the US IT and defence industry sectors. Despite both the US and the high-tech IT sector being previously identified as key examples of LMEs (Hall and Soskice, 2001a; Akkermans, Castaldi and Los, 2009). Crouch argues the opposite by highlighting that within a general LME-type environment, the US defence and IT sectors exhibit strong CME characteristics (Crouch, 2009). Authors such as Leslie and Kenney have also shown how closely the US defence industry and the IT hub of Silicon Valley are interwoven with the US government and economic policy (Kenney, 2009; Leslie, 2009). Instead of classifying Silicon Valley as a prime example of US entrepreneurialism and the innovative and economic power of liberal capitalism, Leslie points out that:

'Silicon Valley owes its present configuration to patterns of federal spending, corporate strategies, industry-university relationships, and technological innovation shaped by the assumptions and priorities of Cold War defence policy' (Leslie, 2009, p. 49).

Within the context of the defence and IT industry around Silicon Valley, the state acted as the primary source of venture capital and guaranteed companies a favourable coordinated market environment with access to capital funding, customers and through funded research cooperation with universities access to highly skilled and specialised labour. This leads Kenney to conclude that:

‘U.S. defence policy after World War II was an innovation policy, which greatly benefited Silicon Valley’s high-technology firms by creating price-insensitive lead customers and by funding pre-commercial research, supporting universities, and training engineers and scientist’ (Kenney, 2009, p. 5).

This strongly contradicts the traditional VOC notion and its distinction between CMEs and LMEs. Instead of being a result of radical innovation and entrepreneurialism, Silicon Valley shows strong signs of being a direct consequence of an extremely coordinated market environment in which the government and public universities offered venture funding, long-term clients, and highly specialised labour. It would be inaccurate to attribute the discrepancy between Silicon Valley and the traditional LME definition as a simple exception to the rule, yet this is exactly how it is applied in the theory.

The US IT and Defence industry are not the only examples of major industrial sectors contradicting the macro-VOC environment. Similar concerns can be observed within the healthcare sectors in the UK and Germany for example. The UK economy is traditionally identified as a paradigm LME and: ‘characterized by low levels of business coordination and state intervention, and deregulated markets serving as the primary coordinating mechanism for economic activity’ (Fioretos, 2001, p. 220). Despite this, however, the vast majority of the healthcare sector is completely within the hands of the National Health Service (NHS), which is a tax-funded universal healthcare system operated by government trusts. In Germany, a country traditionally identified as a CME, healthcare also is regulated to a large extent by the government, yet services are neither universal nor funded or operated by the state. Instead, the majority of hospitals and surgeries are operated privately. As of 2016, there are 118 public and 44 private insurance providers in the market alone (Missfeldt, 2016; Spitzenverband GKV, 2016). As Esping-Andersen states:

'Germany was the pioneer of social insurance, but over most of the century can hardly be said to have brought about much in the way of de-commodification through its social programs. Benefits have depended almost entirely on contributions, and thus work and employment' (Esping-Andersen, 1990, p. 22).

Therefore, major industrial sectors, even within states classified as paradigm examples of LMEs or CMEs can directly contradict the assumptions made by traditional VOC interpretations (Soskice, 1997; Fioretos, 2001; Hall and Soskice, 2001a; Hall and Gingerich, 2009).

The US IT and defence sectors and the UK healthcare sector are not only examples of important sectors within LMEs but are paradigm examples of what VOC theorists refer to as "radical innovation" industries which a key to the classification of economies. Hall and Soskice explicitly refer to: 'sectors such as medical engineering, biotechnology, semiconductors, and telecommunications' (Hall and Soskice, 2001a, p. 44). Within these radical innovation sectors, interaction dynamics are shaped by short-term customer relationships and a highly dynamic labour market where employees are frequently 'poached,' and training is nonspecific. Within CMEs on the other hand, innovation is incremental, customer relationships are long term and due to the coordinated nature of the labour market, employees are regarded as long-term investments and are highly specialised (Soskice, 1997). Soskice asserts that: 'German technology policy does not aim to encourage radical innovation in newly emergent technologies' (Soskice, 1997, p. 94) and instead identifies the 'more deregulated US/UK institutional framework to encourage more radical innovation' (Soskice, 1997, p. 95). According to this logic, the German economic environment would repulse radical innovation. This is at odds with a substantial number of innovations attributed to Germany, including gasoline and jet engines in the first half of the 20th century, to the wall plug, contraceptive pill, airbag, chip card or MP3 file format in the second half. As such, whilst IT or defence industries may be strong in LME countries like the US and the UK, it is problematic to assume a direct correlation between them and the overall VOC classification of these two countries' economic systems as a whole. It is vital therefore to examine the individual sectors of an economy in detail, instead of simply attributing them to a macroeconomic LME or CME definition purely based on their sector focus.

2.1.4.2 Critique 2: Concept of radical innovation

The second criticism of VOC is the use of the concept of radical innovation. Hall and Soskice distinguish between:

'radical innovation, which entails substantial shifts in product lines, the development of entirely new goods, or major changes to the production process, and *incremental* innovation, marked by continuous by small scale improvements to existing product lines and in production processes' (Hall and Soskice, 2001a, p. 39).

Radical innovation is then ascribed to LMEs, whereas incremental innovation is ascribed to CMEs. Hall and Soskice argue that one type of market economy should be better at supporting certain forms of industries and types of innovation than the other. This assumption of ideal-type characteristics however should be seen as very problematic and epistemologically flawed, as Hall and Soskice provide little in terms of evidence to support their notion. In a later chapter (Chapter Four) in the book by Hall and Soskice, Estevez-Abe et al. draw on patent citations to determine whether the firms within a market economy display radical or incremental innovations and defend this methodology by stating that: 'The idea is that the number of scientific citations, as opposed to citations to previous patents and non-scientific sources, is a good proxy for the extent to which national firms are engaged in radical innovation strategies.' (Estevez-Abe, Iversen and Soskice, 2001, p. 174). In consequence, the economies are categorised as innovative purely based on the number of patents registered by them within a set group of industries determined by the researchers. Again, no robust rationale is provided for the selection of certain industry sectors as being innovative. (Estevez-Abe, Iversen and Soskice, 2001). Furthermore, they fail to examine in detail the setup of industry sectors in individual countries, and instead simply assume a correlation between the size of an industry sector and the form of market organisation.

Simply classifying one industry sector as more innovative than another due to the number of scientific citations compared to previous or non-scientific citations is highly problematic, as it fails to capture the details of a specific economy and its true innovative capacity. In the words of Crouch for instance:

‘According to such an approach, when Microsoft launches another mildly changed version of Windows it still represents radical innovation, because information technology is seen as a radical innovation industry; but when some firms eventually launch the hydrogen-fuelled motor engine, this will only be incremental innovation, because the motor industry is an old industry’ (Crouch, 2009, p. 31).

Radical innovation thus rarely occurs out of a Eureka type of moment. Radical new inventions ranging from the Concorde to the first smartphone were based on an at times very rapid, yet nonetheless similar incremental process. This process involves an actor developing a concept or technology to fulfil or create a market requirement, which may be driven by a mix of coordination and competition. Simply counting new patents by state and industry fails to acknowledge the true nature of a state’s economic sector and most importantly ignores any type of political or legal influence on its structure.

While it appears reasonable to assume that there are general differences between sectors of an economy, Hall and Soskice rely on a qualitative methodology that focuses on correlation and fails to account for key background details that shape the composition of an economy’s patent citations. Therefore, while the traditional VOC’s differentiation between radical versus incremental innovation is correct in pointing out certain general differences between sectors of an economy it falsely assumes a correlation with forms of market organisation and neglects market-induced reasons. For instance, given their lack or limit of physical means of production, IT and communications companies can be more flexible when choosing their corporate base and are therefore most attracted to preferential tax and legal environments.

Rather than representing the innovative capacity of an economy, the number and types of patents may be strongly driven by specific market particularities. For instance, according to Esteves-Abe et al, Ireland, the United States and New Zealand ranked highest in terms of their scientific citation ratio for new patent applications, which further allowed them to conclude that: ‘As it turns out, the Anglo-Saxon countries and Ireland have all ratios that are significantly higher than in the specific skills countries of continental Europe and Japan’ (Estevez-Abe, Iversen and Soskice, 2001, p. 175). Such a conclusion is highly problematic, however, as modern multinational companies have become relatively homeless, as locations for production, engineering and even incorporation are changed and optimised to achieve maximum economic efficiency. Even traditionally CME-based companies such as IKEA from Sweden or SAP from Germany, outsource production for cost-cutting purposes to

eastern Europe and Asia and incorporate themselves for taxation purposes to a country such as Ireland. They may wish to register new patents via their legal department in an anglophone country such as Ireland for two reasons in particular. Firstly, simply due to the common language, patent applications to the European Patent Office and the United States Patent and Trademark Office, covering two of the most important patent regions in the world, could more easily be completed by a single legal team of the organisation.

Second, the extremely high scientific citation ratio in Ireland, for example, can be explained by its preferential corporate tax regime, the open labour market of the EU and the bias of the chosen ratio. Ireland's low corporate tax rate of 12.5% alongside its attractive Intellectual Property Tax Deductions must be taken into account when interpreting the results (PricewaterhouseCoopers, 2015). Indeed, the Double Irish Arrangement, allowed multinational corporations ranging from IT companies such as Microsoft, SAP and Google, to service providers and retailers such as Starbucks and Ikea, to circumvent taxation within EU states. Active between early 1990 and 2020, this process was achieved by turning intellectual property into an intangible asset that was charged out as a tax-deductible royalty payment to customers. Thereby revenues across EU markets were effectively sheltered from taxation via their Irish tax base. As a result, the prominence of IT companies in Ireland for example seems to be more of a result of the favourable tax structure incorporation advantages and possible language advantage, than its non-specifically trained workforce or assumed liberal market.

When discarding the concept of radical and incremental innovation and simply looking at resident patent applications per million of the population, as a measurement of a country's economic innovation performance, we suddenly encounter a very different picture. According to the World Intellectual Property Organisation, the world's top ten ranking countries in 2013 were in descending order, the Republic of Korea, Japan, Switzerland, Germany, the United States of America, Finland, Sweden, Denmark, China, and Austria. This ranking is largely identical to those ten years earlier in 2003 and shows with the outlier exception of the US, that CMEs in fact rank higher in terms of resident patent applications per million than most LMEs (WIPO, 2013). Hall and Soskice specifically refer to only certain types of patents in their analysis and divide them into radical and incremental, yet the problem with this distinction has been outlined above and the contradictory evidence of patents per capita would strongly warrant further research in this field.

Taylor, as well as Akkermans et al., conducted an astute quantitative analysis of types of patent citations, to assess the validity of Estevez-Abe et al. and Hall and Soskice's claims regarding specific sector's display of radical innovation (Estevez-Abe, Iversen and Soskice, 2001; Hall and Soskice, 2001a; Taylor, 2004; Akkermans, Castaldi and Los, 2009). Both studies concluded that the analysis propagated by Hall and Soskice is empirically flawed and must be: 'rejected as a law that would apply to all industries and all dimensions of radicality.' (Akkermans, Castaldi and Los, 2009, p. 190). Specifically, Taylor is highly critical of the assumptions made by Hall and Soskice and remarks that: 'the success of VOC theory in predicting innovation appears to depend on the inclusion of the United States, a major outlier, in the set of liberal market economies' (Taylor, 2004, p. 623). He further remarks that when taking into regard patent total citations via time as well as quality and quantity of citations: 'Ireland with its relative trickle of few but highly cited patents should not necessarily be considered more radically innovative than Germany with its slightly less cited ocean of patents' (Taylor, 2004, p. 623).

Akkermans et al. also portray a strong scepticism yet do confirm the original findings of Hall and Soskice for certain sectors of industry (Akkermans, Castaldi and Los, 2009). Instead of simply relying on the number of scientific citations, they distinguish between radical and incremental innovation by applying additional measures such as the number of citations received, the measure of generality and the measure of originality (Akkermans, Castaldi and Los, 2009). Both studies show the limitations of using the VOC concept of radical innovation to account for and categorise different types of economic environments. Instead of supporting Hall and Soskice's notion of a difference between LME and CME, patent data indicates large variations within countries' internal economic systems, as well as innovative areas of expertise. This is apparent both within LMEs and CMEs as can be seen in the example of mechanical engineering in Germany, the communications industry in Finland and the biotechnology sector in Switzerland. As such, this research proposes that the VOC concept needs further refining, specifically via a detailed analysis of an industry sector within a country as a robust case study. It is insufficient to establish a statistical correlation based on a quantitative data analysis that attributes types of market organisation to state economies, simply based on the type and frequency of patent filings. Given the complex political and economic environment in which firms and other market actors function, a more detailed qualitative analysis is required, to corroborate or ideally supplement exclusively quantitative-derived findings.

2.1.4.3 Critique 3: Assumed path dependency

A final criticism relates to the VOC assumption that there is a path dependency for state economies to further develop towards the extreme ends of a scale. According to traditional interpretations of VOC, a market's form of organisation is constantly refined into a purer form of either CME or LME via the interactions which take place between firms (Kitschelt et al., 1999; Hall and Soskice, 2001; Thelen, 2001; Hall and Gingerich, 2009). This path dependency towards purer forms of CMEs or LMEs is driven by an expected performance benefit (Hall and Soskice, 2001a; Hall and Gingerich, 2009). It is important to point out that both LME and CMEs are seen as viable forms of cooperation and Hall and Soskice refrain from judging the two models in terms of superior economic performance and only highlight their variation of performance. However, Hall and Gingerich argue in a later publication against the possibility of hybridisation of these two systems, stating that:

‘the varieties-of-capitalism approach implies that aggregate economic performance should be better in nations whose institutionalized practices correspond more closely to relatively pure types of LMEs or CMEs’ (Hall and Gingerich, 2009, p. 470).

When accepting VOC's assumption that both LMEs and CMEs are homogeneous systems, which have developed independent governance solutions to enable companies' economic performance, it seems counterintuitive to assume that hybrids would be effectively able to create environments that suit both liberal and coordinated market mechanisms. Instead, greater cooperation and interweaving of CME and LME markets are likely to lead to a liberalisation of CME markets, as market mechanisms and institutions are eroded to the lowest common denominator. Fioretos touches on this topic, as he sees CMEs like Germany, potentially threatened in areas such as social standards, by being undercut by LMEs such as the UK (Fioretos, 2001). This would suggest that CME and LME directly challenge each other on an international level, as their types of coordination are incompatible. A similar assumption is held by Hassel, who outlines the EU's approach to CME member countries in the south and sees it's the EU's subsequent reliance on liberalisation instead of coordination as the greatest problem (Hassel, 2014a). As such, when accepting the VOC premise of general internal homogeneity, it seems that CMEs and LMEs are in the long term rarely compatible, and CMEs are particularly challenged by international liberalisation activities.

Some researchers are more critical of the purist assumptions of LMEs and CMEs and believe a pragmatic approach is needed when looking at highly diverse domestic economic systems (Crouch and Streeck, 2000; Schmidt, 2002; Crouch, 2009, 2012). Instead of viewing CMEs and LMEs as two pure competing ideologies, Crouch notes:

‘The logic of strict complementarity is that certain efficiencies are achieved when balancing or contrasting characteristics are found alongside each other: the advantages of the mongrel over the pedigree animal. The latter has heavily reinforced characteristics, which means that vulnerabilities are exaggerated, while the mongrel avoids such reinforcement and may therefore appear more ‘balanced’ (Crouch, 2009, p. 55).

As such, hybrids should not be viewed as underperforming, impure forms of market environments as described by Hall and Gingerich (Hall and Gingerich, 2009). Instead, VOC should recognise more balanced forms of capitalism, in which different sectors of an economy compete with each other and different forms of coordination can exist.

One may argue that the concept of a CME itself is a hybrid construct between radical liberal capitalism as envisioned by Adam Smith and a more central government-planned and crafted form of Ordoliberalism as envisioned by Walter Eucken (Eucken and Hutchison, 1948; Smith and Wight, 2007). Despite the downfall of the soviet system and the current consensus on market capitalism as the world’s primary form of economy, governments and societies have been weary of adopting a radical liberal form of market capitalism and as the examples of the internal market, diversity has shown, even pedigree examples of LME such as the US and the UK continue to portray a significant state intervention and coordination in sectors such as healthcare, defence, and IT. As such, Fioretos makes a strong point that LMEs could challenge CMEs by undercutting their policies and agreeing on the lowest common denominator (Fioretos, 2001). Yet further research is needed to assess how and to what extent, state actors may try to interfere and organise markets, including within LMEs. As such, whilst accepting that CME and LME ideas may compete in their forms of coordination, path dependency extremes should not be assumed. Instead, state economies may be made up of a variety of competing sectors. Specifically, Crouch’s criticism of VOC’s dualistic nature and his suggestion of hybrid or ‘mongrel’ forms of organisation which do not correspond to either CME or LME ideal types are of particular interest (Crouch and Streeck, 2000; Crouch, 2009, 2012). This criticism in particular

warrants a more detailed look at the theoretical underpinning of VOC to allow for further refinement in the understanding of this theoretical approach.

2.1.5 Conclusion and application of the VOC approach

Despite the criticisms of the traditional VOC approach, Hall and Soskice themselves did not see their approach as a greater macro-economic theory aimed at categorising and predicting all activity within capitalist economies (Hall and Soskice, 2001b, 2001a). Indeed, its macroeconomic scale and lack of depth, both within the number of studied markets and their depth makes it hardly an appropriate method to deductively classify all capitalist national markets and sectors. However, the VOC approach can be seen as a mapping tool, which may assist researchers in understanding market networks and their institutionalist foundations. Specifically, when accepting the premise that even prime examples of LMEs and CMEs such as Germany and the US or the UK consist of economic sectors that are hybrids or even examples of the opposite coordination mechanism, VOC enables one to analyse governance models and economic sector composition. Therefore, VOC offers a normative macro-level backdrop which can be used to classify macro-economies, test hypotheses and possibly predict developments within such systems. This is the approach taken in the application of VOC to the German EIPA system. However, to address the limitations of VOC, in particular in understanding the internal dynamics of states, the concept of Multi-Level Governance (MLG) will be used. This is explained in the following section.

2.2 Theoretical Framework: Introduction to Multi-Level Governance (MLG)

To address some of the shortcomings of VOC, MLG is introduced as an interrelated approach. Aspects of MLG can be applied to VOC to improve its theoretical framework and increase its potential as a comprehensive tool for analysis for researchers. Accordingly, this section introduces the concept of MLG and analyses the state of the academic literature on MLG. It outlines the historical development of MLG and then defines governance. It will then provide a distinction between Multi-Level Governance (MLG) and multi-level government and outline Type I and Type II MLG. Finally, it will highlight the criticism MLG has faced, as these are key in illustrating both the approaches' strengths and weaknesses.

2.2.1 The Conceptualisation of MLG

The MLG approach is a tool applied primarily by European Studies researchers to explain policy formation within the EU. As such, how the approach has been applied has varied significantly over the past 25 years. It focuses on examining different modes of governance present within political state systems and moves the academic focus away from competing political theories and schools of thought. Alternative theoretical examinations of governance structures within the EU and its member states have already before the MLG approach highlighted the importance of recognising levels within governance discussions. Historical institutionalists such as Pierson have studied how different decisions and policies adopted by organisations and actors such as states have led to new EU integration mechanisms being created (Pierson, 1998). Others such as Peters distinguish between two levels of policy, namely the visible high-profile politics between EU member countries shaping their idea of the EU and its general direction and the day-to-day low-level bargaining within the EU to agree on common policies and standards (Peters, 1997). The intellectual home of the MLG approach is European Studies, with a focus on decision and power dynamics traditionally highlighted by the discourse between Intergovernmentalist, institutionalist and neo-functionalist theorists (Haas, 1958; Moravcsik, 1999; Schmitter, 2005; Moravcsik and Schimmelfennig, 2009). It is important to understand the background and EU-focused origin of the MLG approach, as it provides a context to the ontological understanding of this approach and its relatively modern historical background.

The recognition of a separate 'level' of interaction in political theory core to all these debates dates back to the development of International Neo-functionalism, which drew on the concepts of integration and the independent interests of supranational actors transcending the traditional struggle between nation-states (Haas, 1958; Verdun, 1999). Neo functionalist attempts to explain specifically developments of European integration and their focus on supranational institutions, seeking to provide: 'a political conception of how co-operation was possible based on competing and colluding sub-national, non-state interests.' (Schmitter, 2005, p. 256). Thus, indirectly establishing the case for a comprehensive analysis of the interaction among various actor interests, both state and non-state, at different levels.

Later theoretical debates, however, focused less on the analysis of the different levels or modes of governance but instead primarily competed on whether their centre of analysis should be placed within the nation-state or the supranational level. As a result, by the late 1990s, academic research examining the European integration process effectively split into two opposing camps, where: 'institutionalists have aligned themselves against so-called intergovernmentalists' (Puchala, 1999, p. 318). Whilst institutionalists saw the role of national governments being diminished by international institutions taking on their governance capacity and becoming central to the analysis of political decisions, intergovernmentalists continued to see the centre of the political decision and governance processes within national state governments. Rather than acknowledging a separate genuine supranational level, Intergovernmentalists explain processes such as EU integration by converging national interests instead of a genuine separate supranational decision-making level.

This standpoint is summarised by Keohane and Hoffmann who stated that: 'The European Community, we argue is an experiment in pooling sovereignty, not transferring it from states to supranational institutions.' (Keohane and Hoffman, 1989, p. 3). As such developments of European integration have established complex overlapping networks, policy compromises and new organisations with bundled sovereignty, sovereign states ultimately remain the central actors. Sovereign state representatives remain the only recognised signatories of EU treaties (Moga, 2009). Despite discussions regarding a more democratic reform of the EU Commission as some executive powers are delegated to the Commission and independent EU agencies, member states continue to make up the executive body of the EU supranational body. Processes of supranational integration such as the EU can according to intergovernmentalists be explained by: 'converging national interests

of states (economic interests in particular) emerging out of the currents and pressures of national politics ' (Puchala, 1999, p. 319).

This approach to explaining developments arguably saw one of its heydays between the 1970s and early 1980s during which time the European Community's integration stagnated (Moga, 2009). More recent historical developments in the late 1990s and 2000, culminating in the ratification of the Lisbon treaty caused the approach to fall out of favour and thus created a need for a new theoretical approach. This new approach came in the form of MLG, as outlined by Marks and Hooghe in 2001 in their 'Book Multi-Level Governance and European Integration' (Hooghe and Marks, 2001a). Rather than assessing how institutions and states form new interdependent supranational institutions and divert sovereignty and decision-making capacity to collective entities, the MLG approach incorporates non-state stakeholders from various levels above and below them and examines how they influence the decision-making process (Hooghe and Marks, 2001b, 2001a; Marks and Hooghe, 2004). MLG, therefore, can be seen as a response to move away from competing theories of integration within an EU context and instead offer a theoretical framework which describes forms of governance.

2.2.1.1 Definition of MLG

Despite its prominence throughout political and social debates, the definition of the term governance remains somewhat unclear. This is especially true within the context of MLG where authors such as Börzel have attempted to put the debate to rest by highlighting the difference between governance and governments. Börzel argues that despite its initial EU structural policy focus, MLG is a government-centred perspective that is universally applicable and may therefore also be applied to non-state actors and governance arrangements lacking formal institutions (Börzel, 2020). To apply MLG in such a broad manner, its core tenement has to be understood. In its earliest definition, Marks argued for a new system which could describe decision-making processes and institutional creation between actors. According to him:

'the emergence of multilevel governance, a system of continuous negotiation among nested governments at several territorial tiers – supranational, national, regional and local- as the

result of a broad process of institutional creation and decision reallocation that has pulled some previously centralised functions of the state up to supranational level and some down to the local/regional level' (Marks, 1993:392).

Within this classical definition, MLG focuses primarily on various vertical, thus hierarchical levels of government (including supranational institutions) and how interactions between all layers can lead to a bypassing of mid-level actors. Furthermore, MLG can highlight a reverse process of empowering local or regional government levels. For instance, regional levels of government, such as *Länder* within Germany, can bypass the federal government and directly tap into funding opportunities at a supranational level (Bossdorf, 2021; Walzenbach, 2021).

The traditional MLG approach emphasizes the state as its centre of analysis and consequently on levels of government. According to Smith:

'Governance can be broadly defined as the authority to make, implement, and enforce rules in a specified policy domain. Multi-level governance refers to the sharing of this authority across an institutionalized, hierarchically structured set of actors with varying degrees of unity/coherence, commitment to EU norms, and power resources' (Smith, 2004b, p. 743).

This narrow interpretation of governance, focusing on the concept of authority and state institutional actors has allowed MLG to provide an appealing framework which is frequently applied to analysing forms of integration within a European Studies context or to better understand processes of a subsidiary or institutional change (Keohane and Hoffman, 1989; Marks, 1993; Hooghe and Marks, 2001a).

The definition of governance within the MLG approach has changed over time and lacks a rigid definition. This research adopts a broad definition of the term governance, which includes state and non-state actors on both vertical and horizontal levels of actor interaction, following a more recent broader understanding (Rhodes, 2007; Conzelmann, 2008; Papadopoulos, 2010; Börzel, 2011, 2020; Alcantara and Nelles, 2014; Stark, 2015; Alcantara, Broschek and Nelles, 2016). Alcantara and Nelles describe this broadening as an attempt for MLG: 'to capture a range of dynamics that have

traditionally sat uneasily with the concepts of federalism and intergovernmental relations' (Alcantara and Nelles, 2014, p. 184). Conzelmann goes even further by shifting focus away from hierarchy towards networks and a New Modes of Governance (NMG) approach (Conzelmann, 2008). This New Modes of Governance (NMG) approach has received particular attention from authors such as Börzel, Lehmkuhl, Héritier, Rhodes and R.A.W. Rhodes (Rhodes, 2007; Börzel, 2011; Héritier and Lehmkuhl, 2011; Héritier and Rhodes, 2011). The growing prominence of the NMG approach signifies a wider trend within governance literature of seeing an erosion of the state and a: 'shift from hierarchy to markets to networks' (Rhodes, 2007, p. 1254).

Regardless of this continuous development of MLG and its lack of a single universal definition, the approach maintains an inherent state focus and remains a valuable tool for analysis. For instance, despite emphasizing MLG's compatibility with decentred network governance, R.A.W. Rhodes recognises an ultimately hierarchical, state-descended structure:

'I accept that there is a 'persistent asymmetry' between a constitutional superior (central government) and a constitutional subordinate (local government) because the centre can unilaterally change the rules of the game' (Rhodes, 2007, p. 1253).

Broad definitions of MLG, therefore, remain inherently hierarchical, with the state as the superior power actor and centre of analysis. The resulting somewhat unclear definition of MLG and its contextual permeability into established political theories have resulted in being referred to as an approach or concept rather than a theory. Alcantara et al. for instance argue that MLG:

'is not a theory, but an inductively generated, descriptive concept', which despite its at times unclear meaning within the academic debate, is well suited to: 'identify and analyse MLG episodes across different systems' (Alcantara, Broschek and Nelles, 2016, p. 38).

They further conclude that:

‘From this perspective, MLG does not denote a specific system, but rather a distinct ‘instance’ or occurrence of actor configuration within the broader category of multilevel politics. As such, it can be distinguished from other configurations like IGR [intergovernmental relations].’ (Alcantara, Broschek and Nelles, 2016, p. 37).

MLG thus lacks a comprehensive theoretical exposition or a predictive capacity of a theory such as intergovernmentalism. Walzenbach, therefore, sees MLG first and foremost as a heuristics tool, which makes it ideally suitable for highlighting some of the fundamental interactions which shape a network's political or market system (Walzenbach, 2006). This thesis follows this definition of MLG and applies it as a heuristic tool, which can be used to analyse, highlight and explain the organisational processes and interactions which take place between relevant state and non-state actors across multiple levels of a state system. This makes it ideally suited to assist in analysing the German EIPA system, which spans multiple vertical levels and integrates state and non-state actors.

2.2.1.2 The distinction between Multi-Level Governance and multi-level government

Modern developments such as the emergence of New Public Management, Private Public Partnerships which closed the gap between the state and private sphere, followed by New Public Governance which integrated non-state actors into a traditionally government-focused governance system, highlight a general trend towards a broad and integrated understanding of the state and social organisation (Osborne, 2006). It is overly simplistic to concentrate on fully-fledged government entities when looking at spheres of authority in modern western states, as the authority is frequently dispersed as well as mandated and influenced by non-state or partial-state actors. This has resulted in a shift away from the traditional intergovernmentalist focus of authors such as Keohane and Hofmann, towards theoretical concepts which accept both the vital interaction and actor networks present below the nation-state level, as well as the impact of non-traditional state actors (Keohane and Hoffman, 1989; Hoffman, 1995).

When faced with the complex interaction resulting from the integration process of the European Union, Moravcsik proposed liberal intergovernmentalism as a theory to explain the creation of supranational institutions and the willingness of state governments to concede sovereignty and

follow a path of integration. Two fundamental assumptions of liberal intergovernmentalism are that first, states are actors and second, these actors behave rationally (Moravcsik and Schimmelfennig, 2009). Furthermore, Liberal Intergovernmentalism: 'is, by assumption, a theory of intergovernmental decision-making under anarchy.' (Moravcsik and Schimmelfennig, 2009, p. 73). Because of these basic assumptions, Liberal Intergovernmentalism accepts that state actors are influenced by both, a complex network of state and non-state interest groups that shape their behaviour and interactions and preferences with other state actors. Such preferences may: 'emerge from a complex system of group interaction at and below the level of the state' (McLean and Gray, 2009, p. 459).

Moravcsik's account of Liberal Intergovernmentalism acknowledges the influence of sub-state level actor networks on state behaviour. However, the focus remains on inter-state bargaining. Intra-state negotiations between state and non-state actors appear limited to the creation of local institutions thereby merely influencing state policies. Instead of directly being able to interact with other state or non-state actors outside their direct vicinity, the state's lower-tiered actors are limited to exerting their inter-state influence in the creation of local institutions. The institutions are driven by: 'a set of underlying national objectives independent of any particular international negotiation to expand exports, to enhance security vis-a`-vis a particular threat, or to realise some ideational goal' (Moravcsik, 1999, p. 20). Accordingly, state and non-state actors are not approached as equally important actors within a theoretical system and intrastate negotiation processes are largely ignored.

The concept of governance, in contrast, allows for the recognition of the whole ecosphere of actors. In the context of MLG, the process of interactions between a variety of different actors is described, which collectively results in the creation of norms, structures or institutions within a particular environment, such as a market, organisation or geographic territory. Papadopoulos highlights the resulting contemporary shift in policy styles as:

'shift from 'government' to 'governance'. The latter is characterised by cooperative relations in policy-making between public and non-public actors, often embodied in 'public private partnerships' (Papadopoulos, 2010, p. 1031).

Acknowledging such complex cooperative collaborations is essential for the understanding of MLG relationships. Within the context of Germany's EIPA system, this even becomes fundamental to being

able to comprehend and analyse the organisation of the system. This thesis, therefore, maintains that the German EIPA system functions within a governance ecosphere, which incorporates both state and non-state actors on a regional, federal, and international level. Consequently, the structures of the EIPA system as a whole, as well as its related state policies, institutions and the behaviour of actors within it, are a result of the governance interactions between both state and non-state actors on regional, federal and even supranational levels. Any attempts to categorise and analyse the German EIPA system must therefore be expanded from a state-centric policy and institutional approach to a more comprehensive understanding of governance across multiple levels. Using again the words of Papadopoulos, the difference between multilevel governance and multi-level government can be described as follows:

‘multi-levelness means that policy-making requires the cooperation of distinct governmental levels (local, subnational/regional, national, European, transnational), in what one might be tempted to call rather multi-level *government*. EU structural and regional policies exemplify multi-level *governance*, as they are based on both the cooperation of public actors across levels and on the cooperation with non-public actors in partnership forms’ (Papadopoulos, 2010, p. 1031).

MLG, therefore, surpasses previous theoretical concepts such as multi-level government or Liberal Intergovernmentalism’s ability to account for the impact that non-state actors have on the creation of state policies and institutions. More importantly, however, it accounts for both inter and intra-state governance and coordination that is a result of the cooperation of a plethora of different actors (both state and non-state) across multiple levels.

2.2.1.3 *Type I and Type II MLG*

To develop the idea of MLG and offer ontological assessment criteria for it, Marks and Hooghe develop a concept to distinguish between two different types of MLG depending on their focus of analysis and predominant form of actor interaction (Hooghe and Marks, 2001b, 2003). They distinguish between Type I and Type II forms of MLG, which could both occur simultaneously in different governance areas within a regional state or supranational setting.

2.2.1.3.1 Type I

Type I MLG is focused on the concept of federalism and is similar to traditional intergovernmentalist approaches to governance. The state is at the core of Type I Governance and despite acknowledging different levels of governance, Type I affirms the view of clearly separated areas of sovereignty or power, in which there is little overlap of authority or decision-making capacity. The central actor within this type of MLG is the state and: 'The unit of analysis is the individual government, rather than the individual policy.' (Hooghe and Marks, 2003, p. 236). Governance occurs within a set of predetermined spheres and actors are generally very clear concerning their authority. Power relationships within this form of MLG are distinct, durable, and non-intersecting and were designed with intent (Marks and Hooghe 2003). Such hierarchical structures may exist on various levels of government and are also defining features of hierarchical institutional design. Similar to Weber's ideal type of bureaucratic organisation, authority is dispersed in a top-down approach and various levels are designed in such a way that the relevant actors have clear predetermined mandates (Weber and Runciman, 1978).

In such a type of MLG, new levels in the form of governments or institutions may be created to tackle governance problems, such as the German Federal Network Agency (Bundesnetzagentur), following the liberalisation of the telecommunications market. However, their mandates are clearly defined in their articles of incorporation or underlying policy, and they are directly incorporated in a structured hierarchy. More likely, regional government structures are amalgamated and as a result of this, their jurisdiction is expanded to allow for a sufficient size for government to act efficiently, as low coordination costs are at the root of Type I MLG (Hooghe and Marks, 2001b). Once in place, these new levels are extremely durable and may even continue to exist once their purpose has disappeared.

According to Hooghe and Marks, MLG Type I jurisdictions are frequently rooted in community identity, such as nation-states and overseen by a single judicial authority, such as a constitution or Supreme Court (Hooghe and Marks, 2001b, 2003). They cite NAFTA or the International Court Tribunal and the corresponding opposition in the United States as examples of where external supranational institutions faced opposition and were rejected by people based on defending national sovereignty (Hooghe and Marks, 2001b). Euroscepticism often follows similar lines of criticism, with EU regulations being viewed as superimposed on traditional national jurisdictions.

A defining feature of Type I MLG is the durability of its structure and its low transactional costs (Marks and Hooghe, 2000; Smith, 2004). Given the will or necessity, change can be implemented faster within a Type I form than within Type II, as jurisdiction is clearer and transaction costs for hierarchical decisions are lower. Marks and Hooghe, however, highlight a possibility in which Type I MLG can be less effective and slower than alternative forms of organisation, by referring to Scharpf's concept of a federal joint-decision trap (Scharpf, 1997b). Here different layers of government may hinder, or block decisions passed on to superior levels. However, the associated problems of the joint-decision trap cannot be assumed for every case of Type I MLG. This is because Scharpf primarily bases his understanding of the joint-decision trap on his research of the German federal government system and applies it to the workings of the EU. Whilst he provides an excellent insight into the dilemma of German Länder-style federalism, his notion cannot be applied to a generic understanding of Type I MLG. The German federalist system has several particular aspects, preventing the federal government from increasing its jurisdiction, thereby remaining in a deadlock between regional state and federal state interests (Auel, 2008).

Unlike traditional federal systems, MLG allows for legal responsibility by governments to be exercised on more than one level of decision-making authority (Stein and Turkewitsch, 2008) and as such is less likely to encounter a federalist joint decision trap situation. Scharpf continues to contradict the assumption that Type I MLG has lower transactional costs, by highlighting how throughout its existence, the EU at times used non-hierarchical: "integration through law" and judicial action could take over if legislative integration was impeded by political disagreement.' (Scharpf, 2010, p. 267).

2.2.1.3.2 Type II

Type II MLG encompasses actor jurisdictions which tend to be considerably larger and encompass a larger variety of different actors compared to those described by MLG Type I (Hooghe and Marks, 2001b). Furthermore, the governance interactions are not organised along vertical hierarchies, but instead around problems, opportunities, and networks (Hooghe and Marks, 2003). This allows for competition to occur between different actors within overlapping areas of jurisdiction. Such competition can occur at a variety of levels and may even be used as a policy instrument to increase quality or efficiency (Benz, 2007).

Marks and Hooghe's understanding of Type II MLG draws extensively on the Swiss idea of purpose associations (Zweckverbände) and the corresponding work on Swiss functional, overlapping, competitive jurisdictions (FOCJs) (Frey and Eichenberger, 1999). Frey sees several advantages of FOCJs in comparison to traditional federal governance-type models. They reduce costs by sharing resources and using economies of scale, they bring the concerns and experiences of citizens and government closer together and create more satisfied communities (Frey, 2005). Whilst the concept of FOCJs is at the heart of Hooghe and Marks Type II MLG, Frey explicitly identifies them as relatively small and local networks, which may only expand their jurisdiction federally via a web of different FOCJs to reduce transactional costs (Frey and Eichenberger, 1999; Frey, 2005). This however is in contrast to the distinction made by Marks and Hooghe, who assume that Type II MLG structures are generally larger than Type I types and that transaction costs are significantly higher (Hooghe and Marks, 2001a). This difference can be explained by the fact that Frey and Eichenberger's research primarily focused on regional governance models, whereas Marks and Hooghe have developed their concept of MLG from a supranational European Studies background (Frey and Eichenberger, 1999).

According to Hooghe and Marks, MLG Type II: 'consists of special-purpose jurisdictions that tailor membership, rules of operation, and functions to a particular policy problem' (Marks and Hooghe, 2004, p. 29). Whilst this is an excellent definition for the underlying nature of Type II MLG, it poses the question of whether Type II has to necessarily be reactive rather than proactive in addressing policy problems. This research argues that Marks and Hooghe's understanding of Type II must be expanded to take into consideration both a proactive and reactive role. Type II governance is not just limited to addressing the "left over" policy problems of Type I MLG. Both Type I and Type II forms of MLG can exist within a state or governance environment simultaneously and offer different advantages and disadvantages. In this thesis, this will be demonstrated by using the example of EIPAS within Germany. Organisations or institutions which traditionally operate within a Type I environment may choose to create informal working groups or formal relationships with other layers of governance, proactively to create new opportunities and funding streams for themselves. As such, Type I and Type II MLG are not mutually exclusive concepts. Rather, they describe governance arrangements, which may be altered given the capability of the actors within the system to make rational choices, such as tackling problems or creating new opportunities.

Type II MLG occurs most likely where traditional Type I MLG mechanisms choose to limit their authority voluntarily, as can be seen in the example of public-private partnerships and examples of resource pooling. It can also be observed where their authority or jurisdiction is naturally limited, such as in an international environment or when dealing with a range of very diverse actors, for example when coordinating industrial standards. Marks and Hooghe believe that Type II jurisdictions cluster at the edges of Type I jurisdictions (Hooghe and Marks, 2001b) and attribute this to a mixture of the high decisional barriers of Type I and its territorial identity. This assumption appears to contradict the aforementioned recognition of low transactional costs of a Type I MLG compared to Type II (Scharpf, 2010). However, Scharpf's assumptions should be seen as examples of how Type II MLG is used to solve problems, circumvent deadlocks, or pursue opportunities, otherwise not possible within a Type I setting. Therefore, Type II is likely to occur wherever Type I cannot or prefers not to establish rigid structures. Therefore, both Type I and Type II forms of MLG may exist in parallel within a state or political system, creating synergies within a complex governance environment.

2.2.2 Criticism of MLG

The concept of MLG can be used to facilitate an understanding of cooperation and decision-making processes within political and economic systems. Therefore, MLG is not required to provide satisfying explanations as to why integration or disintegration processes occur. Instead, it can be used to understand how such developments take place and the ways actors interact within networks and governance spheres. By releasing MLG out of a theoretical demand to provide an explanation or prediction for why processes of integration occur, it can be used as an ontological tool for understanding complex power and decision-making structures (Bache and Flinders, 2004). This will become important at later stages of this research, where the MLG approach will be combined with concepts of VOC, to test and explain various dynamics of EIPAS within Germany and the EU. However, there are three criticisms of the approach often identified in the literature. The first is an unclear conceptualisation in terms of the amount and scope of levels, the second is the lack of theoretical criticism and the third is the accusation of it being theoretically overstretched and lacking a clear definition.

2.2.2.1 Critique 1: Lack of definition of levels

The first critique of MLG is regarding the lack of conceptual clarity concerning identifying levels. This becomes particularly apparent regarding the omission of the international level. Jordan for example criticises that:

‘advocates of MLG ignore the all-important international level of interaction, where the EU now has its independent institutional presence and a recognisable list of tasks (eg in international trade discussion with other large trading blocs, the EU negotiates as one large, integrated trading area, rather than 15 independent sovereign states)’ (Jordan, 2001, p. 201).

Indeed, the MLG approach as envisioned by Hooghe and Marks focused on the state as a central unit of analysis, and how distinct levels, both above and below, impacted its behaviour. This inherently suggests that supranational bodies, such as EU institutions, as well as subnational bodies, such as regional state governments, may influence and interact with the state level, but ultimately remain secondary to it. This does not mean that MLG omits supranational actors. In fact, despite its focus on the state as a centre for analysis, an MLG approach is highly effective in highlighting how various levels interact with one another, thus shaping a governance system that seeks to recognise all levels.

On a sub-state level, the MLG approach appears to focus on authorities as actors, or local and regional political units. According to Hooghe and Marks:

‘*Sociocultural* regions are defined in terms of a history, language, culture, or identity that sets them apart from the dominant culture of that state. *Political* regions are territories governed by distinct political institutions. We refer to the latter in analyzing multi-level governance. Economic or sociocultural regions may or may not coincide with political regions’ (Hooghe and Marks, 2001a, p. 191).

This quote illustrates how MLG focuses on the political dimension in terms of state institutions and somewhat ignores smaller unit stakeholders including firms and economic interest groups. One should recognise, however, that MLG as an approach has been applied in a variety of ways, even by

some of its main proponents. An article by Marks and McAdam for instance explicitly highlights the importance of social interest groups, thus showing the ability of MLG to recognise a large variety of both more formalised and informal type actors influencing governance networks from a substate level (Marks and McAdam, 1996). Nevertheless, the impact of firms and the economy seems to be somewhat underrepresented. This thesis, therefore, addresses this shortcoming, by integrating MLG concepts into the VOC approach which in contrast has a profuse firm focus.

2.2.2.2 Critique 2: Lack of Theory Criticism

The second criticism is related to the lack of theory criticism. Whilst Marks and Hooghe put forward a variety of evidence for the existence of MLG at the EU level and the decision-making process of the EU Commission, in particular, their description of MLG appears to fall short of a comprehensive theory (Hooghe and Marks, 2001b). Consequently, MLG has been criticised for falling short of a theory, as it offers no testable hypothesis and lacks a causal motor (Jordan, 2001). Others have determined MLG to be simply descriptive (Stein and Turkewitsch, 2008). This has resulted in several authors not recognising MLG as a theory and challenging its analytical potential (Piattoni, 2009; Littoz-Monnet, 2010). Indeed, the lack of MLG to predict or test a direct hypothesis is a severe criticism concerning its utility as a theory and resulted in authors such as Walzenbach referring to it as an approach instead, with its primary function being to serve as a heuristic tool (Walzenbach, 2006). This however does not impact the value of insight that MLG offers to understand governance structures and spheres of authority, nor its validity as a tool for academic research. Within this thesis, the concept of MLG is therefore referred to as an approach, focused on explaining governance frameworks and actor interactions, instead of a macro theory with a predictive capacity.

2.2.2.3 Critique 3: Lack of identity and theoretical overstretch

The final criticism of MLG is that MLG has simply become an: 'umbrella under which many disparate phenomena are subsumed' (Piattoni, 2009, p. 163). Creitaru goes even further in his criticism, stating that the term governance has become: 'a victim of its own success' (Creitaru, 2009, p. 21). There has indeed been considerable contention regarding the definition of such terms as governance and MLG as a theoretical construct has changed significantly over time since some of the seminal publications

by Marks, Hooghe and Scharpf (Marks, 1993; Scharpf, 1997a; Hooghe and Marks, 2001b). However, whilst a conceptual overstretch and lack of a clear definition or identity of the approach is a valid criticism, it does not impact the validity of the heuristic potential of the approach.

The loose and continuously changing exact understanding of MLG would be disastrous for a theory yet can be advantageous for a heuristic tool. This is because researchers use MLG as an explanatory tool to highlight developments within various fields of government and test hypotheses concerning the decisions of actors and power dynamics in various governance fields (Alcantara, Broschek and Nelles, 2016). Consequently, the past revisions concerning the definition of MLG, and the broadening of its scope helped its usability and user-friendliness. MLG can be successfully applied and customised if necessary to analyse a variety of research fields which contain multiple actors with varying degrees of interdependency and hierarchy. The fundamental concept of MLG summarizes the fact that authority for governance is shared across an: 'institutionalized, hierarchically structured set of actors with varying degrees of unity/coherence, commitment to EU norms, and power resources.' (Smith, 2004, p. 743). As such, actors on various levels can try to cooperate, ignore, confront, or even try to circumvent one another within the scope of a governance system. By integrating aspects of this heuristic concept into particular a research context, such as the refinement of VOC within the German EIPA system, the MLG approach can offer very valuable insights.

2.2.3 Conclusion and application of the MLG approach

MLG remains strongly influenced by its European studies heritage and focuses on the state and institutional structures for its centre of analysis. Importantly, however, MLG focuses on describing modes of governance and refrains from attempting to stipulate a comprehensive theory. By doing so, MLG becomes a valuable heuristic tool for researchers, which can assist in the in-depth analysis of complex governance structures. By distinguishing between Type I and II forms of MLG, this approach provides two similar yet distinct categories to highlight governance interactions between different vertical state levels. This becomes particularly important in the context of the German EIPA system. This system includes distinct state and non-state actors on a regional state, federal and international level, which display different forms of collaboration and governance between each other. Recognising the importance of state actors on multiple levels and how these interact with each other as well as non-state actors, is a crucial benefit offered by the MLG approach.

2.3 Combining aspects of the VOC and MLG approach

This section examines the linkages between the VOC and MLG approaches. The section begins by highlighting the commonalities of both approaches. It then continues by outlining the possibility and advantages of combining aspects of VOC with MLG. This combined approach will prove useful in understanding the German EIPA system.

2.3.1 Commonalities of both approaches

Both theoretical approaches owe their origins to institutional theory. According to their classical definitions, Halls and Soskice for VOC and Hooghe and Marks for MLG, both approaches can be understood as aspiring to a Weberian ideal type (Cahnman, 1965; Segady, 2014; Hay, 2020). From this common ideal type understanding, both also share similar weaknesses. These weaknesses and criticisms pointed out in detail in Sections 2.1.3 and 2.2.2 can predominantly be attributed to the general difficulties of ideal-type theories when faced with explaining detailed real-world examples. Within the debate between ideal versus nonideal theory, theorists have extensively highlighted both the strengths and weaknesses of both concepts (Farrelly, 2007; Wiens, 2012). Valid concerns were raised that the ideal type of political philosophy is simply: ‘too far removed from the concerns of real societies to be useful for theorizing what ought to be done to make our actual societies more just or democratic’ (Erman and Möller, 2022, p. 525).

Applied to the concepts of VOC in particular, this raises the important concern of whether by ascribing to an ideal type interpretation of VOC, researchers effectively hamper their ability to understand complex systems and instead lose themselves in trying to apply and prove an impossible ideal type in reality. This would inevitably undermine the epistemological value of the VOC approach and simply result in its degradation to a theoretical fallacy instead of a valuable heuristic tool. Fortunately, however, whilst MLG also suffers from the ideal type drawbacks and the beforementioned criticism concerning theoretical overstretch, unlike VOC it refrains from attributing a predictive capacity to its dualistic categorisation of types and also does not depend on internal homogeneity or path dependency. Thus, MLG illustrates that an institutionalist-based approach may assist in analysing governance dynamics and categorising interactions without assuming a greater macro-level predictive path dependency as in the case of VOC.

This research argues that from a theoretical point of view, it is this path dependency assumption that hampers the prevailing understanding of VOC as an ideal type of theoretical approach. This flaw is the assumption that a governance set-up in a VOC environment will experience a path-dependent development towards an ideal or 'best' type. Within the ideal type discussions, Farrelly frames this development in the following manner: 'Ideal theorists (falsely) assume that a political philosopher can easily determine (or has privileged access to) what constitutes the 'best foreseeable conditions'' (Farrelly, 2007, p. 845).

As such, from an ontological perspective, academics using VOC within its capacity as an ideal type, inevitably assume the 'best' possible outcomes in a binary fashion. In the example of VOC, an ideal type understanding would assume that any capitalist market economy is path dependent towards either of the ideal types of coordination (CME or LME), thus deeming any mongrel or hybridisation characteristics observed within them side notes or misguided forms or coordination which will inevitably converge towards an ideal type. MLG on the other hand uses a dualistic categorisation as well by distinguishing between Type I and Type II, yet importantly differs from VOC by refraining from attributing a predictive capacity to the described field. This allows for actors and institutions to display distinctive characteristics without assuming a path dependant development towards a certain ideal type.

This research argues two different theoretical positions concerning the epistemology and ontology of MLG and VOC. First, both approaches should not be limited to their ideal type of understanding. Instead by further developing VOC by adding aspects of MLG to its theoretical foundations, one can significantly improve the approach as a whole and enable it to function as a compelling heuristic analytical concept. Reducing both VOC and MLG to a Weberian ideal type understanding results in both approaches falling subject to the significant drawbacks of an ideal type theory (Farrelly, 2007; Hay, 2020; Erman and Möller, 2022). This would also significantly limit their usefulness to assist researchers in analysing governance systems and institutional set up in economies, as ideal type setups are unlikely to be found in the real world and thus the otherwise compelling theoretical frameworks would be of limited use in highlighting and analysing in detail individual economies or market sectors outside of a comparative or macro level setting. Instead, both approaches should be viewed as tools and heuristics concepts which can assist researchers in understanding complex systems. Secondly, for this to happen, VOC in particular requires conceptual changes best achieved

by the addition of MLG concepts. This way the heuristic nature of the approach is no longer limited by its predictive dualistic theoretical nature. Instead of trying to limit their understanding via the creation of non-realistic and imperfect theoretical categories.

To function as truly heuristic instruments, the classical understanding of both approaches has to be developed further. Particularly within the concept of VOC, the intrinsic understanding of this approach has to change from a binary, path-dependent concept of categorisation, to a non-dualistic approach. Such change would entail the hybridisation of actor characteristics and considering the attempt of actors to maximise their resources via the optimal means depending on their acute requirements instead of the overall system nature. Instead of being bound to two distinct categories, actors as well as individual aspects of their interactions may be placed upon a scale to their displayed Type I / II or CME/LME characteristics. Thus, the definition of the characteristics becomes descriptive of observable reality instead of predictive of a dualistic ideal type of path dependency.

Ultimately, this research challenges the classical Weberian idealist notion of MLG and VOC and instead subscribes to them to be explanatory tools or heuristic analytical concepts. To illustrate this break with the traditional ideal type understanding of the concept, one can turn to Hay on the theoretical nature of VOC in particular. According to Hay:

‘Although capitalisms vary, capitalism does not really come in varieties. But it is sometimes useful to proceed on the basis of the assumption or heuristic that it does’ (Hay, 2020, p. 303).

VOC may thus be understood in several ways, which are not necessarily contrary to one another. This supports this research assumption to combine the VOC and MLG approaches in a manner that strengthens their heuristic function. Hay himself affirms that there are several, at times conflicting, positions and ontological understandings. According to Hay, these include eight different varieties associated with different researchers, such as a classical Weberian ideal type, a hunch, or an aid to analysis (Albert, 1993; Hall and Soskice, 2001a; Thelen, 2001; Crouch, 2005; Hay, 2020). This ontological diversity outlined by Hay offers an exceptional insight into the different theoretical facets of the VOC academic discourse (Hay, 2020). It also acts as a basis for this research to choose and combine different theoretical standpoints within the field. Specifically, this research follows the assumption of VOC being first and foremost a tool or aid for analysis, thus aligning most closely to

Hay's corresponding 6th form of theoretical variety and thus supporting the ontological and epistemological position of Crouch first and foremost (Crouch, 2005; Hay, 2020).

Despite assuming that VOC should first and foremost be utilised as an aid to analysis and is foremost of heuristic value, the suggestions put forward by in this thesis concerning the development of VOC may also serve in a secondary function as valuable contributions to the Weberian ideal type understanding of VOC and serve to refine the VOC typologies laid out by Hall and Soskice (Hall and Soskice, 2001a). By expanding the concepts of VOC and MLG through combination, the resulting theoretical concepts not only become a more useful and rigorous tool in the sense of Crouch's heuristic understanding (Crouch, 2012; Hay, 2020). It also refines the ideal type of understanding used by academics such as Hall and Soskice to a 'better' ideal type for future research. By moving away from a classical ideal type understanding of VOC which relies on a binary nature and concepts such as path dependency, to a more comprehensive understanding which recognises the abilities of hybrids within VOC categories and integrates the different types of governance interactions which both state and non-state actors across different state levels, a new combined approach offer a more wholistic representation of the modes of governance and actor organisation within a system. Accepting that the ideal state within systems may include a hybrid mix of CME/LME characteristics as well as types of MLG depending on the circumstances and environmental needs, this thesis put forward an alternative to the traditional concept of what constituted an ideal state for VOC in particular. Accordingly, this thesis challenges the binary nature of VOC and proposes a third ideal type classification, which is a hybrid form of VOC. This new form is a hybrid of the established CME and LME forms of organisation and relies extensively on Type II MLG interactions between both state and non-state actors across different levels. This new hybrid form thus combines the state focus of traditional MLG with the firm focus of VOC.

2.3.2 Complementarities of combining both approaches

Both the MLG and VOC approaches focus primarily on macro-level developments of institutional systems and attempt to explain and assort them by applying a dualistic categorisation. As this research argues, both approaches share several basic commonalities and ontological assumptions and are thus very well suited to being combined. Such a combination of similar approaches can assist in several major weaknesses that each of the theoretical concepts has. The VOC approach, for

example, has as outlined earlier, been criticised as being insufficient in describing differences between countries and neglecting the internal dynamics of change (Crouch and Streeck, 2000; Streeck and Thelen, 2012). Meanwhile, MLG has been criticised for being overly descriptive and lacking a testable hypothesis or causal motor (Jordan, 2001; Stein and Turkewitsch, 2008). It seems logical therefore to combine MLG and VOC and effectively address the shortcomings of both approaches. MLG can understand the internal dynamics of change by illustrating the power dynamics and relationships between different actors and different levels of governance. Benz has made use of the MLG approach concerning inter-regional competition in cooperative federalism in Germany before, in which he illustrates the way that MLG can impact the internal dynamics of a federal state and be used as a steering mechanism (Benz, 2007). As such, MLG's strength is its ability to illustrate the governance dynamics between actors across multiple levels, thereby providing a detailed institutionalist analysis of a particular system. This solves the current problem of VOC ignoring both the different levels of state interacting with a market as well as different types of governance developing synergies within a system. The combination of both approaches can therefore provide a holistic picture to understand the internal dynamics and macro-level developments of a particular governance field or development.

In addition to possessing complementary characteristics, the MLG and VOC approaches may be combined due to their ontological and epistemological basis and shared theoretical heritage. Both approaches share a common focus on institutional interactions and have a deep-rooted common basis in institutionalism (Stein and Turkewitsch, 2008, 2018; Bruff, 2011; Prevezer, 2017; Gagnon, 2018). Both MLG and VOC also share a deep-rooted focus on practicality and institutional analysis. MLG for instance:

'is viewed as a more 'actor-oriented' portrayal and a more 'flesh and blood' representation of the causal forces underlying economic and political integration than the neo-functional dynamic' (Stein and Turkewitsch, 2018, p. 33).

The MLG approach focuses on the institutional structure of governance systems and introduces an individualistic dimension in which actors, both as institutions or as individuals representing them, may engage in inter-level communication and collaboration. This is then summarised in its distinctions between Type I and Type II MLG. Similarly, the VOC theoretical basis has an institutionalist focus at its core, as it assumes an institutional path dependency for types of market

economies (Streeck, 2009; Bruff, 2011; Prevezer, 2017; Braun and Deeg, 2020b). The difference between the two however can be summarised in their ultimate intent and focus of analysis. Whilst MLG focuses on the aforementioned micro or actor-level classification of governance interactions between actors and classifies them according to the observed type of interaction, VOC assumes one of two possible classifications of the market environment and assigns actors according to the best fit of their respective system as a whole.

Both approaches, therefore, attempt to categorise the observed institutional set-ups through epistemological dualistic categories representing incompatible opposites of a spectrum. Compared to MLG however, the VOC approach assigns actors into one of two macro-system categories (CME vs LME) and their path dependency is assumed towards an ideal type. Such a predictive assumption capacity is lacking within the MLG theory. A combination of the two approaches therefore would integrate both the micro-level actor interaction focus of MLG with the macro systematic classification of VOC, thus providing a more balanced and holistic view of a particular system. It also challenges the predictive path dependant assumption of the classical VOC approach by allowing actors to adopt and display distinctive characteristics in terms of their governance relationships, depending on their MLG circumstances and requirements.

3 Research Methodology

This chapter will outline the research methodology used in this thesis. It begins by outlining the qualitative case study approach in general, followed by the key arguments for the case selection of the German EIPA system.

To date, very limited academic research has examined EIPA systems, with even less focussing on the German EIPA system. Most research in the field of EIPAs has focused on evaluating their impacts specifically in the context of supporting small and medium enterprises (SMEs) or the performance of export and investment promotion activities (Katsikeas, Leonidou and Morgan, 2000; Spence, 2003; Haahti *et al.*, 2005; Lederman, Olarreaga and Payton, 2006, 2010; Wilkinson and Brouthers, 2006; Rose, 2007; Moser, Nestmann and Wedow, 2008b; Gil-Pareja *et al.*, 2015). To do so, an overwhelming emphasis has been placed on quantitative research methodologies. This reliance on what Spence refers to as “hard data”, has in the past attributed to the fact that export and investment promotion activities received significant taxpayer funding and thus must demonstrate their benefits financially (Spence, 2003). Despite the insights emerging from quantitative analysis of the impact of EIPAs, it lacks a strong theoretical basis for understanding the complex relationships within EIPAs themselves. As a result, EIPAs have become a black box for academic researchers in terms of understanding their institutional arrangements. However, it is these institutional arrangements and the comprehensive governance system that underpin German export performance and the implementation of the German government's economic policy. Furthermore, no comprehensive theoretical framework for analysis, such as the Varieties of Capitalism (VOC) or the Multi-Level Governance (MLG) approach has been applied to EIPAs in a country context to assess theoretical fit and highlight organisational patterns. To address this shortcoming in the academic literature and provide a more comprehensive understanding of the German EIPA system, this thesis uses a qualitative research methodology and applies a combination of the MLG and VOC approach to the case of the German EIPA system.

The choice of research methodology is ultimately impacted by the research question and its theoretical context which is meant to be addressed. As mentioned above, the past research into EIPAs has been relatively one-sided, focusing on policy evaluation therein, determining the performance or financial benefit of state investments in export and investment promotion. For

example, in their cross-national study, Lederman et al. focused on the economic value creation of EIPA systems in general and concluded that:

‘For every \$1 in the EPA budget there is an additional \$490 dollars of exports in LAC [Latin America and Caribbean], \$227 in Asia, \$160 in the OECD [Organisation for Economic Co-operation and Development], \$137 in SSA [Sub-Sahara Africa] and \$96 in MENA [Middle East and North Africa], although the last two estimates are not statistically different from zero’ (Lederman, Olarreaga and Payton, 2006: 27).

Similarly, Rose found an average export increase of 6-10% as a direct consequence of each additional consulate, with the increase being substantially bigger following the creation of a new embassy in a host country (Rose, 2007). Equating an analysis of export-to-sales ratios with an evaluation of EIPAs appears to be the common methodological choice for EIPA researchers (Katsikeas, Leonidou and Morgan, 2000; Spence, 2003; Haahti *et al.*, 2005). Such a positivist understanding of knowledge allows for a facilitated duplication and validation of research results, specifically in the field of comparative political economy. While this has advanced the field of political economy in terms of measuring impact, this approach is limited in understanding how and why these results were achieved because it doesn't examine the internal governance mechanisms within EIPA systems themselves. This thesis, therefore, focuses on the internal governance mechanism of the German EIPA system that is lacking in the literature.

The previously used quantitative research methodologies only offer a ‘thin’ level of understanding, as by their nature, they are unable to highlight the nuances of organisational governance. Rather than explaining the phenomena of EIPAs themselves, and how they are integrated into the political economy of a country and interact within a market economy, quantitative studies that examine EIPAs focus solely on addressing the question of ‘what’, rather than the ‘why’ or ‘how’ (Devine, 1994; Harrison, 2001). For example, while Rose found a significant increase in terms of exports linked to the establishment of new consulates and the creation of embassies, the research, for instance, assumes the size and importance of all diplomatic missions are equal and ignores the existence of export and investment promotion actors other than embassies and consulates (Rose, 2007). No consideration is given to the wider governance relationship between market actors, which collectively make up the EIPA system. Particularly the regional level of actors received no attention.

As such it also fails to consider how political decisions, such as sanctions or the focus on certain countries impact export flows.

Such analytical shortcomings are common in research limited to exclusively quantitative research methodologies. When using a quantitative approach: 'it is difficult to make causal inferences from observational data, especially when research focuses on complex political processes' (Brady, Collier and Seawright, 2010, p. 22). As such, an exclusively quantitative research focus only offers insufficient insight into the field of EIPAs and lacks a detailed analysis of their governance structure. A solution to this is to take a qualitative approach. Qualitative research: 'is a theoretically driven enterprise' and 'complements quantitative research in particular by entering into the 'black box' of how social phenomena (including interviews and focus groups) are constituted in real time' (Silverman, 2020, p. 5). In the context of this research however, it is exactly the ability to place a spotlight onto the EIPA system 'black box', that this research intends to achieve. The research question, therefore, seeks to create new knowledge about the organisation of the German EIPA system and how it functions according to a combined VOC and MLG theoretical framework. Accordingly, this research adopts a qualitative research approach and applies the VOC and MLG approaches to gain a deeper understanding of how the German EIPA system functions.

Despite a heavy quantitative focus in the field of EIPA research, there are some instances where qualitative research has indeed been conducted. For example, Ramsteck conducted a comparative historical analysis between German and British EIPAs, focusing on Germany Trade and Invest (GTAI) and UK Trade & Invest (UKTI) (Ramsteck, 2009a, 2009b). This research concluded that despite many organisational similarities, the two countries vary significantly in terms of their centralisation approach towards their federal state EIPAs. Unlike the UK's centralised organisation of trade and investment promotion that is integrated into a single department, Germany's export and investment promotion sector is significantly more fragmented, with overlapping competencies between the Federal Ministry of Economics and Technology (BMWi) and the German Foreign Office (*Auswärtiges Amt*, AA). Furthermore, Ramsteck contends that in both countries, the structure of the export and investment promotion system was driven first and foremost by state and not private sector interests, with Germany's lack of institutional reform for centralisation being primarily due to a lack of will of political and bureaucratic leadership and instead of institutional persistence. Based on these findings, he attests a considerable degree of institutional persistency to the German EIPA system and expects

no significant further liberalisation or shifts towards private sector actors such as German Chambers of Commerce Abroad (AHKs) by state actors for policy implementation.

While Ramsteck provides key initial insights about the German EIPA system, the adopted historical-comparative research methodology and lack of primary data generation, fails to recognise the multilevel dimension of actors and the underlying interrelationships which drive actor organisation (Ramsteck, 2009a, 2009b). The regional level however is ignored, despite Germany's federal system allowing for a significant degree of subsidiarity in terms of its export development and economic policy (Bossdorf, 2021). These weaknesses can be attributed to the lack of a suitable methodological framework, as Ramsteck applies no overarching theoretical framework, but instead relies exclusively on a thick case description based on secondary data. The research thus missed taking advantage of qualitative research's strongest advantage, namely its ability to explain how and why something happened instead of just describing the conditions (Devine, 1994). This thesis addresses this issue by directly engaging with senior practitioners in the system. It conducts elite interviews with senior state and private sector EIPA staff on a regional, federal and international level. These interviews are supplemented with information obtained from document analysis of sources such as budgets, parliamentary enquiries, and program evaluations, to provide additional insight and context regarding the governance structures revealed in the interviews. Secondly, it applies a combined VOC-MLG approach, as a theoretical framework. Each of the two approaches has a significant heuristic potential which can assist in the analysis and categorisation of complex systems (Walzenbach, 1998; Hay, 2020).

There have been limited academic attempts to apply a qualitative research methodology to the German EIPA system, either as part of a particular program evaluation (see Hauser and Werner, 2009), concerning principles of subsidiarity (see Bossdorf, 2021), or within the context of analysing institutional design and coordination and possibilities of reform (see G. P. E. Walzenbach, 1998). Whilst Walzenbach highlights the importance of coordination between promotion systems on a domestic, and federal level and international institutions, none of the research thus far has explicitly tried to incorporate both state and private actors interacting on the regional state levels, alongside their federal counterparts. Furthermore, neither the MLG nor VOC approaches have previously sought to be combined to achieve an in-depth analysis of a specific sector of an economy. Therefore, there is a lack in terms of integrating this sector into the theoretical debates in the political economy literature.

This is somewhat surprising, as both Germany's economy and governance structure have been of considerable interest within the fields of VOC and MLG. Furthermore, EIPAs operate in a highly politicised field, which is subject to a strong political dimension (Walzenbach, 1998). They also operate on multiple levels and both political and market environments, such as on a local, regional, federal, and international level. Consequently, this research attempts to fill this lack within academic research, by utilising a qualitative research methodology focused on in-depth interviews with senior EIPA representatives, to illustrate the complex processes at play within the German EIPA system and how these can be both consolidated with the current academic understanding of VOC and MLG.

3.1 Use of a Qualitative Case Study Approach

Given the lack of qualitative research and in-depth analysis of the German EIPA system, as well as valid criticism concerning ontological aspects of the VOC approach outlined in Section 2.1.3, this research adopts a qualitative research methodology. As elaborated in Chapter Two, this research adopts a primarily heuristic understanding of both the VOC and MLG approaches (Walzenbach, 1998, 2006; Hay, 2020). By doing so, both approaches function as tools, rather than as a self-evident truth or predictive theory. The resulting heuristic theoretical framework is applied to the case of the German EIPA system. Doing so provides a useful analytical tool, which helps in highlighting and categorising the EIPA system in a unique new way. Furthermore, the combination of both approaches with a thick qualitative analysis of the governance structures in place allows for further refinement, or in this case expansion of the theoretical framework of both approaches. By applying a combination of both approaches to the German EIPA system, this thesis can address some of the major criticisms described in Chapter Two and propose a new type of VOC ideal type based on a hybrid understanding of CME and LME systems.

A qualitative case study approach is well suited for refining an established theoretical concept (Gerring, 2006). Accordingly, this research chose the MLG and VOC approaches and applied them to qualitative research on the case of the German EIPA system. Both the qualitative and case study aspects are complementary to one another in achieving an in-depth analysis and thus allowing for inferring conclusions regarding the ontological assumption of a theoretical approach (Brady, Collier and Seawright, 2010; Silverman, 2020). Qualitative research is particularly effective in providing context and in-depth insights into the context of a research question (Harrison, 2001). This has resulted in qualitative research being used for theory building while quantitative research is predominantly used for theory testing. Concerns regarding the potential lack of generalisability of qualitative research should be considered. The difficulty of replicating qualitative research compared to quantitative research increases the danger of findings not applying to wider academic research. Schofield has sought to address this by choosing cases 'based on their fit with a typical situation' and thus increasing both its representativeness and reliability (Schofield, 2009, p. 77). Accordingly, this research chose the German economy as a case, given the country's prominence and relevance to the academic literature of both approaches. Rather than relying on existing data, such as government reports or program evaluation, this research focuses on in-depth elite interviews with actors from the regional, federal, and international levels, spanning the state and private sectors. It, therefore, attempts to maximise the coverage and representation of the actors it interviews. Accordingly, whilst

still being subject to the typical constraints of qualitative research, both the case selection and research techniques are aimed to make the research both relevant and reliable to the field.

As mentioned above, choosing Germany as a case to apply the VOC approach, seems a most suitable fit given the fact that it has extensively been identified as a paradigm example, particularly within the VOC literature (Soskice, 1997; Fioretos, 2001; Hall and Soskice, 2001a). Despite this however, there has been no research employing a qualitative case studies methodology that applies the VOC approach to any sector of Germany's economy nor the interaction between the regional and higher-tiered actors within a political economy context. This is a serious gap in the literature given the complex governance system in which the German EIPA system operates. Instead, particularly VOC research has mostly focused on a qualitative comparative approach between countries, which neglects regional or sector-specific aspects. Accordingly, this research aims to provide new insights into both the German EIPA sector and the applicability of the VOC approach by adopting a case study methodology, as employing a qualitative analysis allows to focus on the why and how rather than the what (Harrison, 2001).

By adopting this approach, this research refines the current understanding of VOC. This is one of the prime purposes of adopting a case study methodology and thus complementary to the advantages of qualitative research outlined before. In the words of Gerring:

'What distinguishes the case study method from all other methods is its reliance on evidence drawn from a single case and its attempt, at the same time, to illuminate features of a broader set of cases' (Gerring, 2006, p. 29).

Meyer also recognises this ability of case studies to combine theoretical frameworks with in-depth data analysis as he mentions that: 'the case study is open to the use of theory or conceptual categories that guide the research and analysis of data' (Meyer, 2001, p. 331). Within the context of this thesis, this means that the case study of the German EIPA sector can reveal significant contributions to the VOC approach itself and assist in countering some of its key criticisms. As this thesis maintains, the data collected on the German EIPA system shows, that rather than supporting a traditional theoretical framework of VOC, the actor organisation across multiple levels is best reconciled with a combined VOC-MLG approach that recognised a hybrid type of actor organisation.

Chapter Six of this thesis expands on the case study methodology, by adopting what is best described as a case within a case. While the German EIPA system functions as a contextual case for this thesis, Chapter Six provides a thick case study description of a program with it. The logic behind such an additional case within a case approach is to provide an example with a detailed example of how the proposed expanded theoretical framework is applied. Accordingly, the chapter focuses on the largest German federal state export promotion program, called the Export Initiative Renewable Energy (*Exportinitiative Erneuerbare Energie*). It was selected due to its size and prominence as well as its involvement of different types of actors and structural significance for the German EIPA system. Rather than analysing the research finding, as is done in Chapter Five of this thesis, this case within a case study illustrates how the identified type of actor organisation functions in reality, in the example of the program. It thus describes the previously identified forms of governance and organisation across levels in action and accounts for a typical case used for confirmatory use (Seawright and Gerring, 2008). This integration of across and within-case analysis allows for the identification and critical reflection of important themes (Ayres, Kavanaugh and Knafli, 2003). A case within a case methodology, therefore, supplements the robustness of the research and assists in demonstrating the relevance of the identified hybrid VOC structures within the German EIPA system.

3.1.1 Case Selection

To test the research question, a case study of Germany was used. There are several reasons why. First, Germany is a classic case used in the VOC literature due to its presumed CME status. Despite this prominent status, there has only been limited in-depth qualitative analysis examining the governance structures underlying its market coordination and its export and investment promotion sector. Such a close examination however reveals valuable insights into the theoretical underpinnings of the VOC approach. Secondly, Germany's market economy is influenced by a mix of state and non-state actors among multiple levels spanning regional states (*Länder*) and the federal state. It is therefore an ideal candidate to expand VOC's ability to integrate MLG aspects and improve its potential as a heuristic approach. Finally, given the lack of academic research into Germany's EIPA sector despite its size and economic importance, further research into the field is warranted.

There are several reasons why this is warranted. First, Germany is traditionally identified as a key example of a CME country (Soskice, 1997; Fioretos, 2001; Hall and Soskice, 2001a; Vitols, 2001; Wood, 2001; Kang, 2006; Hancké, Rhodes and Thatcher, 2012). There is a significant level of coordination between different industry actors and state bodies and associational actors play a significant role. At the same time, multiple researchers have noted the importance or at times dependence of Germany on its export sector (Storm and Naastepad, 2015; Baccaro and Pontusson, 2016; Johnston and Regan, 2016; Stockhammer, 2016; Stockhammer, Durand and List, 2016; Regan, 2017; Braun and Deeg, 2020b). This export focus has allowed Germany to be the only European Union (EU) country with a positive trade balance with Asia, Eastern Europe, and the oil-producing countries between 2000 and 2008. Before the financial crisis, total exports amounted to 36.7% of the GDP between 2007 and 2008, compared to 6.7% in Greece and 20% in France (Bastasin, 2013). Despite being one of the hardest hit companies in the financial crisis due to this export focus, Germany's economy rebounded rapidly again in comparison to its EU peers, with factors such as unemployment and GDP growth outpacing all other major EU economies between 2008- and 2014 (Storm and Naastepad, 2015). Given this prominence and resilience, the export sector is central to the German economic system, thus warranting closer attention when analysing the German market economy organisation.

Second, discussions in the contemporary VOC and German economy academic literature frequently point to the ability of CMEs such as Germany to coordinate wages and the resulting reductions in unit labour costs thus boosting exports (Palier and Thelen, 2010; Jannsen and Kooths, 2012; Hassel, 2014b, 2017b; Johnston, Hancké and Pant, 2014; Höpner and Lutter, 2018; Scharpf, 2018). Storm and Naastepad on the other hand have gone even further and instead of limiting their understanding of Germany's export on indirect market coordination resulting from cost competition and a low relative unit labour cost, directly attribute Germany's success to its high level of coordination throughout its market economy and the resulting organisational and technological benefits of this.

'We argue that Germany's remarkable rebound must be explained in terms of the country's superior technological performance giving rise to strong non-price competitiveness. Germany's technological prowess, in turn, is founded on economic coordination and strongly market-guiding industrial policies – not cost competition' (Storm and Naastepad, 2015, p. 12).

Despite this frequent acknowledgement of Germany's market coordination ability, the causal relationship between market coordination and Germany's export success remains contested and does not necessarily mean that Germany's export success confirms its prime status as a CME. Braun and Deeg explicitly point out that:

'both the financial and the nonfinancial sectors have changed dramatically – to the point where 'coordinated market economy' may no longer capture the essence of former CMEs such as Germany' (Braun and Deeg, 2020b, p. 361).

Braun and Deeg base their presumption to a large degree on the changes in the German financial sector and the move away from a more close-knit coordinated relationship between private and state-owned banks and business customers, towards the internationalisation of financing and ultimately an: 'erosion of institutional complementarities ' (Braun and Deeg, 2020b, p. 374).

Challenging the coordinative institutional capacity between market actors and the financial institutions in Germany would threaten its status as a paradigm example of a CME and have potentially significant consequences on the wider VOC approach. Schmidt for example explicitly refers to 'patient capital' (Schmidt, 2002, p. 115) in the example of the German capital market and states that:

'The close, network-based relations of German firms have ensured them greater stability and strategic cooperation than the competitive, arm's length relations of British businesses' (Schmidt, 2002, p. 115).

The underlying question, therefore, is whether Germany's EIPA system corresponds to its ascribed nature as a model CME, or whether it challenges a traditional understanding of VOC. If it indeed depicts some previously unrecognised characteristics, how can the theoretical concept of VOC be refined to account for such a situation?

There have been some past proposals, notably by Streeck and Crouch regarding the problematic dualist nature of VOC and its path dependency towards incompatible forms of organisation. Streeck used the German economy as an example to challenge the VOC reliance on institutions as drivers of market behaviour and instead highlighted a continuous and independent (endogenous) transformation of Germany's economy away from coordination towards traditionally more liberal market principles (Streeck, 2009). This shows the ability of actors to display forms of organisation contrary to those supported by the institutional framework. Both Crouch and Streeck further criticise the VOC notion of internal homogeneity as highlighted in Section 2.1.3 of this thesis (Crouch and Streeck, 2000; Crouch, 2005, 2009, 2012; Streeck, 2009; Streeck and Thelen, 2012). Crouch goes as far as suggesting hybrid forms of coordination or at least moving away from a dualistic towards a more varied understanding when he summarises traditional VOC by stating that: 'In other words, pedigree dogs will outperform mongrels' (Crouch, 2009, p. 48). This thesis maintains that while Streeck and Crouch highlight very important concerns regarding the approach, they fall short of considering the possibility of expanding VOC to recognise a third, hybrid ideal type, which would allow for a more precise, non-dualistic application of VOC.

The thesis uses Germany's EIPA sector to expand and refine the understanding of VOC's theoretical foundations for three reasons.

First, this sector's diverse setup makes it an interesting candidate to provide insights into governance structures and types of actor organisation across complex market economies. Germany's EIPAs differ significantly in terms of their setup. Some are private-sector associational entities and part of the chamber of commerce networks, whilst others are government-owned private companies, government-industry partnerships, or even ministerial departments. This is indicative of the state playing an active role as a market actor and of a level of systematic complexity, previously not fully addressed by traditional dualistic applications of VOC.

Secondly, Germany's federal structure provides large levels of autonomy to regional state governments to pursue their goals. As a result of this, the multi-layered EIPA system in Germany is perfectly suited to test and advance the understanding of both the VOC and MLG approaches. As outlined in Chapter Two, VOC has traditionally been focused on firms as actors in terms of their organisational analysis. MLG on the other hand has focused on the state, particularly its institutional actors. Given the multiple levels of actors within Germany's EIPA system and the close interaction of

state and non-state actors within it, Germany's EIPA system is ideally suited for a combination of MLG concepts to the VOC approach, thereby expanding and improving VOC's theoretical framework.

Being a federal republic made up of 16 independent regional states (*Länder*) has a significant impact on the multiple-level nature of the German EIPA system. Besides private and state actors on a federal level, each of the 16 regional states also possesses both state and non-state regional EIPA actors. While integrating MLG aspects into the VOC approach, therefore, makes sense in recognising the different modes of governance between the different actors and levels, the sheer number of actors also restricts the ability of this research to ingrate them all. As such, on a regional level, a particular focus was placed on three German states to provide the important regional dimension. The regional state EIPAs chosen are Bayern International from Bavaria, Baden-Württemberg International (BW_i) from Baden Württemberg and the German Management Academy (DMAN) from Lower Saxony, as in this state, the previous state EIPA NGlobal was integrated into the local state ministry of economy shortly before the start of the research interviews (Lies, 2013; MW Nds, 2013; DMAN*28, 2017). The three states of Bavaria, Lower Saxony and Baden Württemberg were chosen, as they account for more than 41% of the German GDP as of 2013 (Statistische Ämter, 2015) and have some of the highest ratios of exports to GDP in Germany (Statistisches Bundesamt Baden-Württemberg, 2015). Given the strong and diverse industrial bases of these states, they will be most relevant for the subsequent analysis to assess how ties between the state and private sector have shaped the EIPA system on a regional state level in addition to the federal level.

Third, besides the fact that Germany and its strong export sector are central to many parts of the VOC debate, its well-developed institutional export and investment promotion sector warrants further academic attention. As mentioned previously, EIPAs have experienced relatively little academic attention, specifically from a qualitative research perspective. Some of Germany's larger EIPAs such as GTAI and the AHK network are considerable both in terms of staff number and federal-state funding. The German federal EIPA GTAI, received more than €48 million of federal German funding in 2021 (accounting for nearly all of its income) and had 249 members of staff employed (GTAI, 2021). Meanwhile, the AHK network has over 1600 members of staff operating in 150 locations in 93 countries globally in 2021 (DIHK, 2023; IHK Düsseldorf, 2023). In 2015, the estimated combined income of all AHKs was approximately €200 million in 2015, with annual federal grant funding via the BMWi usually making up around 20% of total revenue, totalling approximately €40 million in 2015 (DIHK, 2015; Hauser *et al.*, 2016). Given the importance of exports to the German

economy, making up for just under 30% of GDP between 2015 and 2019 as well as the financial and organisational size of EIPA actors within the country, it is important to gain a more in-depth understanding of the governance networks these actors are part of and what their type of market organisation reveals about the political economy of Germany (DESTATIS, 2023).

3.2 Interview Sampling Method

The sampling method used was non-random selective sampling, primarily using purposive and expert sampling techniques. Compared to random sampling techniques, purposive and expert sampling may run the risk of being unrepresentative and biased (Tongco, 2007). For example, respondents may be chosen only from a small group of outliers due to bad sampling techniques or convenience on behalf of the researcher, which could lead to a problem with the validity and reliability of the findings. Accordingly, this research attempts to reduce potential biases and problems concerning sample representation in several ways. First, the research tries to include a relatively large sample size which covers many or all of the selected target research groups. In total, 28 separate interviews were conducted with 25 legally separate organisations. While single actors such as a federal ministry may be represented by one senior participant, for larger more varied groups of organisations, such as chambers of commerce, the sample size is significantly increased. Here, staff from three different Chambers of Commerce and Industry (IHKs) were selected (the largest in each of the three selected regional states) as well as 11 AHKs from a diverse set of countries spanning five continents.

The chosen interview subjects were all senior representatives of the selected organisations, and thus an elite interviewing technique was used to ensure the validity of the research. Senior management and leadership staff were chosen to ensure that the participants had the necessary in-depth knowledge of their respective organisations and could elaborate on both formal and informal aspects of the governance network, including how relationships were built and maintained. Despite the interview subjects only deriving from a senior management background and thus not being a representative sample of the EIPA staff, such use of elite interviewing allows for an in-depth insight into decision-making processes and inter-actor relationships (Peabody *et al.*, 1990). Adopting a focus on elite interviewing was thus deemed the best-fitting methodology to determine how decisions are made and how actors operate (Harrison, 2001).

Due to their position and power within their respective organisations, the interviews were conducted following guidance for interviewing political elites. According to Peabody *et al.*:

‘The interview schedule should be designed so that it can be administered in 20-30 minutes if necessary... However, also make the interview schedule expandable; some half hour interviews

may last up to one or two hours. These are often the most productive sessions and may provide the most unexpected and valuable information' (Peabody et al., 1990, p. 453).

This recommendation was followed, and interviews were designed so they could be completed within around 20 minutes. A complete list of interviews and a sample interview guide for a German federal-level EIPA can be found in the Appendix. The semi-structured nature of the Interviews, however, allowed additional follow-up questions, which resulted in some very productive interviews lasting around 1 hour. Furthermore, participants were allowed to continue and elaborate at will following the completion of the interview without being interrupted or stopped. Whenever possible, interviews were conducted face-to-face (22 interviews), with telephone interviews (5 interviews) only used when travel or time constraints made the former unfeasible. A single interview was conducted in written form via email (1 interview), due to the explicit request of the interviewee. The focus on personal interviews allows for a direct perception of social cues and creates a better communication flow (Opdenakker, 2006). It also assisted in gaining rapport with the interviewees, by putting them at ease, and showing an interest and knowledge about the subject matter without making them feel threatened or overheard (Leech, 2002). Using face-to-face interviews are also allowed for the question framework to somewhat customised to the subject and environment. Therefore, when a question was asked that the interviewees did not understand or made them feel uncomfortable, the interview was adjusted to a different subject area, or a question could be skipped so that no undue stress was caused.

Interview candidates were first selected based on a gatekeeper criterion. Key leadership-level staff from large organisations such as the Association of German Chambers of Commerce and Industry (DIHK) and federal and regional state ministries were contacted by email and interviewed in person. To further identify potential interview candidates, the snowballing technique was used allowing the interviewees themselves to identify additional individuals to interview (Biernacki and Waldorf, 1981). Furthermore, with the help of internal organisational referrals, it was possible to bypass potential bureaucratic problems such as inaccessibility and increase the willingness of an interview subject to participate. When studying organisations, familiarity between interview partners can be an advantage (Gaskell, 2000). However, it is important to ensure the suitability of the interview candidate and that they adequately reflect their organisation. Biernacki and Waldorf point out that when using snowballing techniques in social science research, it is essential that:

'control is exercised in an attempt to ensure that the sample includes an array of respondents that, in qualitative terms, if not in rigorous statistical ones, reflect what are thought to be the general characteristics of the population in question' (Biernacki and Waldorf, 1981, p. 155).

To ensure this, the interview selection focused exclusively on interview subjects from the pre-determined group of EIPAs and the selected regional states. There was one exception to this approach. This was with the DIHK, as due to snowballing and the recommendations of the initial interviewee, interviews were expanded to three different internal departments as each of these possessed in-depth knowledge about separate topics relevant to the questions.

3.2.1 Conducted Interviews

A total of 28 interviews were conducted with leadership staff from 25 different organisations within the German EIPA System between October 2016 and October 2017. First, AHKs were selected to represent a range of countries, characterising different types of markets and levels of development, as well as geographic regions spanning Asia, Africa, North America, and Europe. In terms of local actors such as IHKs, those representing the most influential or largest chamber organisation in their regional state were chosen, as they were deemed most likely to have a dedicated export or investment promotion department and be strongly involved in the sector, thus offering the best insight by staff interviews. Between one and three interviews were conducted per institutional actor depending on the organisation's willingness to collaborate and the results from snowballing such as interviewee referrals. A complete list of the interviews including the dates and format in which they took place can be found in Appendix 1.

Before conducting the interviews, formal ethical approval was obtained by the university's ethics board. An information leaflet was prepared in German and English outlining the purpose of the research, the scope of the questions, information about the researcher including contact information of the supervisor in the event of complaints, as well as details about the guaranteed personal anonymity of their responses and their ability to withdraw their participation up to four weeks from the date of the interview. Furthermore, a consent sheet was prepared in both English and German giving the interview candidates the choice to consent to the interview as well as to consent to be

digitally recorded. A template of both the consent form and the information leaflet can also be found in Appendix 2.

The Interviews were offered to be conducted either in German or English, with all subjects opting for German. Furthermore, all interviews were conducted under the explicit assurance that participants would remain anonymous. All transcripts of the interviews, therefore, omitted the names of individuals or those of people they referred to in other organisations and any quotes used in this document were checked for not being able to identify individual contributions. To guarantee data safety, all interview recordings and transcripts were assigned a number and were stored on a password-protected storage device and university-approved data storage systems.

The interviews lasted between 10-64 minutes, with an average length of about 30 minutes, in line with Peabody's recommendations for elite interviewing, although they were slightly longer in part due to the willingness of the interviewees (Peabody *et al.*, 1990). The interview guide included questions related to themes such as the respondent's organisational perception of actor relationships and governance arrangements, their organisation's activities, and goals as well as future and past reform processes. The questions were designed with the help of the MLG and VOC approaches and specifically aimed at providing a deeper insight into the relationship dynamics between different actors, the degree of financial and organisational independence of the actors and how senior staff perceived their relationships and interactions with other relevant actors within the EIPA system. The interview guides were adjusted to accommodate for the known differences between actors, such as whether they were state or privately owned and whether they primarily operated on a regional state, federal or international level. Typically, the interviews began by asking elite interviewees about their backgrounds, followed by general questions about their organisation. This was designed to establish both trust and rapport with the interview. Questions then progressed to the extent of interaction they had with other federal and later regional actors, both in terms of formal arrangements as well as how they described these relationships. Interviewees were then specifically asked about whether they perceived their organisation in direct competition with any of the other actors identified in this research. Finally, questions were asked about experiences they have had with EU-level actors or programs and how these have influenced them. An example of an interview guide for an interviewee from a federal-level EIPA such as an AHK or German Trade and Invest (GTAI) can be found in Appendix 3.

The semi-structured nature of the interview questions also allowed for the researcher to guide the questions, whilst simultaneously allowing the interviewee to highlight previously not considered aspects that they deemed important. The questions were open-ended, as this allowed respondents to answer on their own terms, providing as much information as they felt comfortable with, yet still allowing for unusual responses to be derived, exploring new areas of knowledge (Bryman, 2012). Prompting was only used in cases where the interviewee clearly did not understand the question. As a result of this open structure, some respondents elaborated their answers in detail whilst others were shorter. The resulting variation in detail between interviews was considered when comparing and analysing the responses of different interviewees. Besides one of the interviewees, all consented to personal interviews which were conducted face-to-face or via telephone and recorded using a digital recording device. One of the interviewees explicitly requested the questions to be submitted in written format and responded to them via email. Despite the divergent interview technique, as the results were analysed based on themes and emerging issues, the impact on the findings is likely to be minimal. The interview list in Appendix 1 includes the dates of the interviews and whether they were conducted in person, via telephone or due to request, in one instance via email.

3.2.2 Interview Analysis

A total of 26 of the 28 interviews were recorded on a digital recording device and transcribed into Microsoft Word with the assistance of Dragon Professional speech recognition software (Nuance, 2017). The accuracy of the process was then verified by the author. One interviewee preferred to not be recorded, thus resulting in their responses being written down in bullet points and direct quotes by the interviewer on paper during the interview. The utmost care was taken to include all relevant responses by this interviewee yet given the lack of audio recording and the possibility of mistakes in the written notes, no direct quotes from this interviewee were used in the thesis. Another one of the Interviewees requested to have the Interview questions sent to him via email and responded directly by typing into the Microsoft Word document. Given the fact that all Interviewees opted to be interviewed in German, the transcribed documents were analysed in German and direct quotes used in this thesis were later translated into English by the author. Due to this, all direct interview quotes used within this publication were translated by the author with the utmost care to be as accurate as possible concerning wording and meaning.

The interviews were analysed based on themes and actors. First, the interviewed organisations were organised into six distinct categories, depending on the respective actor. These were:

Figure 3. 1 Interview Categories

Interview Actor Categories
Ministries (Regional State Level)
Ministries (Federal State Level)
Regional State EIPAs
IHKs
AHKs
DIHK

(Author, 2022)

After the interviews were transcribed, the interview responses were analysed according to what they revealed about the structure of each interviewed organisation, the organisation’s relationship and level of interaction with other EIPAs as well as the senior staff’s perception of their organisation’s future outlook and the greatest challenges it faces. Finally, drawing on the theoretical literature review of Chapter Two and the identified categories central to VOC in particular (see **Figure 2.1**) the interview data was analysed in detail in Chapter Five. Emphasis was placed on whether the interviews portrayed a type of actor organisation across levels of governance, which fitted traditional CME-LME characteristics, or instead, a new hybrid version of both categories.

To control for the fact that the interviewee responses are shaped by their views and organisational agendas raising issues of internal validity, secondary sources were consulted to corroborate their statements (Rathburn, 2008). For example, Many EIPAs are likely to exaggerate their impact on

policies and trade performance compared to their competition. This criticism applies to elite interviews in general, with hyperbole and the exaggeration of one personal or organisational role can be a problem in elite interviews (Berry, 2002). As such, public budgets, parliamentary enquiries, and evaluation reports were also cross-referenced to verify data and particularly outlier statements supplied in the interviews whenever possible. Similarly, utmost care was taken to provide additional context to individual interview responses by embedding their analysis within the wider interview results of the research.

Despite these potential drawbacks, the interviews provided a rich insight into the governance structures persistent within the system, as they were able to reveal both distinct close governance relationships not reflected by institutional mapping. By accepting and accounting for a potential organisational bias, interview responses are still: 'one the most potent, high-yield ways of studying political elites' (Peabody *et al.*, 1990, p. 454). In consequence, the elite interviews of the German EIPA organisations offered a unique insight into the governance and actor organisation within the system.

4 Historical and Organisational Background of German EIPAs

German export policy is executed through a variety of actors, which are either directly government actors, government-owned or government-co-funded. Federal export promotion activities are conducted via a three-pillar system of economic diplomacy (*Drei Säulen System der Wirtschaftsdiplomatie*), via the German Federal Republics Foreign Office (*Auswärtiges Amt, AA*), Germany Trade and Invest (GTAI) and the German Chambers of Commerce Abroad (AHK) network (*Auswärtiges Amt, 2021*). The diagram below illustrates the differences between these three actors and their strategic tasks, thereby clarifying the underlying systematic structure of the three-pillar system in Germany.

Figure 4. 1 Three pillar system of German federal export and investment promotion



(Author 2023 based on Wiesemann, 2000; GTAI, 2014, 2021; DIHK, 2015, 2021a, 2023; Auswärtiges Amt, 2021; DIHK DEinternational GmbH, 2022; IHK Düsseldorf, 2023)

Germany has a widely developed network of 78 established Chambers of Commerce and Industry (IHKs). These chambers within Germany are independent of the government yet control large parts of the vocational training in Germany. Membership is obligatory for registered industrial companies. The affiliated foreign counterparts of the IHKs, the AHKs operate along a voluntary membership concept yet maintain close links to their domestic IHK counterparts and various federal and regional government departments, making them a natural first point of contact for local companies seeking to develop their export capacity. The high visibility of the IHK and AHK network and its easy accessibility and wide range within the German economy make them an easy first pit stop for exporters.

A PhD study by Sternkopf from 2004 on SMEs in the German state of Saxony, found that 70% of surveyed SMEs collaborated with their local IHK and corresponding AHK in matters of international export. This is in comparison to only 20% working with the Federal Office for Foreign Trade Information (*Bundesstelle für Außenhandelsinformationen/BfAI*), the predecessor of GTAI, and just 5.9% having worked with the official German embassies or consulates in their target markets (Sternkopf, 2004). This finding is a stark indication of the significance of the local governance level within the German EIPA system and the significance of principles of subsidiarity in the context of export promotion (Bossdorf, 2021). Sternkopf continues to highlight the significance of export development services offered by state and other semi-official actors, such as the German Chambers of Commerce (given their wide-ranging authority and historical significance in Germany), compared to private market consulting firms. According to her:

‘As a general trend, it can be observed that companies prefer to cooperate with official or semi-official institutions when they plan to expand to foreign markets. Only 23% of the participating companies stated that they used the services of private consultancy providers. The great acceptance of the AHK, IHK and bfai [the Federal Office for Foreign Trade Information, a precursor to the GTAI] can mainly be traced back to their great expertise as well as to the cost efficiency of the services they offer’ (Sternkopf, 2004, p. 43).

Therefore, state and other semi-official actors, such as Chambers of Commerce, are crucial market participants in Germany's EIPA system. The unique form of interaction between state and non-state

actors in organising the market transcends simplistic categorisations between public and private responsibilities and activities.

The current system of these three diverse federal EIPAs has developed from what used to be a traditionally exclusively sovereign responsibility of executing and implementing export promotion for the German economy abroad. This had clear reporting hierarchies and a traditional Type I Multi-Level Governance (MLG) structure. The current three-pillar system, however, operates three separate actors each representing a different way of organizing and implementing economic policy on behalf of the state. These are, via direct government agents such as embassies and consuls, Government owned actors or corporations such as GTAI and private actors receiving direct government funding or mandates such as the AHK. Corresponding with modern new public management principles and liberal economic concepts of privatization and delegation, Germany is also seeing the creation of a fourth type of policy implementation or EIPA actor, namely exclusively private actors such as consultants and marketing agencies applying for government export promotion tenders. Germany's EIPA activities, therefore, portray a wide variety of actors, both government-owned and private to varying degrees, which potentially compete with and complement each other. The diagram below (**Figure 4.2**) shows the four contemporary forms of export and trade policy in Germany.

Figure 4. 2 Types of Actors in Germany's Federal Export and Investment Promotion Sector

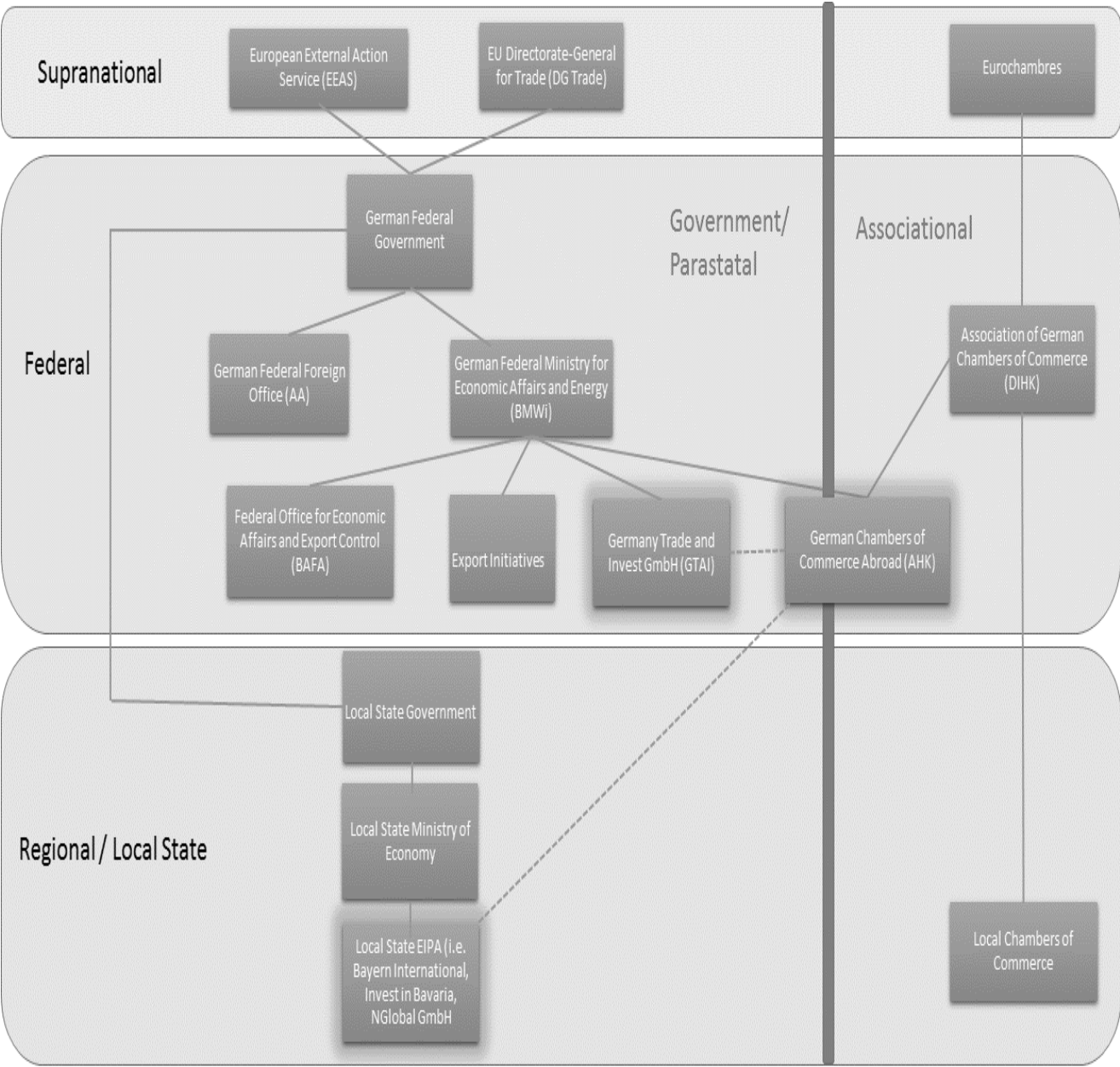


(Author, 2022)

By involving actors with various degrees of government control and ownership, Germany’s economic export policy shows a complex governance set up with multiple levels, complex hierarchies, and organically grown relationships, which strongly interconnects government with industry albeit without directly controlling it (as would be the case in a planned non-market economy). Instead of relying on control, governance depends on a complex relationship of coordination between the state and industry.

As a result of this complex interaction, the state's role is no longer limited to an institutional actor, separate from the market actors. It is a market actor itself, with various forms of governance. This highlights the necessity of Varieties of Capitalism (VOC) to recognise more clearly both the role of the state as a market actor and the impact of different types of governance across multiple levels of a state's structure. To illustrate this complex interaction between state, non-state and mixed actors across multiple spheres, **Figure 4.3** has been drawn up from the research findings of this thesis. EIPA actors were mapped according to their sphere and level of operation within the observed system, displaying the multilevel dimension which should be accounted for when looking at the forms of organisation within the system.

Figure 4.3 Mapping EIPA actors in Germany



(Author, 2022)

4.1 The German Chambers of Commerce Abroad (AHKs)

The AHK network is a unique feature of Germany's export and investment promotion structure. It has transformed from a private industry initiative in the late 19th to early 20th century, to becoming Germany's largest network of export development organisations. It is also Germany's biggest and oldest EIPA. By the year 2022, AHKs operated an international network consisting of more than 140 locations in 92 countries with 2400 members of staff and more than 50.000 members (DIHK DEinternational GmbH, 2022). The AHK presence in these countries exists either in the form of full-fledged bilateral chambers of commerce or a delegation office of the German industry. The combined budget size of the AHK network was approximately €200 million in 2015 (DIHK, 2015). On average approximately €40 million or 20% of the AHK network's total budget comes from an annual grant from the Federal Ministry of Economics and Technology (BMWi) (Hauser *et al.*, 2016).

To gain a better understanding of the current organisational and governance set-up of EIPAs in Germany, their historic development is critical to understand. The arduous integration of Germany's states into a federal entity as well as two world wars and multiple systems of government have to this day influenced and shaped Germany's EIPA system. It has had the most profound impact on Germany's largest EIPA actors, namely the AHK network, which has been effectively transformed from a network of actors to a unified actor with actor capacity.

4.1.1 Shaping the early beginnings

Despite currently operating the largest chamber of commerce network abroad of any European country, Germany was neither the first nation to adopt them nor was the German state naturally supportive of their activities in their early beginnings. Historically, the relationship between the German government and the chambers of commerce was not always amicable and supportive. Particularly German chambers of commerce abroad were seen with a degree of hostility, as they potentially undermined the government's powers and influence abroad by increasing the influence of private businesses via associations and opening up the German economy to foreign interests.

Unlike many of its fellow European neighbours, Germany's relatively young history as a sovereign country founded in 1871 and its lack of colonial trade relations meant that Germany's economy only started gearing towards a more export and industry-driven economy in the late 19th century. Germany's first chamber of commerce abroad was not created until 1894 through private initiative and remained relatively short-lived until 1904. In comparison to this, British merchants created the first chamber of commerce abroad in 1867 in Yokohama, followed shortly after by Belgian, Austro-Hungarian, French and Italian projects in other locations (Wiesemann, 2000). These chambers of commerce abroad all differentiated themselves from one another and did not belong to a formal common network. According to Wieseman, the French chambers were essentially government-run and funded, the Italian ones were state-subsidised and budget-controlled, and the British ones were independently created under the principle of what he refers to as: 'self-government' (Wiesemann, 2000, p. 17). These historical developments have shaped and continue to influence the type of capitalism, the general market approach and economic governance.

In the case of Germany, particularly during the early years after German unification and the long depression occurring under the government of Otto von Bismarck, economic export policies were largely aimed at supporting domestic producers by following a protectionist logic. An example of this can be seen in the customs law of 1879, which introduced tariffs on the import of agricultural products such as wheat. Large agricultural industrial producers cooperated in pressuring the German Government for a protectionist trade policy, by creating the Alliance or Rye and Iron (*Bündnis Roggen und Eisen*) in 1879, which lobbied for the passing of the new customs law and a further system stabilising economic protectionist measures (Reusch, 2015).

Representatives of the German agricultural, industrial, and commercial sectors sought to influence political decisions via the creation of associations or alliances. The Alliance of Farmers (*Bund der Landwirte*), for example, continued to favour protectionist policies in 1893. In fact, following the resignation of Bismarck in 1890, the new Chancellor von Caprivi attempted to remove some protectionist policies by signing several trade agreements, to boost German exports. Chancellor von Caprivi's more thorough export reforms were essentially blocked-in parliament largely due to the influence of the Alliance of Farmers (*Bund der Landwirte*) (Wiesemann, 2000). During this time, Germany's economic interests were already closely defined by the relationships between politics and industrial associations. However, its focus was not to emulate the independent liberal Anglo-Saxon model of trade, but instead support a hybrid of a liberal private economy, which simultaneously

remained protected and supported from politics through close interaction and intermediation of industry associations.

This dynamic relationship between organised private economic interest and public policies is again reflected in the actual creation of the first German Chamber of Commerce Abroad (*Auslandshandelskammer*) in Belgium in 1894, as well as the continued struggle between the government and private industry spheres in the following years. The first German Chamber of Commerce Abroad was a private initiative by an estimated 50 German merchants in Brussels. Despite Germany having signed a trade agreement with Belgium under von Caprivi's first attempted export and trade promotion policy, there was discontent with the availability of timely and accurate trade information by German merchants. There was a particular discontent with the quality of information and services delivered to German merchants and industrialists, via the German government's network of consuls. According to Wiesemann, due to a mixture of financial constraints and historical reasons predating German unification, most German consuls were honorary positions, resulting in:

'1889 for instance, there were 700 elected consuls compared to 82 professionally trained colleagues. Already in the 1880s, this extreme disparity resulted in criticisms regarding the lack of professionalism in the German consular system'

(1889 beispielsweise standen 700 Wahlkonsuln nur 82 fachlich geschulte Kollegen gegenüber Bereits zu Beginn der 1880er Jahre führte dieses krasse Mißverhältnis zur Kritik an der mangelnden Professionalität im deutschen Konsulwesen) (Wiesemann, 2000, p. 14).

Indeed, Germany's largest business association at the time and precursor to the Association of German Chambers of Commerce and Industry (DIHK), the German Trade Association (*Deutscher Handelstag*) already discussed in 1881 the need to create central trade information points with regional branches, along the lines of the US Philadelphia Commercial Museum, and lobbied for a consular reform to increase professionalization and the establishment of chambers of commerce abroad (Wiesemann, 2000).

However, these lobbying efforts remained largely unsuccessful as the German government failed to officially endorse the creation of chambers of commerce and took little notice of the private initiative

in Brussels. Germany's government continued to be highly critical of the possible creation of privately run chambers of commerce abroad as it viewed them as both encroaching on the government's power to control and shape trade and export policy. The first major political involvement in the chamber debate on a German federal level (the German Empire at the time) can be seen in the Reichstag protocols between December 1899 and March 1901. The member of parliament Münch-Ferber placed Resolution 175, which was aimed at securing the support of the German government for the creation of chambers of commerce abroad. The resolution was deferred to the budgetary commission, where it drew strong criticism from the deputy foreign minister (Staatsekretär des Auswärtigen) at the time and later to be Reich Chancellor (Reichskanzler) von Bülow. Münch-Ferber responded to the criticism by von Bülow in a speech in March 1901. According to him, von Bülow's remarks that Chambers of Commerce Abroad would be against national interests, as they would entice German traders abroad to source from the cheapest vendors instead of supporting their home economy, were hurtful to Germans abroad in their patriotism. Münch-Ferber highlighted the potential advantages to maintaining German patriotism aboard via: 'the exceptionally economical and proven bonding agent in the shape of creating chambers of commerce' (*das außerordentlich günstige und bewährte Bindemittel der Handelskammern einzurichten*) (Münch-Ferber, 1903, p. 1720). As such one can already observe the notion of resource maximisation of actors as well as the idea of cross-financing playing an important role in the creation of joint state-private EIPAs.

He further countered the argument of von Bülow that for the reason of reciprocity, this would allow foreign countries to open chambers of commerce in Germany and as such open Germany's door to industrial espionage by stating that the US already has a network of professional consuls in Germany whose ability in gathering industrial intelligence far exceeds that of any chamber of commerce, whilst other nations simply lack the material to create a chamber of merchants within Germany (Münch-Ferber, 1903). Instead, a chamber of commerce abroad could be a superior marketing instrument as it would allow foreign buyers to inform themselves about sourcing options from Germany.

In his speech, Münch Ferber did acknowledge that the creation of chambers of commerce has led to a duplication of services and more importantly frictions between the privately run chambers abroad and the official government consuls in other countries, namely the Italians, but he simply dismisses this potential concern in an unfortunately nationalist manor, by believing that this would simply not occur with German businessmen. Indeed, his speech nicely sums up the general concerns and arguments for and against the creation of German chambers of commerce abroad during the start of

the 20th century. Many of these, such as the potential for conflict between a privately run chamber network and the traditional state-controlled instruments of foreign policy, such as embassies, consuls, and envoys. It shows that the early German chambers of commerce system were facing a state-centric governance system, which seemed to rely on hierarchical forms of governance and felt threatened by new semi-official trade activities.

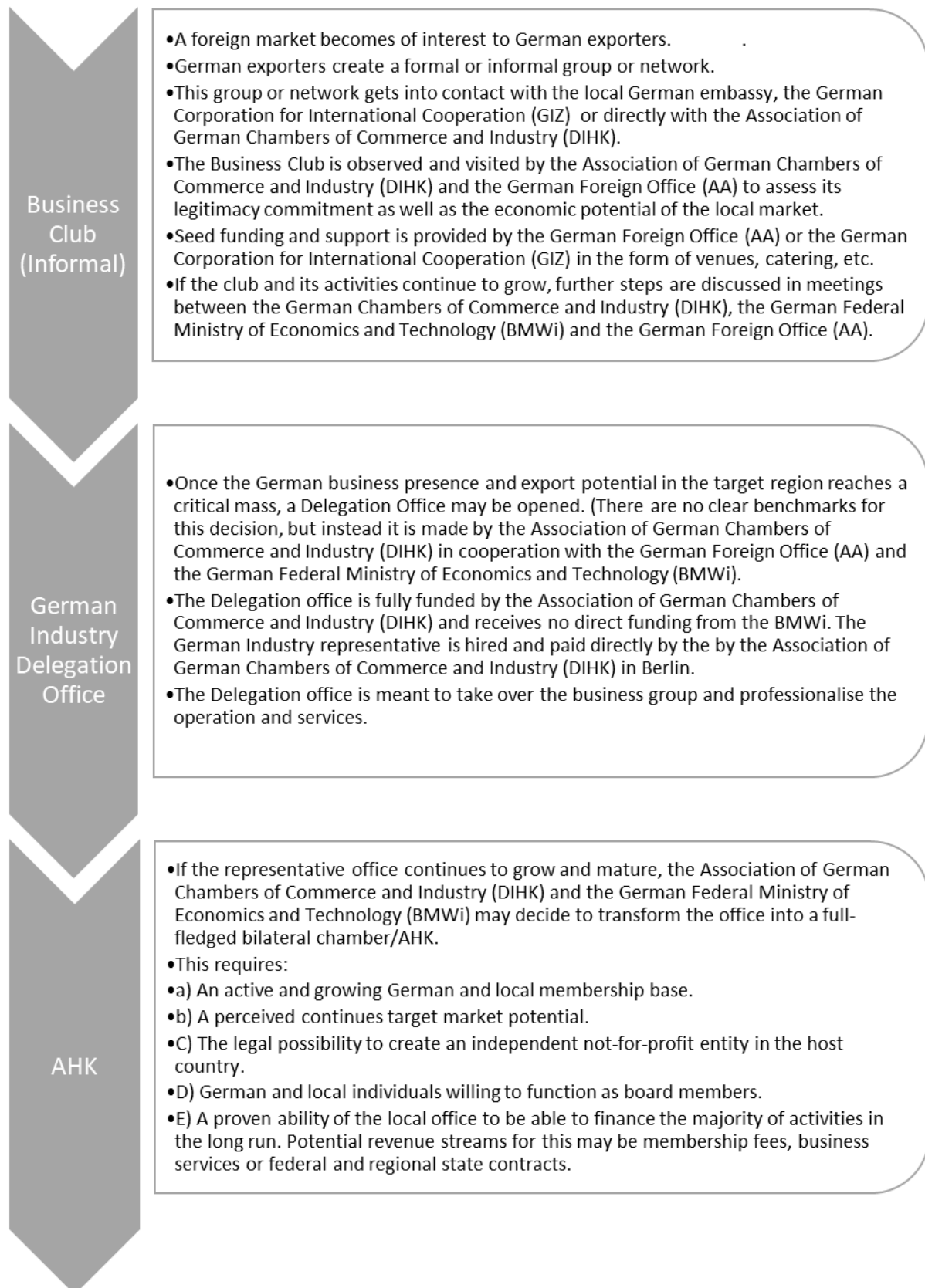
It is also important to note that the emphasis for German chambers of commerce abroad was on their German component. Successful export development was seen as being in direct competition with other countries and as such chambers of commerce were meant to benefit only their sponsoring nation. The concept of a bilateral chamber, currently at the heart of the AHK network, was still far from reality. Indeed, even the privately initiated first German chamber of commerce abroad, in Brussels, was very clear in its guidelines about whom the activities were supposed to benefit. Its incorporation document in 1894, stated that its purpose was 'to support the general interest of German trade and industries with all available powers' and went on that membership was restricted to German Reich citizens or their direct descendants. Belgians were only granted membership in exceptional circumstances when they were directly representing German interests (Chamber Incorporation document available in Wiesemann, 2000, p. 22). This is in stark contradiction to the current AHK emphasis on being bilateral chambers and portrays the early nationalistic sentiments in international trade politics.

As such, in their early beginning, German chambers of commerce abroad were acting and operating in a very traditional hierarchical governance set-up. There was little doubt about the federal or central government's authority to shape foreign policy and trade relations. Close trading ties were both seen as an opportunity and potential threat as they could lead to reciprocity, espionage or other 'anti-patriotic' behaviours such as sourcing from abroad. Early 20th-century German export policy was largely driven by state-centric concepts and saw a strong dependence on a clear and hierarchical state-controlled export policy, executed through the German government's network of embassies, consuls, and customs offices. Private EIPA actors or hybrids such as the AHK or even modern entities like GTAI were either non-existent or largely unwanted. Any private industry initiatives were viewed with unease and seen at best as a potential duplication of services and at worst a challenge to clear government hierarchies.

4.1.2 How an AHK is created

As highlighted in Section 4.1.1, there are different forms in which an AHK may take shape within a country. In principle, any private German business initiative in a foreign country, such as a business club, group or informal network can apply to become an AHK. However, there is no official selection procedure or set of requirements for such a process to take place. According to interviews with the DIHK, the parent organisation of all AHKs, the traditional process of the creation of a new AHK is based on several informal and formal requirements as well as political factors. **Figure 4.4** below shows a typical process for the development of a bilateral AHK Chamber.

Figure 4. 4 The development process of an AHK

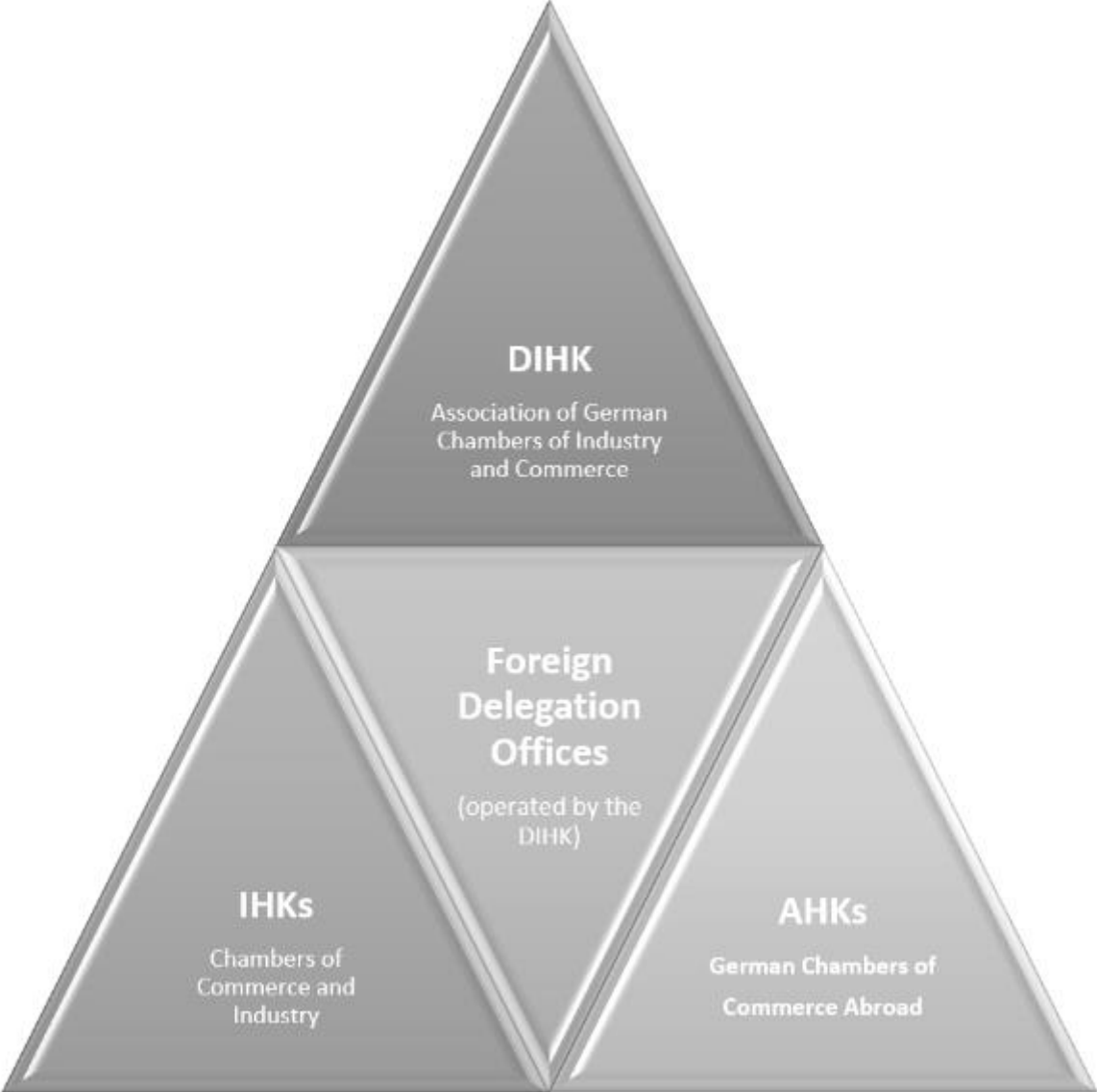


(Author, 2017)

As can be seen in the flow chart above, the ultimate decision for the creation of an AHK lies within the authority of the DIHK and usually is preceded by the creation of a direct DIHK subsidiary in the form of a delegation office. As an umbrella organisation and central organising actor of the AHK network, the DIHK gives the final approval before incorporating a foreign business chamber or organisation into the AHK network and allowing it to access the organisational support of the AHK/DIHK network as well as foreign trade funding by the BMWi. This shows the close governance relationship between state and non-state actors within the German EIPA system, as well as how the system is organised via a mixture of state coordination and market-driven competitive initiative.

At first sight, the hierarchical structure appears to match closely a Type I MLG system. As can be seen in **Figure 4.5** (pyramid diagram) below, the DIHK acts as the collective umbrella authority for both IHKs and AHKs. The 79 IHKs operate exclusively within a set area of Germany and have the authority to enforce compulsory membership fees on German business, based on the chamber law of 1956, and are involved in a variety of activities in Germany. They offer training, business advocacy and lobbying and provide services such as issuing certificates of origin for products (BMJ, 2021). AHKs on the other hand operate outside of Germany on a voluntary membership base, and whilst offering similar services, are geared more strongly towards export promotion and market consultancy services. As such IHKs and AHKs are the domestic and foreign operating departments of the DIHK and together account for the chamber system as a whole (see **Figure 4.5**). Despite the significant overlap between these organisations, actors maintain a significant degree of autonomy and remain legally independent entities. It is this unique governance relationship which epitomizes the complex MLG realities of the German EIPA system.

Figure 4. 5 The German Chamber of Commerce system



(Author, 2022)

4.1.3 Legal framework and control for AHKs

AHKs are legally independent and are registered in their host countries outside of the German legal system. They are registered in their host countries as limited liability companies, foundations, or associations (depending on the local legal system), and all maintain their independent board of directors. This board of directors is usually made up of senior German and local company representatives and is responsible for steering the work of the AHK General Manager (AHK*1, 2016; AHK*3, 2016; AHK*4, 2016; AHK*6, 2017). Traditionally, they have neither the DIHK nor any German government entity as owner or board member. This is in stark contrast to the DIHK's representative offices, which fall under full financial and organisational control of their parent organisation. There are certain AHKs which do have the DIHK or more frequently the German embassy as a sponsor, but these exceptions are primarily a bureaucratic strategy to accommodate legal requirements in the host country, which do not allow a traditional associational or private limited liability set-up (AHK*10, 2016; AHK*6, 2017).

Indeed, interviews with AHK General Managers revealed very little interest on behalf of the DIHK to influence decisions on the board of directors, and leadership staff generally felt that they had a large degree of independence and decision-making competency (AHK*1, 2016; AHK*2, 2016; AHK*3, 2016; AHK*4, 2016; AHK*10, 2016; AHK*5, 2017; AHK*6, 2017). However, there seem to be significant differences between AHKs in terms of the extent to which their board of directors is involved in the actual running of the organisation. Whilst some interviewees indicated that their organisation's board of directors actively influenced the running of the AHK and, in one case, forced the resignation of a general manager, the consensus seemed to be that the board of directors largely played a supervisory role and kept away from making any significant changes, instead leaving the authority in the hands of the general manager. One interviewee commented that when they took on their new position and hosted their first annual general meeting, the board was thoroughly surprised when the annual report was read out, as none of the predecessors had ever done this before. This resulted in them describing their relationship with the board in the following way: 'It is more of an informative character which I have towards the board. But legally speaking they are of course responsible' (AHK*2, 2016).

From a legal perspective, therefore, AHKs are independent entities and only responsible towards their board. The extent to which this control is exercised or even recognised by the board in reality,

however, differentiates significantly between different AHKs and can be attributed to the different personalities of board members, as well as the cultural influences of the host country. Interviewees 2 and 4 indicated that according to the cultural context in developing countries, local board members see their role primarily as ceremonial and show little interest in becoming involved in the complex operations of a German EIPA and its relationships (AHK*2, 2016; AHK*4, 2016).

4.1.4 Staffing Policy and External Influence

A possible explanation for the relative laissez-faire attitude of the boards towards the AHK operation can be seen in the unique governance network which coordinates AHKs without direct control. The DIHK or the German government via its foreign or economic ministries is unable to directly control the AHKs. However, instead of attempting to apply a traditional vertical hierarchy, AHK governance is largely similar to Marks and Hooghe's understanding of Type II MLG with overlapping areas of control and a general focus on problems and opportunities (Hooghe and Marks, 2003). A prime example of this is the fact that the DIHK essentially controls the human resource decisions concerning the powerful position of the AHK general manager. Whilst the board has to officially appoint the general manager of the AHK, the DIHK reserves the unofficial right to propose the candidate from an in-house pool of experts (AHK*6, 2017).

On a global scale, all but one or two AHKs are staffed by general managers proposed by the DIHK (AHK*6, 2017). Unlike ambassadors or employees of German government EIPAs, such as GTAI and the AHKs, general managers are not posted to foreign countries for a set number of years. Instead, senior employees of the AHKs or the DIHK are offered to join a human resource pool program of the DIHK, in which they are first trained and then must wait for a general management position to open. Once such an opening occurs, the DIHK runs a staffing competition from their pool of candidates and ultimately advises the relevant AHK board of their proposed candidate. In terms of the general manager's employment contract, the DIHK remains the official employer and offers employment through a formal German employment contract. The costs for this are attributed to the AHK and reimbursed through its budget.

According to the interviewees, the boards almost always accept the new general manager proposed by the DIHK, either because they are not aware of the fact that they can block the candidate or because they appreciate a general manager candidate who knows the complex AHK/DIHK/German government system and can ensure a smooth continuation process (AHK*2, 2016; AHK*6, 2017). Board members are also less likely to be interested in pushing through their ideas or even causing a confrontation with the general manager (or the DIHK for several reasons. AHKs are non-profit entities which neither compensate board members for their work nor would most of them be able to operate providing the current free or discounted services without receiving financial support from the German government via the DIHK.

Despite being legally independent bodies outside of the German legal system, the DIHK continues to have a significant controlling influence on AHKs through their authority. This is in part due to the AHK's associational non-for-profit nature and corresponding volunteer board set-up, as well as the DIHK's efforts to control the local general managers through its human resource pool. They furthermore appear to provide benefits to AHKs by assisting in accessing federal funding and organising the global AHK network into offering comparable types of services and structures. As subsequent findings from interviews will illustrate, there has been a very rare occasion in which the local AHK board has voted against the DIHK proposed candidate as general manager and voted for an external candidate. In most cases, however, the local boards appear to perceive their role primarily as supervisory, and at times are not even aware of their ability to operate against the guidance of the DIHK.

4.1.5 Financial control in AHKs

All AHKs offer both basic free and chargeable premium services as well as membership on a not-for-profit basis. Their combined budgets equated to roughly €200 million annually (DIHK, 2015). Around €40 million of this is made up of an annual German federal government grant allocated from the BMWi to:

'facilitate the internationalization and support activities to access bi- and multilateral market opportunities, with a particular focus on market entry and market expansion for small and medium enterprises'

(zur Erleichterung des Schritts ins Ausland und richtet seine Aktivitäten an der Erschließung bi- und multilateraler Geschäftsmöglichkeiten mit besonderem Fokus auf Markteintritt und Markterweiterung für kleine und mittlere Unternehmen aus) (Deutscher Bundestag, 2013, p. 2).

This equates to an average of 20% government grant allocation per AHK (DIHK*18, 2017). Interviews did reveal significant differences between AHKs. Whilst only two AHKs operate without receiving any government grants (the German-Swiss chamber due to historical reasons and the German-Swedish chamber due to the board's decision and a favourable financial situation), particularly newer chambers often receive significant BMWi funding, significantly exceeding the average 20% budget contribution. Interviews revealed that such younger chambers often relied on around 50% of their annual income on funding from the BMWi (AHK*2, 2016; AHK*4, 2016; AHK*5, 2017; AHK*6, 2017). This can be explained due to the organisations still expanding networks and services and the resulting unfavourable income to costs ratios for young businesses (AHK*2, 2016). This is because many older chambers own property in attractive locations instead of being dependent on the dramatically increasing rental market (AHK*3, 2016) and the fact that some AHKs are intentionally created in countries with immature and economically not attractive markets, due to strategic or at times political decisions to access the market in the long run (AHK*2, 2016).

Despite a general increase in BMWi funding between 2006 and 2015, the actual funding total allocated to individual AHKs has generally stayed the same (AHK*1, 2016; AHK*3, 2016; AHK*9, 2016; AHK*6, 2017; AHK*11, 2017). This, combined with the inflation and increases in terms of alternative revenues in the respective chambers, has in consequence resulted in a decrease in the average funding percentage in many developed export markets (AHK*3, 2016). Confirming these interview findings is the fact that federal grant funding consistently accounted for 20% of the AHK network's overall income between 2006 and 2015, with the DIHK only contributing a very small amount of direct funding (Hauser *et al.*, 2016). The exact progression of funding by the BMWi for the AHKs is illustrated in **Figure 4.6** below:

Figure 4. 6 Annual funding of the BMWi for AHKs 2006-2015

Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Federal Grant in millions €	29.1	28.5	30.5	32.8	33.8	34.1	36.7	37.6	38.2	40.3

(Based on Hauser, Derungs, Schillo, et al., 2016)

Given the fact that especially new and expanding AHKs require a larger percentage of funding, this supports the interview findings that for many AHKs, federal grants were seen as a stagnating, yet reliable and constant source, but that alternative income sources need to be developed to ensure further organisational development.

Instead of being in a clear-cut financial dependency relationship, the status of AHKs has formed a governance relationship akin to the contemporary understanding of complex Type II MLG, with a variety of factors leading to voluntary or involuntary interdependence between actors. Indeed, as one Interview revealed, one AHK had even declined the annual BMWi funding, to make a point about its financial independence (DIHK*19, 2017). Furthermore, a 2013 parliamentary enquiry following a minor scandal concerning the AHK Korea demonstrated that the federal government has no direct control over the financial matters of individual AHKs and is unable to request a return of funding from them, as federal funds are only paid to the DIHK which then later disperses the money following a consultation with the BMWi (Deutscher Bundestag, 2013). The interviews revealed that the DIHK kept none of the annual federal grant money for itself. Contrary it funded and provided a department with a minimum of four full-time staff, to function as what was described as a 'clearing house' on behalf of the BMWi (DIHK*18, 2017). One Interviewee's response was indicative of an indirect ability to exert influence resulting from these financial dependencies. When confronted with the question of whether this financial distribution resulted in the DIHK being able to directly control individual AHKs, they responded:

'Well yes, but we wouldn't do it. We don't have a corporate structure, so we don't have any intervention rights. I would reiterate that and also like to keep it that way. Nonetheless, via

the grant contribution, we do have we or the BMWi and the DIHK have a certain amount of ability to intervene when there is a problem. So we can have a look and say on certain decisions' (DIHK*19, 2017).

Aside from receiving varying degrees of grant money from the BMWi, the AHKs view themselves as service providers for the federal and regional governments of Germany, as well as for their traditional private company clients (AHK*1, 2016; AHK*2, 2016; AHK*3, 2016; AHK*4, 2016; AHK*7, 2016; AHK*8, 2016; AHK*9, 2016; AHK*10, 2016; AHK*5, 2017; AHK*6, 2017; AHK*11, 2017). Vice versa, the German federal government has officially accepted the AHK network as one of the three official German pillars of export promotion, and since the 1990s actively promoted and founded the continued expansion of the network particularly in new and strategic markets such as the Gulf Region, China or Cuba.

4.1.6 AHKs as service providers

In principle, the AHK's semi-official and non-profit nature, as well as their size and access to government networks has created a semi-private actor that seems ideally suited to conduct a government's economic and export promotion policy. Unlike a traditional hierarchical Type I MLG relationship, in which a 'higher' authority, such as the BMWi would fund and correspondingly control the actions of the 'lower' actor (i.e., the AHK; AHKs portray a largely independent drive to secure revenue from both private and government contracts by transforming into an independent service agent for both types of actors. Throughout the interviews with AHKs, it became clear that German federal ministries were seen as one of the organisation's core clients, with some AHKs even receiving 30-40% of their total revenue from German regional and federal state contracts and tenders in addition to the annual BMWi grant (AHK*1, 2016; AHK*3, 2016; AHK*4, 2016; AHK*5, 2017). Several AHKs have internally assigned staff of their services departments to either specialize in dealing with private sector clients via their DE Service brand or develop and maintain relationships with different ministries to acquire new project contracts.

Whilst the annual funding from the BMWi is relatively steady, reliable and to an extent guaranteed as part of the BMWi mandate to the DIHK/AHK network, AHKs have targeted federal and regional state (Länder) export projects from ministries as one of their core customer groups and as a significant

revenue stream. Within the sample of interviews, AHKs from developing or newly developed economies placed a greater emphasis on German federal government projects than their counterparts from within Europe or other mature markets (AHK*1, 2016; AHK*2, 2016; AHK*3, 2016; AHK*4, 2016; AHK*7, 2016; AHK*8, 2016; AHK*9, 2016; AHK*10, 2016; AHK*5, 2017; AHK*6, 2017; AHK*11, 2017). This was largely due to the resulting access and exposure to new, interested German businesses and as such potential members and clients, as well as the significant financial turnover created by these projects assisting in the payment of overhead costs.

The types of services AHKs perform on behalf of the German government fall broadly speaking into three major categories. As a first category, AHKs conduct particular export development activities, such as organising delegations from Germany, conducting market studies or hosting conferences on behalf of different German federal or Länder ministries. Such projects are usually awarded on an individual one-off basis, to an AHK applying as an individual applicant or within a consortium, following a government tender process and a bid submission. Here AHKs compete with private sector competitors as well as NGOs and even government-owned actors, such as the federal state German Corporation for International Cooperation (GIZ) development agency. The impact that this has on EIPAs in terms of their organisational characteristics is elaborated in Chapter Five.

As a second category, an AHK may receive government projects, both short and long-term, via the concept of the direct award (*Direktvergabe*). This allows government departments to allocate projects and funding without having to go through a tendering process. Despite being relatively common, there is currently only one major export and investment promotion activity conducted via this instrument, namely the Export Initiative Renewable Energy (*Exportinitiative Erneuerbare Energien*) of the BMWi (BMW*13, 2017; DIHK*18, 2017). This initiative is currently the financially largest export promotion initiative by the German government and the most significant to the AHK network. Interestingly the ministry's administration of the program, including the distribution of funding to AHKs, is administered by the DIHK. This specific form of actor interaction and market organisation is examined further in the case within a case study in Chapter Seven.

As a third category, AHKs can obtain government-funded projects by becoming strategic partners or taking over long-term responsibilities on behalf of ministries or government entities. This occurs particularly when the AHK creates a Memorandum of Understanding (MOU) or separate contract with a regional state (Länder) government or regional state EIPA agent to strategically represent the

state's interest in the long term. This can take the form of an AHK hosting a regional state business centre for companies from this state or assigning a member of staff (full- or part-time) to be the local representative of the state's EIPA.

A long-term strategic alliance exists with a federal EIPA, namely GTAI. The DIHK and the BMWi, as the two top-layer organisations for the AHK and GTAI, signed an MOU in 2011 which stipulates their collaboration. Whilst the exact details of the MOU remain confidential, there are three main aspects which were made public. Firstly, all GTAI and AHK offices were asked to closely cooperate and coordinate wherever possible to strengthen the organisational ability to fulfil their targets as well as the mandate from the German government and industry. This can be done through formal and informal exchanges of information, assistance, and support.

Secondly, all GTAI offices abroad were located within the offices of AHKs as a sub-tenant. The reason for this was to make the cooperation and coordination of the two organisations physically closer and to develop synergies. Indeed, several interviews with AHKs and GTAI representatives highlighted that the proximity allowed for easy exchanges of information between the two organisations (AHK*4, 2016; AHK*7, 2016; AHK*8, 2016), sometimes simply by staff bumping into each other in a corridor or kitchen (GTAI*16, 2016). However, it was also pointed out that the actual cooperation on a daily level largely depended on staff personalities. This included how well GTAI and AHK representatives got along on a personal level, thus highlighting the importance of leadership personnel and personal initiative, as well as the inherent flexibility of the coordination relationship between actors (AHK*4, 2016; AHK*7, 2016; AHK*8, 2016; GTAI*16, 2016; GTAI*15, 2017).

Such sublet agreements could potentially lead to the cross-subsidization of organisations. Being 100 % owned and funded by the BMWi, GTAI may pay an inflated rent to the AHK, thereby providing it with a safe and additional income source from the BMWi, which would not be reflected in the official subsidy or contribution allocation reported by the BMWi and DIHK. This would be a form of hidden subsidization of services and highly problematic in determining a clear overview of government subsidies to the AHKs. However, as stated in two interviews, AHKs often operate an 'office in office' sublet service to other companies and organisations, and the rent paid by GTAI is not above market rate and rental revenue could even be increased by renting to an external company (AHK*5, 2017; AHK*6, 2017). As such, rather than creating a form of hidden subsidization of state coordination, the

interaction between both actors is driven by the rational self-interest of senior leadership staff, displaying both competitive and coordination-based considerations.

The MOU also includes an agreement according to which the AHK receives a premium payment of four thousand Euros from GTAI for every potential investor in Germany referral (GTAI*14, 2016; GTAI*16, 2016; DIHK*19, 2017). The GTAI's primary objective is to attract inbound investments into Germany and support investors free of charge in matters such as site selection or legal advice in Germany. To promote cooperation with the AHK in the field, GTAI offers this payment to compensate the AHK for their efforts and create an incentive for the AHK to actively find investors and refer them to the GTAI. This incentive offers both potential synergies as well as potential conflicts for the AHK. On the one hand, the AHKs can benefit financially from referring investment leads to the GTAI and simultaneously fulfil their overall strategy to support the German economy as a whole (AHK*3, 2016). On the other hand, they risk upsetting and competing directly with some of their member companies such as lawyers and consultants which offer chargeable investment advisory services for foreign companies, as well as any German regional state EIPAs, for which they operate a foreign representation. As such, cooperation with GTAI is driven by coordination and competition-based concerns and is largely up to the individual decision of the senior staff. This is also reflected by the fact that interviews with the DIHK showed that the actual referral payments were quite limited and usually in the range of 60-90 thousand Euros for about 20-30 annual investment leads across the network (DIHK*19, 2017).

The degree to which AHKs have taken over both German regional and federal state policy implementation, as well as programs on behalf of international actors such as the European Union (EU) has had a profound impact on them. Rather than having to rely on the private sector or one particular state actor, AHKs cater to a very diverse customer base. This has ultimately created less of a hierarchical dependency and more of an interdependent governance network. In 2014 alone, 94 % of all AHKs reported participating in public-funded programs (excluding GIZ projects), with 92% reporting conducting federally funded programs, 46% reporting regional state-funded programs and 28% reporting EU-funded programs (Hauser *et al.*, 2016). All DIHK and AHK interviewees highlighted the importance of German state programs, with one DIHK interviewee remarking that regional and federal state programs balance each other out (DIHK*19, 2017). This is in addition to the reoccurring annual grant received from the BMWi. Therefore, whilst not being dependent on state services, the

German state, via regional and federal ministries and state EIPAs, remains the single largest customer or source of income for virtually all AHKs.

When the annual grant percentages were lowered in the early 2000s, the DIHK's president at the time strongly criticised any accusations concerning AHKs receiving government subsidies which distorted free market principles. Rather than private associational members benefitting from direct state subsidies, he argued that the state offloaded many traditionally sovereign services conducted via embassies, onto the private sector against its will and for insufficient compensation. Braun specifically stated that:

'Particularly in the EU, many AHKs receive so few federal grants, that they have to cross-subsidise their work in the public interest through internal membership fees'

(Gerade viele AHK in der EU erhielten nur noch so wenige Bundeszuwendungen, dass sie ihre Arbeit im öffentlichen Interesse sogar intern durch Mitgliedsbeiträge quer subventionieren müssen) (Braun, 2001).

This supports the notion that the relationship between AHKs and state bodies cannot simply be approached using a hierarchical Type I MLG approach, or traditional definitions of LME and CME, but instead, an interdependent governance network has emerged, which acts as an ecosphere for the EIPA actors within it. An understanding of Type II MLG governance mechanisms as described by Hooghe and Marks, therefore, is crucial to understanding the complex forms of organisation between state and non-state market actors, which the traditional VOC approach otherwise fails to capture (Marks, 1993; Hooghe and Marks, 2001a, 2001b, 2003; Marks and Hooghe, 2004). Rather than offering competitive services to the state or being subject to attempts of market coordination, the relationship between the German IHK system and the German federal government displays hybrid features of both forms of organisation.

4.1.7 AHKs stakeholders

Aside from the distinct Type I MLG relationships amongst state-owned actors, hierarchies between German EIPAs rely on co-dependence, resource maximization and opportunistic behaviour. This opportunistic behaviour is key to AHKs as independent actors and central to them engaging in informal Type II MLG. As Chapter 5, Section 5.7 and Chapter 6 will later elaborate, this opportunistic behaviour is key to the hybrid type of actor organisation observed in the German EIPA system. Despite receiving a substantial annual grant from the BMWi, AHKs, unlike other federal EIPAs such as GTAI, maintain no hierarchical relationship with the ministry. Instead, the BMWi is one of several stakeholders which they engage with, thereby typically exhibiting Type II MLG relationships.

Figure 4.7 below shows the different stakeholders with whom the AHKs actively engage, to secure income from service contracts and maintain financial viability. For private sector clients from Germany or the host country, these services may be offered either informally or on a cost-sharing basis if the clients are member companies, or via a formal contract with the wider market. Similarly, AHKs may directly approach federal or regional state ministries via informal relationships or via the DIHK to pitch export development programs and secure subsequent grant funding. This is described in detail in Chapter 6 of this research. On other occasions, however, AHKs rely on being notified by the DIHK on upcoming public tenders by federal ministries, for which they may apply, typical of a formal and competitive LME type of contracting interaction. This indicates that the AHKs operate in a Type II MLG environment, whilst simultaneously engaging in LME and CME types of interactions depending on the opportunities and circumstances. Their complex and opportunistic interactions with other actors in the German EIPA system are therefore best understood by applying a hybrid type of VOC understanding that accommodates Type II MLG interactions.

Figure 4. 7 Stakeholders and clients of AHKs



(Author, 2023)

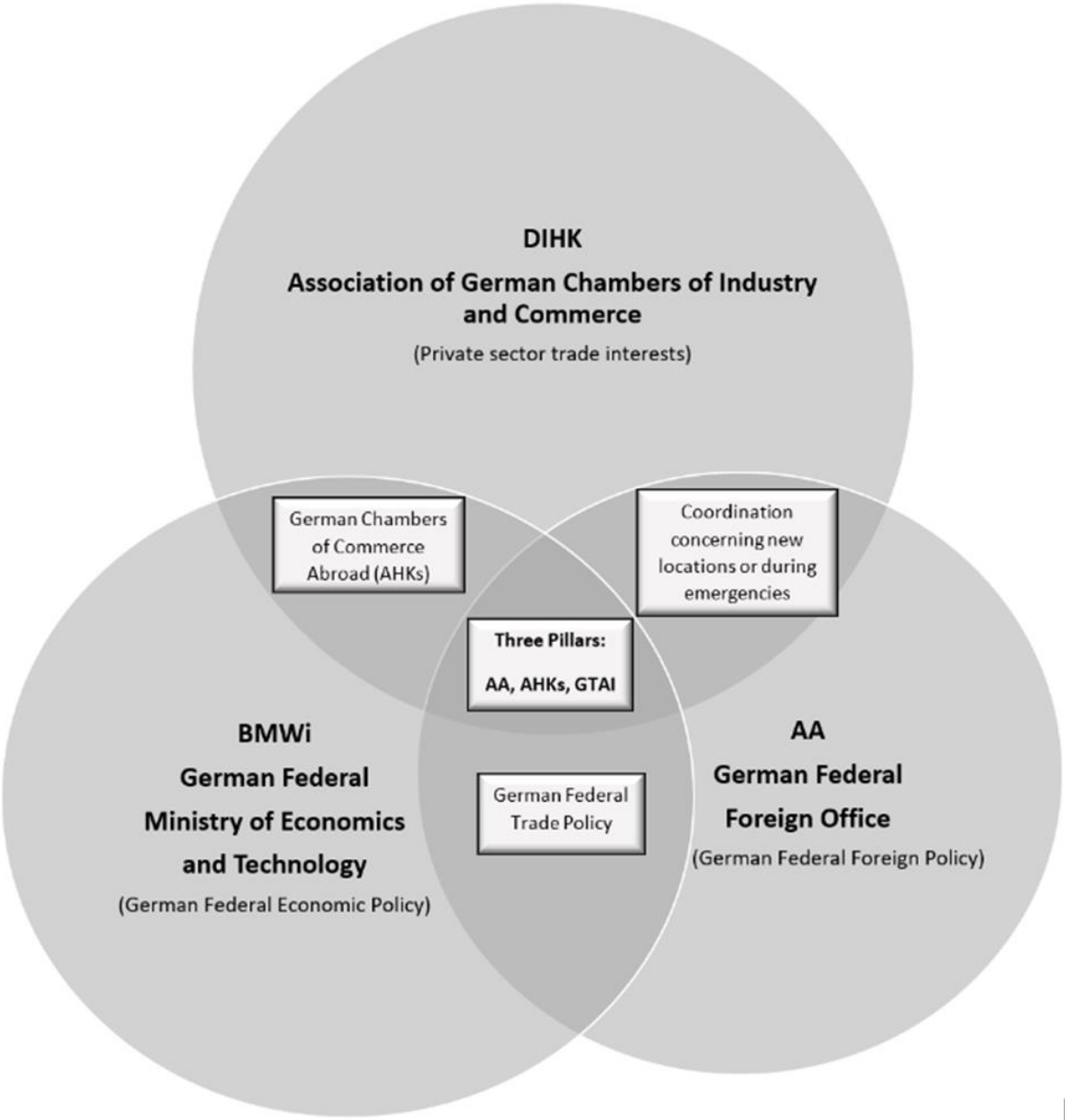
4.1.8 Overlapping spheres of authority between the state and AHKs

The complex relationships and hierarchies of German EIPA show a stark correlation to Marks and Hooghe’s (2004) understanding of Type II MLG and in essence is very similar to the concept of purpose associations (*Zweckverbände*) of Frey and Eichenberger identifying functional, overlapping, and competitive jurisdictions (FOCJs) (Frey and Eichenberger, 1999). Despite spanning both private and governmental organisational hierarchies and operating within the area of trade and investment

promotion, an area traditionally controlled by sovereign actors such as government ministries or embassies, The German EIPA system is a first-rate example of actors extensively displaying Type II MLG interactions. Both state and private sector actors closely interact and display interdependencies on one another, without one type of actor being in control. Furthermore, both regional and federal level actors can bypass levels. For example, AHKs can form formal and informal agreements with the local German embassy without having to negotiate through the DIHK and the German Foreign Office (*Auswärtiges Amt, AA*). Simultaneously embassy may outsource services such as delegation management to the AHKs. The German EIPAs operate in a model Type II MLG environment yet the varying degree of government independencies shapes the activities of the individual actors. The more independent an actor is, the more likely they are to engage as a rational choice agent and form purpose associations (*Zweckverbände*) or circumvent layers of governance to maximize resources. This can be seen when comparing the traditional three pillars of German export promotion, in which the AHKs occupy the most independent position and correspondingly interact with German federal, as well as regional governments, foreign governments, private industry and the European Union (EU).

Figure 4.8 below illustrates the overlapping spheres of influence of the traditional three pillars of the German system of export promotion (*Drei Säulen der Aussenwirtschaftsförderung*). As can be observed in the illustration, the federal trade policy is primarily the responsibility of the BMWi and the German Foreign Office (AA). Given the significant amount of overlap with the private chamber system, AHKs take on a crucial role in economic policy implementation, despite not being a state actor. It is also important to note that for the implementation of Germany's private industry interests, its economic policy and foreign policy, three separate institutions (AHKs, GTAI and embassies) operate in foreign markets in close collaboration, thus creating a unique private-state governance environment that shapes the German EIPA system as a whole. Such an overlap of state and private actors is central to the MLG approach and best understood via a Type II MLG definition.

Figure 4. 8 Overlapping Spheres of Influence of the Three Pillar German Export Promotion System



(Author, 2023)

Beyond driving the continued existence of foreign representative offices, political leadership is also involved in the planning of foreign business delegations. For example, the decision to invite delegations or focus on certain markets or market segments is frequently driven by a state’s political desires. As mentioned by one regional state EIPA interviewee, delegations may be invited from abroad as part of an international state-level MOU, in order: ‘flesh out such political agreements’ (DMAN*28, 2017). An example of this state-centric fleshing out can be seen in the example of Baden-

Wuerttemberg's activities in Jiangsu, China. This office was established in 1986 following the creation of a state working group on the region. It was expanded following the signing of an official partnership between the two regions in 1994 (BW_i, 2019) and has by 2019 become the largest representation office in which the regional state operates internationally.

In terms of their interactions with federal EIPA actors, the interviews showed a strong Type I MLG focus. Regional state ministries only seemed to have limited collaboration with federal ministries. Operational communication was primarily restricted to their federal counterpart, the BMWi, and of an informative character. There are regular formal talks between sector working departments and as part of federal-state conversations (*Bund-Länder-Gespräche*), however, these were primarily seen as an exchange of information on activities, instead of a form of focused collaboration. As a result, they have little influence on the actual activity of state ministries. Nevertheless, state ministries acknowledged the greater funding ability of the federal government and saw as a direct result the need to inform their local business community about these and design their activities to complement or at least avoid duplication of these activities. One example given in the interviews was that there is an unwritten agreement between all regional state ministries to never operate a state stall at trade fairs where a federal stall is already present or planned. Accordingly:

'There is no fair anywhere that has a German stand and a Bavarian stand. There may be an information stand for Bavaria, as there are for other federal states. The Bavarian companies will then also be looked after particularly intensively at this stand. But there are no parallel major stands' (StMWi *24, 2017)

Closer examination thus reveals informal hierarchies not otherwise reflected in terms of financial legal regulations. The organisation between actors in Germany's EIPA system thus occurs across multiple levels of governance in both a formal and informal manner.

5 Research findings: Hybrid Varieties of Capitalism (VOC) characteristics of German EIPA actors

This chapter presents the findings of the interviews as well as document research conducted on the German EIPA system. It illustrates how the behaviour of different EIPAs fits within the theoretical framework established within the VOC literature. The research shows, that despite several actors showing CME-type characteristics, there are many instances, where a traditional dualistic understanding of VOC behaviour is simply unable to account for the full interrelationship that actors have developed within this system. Rather than progressing towards a purer form of VOC as suggested by Hall and Soskice and Hall and Gingerich, the German EIPA system displays a form or interaction between both state and non-state actors which combines traditional LME and CME characteristics and creates a governance environment which is best described by a hybrid type understanding of VOC.

The traditional dualistic understanding of VOC does not stand up to a qualitative analysis of the German EIPA system, as the system is built upon a form of market organisation that combines coordination aspects of state and associational actors with competitive market characteristics of private competition. Actors do not attempt to focus on either form or market organisation and display no inevitable trajectory towards a purer type of LMEW or CME organisation. Instead, the organisation of the market is achieved via the creation of a multi-level governance environment which exhibits a hybridised form of VOC. Observing this hybrid feature within the context of the German economy is all the more important, as Germany has within the context of VOC theory been stylised as a poster child for a CME (Culpepper, 2001; Fioretos, 2001; Hall and Soskice, 2001a; Thelen, 2001; Vitols, 2001; Wood, 2001; Kang, 2006; Hall and Gingerich, 2009; Hancké, Rhodes and Thatcher, 2012). The hybrid aspect found within the close interaction between chambers of commerce and the German state is crucial to the German EIPA system and as highlighted in Chapter Four can be traced back to at least the 19th century and the creation of the first dedicated EIPAs. This thesis, therefore, challenges the traditional core dualistic assumption put forward by the traditional understanding of VOC and maintains that a hybrid ideal state alternative to CME and LME forms of market organisation exists and can be observed in the example of the German EIPA system.

In contrast to a traditional dualistic understanding of market organisations and the assumption which Crouch describes as a U Curve theory, in which ‘extreme cases will outperform compromises and hybrids’ (Crouch, 2009, p. 48), an examination of the German EIPA system shows central actors such as German Chambers of Commerce Abroad (AHKs) display distinct hybrid characteristics. These actors continue to expand, showing little evidence regarding adopting a purer form of market organisation, as neither does the German EIPA system itself. Rather than displaying a dualistic system of market organisation with a predominant LME of CME characteristic, the research highlights a hybrid version of both types, central to governance interactions within the German EIPA system. This hybridised variation of VOC is ultimately based on an actor’s attempt to maximise their resources or optimise their desired impact. This behaviour, therefore, corresponds with the rational self-interest interaction described by Scharpf, fundamentally challenging the VOC approach (Scharpf, 1997a).

The identified hybrid form of organisation expands the theoretical framework of VOC by integrating aspects of Multi-Level Governance (MLG) and recognising multiple levels of governance and the state as a direct market actor. Given the close interaction between state actors such as ministries, state agencies and part state-owned actors with the private sector, it is crucial to not just restrict oneself to private company actors as past applications of the VOC approach have done (Hall and Soskice, 2001a; Thelen, 2001; Akkermans, Castaldi and Los, 2009; Hall and Gingerich, 2009; Palier and Thelen, 2010). Instead, this thesis proposes that the theoretical understanding of the market organisation in VOC must be expanded to include other both private and state-owned key actors, to provide a more accurate depiction of market forms.

Whilst Hall and Soskice do recognise the importance of institutional actors such as unions and market associations, particularly within CME economies, they largely ignore the role that state and other non-firm actors have in a market’s activity (Hall and Soskice, 2001a). According to them: ‘without denying that regional or sectoral institutions matter to firm behavior, we focus on variation among national political economies’ (Hall and Soskice, 2001a, p. 4). Hall and Soskice then continue to define institutions within the context of VOC in a very limited capacity, effectively ignoring the ability that state governments must compete and directly engage within a market. They also fail to recognise the ability of the non-state actors, such as Chambers of Commerce and Industry (IHKs) to enforce specific market behaviours. Instead, market institutions are described as:

'a set of rules, formal or informal, that actors generally follow, whether for normative, cognitive, or material reasons, and organizations as durable entities with formally recognized members, whose rules also contribute to the institutions of the political economy' (Hall and Soskice, 2001a, p. 9)

The understanding of traditional VOC must therefore be expanded to account for the complex interrelationship between the state and private sector as observed within the German EIPA system. By doing so, a hybrid form of market organisation becomes apparent, which challenges the traditional dualist understanding of VOC. Instead, it depicts a type of market system organisation based on both coordination and competition.

Actors, whether private or state-owned, act primarily according to rational self-interest, irrespective of the wider organisational shape of the market. The market system of EIPAs itself, however, is fundamentally shaped by the ability of the leadership staff to independently engage with their governance environment to maximise their resources. This results in a display of either Type I or Type II MLG, depending on both the ability and requirement of institutions to engage in either Type of governance structure. Additionally, the organisational autonomy and management flexibility found within actors who displayed hybrid VOC characteristics resulted in them displaying a form of MLG that best suited their needs and objectives. The German EIPA system, therefore, exhibits a mixture of traditional CME organisational characteristics, as well as a new hybrid form, which combines CME with LME characteristics. This hybrid form constitutes an alternative approach to either of the two traditional positions and as such forms a new third-type alternative that is to be recognised in the VOC literature.

To support this claim, this chapter examined the major institutional actors and organisations within the German EIPA system, with the results then being divided into four different actor categories for a clear illustration. These four categories of actors are distinguished by their differences in ownership structure and operational set-up and are listed in **Figure 5.1** below. Each of these actor categories was then assessed according to five separate key VOC characteristics prominent in the VOC literature and outlined in the corresponding theory Section 2.1.1.1. in **Figure 2.1**, with the assistance of aspects of MLG.

Figure 5. 1 Actor Categories

Actor Categories	
1. Regional State Ministries	State Actor
2. Regional State EIPAs	Majority-state-owned- limited private sector co-ownership
3. AHKs	Private sector ownership – substantial state funding
4. DIHK and German Chambers of Commerce and Industry (IHKs)	Private sector ownership – no direct state funding

(Author, 2023)

Using research evidence from the interviews and other primary and secondary evidence such as evaluation reports or budgets, this thesis will argue that distinct hybrid VOC characteristics are displayed by the EIPA actors in the German system. These hybrid characteristics are not only present in all four highlighted actor categories but essential to the functioning of the governance system between state and non-state actors. Furthermore, it is the most pronounced in certain hybrid actors such as AHKs or some Regional State EIPAs. Despite exhibiting several CME attributes, the German EIPA system challenges the purification concept of traditional VOC. It further shows how a market system exhibits a form of organization that allows for considerable actor flexibility and a combination of core LME and CME characteristics. Instead of attributing these instances of hybrid characteristics to expected real-world challenges of the ideal type methodology of traditional VOC, this thesis maintains that Germany’s EIPA system shows that a hybrid form of organisation is a fundamentally independent category of VOC in itself.

5.1 Regional State Ministries

Despite displaying strong CME characteristics in terms of how regional state ministries interact with other actors of the German EIPA system, there are clear instances where actor relationships, their coordination, formal structure, contracting and overall nature of interactions display distinct LME features. These LME features, however, are neither the to-be-expected real-world impurities of an ideal type theoretical approach nor simply outliers within an overwhelming CME type of market organisation. Instead, they represent the hybrid nature, which is key to the organisation of the German EIPA system. Regional state ministries do not appear separate from the market within a political economy but are direct actors within it. This means they are not restricted to functions such as exchanging information or monitoring and sanctioning actor behaviours as ascribed to institutional actors by Hall and Soskice (2001). Instead, they are market participants themselves and function as both the principal and agent, within the market environment. Particularly the relationship between regional state ministries and AHKs displays a unique hybrid form of VOC, which integrates competitive LME aspects into coordinated market relationships.

Regional state ministries engage in different types of interactions and display opportunistic behaviour within the market system. A central concern is to increase the resources and optimise performance. This can take the shape of outsourcing tasks to other actors, or accessing external financial, administrative or information-based resources. As a result, the observed market coordination takes the shape of a hybrid CME-LME type in which actors on multiple levels display Type I and II MLG interaction depending on their levels of independence. Type I MLG interactions are primarily found in instances where regional state ministries interact with other state-owned actors such as regional state EIPAs or directly outsource key operations to other EIPA actors such as AHKs. In such instances, a hierarchical Type I MLG remains central alongside key LME features such as formal contracting, hierarchical control and competitive considerations. Interactions with private sector actors such as IHKs, on the other hand, exhibit stronger Type II MLG interactions as well as CME traits. The availability of such an extensive governance ecosphere within the German EIPA system resulted in regional state ministries adopting hybrid VOC characteristics and exhibiting both Type I and II forms of MLG to outsource and delegate key aspects of their export and investment promotion-related activities. As such, regional state ministries on occasion exhibit hybrid forms of VOC that integrate competitive organisational characteristics into their otherwise predominantly CME and coordination-focused approach to market organisation.

Using the key VOC characteristics identified in Chapter Two, **Figure 2.1**, the following Sections 5.2.1 to 5.2.5 will analyse the regional state ministries as part of the German EIPA system. This will illustrate the importance of acknowledging hybrid VOC features and the significance of different levels of governance as well as the role of the state as a market actor.

5.1.1 Actor Relationships of Regional State Ministries

The interviews revealed that regional state ministries show a strong reliance on non-market actor relationships. For example, they rely on unpaid collaboration with associational actors to access market information. This dependence suggests a strong prevalence of CME principles and the state-centric nature and clear top-down flow of authority present within ministries further indicate a Type I form of MLG visible in their actors' relationships. Upon closer inspection of the relationship dynamics, however, competitive arrangements were observed. Rather than being single outliers to an otherwise coordination-focused interaction, such instances are fundamental to the governance setup between regional state ministries and the wider German EIPA system. Regional state ministries particularly display competitive relationships when engaging with private actors to outsource policy implementation and maximise their organisational capacity.

Neither of the three states analysed (Lower Saxony, Baden Württemberg, or Bavaria) received any direct revenues from charges for their export and investment promotion activities (BW_i*26, 2016; MW Nds*23, 2017; StMWi *24, 2017). Instead, these activities are a core aspect of implementing their respective government's policies. However, the interviews indicated that the regional ministries possess a significant amount of flexibility in terms of policy implementation. They rely on close governance relationships with other institutional actors, particularly local-level private associational actors such as IHKs to identify potential markets and industry sectors to fulfil their government-mandated objectives (BW_i*27, 2017; IHK*20, 2017; IHK*21, 2017; IHK*22, 2017; MW Nds*23, 2017; StMWi *24, 2017). According to one interviewee from a regional state ministry: 'We have to align what we offer with the needs of the economy. The big challenge for us is always to find out what the economy actually needs right now' (StMWi *24, 2017). This is a clear example of reliance on coordination via non-competitive actor relationships.

This dependence on close non-market relationships between regional state ministries and particularly associational market actors was highlighted consistently both within the interviews with ministries as well as with local IHKs. The interaction here primarily takes the form of combined working groups (*Arbeitskreise*) aimed at creating synergies (IHK*20, 2017; IHK*21, 2017; IHK*22, 2017; MW Nds*23, 2017; StMWi *24, 2017). Close non-market relationships are fundamental to the governance environment between public and private actors with one regional state ministry interviewee describing the relationship amongst EIPA actors as: 'It's like a big family in foreign trade promotion' (StMWi *24, 2017) Regional state ministries thus appear to primarily display strong CME characteristics in terms of their actor relationships and establish coordination mechanisms to intervene and regulate the local market. This fits the traditional VOC concept of CME behaviour (Fioretos, 2001; Hall and Soskice, 2001a; Akkermans, Castaldi and Los, 2009; Hall and Gingerich, 2009; Palier and Thelen, 2010).

The research however also revealed key actor relationships which cannot be accounted for by traditional VOC and CME characteristics. On two separate occasions, regional state ministry interviewees highlighted concerns about a more competitive market relationship they had with AHKs, in comparison to the non-market relationships which they maintained with other EIPA actors such as local IHKs, or state EIPAs. One interviewee who wished to remain anonymous raised concerns of at times too high or not competitive enough prices, stating: 'But even with the AHKs, you always have to fight to get the prices right' (Anonymous interviewee A). Another interviewee who also wished to remain anonymous asserted that at times there can be a large discrepancy in terms of the quality and pricing between different AHKs, which had driven them to consider and award contracts to private consultants more recently (Anonymous Interviewee B). This demonstrates that despite the apparent family relationship between regional state ministries and other EIPA actors, competitive considerations and market arrangements trump non-market arrangements in instances where collaboration is based upon a principal-agent relationship. In such instances, the relationship dynamic between actors changes, as collaboration is no longer based upon a shared investment in terms of time, manpower or resources, but instead, the regional state ministry becomes a customer for a private actor, such as an AHK.

It is important to note here, that in such instances, the regional state ministry does not become a direct competitor to other EIPA actors, but instead, a relationship dynamic is created which is best described as a hybrid form, combining competitive market and non-market relationships.

The client-customer dynamic between regional state ministries and EIPAs such as AHKs fits neither CXME nor LME principles. For example, despite actively bidding for services, AHKs and regional state EIPAs were viewed as separate from private consultant companies, with one regional state ministry staff member seeing them as a cost-effective alternative (StMWi *24, 2017). Indeed, one interviewee in charge of planning official state delegations, mentioned that in Baden Württemberg, the preparations of 90% of delegations were awarded to AHKs, despite the availability of private sector consultant companies, attributing this to:

- 'a) Well, it is also a state agency that we have trusted and worked with for a long time.
- b) Private consultants are also sometimes too expensive for us' (BW_i*26, 2016)

It must be noted here, that contrary to the above quote, AHKs are not a state agency, but exclusively a private sector association. Interestingly, even senior ministry staff attribute an 'official' status to them and perceive them as being a direct part of their export and investment promotion system. This demonstrates a VOC type, which despite being overwhelmingly focused on market coordination, also incorporates competitive aspects and opportunistic behaviour of state actors to implement policy via the private sector. Alternative to traditional definitions of VOC, this actor relationship illustrates how competitive considerations are central to a CME environment, provided that actors within this system have the flexibility and capacity to utilise governance dynamics in an attempt to optimize their competitiveness. These competitive considerations, however, appear to hinge on the fact of the availability of what was succinctly described by the regional state ministry interviewee as a 'big family', as the willingness to outsource appears limited to other state-owned actors such as regional EIPAs or non-state associational actors such as chambers of commerce (StMWi *24, 2017). This is a clear indication of the necessity of an MLG ecosphere which includes mechanisms to include both higher and lower-tiered non-state actors via Type I and II interactions.

5.1.2 Organisation of Regional State Ministries

According to public information, such as the relevant ministry websites or reports, as well as the conducted interviews, each of the three examined regional states has a dedicated regional state ministry of economy, which oversees the respective government's export and investment promotion policy and there is little competition or organisational inconsistency between the regional states and or the state EIPAs (BW_i*27, 2017; MW Nds*23, 2017; StMWi *24, 2017). Unlike private sector actors, regional state ministries are not dependent on securing funding or attracting customers. As such they focus their export and investment promotion activities on the coordination of the regional state market economy, for which they are directly responsible and do not offer services to a wider market. Furthermore, they display a strong form of Type I MLG, which is state-centric and dependent on distinct top-down hierarchies. According to one interview:

'In Bavaria, the Ministry of Economic Affairs does everything, across all sectors, including environmental technology. There is no other department that does foreign trade promotion' (StMWi *24, 2017).

This shows a very clear-cut hierarchical and state-centric MLG Type I structure, which simultaneously exhibits a strong CME focus on durability and coordination. This CME and Type I MLG focus can be observed in the relationship between regional state ministries and regional state EIPAs. For example, the decision to invite delegations or focus on certain markets or market segments is frequently driven by a state's political desires. As suggested by one interviewee, the main rationale for the invitation of foreign delegations is typically not based upon market demand, but on political decisions, such as drawing attention to a newly signed Memorandum of Understanding (MOU) and: 'fleshing out such political agreements' (DMAN*28, 2017). Similarly, the location of the regional state representative offices is not made according to competitive considerations between different locations but decided by the political leadership in collaboration with the ministry's country experts (BW_i*26, 2016; Bayern International*25, 2017; BW_i*27, 2017; MW Nds*23, 2017; StMWi *24, 2017).

Major organisational decisions are not subject to short-term business requirements but focus on long-term economic and political strategic planning. As pointed out in one regional state ministry

interview: 'The final decision will, of course, be made by us. After all, we are the ones who will have to finance it' (StMWi *24, 2017). Regional state ministries, therefore, exhibit strong CME coordination characteristics and engage in hierarchical Type I MLG relationships with their regional state EIPA counterparts. This state-centric focus can even result in situations where the state's strategic considerations trump the immediate policy requirements. One example of this was mentioned by Bavaria's representation office in Brazil. Despite currently low levels of interest by the German business community in this market due to adverse market conditions, the representation office of the regional state ministries was not closed or downsized, as the office was established several decades ago as part of a partnership agreement between two regions, and such actions would not be in the state's political leadership interest (StMWi *24, 2017). Similarly in Lower Saxony, interviews with the regional state ministry, the German Management Academy Lower Saxony (DMAN) and an AHK highlighted how recently the regional state government's focus has shifted from Russia and former USSR states to the Middle East, despite strong market opportunities in the former region (23 Lower Saxony and Ministry of Economic Affairs, 2017; AHK*6, 2017; DMAN*28, 2017). Additionally, all export and investment promotion activities of the regional state ministry are reduced in the lead-up to a local election, thereby illustrating how MLG's Type I state-centric focus trumps policy considerations.

Regional state ministries thus appear to exhibit strong CME characteristics and Type I MLG features in terms of their engagement with the German EIPA system. Upon closer examination, however, a complex actor relationship can be observed, with competitive and inconsistent VOC aspects, as well as Type II MLG relationships. For instance, coordinating the market environment via policies, programs and legislation is a core organisational task of regional state ministries. However, such programs are predominantly executed either by regional state EIPAs or private sector associational actors such as chambers of commerce and not the regional state ministry itself. Despite the above-mentioned quote highlighting the regional state ministry's sole responsibility, the same interviewee later elaborated on how the actual operational management of activities is nearly always outsourced or more accurately passed on to other non-ministry actors.

The organisational design is significantly inconsistent and opportunistic. In Bavaria for instance, the ministry interviewee noted that:

'We have Bavaria International, which covers some of our projects, but we also have other projects such as the Go International project, where we advise newcomers and finance the first steps towards implementation. This is handled by the Chambers of Industry and Chambers of Crafts, for which we have founded our own vehicle, the Bavarian Foreign Business Centre (*Aussenwirtschaftszentrum AWZ*)' (StMWi *24, 2017).

Accordingly, there is a considerable amount of organisational flexibility and opportunistic behaviour displayed by regional state ministries. In terms of the above-mentioned Go International project, the regional state ministry adopts a Type II MLG structure and exhibits organisational characteristics best described as a hybrid type of coordinated durability and competitive inconsistency. Despite initiating the Go International project, the Bavarian Ministry of Economic Affairs, Regional Development and Energy (StMWi) is not directly involved in the program's operation and is only co-funding it. To maximise its resources, the regional state ministry approached the European Union's (EU) European Regional Development Fund (ERDF) and secured project co-funding from this institution. The actual implementation and management of the project were then outsourced to the private sector, via a joint initiative with the local IHKs. As part of this, a new institution called the Bavarian Foreign Business Centre (*Aussenwirtschaftszentrum AWZ*) was created, which despite fulfilling an organisational task of the regional state ministry, is a joint venture of all Bavarian IHKs as well as Bavarian Chambers of Crafts (*Bayerischen Handwerkskammern*) (StMWi, 2021).

It would be overly simplistic to attribute such organisational structures to an impure form of CME organisation, inevitably found in a real-world application of a theoretical ideal-type approach. Regional state ministries display Type II MLG and a combination of durable and inconsistent types of organisation, by displaying opportunistic behaviour and continuously attempting to maximise resources and minimise costs. This is primarily achieved by outsourcing labour-intensive aspects of their export and investment promotion activities to the private sector. This is a central aspect that will be found repeatedly throughout this research. The organisation of the system allows for sufficient flexibility so that a regional state ministry may tap into the resources of both higher-tiered actors (such as the EU), as well as lower-tiered actors (such as local Chambers of Commerce) in a Type II form of MLG, without necessarily deferring powers to lower tiered actors. This is closely interrelated with a hybrid form of VOC, which allows actors such as a regional state ministry, in this case, to adopt inconsistent relationships and integrate competitive aspects into their attempts at market organisation.

5.1.3 Formal Structure of Regional State EIPAs

Regional state EIPAs offer a diverse display of VOC characteristics in terms of their formal structure and hierarchy. On the one hand, all selected regional state ministries displayed Type I MLG interactions, with a distinct hierarchical power distribution. On the other hand, regional state ministries engaged extensively in relationships with other EIPA actors which do not portray clear hierarchical structures and instead rely on securing cooperative outcomes, thus portraying CME characteristics. In the interviews, it became apparent that regional state ministries (with the recent exception of the Lower Saxony Ministry of Economic Affairs, Labour, Transport and Digitalisation), were rarely directly involved in the actual implementation and management of individual programs, workshops, events or inbound or outbound delegations. Instead, they would task regional state EIPAs or local IHKs with this aspect of their operation (BW_i*27, 2017; DMAN*28, 2017; MW Nds*23, 2017; StMWi *24, 2017). The power distribution throughout this MLG relationship, however, remains distinct and as such predominantly depicts a Type I MLG set-up, with the state firmly remaining in hierarchical control and utilising other EIPA actors as de facto service providers.

An example of this hybrid-type behaviour can best be seen in the way in which regional state EIPAs have organised their international representations. All three state ministries operate representation offices abroad to assist both in the attraction of foreign direct investment leads and to act as the first point of contact for regional state-based companies. Whilst the organisational set-up varies significantly in detail, all three states have established a representation network that relies on both state and non-state actors which are incorporated into a hierarchical structure. All international representation offices of the three selected states are funded and assigned to each of the regional state's ministries of economy. Whilst these regional state ministries have hierarchical control over these offices, displaying a Type I MLG relationship dynamic, the actual operation of the offices relies on non-state actors, such as AHKs. Both Type I and II MLG interactions are therefore an essential component of the type of formal structure displayed.

The German regional state of Baden Württemberg operates its representation offices under the direction of its ministry of economy (*Ministerium für Wirtschaft, Arbeit und Tourismus Baden-Württemberg WM BWL*), with the regional state EIPA Baden-Württemberg International (BW_i), being responsible in terms of their overall network marketing. The actual management of these representation offices varies significantly and illustrates the highly flexible structure that the regional

state ministry has employed in the past. As of 2021, 3 of the 10 Baden Württemberg foreign representation offices are operated by AHKs, four by other industry associations or individual private consultants, and two directly by the regional state EIPA BW_i (WM BWL, 2022). This shows how by relying on other actors within their MLG network, regional state ministries have adopted an organisational form that has transcended traditional state-centred forms of MLG Type I and is not easily compatible with a traditional understanding of hierarchies in the VOC approach.

Regional state ministries depict a structure, which relies on a hierarchical form of outsourcing and task delegation, which shares both market and non-market principles. The inconsistency and ability to draw on MLG networks for greater competitiveness are most noticeable in the structural changes of the representation network in recent years. For a long time, Baden Württemberg only maintained a very limited representation network, operated and managed exclusively via the regional state's EIPA BW_i. Its largest and oldest such representation can be found in Jiangsu, China which dates back to the creation of interstate working groups in 1986 and an official partnership agreement in 1994. Since 2017 however, there has been a dramatic increase in offices. That year the regional state government announced more than doubling of their annual budget from 250,000€ to 550,000 € (Mayer, 2017), with the proposed operating budget for 2022 surpassing 1.1 million €, despite criticism from members of the opposition concerning the number of foreign representations (Landtag von Baden-Württemberg, 2022). Since 2017, 8 new representations have been established internationally, 7 of which are operated by external staff, including 3 by AHKs, on behalf of the state ministry of economy (WM BWL, 2022). This perfectly illustrates how a state actor such as the regional state ministry in Baden Württemberg depends on a hybrid competitive form of CME, which uses flexible forms of organisation, whilst retaining hierarchical structures seen in LMEs and distinct forms of power distribution found in Type I MLG.

A similar situation can be observed in both Bavaria. Bavaria operates the largest international representation office network of the three regional states analysed. By 2016, Bavaria operated 23 different country representations, with sometimes multiple offices within a foreign country. This network can effectively be separated into two different types of representative offices. The majority or 14 of the representations are comparatively small and outsourced to AHKs, with the chamber representative functioning simultaneously as the Bavarian representative (Bayerischer Landtag, 2016; Bayern International, 2021b). According to a 2016 parliamentary enquiry in the Bavarian state parliament, AHKs receive a fixed annual compensation of 10,000 €, plus reimbursements for travel or

event costs. The other representation offices are operated directly by the ministry, usually via the state EIPA Bayern International and receive significantly larger financial support, ranging between an excess of 400,000 € for the New York and San Francisco offices in 2015 and 37,000 € for the Mexico office in the same year (Bayerischer Landtag, 2016). As such, regional state ministries maintain overall hierarchical control of the representation offices, despite systematically depending on other state and private sector actors for their operation. This again perfectly illustrates the hybrid nature of the VOC type present here. In key locations, regional state ministries maintain representation offices themselves, however, to cover additional markets and maximise their impact, they appear willing to devolve this authority in secondary markets to third-party actors. Therefore, regional state ministries utilize private sector actors such as AHKs as service providers, to maximise their resources and increase their organisational capacity through a unique form of market interaction which can be neither classified as CME nor LME in terms of formal structure.

Of the three analysed regional state EIPAs, Lower Saxony was unique in so far as it operated two separate EIPAs: first NGlobal, focusing on traditional EIPA activities such as dispersing export information via the organisation of delegations and workshops and attracting investments with the help of marketing activities such as trade fairs; and second, via DMAN which focused exclusively on enhancing foreign business relationships and Germany's international standing through training initiatives particularly aimed at targeted markets abroad. NGlobal operated all foreign representation offices on behalf of the regional state ministry, frequently in a similar set-up with AHKs as described in the case of Bavaria. However, by 2011 the regional state ministry withdrew the objective of investment attraction from NGlobal (MW Nds, 2013), and by 2013 fully dismantled the regional state EIPA NGlobal. This was explained by the minister at the time, Olaf Lies as follows:

'After analysing the existing export promotion system, the criticism of the business community, and the requests of the ministerial bureaucracy, I have decided to re-integrate foreign trade development into the Ministry for Economic Affairs, Labour and Transport'

(Nach Analyse der bestehenden Außenwirtschaftsförderung, der Kritik aus der Wirtschaft sowie aufgrund der Anregungen aus den Abteilungen des Ministeriums habe ich beschlossen, die Außenwirtschaftsförderung wieder in das Wirtschaftsministerium zu integrieren) (Lies, 2013).

Both the overall staff and budgets and personnel numbers were ultimately reduced which led to fewer activities overall. However, the interviewee noted that also efficiency gains were made due to

the flattened hierarchies and in their perception, the overall performance and success, particularly in investment attraction, did not decline (MW Nds*23, 2017). As a direct consequence of this reintegration process, the outsourcing collaboration with AHKs was also reduced and as of 2022, only 1 of the 9 foreign representation offices is operated by an AHK (MW Nds, 2022). This succinctly shows the formal hierarchical structure underpinning the activities of regional state ministries with the EIPA sector.

These opposite developments between Lower Saxony focusing on a hierarchical structure for its foreign representations, versus Bavaria and Baden Württemberg expanding via a delegation of responsibilities onto private sector EIPAs, are significant for two reasons. First, it highlights that the formal structure displayed by actors is shaped by opportunistic decisions and a persistent interest in optimising resources rather than following a wider market trend. This challenges the traditional path-dependent assumption of VOC and highlights the ability of actors to combine or reverse traditional VOC characteristics along a spectrum. Secondly, it shows that the governance environment can actively shape the formal structures of actors. The actors acknowledge this themselves, with the Lower Saxon Ministry of Economics, Labour, Transport and Digitalisation (*Niedersächsisches Ministerium für Wirtschaft, Arbeit, Verkehr und Digitalisierung/MW Nds*) officially incorporating external federal and EU actors and their resources into its export and investment promotion strategy by stating that:

‘The state’s instruments must be supplemented by the use of federal and EU funding programmes. Additional funds are available in these areas, which are also relevant for companies in Lower Saxony. Here it is the task of all Lower Saxony’s foreign trade actors to publicise the relevant information as part of their advisory activities’.

(Die Instrumente des Landes sind durch die Nutzung der Angebote von Förderprogrammen des Bundes und der EU zu ergänzen. In diesen Bereichen stehen zusätzliche Mittel zur Verfügung, die auch für niedersächsische Unternehmen relevant sind. Hier ist es Aufgabe aller niedersächsischen Außenwirtschaftsakteure, die entsprechenden Informationen im Rahmen ihrer Beratungstätigkeit publik zu machen) (MW Nds, 2014, p. 14).

Accordingly, regional state ministries are aware of the resources which other actors within the EIPA system can provide to both them and local companies. Contrary to their typical focus on Type I MLG

and CME characteristics, regional state ministries may thus also display significant Type II MLG interactions and adopt both hierarchical and non-hierarchical formal structures with other actors. This has resulted in a system which cannot be reconciled with a dualistic understanding of LMEs or CMEs, but instead by a hybrid of both types. This display of hybrid VOC characteristics is thus based on resource maximisation via flexible structures that serve the interest of the principal actor.

5.1.4 Contracting Type of Regional State Ministries

In terms of contracting, opportunistic considerations regarding the actor's self-interest and governance environment shape the features observed within regional state ministries. Incomplete contracting typical of CMEs is predominantly used in combination with Type II MLG interactions.

According to the VOC theoretical framework, the incomplete nature of contracting ascribed to CMEs is based upon the strong organisational capacity within them. According to Weiss: 'trust relationships within these networks function as a substitute for formal state control and may thus result in institutional designs without any safeguards' (Weiss, 2021:664). The research findings reflected this prominence of trust relationships, particularly when considering Type II MLG interactions. For example, committees and working groups with private sector actors were found as critical in shaping the export and investment activities of regional state ministries. According to one ministry interviewee:

'The whole set of instruments applies to all sectors and all countries, but of course, we don't have so much money that we can do everything. So, we have to set priorities. But we always sit down with our partners, we meet twice a year in a very large circle, with Chambers of Crafts, Chambers of Commerce and Industry, cluster representatives, industry representatives and large actors and associations who are then asked where they see the direction, what are the important countries, what should we concentrate on, what are your concerns in which sectors' (StMWi *24, 2017).

Trust relationships are therefore central to the institutional design of the regional state ministries. The subsequent contracts for activities however, such as workshops, delegations or trade fair

representation, are then awarded to the private sector in a mixture of formal and informal type contracting (BW_i*26, 2016; Bayern International*25, 2017; DMAN*28, 2017; IHK*20, 2017; IHK*21, 2017; IHK*22, 2017; MW Nds*23, 2017; StMWi *24, 2017).

The determining factor is whether the activity is exclusively or co-funded by the regional state ministry. Regional state ministries all used formal public tenders for a range of export and investment-related activities such as operating trade fair stalls or conducting sector-specific training for local companies. They also maintain a degree of hierarchical control over the activities, despite delegating them to private sector actors (MW Nds*23, 2017; StMWi *24, 2017; Bayern International, 2019). However, the interviews indicated that on most occasions, export and investment-related activities in collaboration with IHKs and AHKs displayed more informal types of contracting. For example, workshops hosted by IHKs on the regional state ministry's behalf include no funding for IHK staff costs and are restricted to third-party costs such as catering or speaker fees (IHK*20, 2017; IHK*21, 2017; IHK*22, 2017). Similarly, while regional state ministries do sign official service agreement contracts with AHKs for representation services, there is only limited open competition, with contracts awarded to a large extent based on trust between organisations instead of public tenders (AHK*6, 2017; MW Nds*23, 2017; StMWi *24, 2017). According to a 2016 parliamentary enquiry, Bavarian representation offices operated by EIPAs such as AHKs did not formally request additional funding since 2008, as instead:

‘Wherever possible and reasonable, suggestions are taken into account to adapt the financial possibilities of individual representative offices to the current economic circumstances and needs. The adjustments are made within the framework of the available budget appropriations’

(Wo immer möglich und sinnvoll, wird Anregungen Rechnung getragen, die finanziellen Möglichkeiten einzelner Repräsentanzen den aktuellen wirtschaftlichen Gegebenheiten und Bedarfen anzupassen. Die Anpassungen erfolgen dabei im Rahmen der jeweils zur Verfügung stehenden Haushaltsansätze) (Bayerischer Landtag, 2016, p. 3).

This statement is indicative of a deep level of trust between the different actors and a primarily informal type of contracting. Accordingly, regional state ministries make use of the private sector by subcontracting activities to it and benefit from its competitive resources. The predominant type of contracting however is informal and based on Type II MLG interactions.

5.1.5 Nature of Interactions of Regional State Ministries

Instead of consisting of two mutually exclusive features of actor organisation, as described by Hall and Soskice as well as Hall and Gingerich, the nature of the interactions between market actors may be either strategic or demand and supply-focused, depending on what the actors choose to focus on (Hall and Soskice, 2001a; Hall and Gingerich, 2009). As such it is the utilisation of the EIPA governance environment which allows actors and opportunistic pursuit of individual objectives. This fundamentally shapes the nature of system coordination and is contrary to the presumption of Hall and Soskice to simply differentiate between two different mutually exclusive organisational systems based purely on the observability or lack of certain features of coordination. Without considering the governance environment and the ability of actors to display Type I or Type II forms of MLG, the hybrid nature of the system cannot be fully understood. Hall and Soskice's account of VOC therefore neither sufficiently accounts for the flexibility of actors to shape their interactions themselves.

According to the concept of a hybrid form of VOC, this research proposes that individual actors may adopt both CME and LME characteristics as well as a mix of the two, in their interactions with other market actors. This is largely dependent on their ability to make independent operational decisions that benefit their self-interest. Regional state ministries for instance appear to focus primarily on strategic forms of interactions. Unlike private sector actors which are dependent on financial income considerations, regional state ministries completely focus on the implementation of their government mandates. For example, as one interviewee pointed out there were no established key performance indicators, whether monetary or activity-based, for foreign representation offices from the regional state ministry. Accordingly, demand and supply concerns are secondary to strategic considerations regarding certain foreign markets. According to them:

'I can't stop completely now, and then when it's booming again, just come back and act as if nothing had happened. We would be very resented for that' (StMWi *24, 2017).

The importance of strategic and indirect trade support, such as signing Memorandums of Understanding (MOUs) with foreign counterparts or the accompanying of business delegations by elected politicians, was highlighted by interviewees from the regional state ministries activities (MW Nds*23, 2017; StMWi *24, 2017). Examples of such instances included the increased focus on the

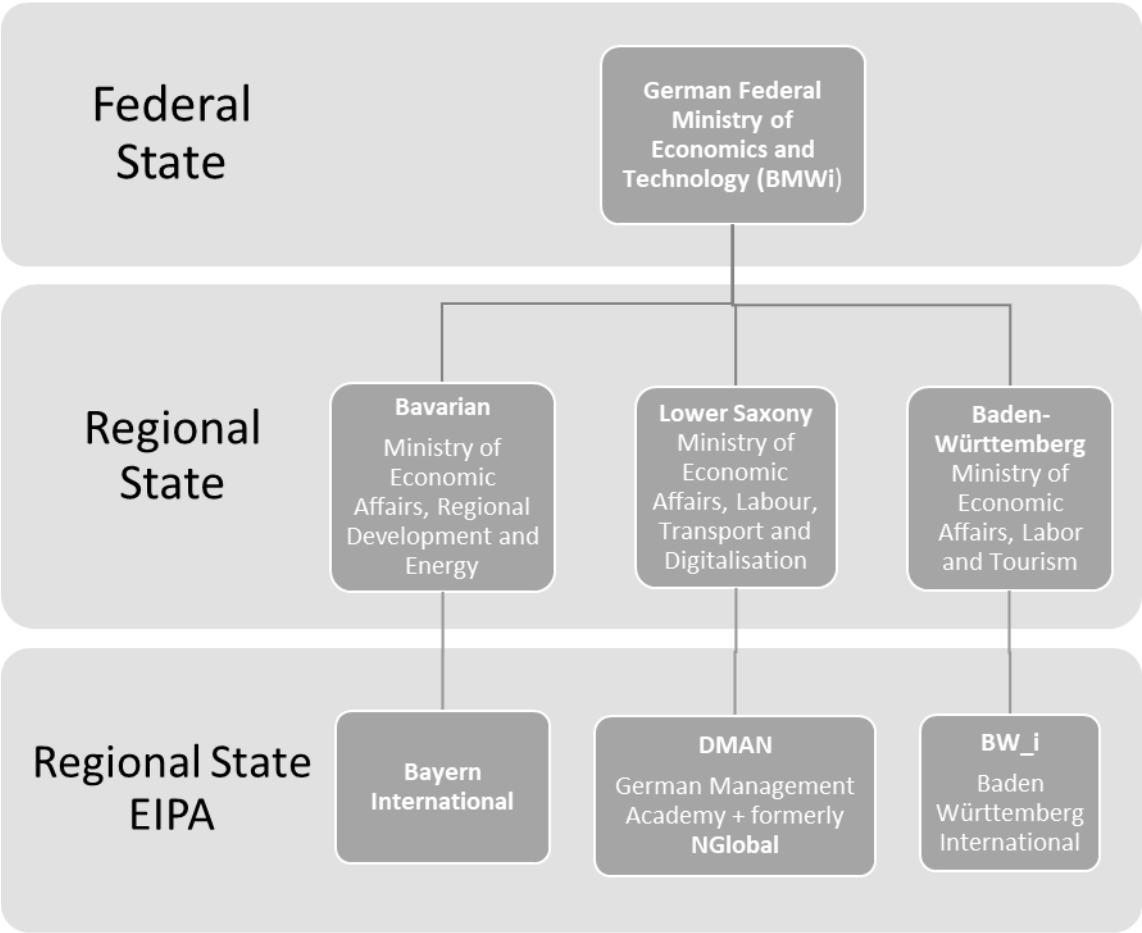
Indian market for Lower Saxony in the lead-up to the Hannover Fair 2015, where India was the official partner country. Similarly in Baden Württemberg, this can be seen in the establishment of the first-ever foreign representative office by Baden Württemberg in Nanjing, following the MOU and partnership agreement signed between the regional states of Baden Württemberg and Jiangsu in 1994 (BW_i*26, 2016; BW_i*27, 2017; MW Nds*23, 2017). The nature of interactions is primarily determined by long-term and strategic considerations and is less focused on immediate matters of demand and supply.

An exclusively strategic interaction focus of regional state ministries would risk them reacting sluggishly to unanticipated spikes or drops in market demand. This CME-type disadvantage however is avoided by regional states due to the existing MLG interactions with private sector EIPAs. By drawing on the resources of AHKs, Baden Württemberg and Bavaria were able to quickly increase their capacity in terms of international representations in the past decade (Bayerischer Landtag, 2016; Landtag von Baden-Württemberg, 2022). Meanwhile, Lower Saxony relies on the same network abroad to organise delegations and ad hoc investment attraction events, thus compensating for short-term demand, which could otherwise not easily be addressed internally (DMAN*28, 2017; MW Nds*23, 2017). Similarly, on a domestic level, all three regional state ministries rely on the resources of local IHKs to address their demand. By doing so, they achieve greater organisational capacity and cost savings alongside a limited demand and supply flexibility, in comparison to operating a significantly larger in-house department tasked with all the export and investment promotion activities. Accordingly, regional state ministries rely to a significant extent on their MLG network, which can therefore be described as an EIPA ecosphere. The actors within this ecosphere are to various degrees dependent on one another and have formed close relationships. Despite this, however, they maintain LME characteristics, as the system relies on a mix of demand and supply and strategic coordination between actors. MLG structures enable this hybrid type of market organisation which functions due to the diversity of its participating actors.

5.2 Regional State EIPAs

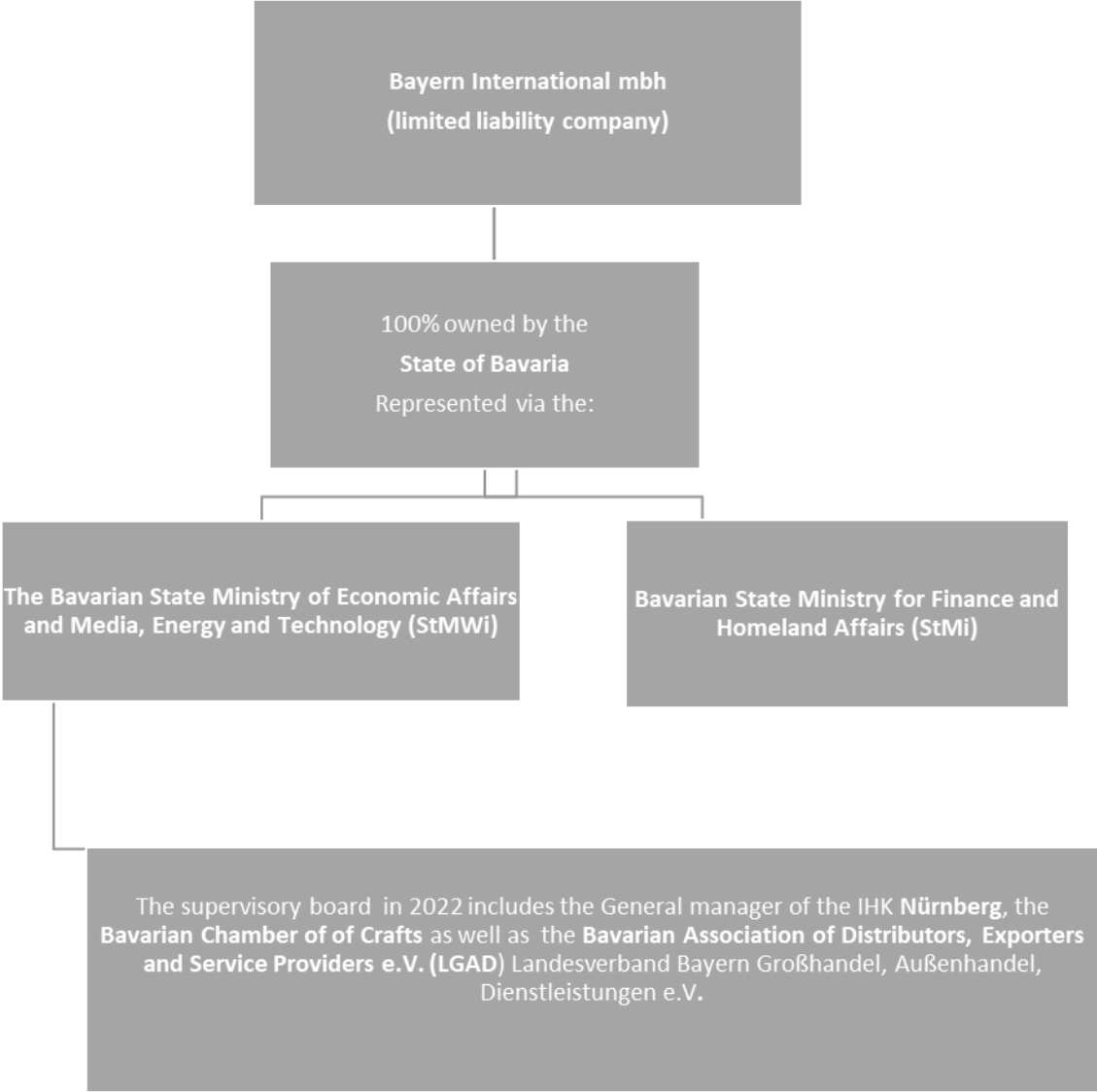
Regional state EIPAs are key stakeholders in the German EIPA system and are closely related to the activities of the regional state ministries. They are predominantly owned by regional state governments yet are incorporated as private companies and are thus not subject to the same staffing and administrative requirements as government entities such as ministries. They were assessed according to VOC characteristics identified in Chapter Two, **Figure 2.1**. To gather a comprehensive understanding of their purpose and role in the German economic system, publicly available primary data, such as state budgets, organisational websites, and government reports, as well as in-depth interviews with senior representatives of each of the regional state EIPAs, were used. **Figures 5.2 -5.5** below show, the different ownership structures of the three selected regional state EIPAs, namely DMAN in Lower Saxony, BW_i in Baden Württemberg and Bayern International in Bavaria.

Figure 5. 2 German state export and investment promotion structures



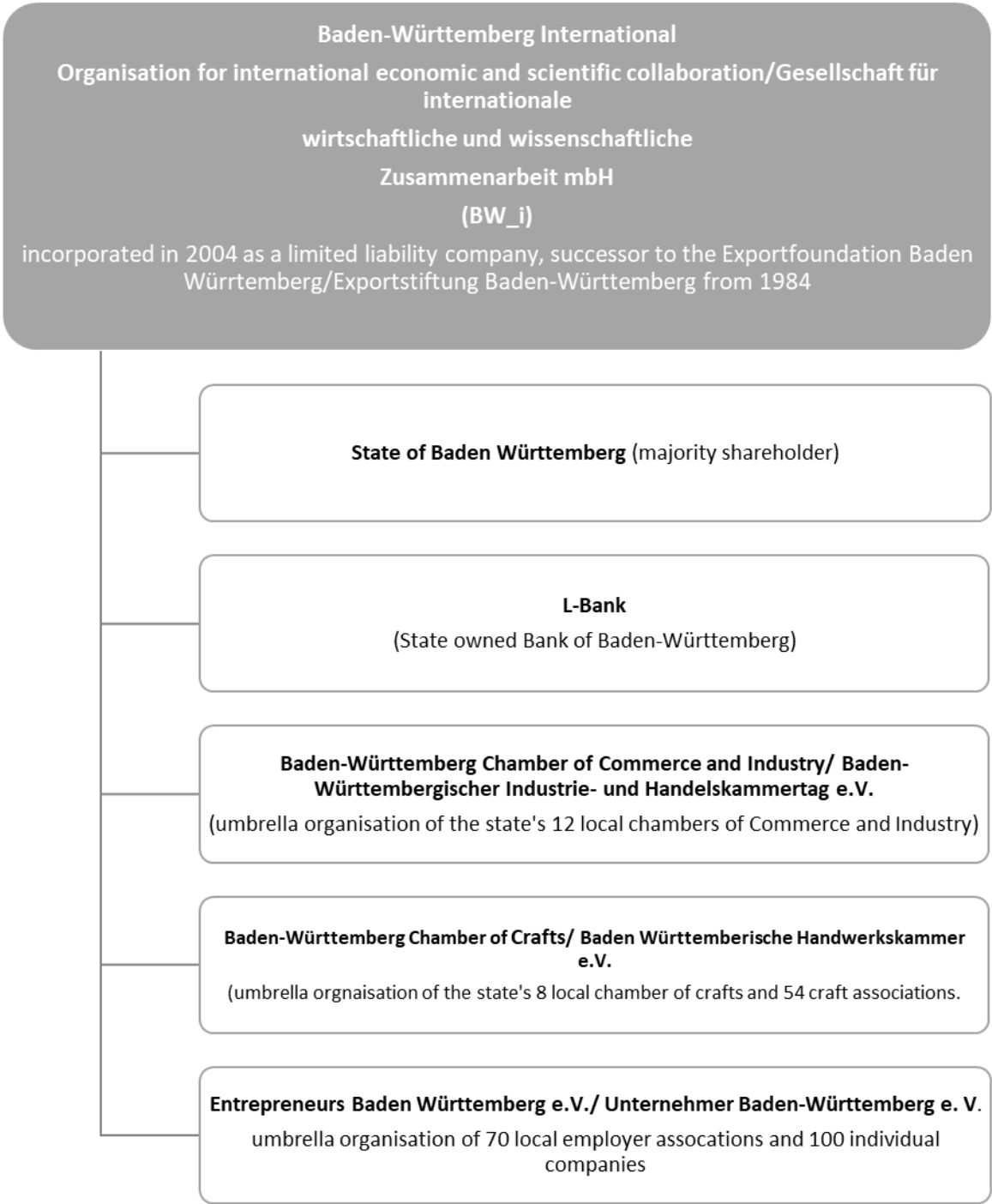
(Author, 2023)

Figure 5. 3 Shareholder structure of Bayern International, Bavaria.



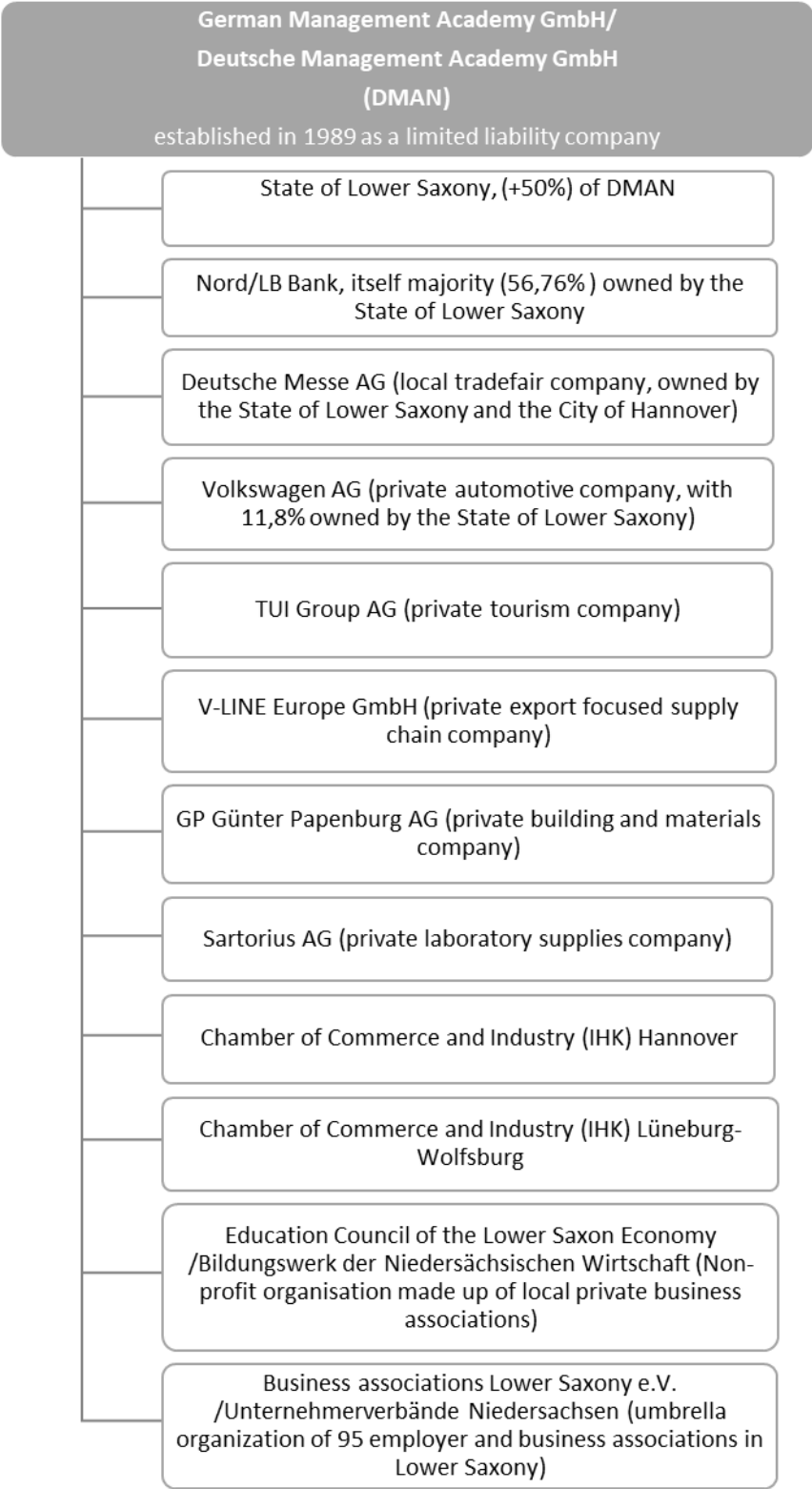
(Bayerischer Landtag, 2010, 2016; Bayern International*25, 2017; STMWI *24, 2017; Bayern International, 2023)

Figure 5. 4 Shareholder structure Baden Württemberg International (BW_i), Baden Württemberg



(BW_i*26, 2016; BW_i*27, 2017; Ministerium für Wirtschaft, 2022; BW_i, 2023)

Figure 5. 5 Shareholder structure German Management Academy (DMAN), Lower Saxony



(DMAN*28, 2017; IHK*20, 2017; Deutsche Messe AG, 2020; DMAN, 2021)

This research further revealed that whilst all regional state EIPAs displayed a tendency towards CME characteristics and Type I MLG setups, there are distinct differences between them. Particularly DMAN and BW_i display distinct hybrid VOC characteristics Type II MLG interactions. The comparative differences between the three regional state EIPAs appear to result from their different ownership structures and the corresponding ability of their leadership staff to make autonomous decisions, based on their organisation's self-interest. The lack of such organisational autonomy restricts them to more pronounced CME-type characteristics and state-focused Type I MLG interactions. For example, Bayern International is restricted in its actor autonomy, by effectively being limited to the role of institutional actors that only perform the operational requirements of its state owners and are financially and legally completely dependent. It, therefore, relies on Type I MLG relationships and shows little to no LME characteristics. By contrast, DMAN and BW_i exhibit hybrid VOC characteristics, by combining both CME and LME typical characteristics in their behaviour. This shows that organisational autonomy and organisational flexibility in terms of revenue sources are key determinants for the ability of regional state EIPAs ability to exhibit hybrid VOC characteristics. Regional state EIPAs themselves appear to be a strategy of state governments to introduce competitive aspects to export and investment promotion-related activities. Particularly by integrating the private sector into their ownership structure, regional state governments set the foundation for hybrid VOC characteristics as well as Type II MLG interactions. Sections 5.3.1 to 5.3.5 thus illustrate the VOC characteristics of regional state EIPAs.

Regional state governments use regional state EIPAs and their hybrid VOC characteristics as an alternative to adopting LME characteristics themselves or depending on private sector alternatives such as consultants. Traditional private sector actors such as management or public sector consultants operate for profit and lacking a state or associational ownership structure, exhibit a stronger competitive focus and LME characteristics. Similarly, interviews with regional state ministries had indicated that implementing policy in a manner to suit the immediate needs of the local industry remained a top concern for them alongside having the organisational capability to implement and react to market needs despite challenges concerning hiring freezes and public service bureaucracy (BMWⁱ*13, 2017; MW Nds*23, 2017; StMWi, 2017). In consequence, the creation of actors such as regional state EIPs can be seen as a manifestation of a hybrid alternative to a dualistic system. Rather than exhibiting a dualistic category of VOC with actors displaying a path dependency towards a purist form of VOC, regional state EIPAs display distinct hybrid VOC features in terms of their set-up and interaction with other market actors. Thus, they exemplify a strong challenge to the

traditional dualistic understanding of VOC and indicate the possibility of a third, hybrid form of market organisation.

This argument is in line with previous criticism of VOC highlighted in Chapter Two of this thesis, yet crucially offers a solution to the shortcomings of VOC rather than just a further criticism, by illustrating the observability of hybrid VOC organisation within a market system. Regional state ministries draw on regional state EIPAs for resource maximisation and to address apparent organisational shortcomings within the market system. This results in a hybrid form of market organisation which depends on both aspects of coordination and competition. Crouch had previously criticised the dualistic assumption of traditional VOC by stating that:

‘In other words, pedigree dogs will outperform mongrels. It belongs in the class of ‘U-curve’ theories which, disconcertingly for most policymakers, predict that extreme cases will outperform compromises and hybrids’ (Crouch, 2009, p. 48).

Similarly, Leslie’s analysis of the strong levels of strategic state coordination and non-market relationships present in the United States Information Technology as well as the Defence industry, two sectors traditionally identified as pedigree examples of radical innovation within LMEs, was suggestive of the type of market coordination which combines aspects of CMEs and LMEs (Leslie, 2009). This thesis agrees in principle with both theoretical assessments yet endeavours to address the resulting theoretical constraints of VOC by expanding its framework to recognise a hybrid-type category. This hybrid type of VOC depicts the organisation of actors in Germany’s export and investment promotion system and is especially suitable for analysing the regional dimension as well as the diverse set-up and market integration of regional state EIPAs.

5.2.1 Actor Relationships of Regional State EIPAs

The German regional state EIPAs analysed at first glance appeared to display a predominance of CME non-market actor relationships, particularly due to their extensive collaboration with non-state actors, particularly private associations such as IHKs. Despite the similarities across the cases,

distinctions between the cases emerged, demonstrating that two of the regional state EIPAs also displayed hybrid VOC characteristics in some of their interactions with the German EIPA system. For example, DMAN in Lower Saxony, and to a lesser extent BW_i in Baden Württemberg, offer chargeable services to both the private and public sectors in addition to their primary function as policy implementation vehicles for their regional state ministries. This results in them displaying hybrid VOC features, as it combines non-market relationships with competitive market aspects. A stronger display of Type II MLG relationships was also observed compared to regional state ministries, indicating that Type II MLG is interrelated with an actor's display of hybrid VOC characteristics. In contrast, Bayern International in Bavaria only displays non-market relationships by exclusively focusing on state actors and Type I MLG. An explanation for this difference can be found in the ownership structure and purpose of the different regional state EIPAs.

Regional state EIPAs with a greater amount of private sector co-ownership exhibit stronger competitive market arrangements, compared to their more state-focused counterparts. The analysis thus reveals a spectrum, where different state EIPAs can be classified based on their ownership structure. BW_i which is co-owned by state actors as well as private sector associations, but no individual companies as shown in **Figure 3.1**, displays both an ownership structure and actor relationships which, fall in between those of DMAN and Bayern International. The flexibility of the actor organisation and the extent to which it can engage in either Type I or II MLG relationships becomes crucial to determine whether it displays hybrid VOC characteristics and can fully engage with the wider market system.

The case of DMAN in Lower Saxony exhibits a significant amount of competitive market behaviour, as 2/3rds of its budget is dependent on acquiring clients, both within Germany and abroad (DMAN*28, 2017). The interview showed that the leadership staff appeared very aware of being a de facto state-run organisation, with the central actor being the regional state government, with which it maintained a Type I MLG relationship. Simultaneously, however, the majority of its income has to be acquired via third-party sources. To do so, DMAN targets both the state and private sector for clients both within Germany and internationally exhibiting strong Type II MLG characteristics (DMAN*28, 2017).

Indeed, Type II MLG dynamics are utilised to target and access higher-level German federal state or even supranational EU-level actors in its bid to secure contracts. DMAN, therefore, utilised a mix of

LME typical competitive market and CME typical non-market arrangements when interacting with its MLG environment. One example of such behaviour found in the interviews was the Manager Training Program (MTP) of the Federal Ministry of Economics and Technology (BMWi) and the German Corporation for International Cooperation (GIZ). This program was identified as a major source of revenue for DMAN, for which the regional state EIPA had to independently tender every two years. The details of this tendering process illustrate the hybrid nature at play in the German EIPA system perfectly. According to the interviewee:

‘We apply every two years for the tender, essentially this is a sort of review of whether everything is still running well. Then the GIZ decided on 10-12 different partners across Germany, this is then allocated somewhat according to a watering can principle, so that nearly one is selected for each state. And for Lower Saxony, we are usually the only bidder’ (DMAN*28, 2017)

As such non-market relationships appear to frame the competitive aspects of this actor’s market relationships.

Despite regional state EIPAs participating in tenders and being subject to certain competitive demands, their offered services are subject to additional concerns rather than just market demand. A German Management Academy (DMAN) interviewee pointed out that their organisation’s mission statement restricted them from offering certain services, which were in direct competition with local IHKs (DMAN*28, 2017). This results in a situation where to operate successfully; DMAN has adopted actor relationships best described as a hybridisation of CME as well as LME characteristics. The organisation between different actors in the German EIPA system in such instances display a hybridised form of VOC, which introduces competitive market relations to the MLG interaction between both state, non-state and mixed ownership actors.

BW_i also displays such a mix of competitive market relationships and non-market relationships, exhibiting a hybrid form, which however appears more lenient towards CME aspects and Type I MLG relationships. Limited Type II MLG features such as an overlapping sphere of influence with local IHKs can be observed, however, most governance interactions are MLG Type I focused. While BW_i does bid in public tenders for export and investment promotion projects and offers institutional support

services for German institutional actors on its website, the focus remains on servicing the regional state ministry from which it receives the majority of its income (BW_i*26, 2016; BW_i*27, 2017; BW_i, 2021). This focus on state actors and its hierarchical dependency on the regional state ministry shows a stronger dependency of BW_i on Type I MLG compared to DMAN. Nevertheless, both display a hybrid type of actor relationships, which incorporate both competitive and non-market relationship aspects. The more distinct this hybrid behaviour is, the stronger the shift from Type I to Type II MLG. This can be explained by the fact that the hybrid behaviour assists in the aligning of the private sector's competitive needs and interests with state coordination efforts.

Finally, the example of Bayern International in Bavaria, offers a stark contrast to the hybrid characteristics of the two previously highlighted regional state EIPAs, as it focuses nearly exclusively on non-market relationships and exhibits little to no competitive market relationships. This would characterise it as displaying strong CME characteristics. During the interviews, it was clear that despite being a separate legal entity, Bayern International leadership staff neither have the ability nor the requirement to adopt relationship dynamics and structures which would display hybrid forms of VOC or Type II MLG features (Bayern International*25, 2017; IHK*21, 2017; StMWi *24, 2017). The interviews showed that despite its legally independent status as a limited company, Bayern International is in effect an extended arm of the Bavarian regional state ministry. Its staff directly report to and receive operative instructions from the ministry, with one interviewee pointing out that: 'Unlike in Baden Württemberg, for example, there are no chambers or other associations involved. This sometimes makes the work easier' (StMWi *24, 2017). Bayern International is therefore neither dependant on utilising Type II MLG relationships for program and funding acquisition, nor does it have any need to or autonomy to engage in any competitive market relationships. It has neither the need nor authority to engage with the EIPA market that is characterised by hybrid VOC characteristics and Type II forms of MLG. Bayern International's working relationships are therefore strongly non-market focused and provide a close fit with a CME. The variation between the three regional state EIPAs reveals that market actors within the German EIPA system exhibit a variation or even opposite VOC characteristics, even when operating at the same level of governance. There are however distinct differences between them in terms of their legal and financial autonomy. This indicates that is not the nature of the overall system of market organisation which shapes the behaviour of an individual actor, but rather the dependency and abilities that each actor has within that system. In the case of regional state EIPAs, actors require both organisational flexibilities as well as financial incentives to display a hybrid form of VOC and engage in Type II MLG relationships.

5.2.2 Organisation of Regional State EIPAs

Regarding the organisational structures of regional state EIPAs, all three exhibited a predominantly CME type of set-up that focuses on establishing coordinated relationships and durable structures. This could be observed both in terms of an actor's internal set-up and how they engaged with other actors within the German EIPA system. Whilst exhibiting such overall CME characteristics, all regional state EIPAs also exhibit predominantly Type I MLG relationships when interacting with their governance environment. The interviews, however, did highlight some intriguing differences in terms of the rationale of how and why different regional state EIPAs were organised and operated. This revealed that whereas Bayern International in Bavaria lacks organisational autonomy and is restricted to activities which coordinate the market via the distribution of information on behalf of the regional state ministry, the other two regional state EIPAs possessed significantly more autonomy. Being a cross-shareholder organisation, DMAN in Lower Saxony and BW_i in Baden Württemberg possess a different organisational structure compared to Bayern International. This different ownership structure results in them displaying hybrid VOC characteristics, as well as Type II MLG interactions, as they integrate state coordination and private sector competition-based concerns. Therefore, despite their overall focus on CME characteristics, the different organisational set-up of these actors enables them to transcend a traditional CME institutional actor understanding of Hall and Soskice, which limits institutions to a set of formal or informal rules and fails to recognise the state as a market actor itself (Hall and Soskice, 2001a).

As mentioned before in Section 5.3.1, Bayern International stands out from the two other regional state EIPAs, as it displays little to no competitive actor relationships. This can be explained by the rationale behind its creation. According to a regional state ministry interviewee:

‘Founded in 1995 with privatisation proceeds, it is now permanently financed because we have found that we do not have enough staff to carry out our tasks properly, and we will never be able to recruit enough staff to take care of the whole organisation from our side’ (StMWi *24, 2017).

This shows that Bayern International has very little autonomy as an actor and is primarily an extension of the regional state ministry. It functions on the regional state ministry's behalf as a lower-tiered implementation tool, created not to ensure closer coordination and integration with the private sector, but to circumvent strict public service staffing restrictions. As a result of this, it is

unsurprising that Bayern International appear to lack the capacity to display hybrid VOC characteristics or Type II MLG setups.

Off the record, other regional state EIPA interviewees voiced a similar rationale underlying the creation of state EIPAs, both locally and on a federal level in Germany. Circumventing public hiring freezes and staffing restrictions via the creation of limited companies was only seen as one of the reasons for their adoption. Ensuring organisational flexibility which included inconsistent and competitive setups and ensuring a closer integration with the private sector are additional reasons underpinning their creation. This is illustrated by the comparative differences in terms of Bayern International in Bavaria and the regional state EIPAs in both Baden Württemberg and Lower Saxony. The regional state ministry is Bayern International's only client and according to a senior member of staff, the organisation's constitution prohibits them from offering chargeable services or receiving income from third-party sources (Bayern International*25, 2017). In consequence, the level of coordination between the regional state and Bayern International is very high and the relationship is extremely durable, thus exhibiting a strong CME characteristic and a Type I MLG set-up.

By contrast, the regional state EIPAs in Lower Saxony and Baden Württemberg possess greater organisational autonomy. This enables them to display hybrid VOC characteristics within their organisational structure and interaction with the German EIPA system. As explained in Sections 5.3.3 and 5.3.4, both DMAN and BW_i engage in a form of competitive behaviour with other actors in the German EIPA system, including taking part in public tenders and offering chargeable services to both state and non-state actors alike. The different organisational in comparison to Bayern International allows both BW_i and DMAN to exhibit these hybrid VOC characteristics. Both organisations have multiple shareholders from the private and public sectors, as outlined in **Figures 5.2- 5-5**. Whilst their shareholder agreements restrict them to operating not for profit, the senior management is required to acquire a significant percentage of their budget independently of annual grant contributions. In the case of DMAN, this amount accounts for roughly 2/3 of the annual budget (BW_i*26, 2016; BW_i*27, 2017; DMAN*28, 2017). Private shareholders do not support either DMAN or BW_i directly financially, but instead, support them in kind via administrative assistance, or providing resources such as event locations, catering, speakers or training free of charge (BW_i*27, 2017; DMAN*28, 2017). As such, senior staff of both regional state EIPAs must find a balance between their coordinative CME capacity and LME aspects, such as ensuring the competitiveness of their organisation.

The cross-shareholder ownership between private and state actors, therefore, is a crucial component in terms of the hybrid organisation of regional state ministries. Such a display of cross-shareholder ownership is reminiscent of the way traditional VOC theorists described ownership characteristics among companies in CMEs. According to Hall and Soskice, CME systems contain: 'Intricate systems of cross shareholding and inter-corporate linkage that provide capacities for network monitoring' (Hall and Soskice, 2001a, p. 61).

In the case of regional state EIPAs however, this cross-shareholding between private companies and the regional state has resulted in a somewhat opposite result, by introducing shareholder concern and competitive considerations to a traditionally state-owned form of organisation. It also limits the control that a single shareholder has over the organisation of the EIPA, as senior staff confirmed in the interviews that management had considerable autonomy in all operational matters, with shareholders usually restricting their involvement to strategic matters (DMAN*28, 2017). This is a fundamental difference compared to Bayern International in terms of the actor's autonomy. Therefore, despite their similarities with CME institutional actors outlined by Hall and Soskice, regional state EIPAs are set up as limited liability companies. As can be seen in the case of German Management Academy (DMAN), BW_i and previously NGlobal, this results in them combining CME and LME characteristics in a form that is incompatible with the traditional understanding of VOC. Instead of displaying a dualistic category, a hybridisation of LME and CME characteristics is depicted. This again challenges the institutional understanding of Hall and Soskice, which limits institutions to a set of formal or informal rules and fails to recognise the state as a market actor itself (Hall and Soskice, 2001a). Hall and Soskice differentiate between institutions and organisations, defining the two as follows:

'we define institutions as a set of rules, formal or informal, that actors generally follow, whether for normative, cognitive, or material reasons, and organizations as durable entities with formally recognized members, whose rules also contribute to the institutions of the political economy' (Hall and Soskice, 2001a, p. 9).

As such, institutions are ascribed to shape the political economy via formal and informal rules, whilst organisations, representing their members, attempt to influence said institutions in the rule-making

process. As can be seen in the example of German regional state ministries, these institutions do far more than just set rules and regulations. Rather than being restricted to setting rules, institutions such as ministries directly engage with the market and may offer financing and information services to companies to implement economic policy. In all three analysed states, a significant amount of these services regarding investment and export promotion is offered via ministry-owned regional state EIPA. This indicates that state institutional actors also function as direct market participants within Germany's political economy.

5.2.3 Formal Structure of Regional State EIPAs

The examined regional state EIPAs display a range of differences in terms of their formal structures, exhibiting both hierarchical LME type as well as aspects of non-hierarchical CME type characteristics. The previously highlighted ownership structure directly impacts the degree of autonomy of these actors and accordingly determines how strict the hierarchical structures are which characterise their interaction with the German EIPA system. Stricter hierarchical structures can be observed in regional state EIPAs that only have reduced organisational autonomy. An example of this can be seen in the form of Bayern International, which is subject to greater direct hierarchical control of the regional state ministry in Bavaria, compared to DMAN in Lower Saxony and BW_i in Baden Württemberg. This is an important finding, as it appears contrary to the previous findings in Sections 5.3.1 and 5.3.1 of Chapter Five, which attested stronger CME characteristics to Bayern International compared to the hybrid characteristic displays of the other two regional state EIPAs.

This apparent contradiction results from the premise that CMEs develop non-hierarchical relationships to 'underpin credible commitments' compared to the more formal hierarchical structures found in LMEs. (Hall and Soskice 2001A). Within their concept of VOC, Hall and Soskice fail to consider the impact which ownership has on the autonomy of actors within a market system and how MLG relationships may result in hierarchical dependencies themselves. Whilst they do acknowledge that hierarchies exist in all types of capitalist markets, Hall and Soskice implicitly consider all actors within a market as either independent private firms or market-dependent institutions. As such, they do not adequately conceptualise the state as a hierarchical force within a market system. Furthermore, with the existence of joint public-private partnerships in the shape of regional state EIPAs like DMAN or BW_i as well as the ability of state actors such as regional state ministries to exert hierarchical control on EIPAs by controlling access to funding in the shape of

grants, regional state EIPAs display a formal structure which simultaneously exhibits hierarchical as well as non-hierarchical features and Type II MLG interactions.

In the context of the German state EIPAs, this has resulted in a situation where the joint state-private ownership of DMAN and NGlobal allows them to exhibit hybrid VOC characteristics. Hierarchical structures related to state ownership remain important in terms of strategic decision-making processes. At the same time, however, the management staff of regional state EIPAs have significant autonomy regarding the operational decisions for their organisation. As such, they can engage in Type II MLG set-ups typical to CME institutional actors, such as joint export training programs with local IHKs, whilst simultaneously on different occasions interacting with the market in distinct formal hierarchies. This is achieved by regional state EIPAs bidding for or contracting to regional and federal state ministries via open tenders (BW_i*26, 2016; Bayern International*25, 2017; BW_i*27, 2017; DMAN*28, 2017; Bayern International, 2021a; BW_i, 2021).

5.2.4 Contracting Type of Regional State EIPAs

Regional state EIPAs display a mixture of complete and incomplete forms of contracting, with a focus on the later form when they engage in contracts with state actors. In these instances of state contracting, the contracts are frequently based upon the concept of German Grant law (*Zuwendungsrecht*), which appears to neither fit the understanding of LME nor CME contracting considered by Hall and Soskice (Hall and Soskice, 2001a). Furthermore, while regional state EIPAs display formal contract relationships when offering to other companies or EIPA actors, their non-profit nature semi-state function ensures results in a contracting set-up which can neither be explained by traditional concepts of CME nor LME. Instead, the picture of a hybrid form of VOC emerges, which places a significant emphasis on MLG setups between state and non-state actors. According to Hall and Soskice:

‘In many cases, effective operation even within a hierarchical environment may entail the formation of implicit contract among the actors; and many of a firm’s relationships with outside actors involve incomplete contracting (cf. Williamson 1985). In short, because its capabilities are ultimately relational, a firm encounters many coordination problems. Its success depends substantially on its ability to coordinate effectively with a wide range of actors’ (Hall and Soskice, 2001a, p. 6).

In the case of regional state EIPAs and their funding acquisition from state actors, both implicit agreements and a hierarchical type I MLG play a significant role. As the interviews revealed, all regional state EIPAs maintain close lines of communication with the regional state ministries in their state. In the case of DMAN and BW_i, these close governance relationships were even extended to higher-level federal or EU state institutions, with staff members being in regular contact with staff counterparts in federal ministries or the EU Commission, and operating projects with or on their behalf. The importance of personal relationships was also highlighted on multiple occasions and collaboration included the proposal of policy foci and activities (BW_i*27, 2017; DMAN*28, 2017).

Despite these informal relationships, the actual contracts which were agreed between them are very formal by nature, stipulating the extent of any services and the remuneration before the start of any project. In many instances, the contracts were awarded according to German Grant Law (*Zuwendungsrecht*) requirements. This legal concept of Grant Law allows for private or public companies and associations to formally be tasked with services by state entities outside the scope of an open market tender or direct service contract award. According to §23 of the federal budget code:

‘Expenditure and commitment appropriations for services rendered to bodies outside the Federal Administration for the fulfilment of specific purposes (grants) may only be budgeted for if the Federal Government has a substantial interest in the fulfilment by such bodies which could not be satisfied or not to the extent necessary without the grants’

(Ausgaben und Verpflichtungsermächtigungen für Leistungen an Stellen außerhalb der Bundesverwaltung zur Erfüllung bestimmter Zwecke (Zuwendungen) dürfen nur veranschlagt werden, wenn der Bund an der Erfüllung durch solche Stellen ein erhebliches Interesse hat, das ohne die Zuwendungen nicht oder nicht im notwendigen Umfang befriedigt werden kann)
(BMJ, 2022: 1).

As such the underlying principle for the regional state EIPAs for receiving monetary compensation is not based upon a typical market contract, be it in the form of formal or incomplete contracting, but instead derives from the fact that the state and regional state governments have a vested interest in certain actors and see themselves incapable of performing the purposes either directly or via market mechanisms. This legal regulation thus allows state actors, both on a federal and regional

state level, to effectively outsource core state operations to other actors outside of the scope of open market tender processes, as long as the financial compensation is tied to a specific purpose. This concept is central to the hybrid nature of the German EIPA system. Regional state EIPAs organised as independent limited companies, as well as exclusive private sector EIPA actors like AHKs (explained further in Section 5.4), can access state funding via this hybrid mechanism.

Regional state EIPAs are therefore characterised by a display of hybrid VOC forms of contraction, which combine formal contracting behaviour in terms of a formalised final legal arrangement, with extensive informal relationships and a strong dependency on Type II MLG structures involved in their development. This form of hybrid contracting also closely ties into the earlier outlines of hybrid actor relationships displayed by regional state EIPAs. As explained in 5.3.1, all three regional state EIPAs display hybrid forms of actor relationships that combine competitive with informal relationships. In the case of DMAN, this was best highlighted by the fact that the actor had to participate every two years in an open bid for its single biggest contract, the Manager Training Program (MTP), at the BMWi. Despite the formal nature of the contract and its selection process via open tender, the non-market relationships and incomplete contracting played a significant part in ensuring the later contract award.

When comparing how the three examined state's regional state EIPAs differed in terms of their contracting, an important observation became apparent during the interviews. Bayern International stood out in terms of its contracting from the other two, as it was nearly exclusively dependent on informal contracting arrangements which all exhibited strong MLG Type I characteristics. Bayern International works exclusively on behalf of the **Bavarian State Minister of Economic Affairs, Regional Development and Energy (StMWi)**. While they may invoice third-party organisations, they are not allowed to keep any such funding and cannot act as a service provider as: 'In some projects, we ask for a certain contribution, but we do not generate income. So, we do not charge for our services. This is even prohibited by our statutes.' (Bayern International*25, 2017). As such these actors contracting relationships appear incomplete and subject to strong Type I MLG characteristics. The state remains the central actor, with the power distribution remaining very distinct and hierarchical with little overlap in terms of spheres of influence.

Such contracting behaviour differs from that of DMAN and BW_i in Lower Saxony and Baden Württemberg. Indeed, as mentioned above, DMAN is dependent on income sources other than its

annual grant budget provided by the state of Lower Saxony and is as such forced to actively approach both public and private clients on a regional, federal and international level. Similarly, BW_i offers chargeable services via formal contracts to a variety of regional, federal and international actors and displays in such hybrid semi-complete instances of contracting distinct MLG Type II characteristics. For example, BW_i organises and manages most delegations on behalf of its primary owner, the Baden Württemberg Ministry of Economic Affairs, Labour and Tourism (Ministerium für Wirtschaft, Arbeit und Tourismus Baden-Württemberg). No payment for services and no formal contracting relationships are required in such instances, as the ministry already provides most of the annual overhead cost funding to the regional state EIPA. However, this changes when BW_i works for other regional state ministry clients. For example:

‘Sometimes delegations have a political attendance...For example, the state premier joins us on a large Indian delegation, and then we receive so-called protocol contracts. This means BW_i organises the trip and earns money from it. These organisational costs we also charge when working on behalf of other ministries.’ (BW_i*26, 2016)

This is in stark contrast to the contracting behaviour of Bayern International and shows how BW_i and DMAN’s greater autonomy and organisational flexibility allow them to engage in Type II MLG relationships and display a hybrid type of contracting behaviour which constricts both formal and incomplete contracting within the EIPA system. As such, all regional state EIPAs displayed hybrid forms of contracting and a stronger shift towards LME characteristics and Type II MLG can be observed in those with greater organisational autonomy, compared to their less independent and Type I MLG-focused counterpart.

5.2.5 Nature of Interactions of Regional State EIPAs

A CME-type focus on pursuing strategic interactions became apparent throughout all the interviews with regional state EIPAs. Given their ownership and financial dependence on their corresponding regional state ministries, regional state EIPAs are ultimately strategic instruments of regional state governments to implement economic policy objectives. At the same time, however, from an operational perspective, demand and supply considerations are of significant importance to them.

This is especially the case in comparison to their parent regional state ministries, for which they appear to function as a demand and supply solution, used to implement long-term strategic policies. This illustrates how both CME and LME characteristics interrelate in the case of regional state EIPAs and result in a display of hybrid VOC characteristics.

As highlighted throughout Section 5.2, regional state ministries place significant value on strategic interactions and durable organisational relationships. According to the interviews, this results in regional state ministries utilizing regional state EIPAs to continue export and investment development in foreign markets, despite a low market demand (StMWi *24, 2017). Similarly, regional state EIPAs, appear to be aware of the strategic value of maintaining long-term foreign market commitment and offering continuous support to German companies active within the target market, despite them already having established a presence there. Such strategic considerations can be seen in the quote below by an interviewee from Bavaria International:

‘When we go to China or the US, many (businesses) are already active there. Especially in China we can open new doors with political support or address particular problems. When a German politician comes to visit a German company in China, this gets noticed and raises the profile of the company from the Chinese perspective’ (Bayern International*25, 2017)

As such, regional EIPAs focus on the strategic and long-term goals regarding increasing export and investment flows between domestic and foreign markets, more so than short-term opportunities in terms of market demand and supply.

This apparent focus on strategic CME-type interactions can be explained both in terms of their unique funding and ownership structure. First, in terms of funding, regional state EIPAs are less vulnerable to market fluctuations, as all studied examples received significant annual state contributions to fund parts of all overhead costs (MW Nds, 2013; Bayerischer Landtag, 2016; Bayern International*25, 2017; BW_i*27, 2017; DMAN*28, 2017; Landtag von Baden-Württemberg, 2022). Second, the Interviews with regional state EIPAs in all three states indicated that although they had operational freedoms in terms of how regional state EIPAs organised their export and investment promotion activities, the focus areas both in terms of target markets and industries were decided first and foremost by the regional state governments, with private sector interest being secondary (BW_i*26, 2016; Bayern International*25, 2017; BW_i*27, 2017; DMAN*28, 2017). As such, market

demands were deemed secondary compared to strategic objectives set by their main shareholders. Indeed, one of the interviewees even mentioned that in the lead-up to regional state elections, all EIPA activities were reduced, and no new export or investment development programs were initiated during the political transition period (23 Lower Saxony and Ministry of Economic Affairs, 2017). As such, in terms of the nature of interactions, regional state EIPA's funding and ownership structure results in them displaying significant CME characteristics and Type I MLG structures in terms of their relationship with their corresponding regional state institutions.

Despite these CME characteristics, it should be noted that from a systematic perspective, regional state EIPAs themselves appear to be a response to demand and supply considerations placed upon the state by the market system. As highlighted in Section 5.2, regional state budgets for export and investment promotion activities have grown significantly in the past two decades. Instead of directly increasing regional state ministries' organisational capacities, significant parts of the funding were directed towards the regional state EIPAs. A reason for this was revealed in the Interviews, with subjects in both regional state EIPAs and regional state ministries mentioning that regional state EIPAs organised as limited liability companies are more organisationally flexible than civil service institutions, such as ministries. Furthermore, interviews showed that both the geographic and industry focus of the regional state's export and investment objectives changed regularly according to changing political considerations (BW_i*26, 2016; Bayern International*25, 2017; BW_i*27, 2017; DMAN*28, 2017; MW Nds*23, 2017; StMwi *24, 2017). As such flexible solutions were required to implement changes in state demand for export and investment promotion-related activities. Operating as limited liability companies, regional state EIPAs hold a competitive advantage over state organisational structures, as they can react rapidly to such changing demand and supply requirements, being not subject to public service staffing processes, procurement requirements, or hiring freezes. As such, whilst they show a strong strategic focus in terms of their activities, regional state EIPAs appear to function as a hybrid solution for regional state governments to gain organisational flexibility and resolve demand and supply requirements, without the regional state having to rely exclusively on the open private market. From a market system point of view, all regional state EIPAs including Bavaria International, are a demand and supply-driven response of regional state actors to implement their market policies and strategic objectives. Regional state EIPAs, therefore, combine predominantly strategic CME characteristics with demand and supply-driven, LME-type characteristics. This highlights their hybrid VOC nature with the German EIPA system.

Given the close interrelationship between state and private actors within the German EIPA system, it is imperative to consider both the characteristics displayed by actors as well as their purpose within a wider MLG set-up. An actor can display multiple types of characteristics, depending on the level and scope of analysis. This challenges the dualistic understanding of traditional VOC and highlights the importance of considering the wider governance network. A hybrid description of regional state EIPAs is therefore more suitable than simply attributing them dualistic CME or LME categories within a VOC context.

5.3 German Chambers of Commerce Abroad (AHKs)

As explored in detail in the background Chapter Four, AHKs have historically been an essential component of German state economic policy and are even recognised as one of the three pillars of the German export promotion system (Auswärtiges Amt, 2021). Compared to their domestic counterparts, the IHKs and the DIHK, AHKs rely significantly more on LME principles and display more pronounced hybrid characteristics. This bears some resemblance to the interrelationship between regional state ministries and regional state EIPAs, in which the regional state EIPAs act as flexible and more market-oriented implementation vehicles, adopting a stronger hybrid form of VOC than their parent regional state ministry. For AHKs however, the display of hybrid VOC characteristics is more pronounced. A combination of CME and LME characteristics is central to how this EIPA actor engages with the wider market across multiple levels of governance.

5.3.1 Actor Relationships of AHKs

AHKs display some of the strongest hybrid actor relationships of any actors observed in this research. They epitomise a hybrid VOC actor, which is neither dependent on competitive nor non-market relationships. Instead, they appear to have both forms of relationships deeply ingrained within their character. To operate in such a hybrid VOC manner, a strong display of Type II MLG relationships appears crucial for AHKs, as it ensures vital access to both information, funding and client contracts.

Unlike their domestic counterparts the IHKs, AHKs cannot enforce membership and instead must compete for members in an open market. This requires them to engage significantly more in competitive market arrangements, as they compete with other business associations, including EU-level business chambers and private sector consultants for paying members. AHK must provide a competitive advantage for clients in return for their membership dues. Whilst AHKs do perform what one interviewee described as 'official duties' (AHK*6, 2017) free of charge, providing these services is not a legal necessity but more of an implied result of the self-understanding of the AHK network. Multiple interviews with AHK senior staff confirmed this institutional altruistic self-perception, mentioning that their formal purpose is not financial success or growth, but to support the German

economy as a whole (AHK*3, 2016; AHK*7, 2016; AHK*8, 2016; AHK*11, 2017). This perception of coordination-focused institutional actors does not negate the ability and requirement of an AHK to engage with the market competitively. The actor relationships which they display are therefore neither befitting a CME nor LME definition, but instead are a hybrid form combining the two. AHKs are thus committed to a non-market form of organisational support, by offering competitive services.

This hybrid form of actor relationship becomes further apparent when looking at how AHKs offer payable services. Competitive services are offered to both private and state clients with the help of the actor's Type II MLG network. All AHKs operate a business development department which offers basic consulting services branded as DE Services, (DIHK*17, 2017). The core DE services are predetermined by the DIHK and are meant to provide German private companies with quality export consulting services at competitive prices. Thereby enabling particularly small and medium enterprises to access foreign markets.

Some AHKs however have dramatically expanded their business development services from offering basic services meant to support firms in their export development, all the way to offering comprehensive consulting and support services in subject areas ranging from providing back-office services to companies including accounting and payroll, and even office rental, to training and even the organisation or marketing of trade shows. This has resulted in some AHKs offering support services to the market which simultaneously function as important and profitable revenue streams to them. This behaviour blurs the distinction between their function as coordination-focused institutional actors and competitive market actors. On the condition of anonymity, one of the AHK interviewees highlighted the two most prominent examples of this within the AHK system, revealing a self-understanding of the actor which contradicts a purist LME focus:

'Probably the two outliers would be the (country A anonymised) and (country B anonymised). Don't ask me about their exact numbers but the (country A anonymised) chamber is well known for making most of its annual money from these two trade fairs. In essence, they have organised their whole operation around the Trade Fair department, which cannot really be the idea behind an AHK if you ask me, but so far it seems to work. The (country B anonymised) chamber I know has also really focused on tax services and VAT refunds in particular' (Anonymised AHK interviewee).

Besides highlighting the hybrid nature of AHKs in terms of their actor relationships, this also illustrates their significant autonomy and ability to independently shape their actor relationships according to their self-interest. An interesting aspect revealed by the interview however was that too great of a focus on competitive relations was viewed negatively by the interviewees, as it posed the question of at what point an AHK became a direct competitor to its potential member companies. As such, the senior staff interviewed appeared to pursue a balance between operating on competitive market principles and maintaining non-market relationships as well as institutional function coordination-based functions such as the sharing of information.

The extent to which AHKs rely on non-market relationships compared to competitive market relationships is determined by their financial dependencies, which themselves are a result of complex Type II MLG structures. During the interviews, it became apparent that newer AHKs were more dependent on non-market relationships, particularly with German federal state actors such as the BMWi compared to older and more established offices. The differences between chambers were illustrated by instances, such as one proudly highlighting that it was one of the only two chambers within the network that did not accept any of the annual BMWi grant funding (AHK*11, 2017). Another explained their chamber's high degree of dependency on grant allocations and accordingly non-market arrangements in the following way:

'Compared to other chambers, our BMWi grant overhead is currently quite high making up nearly half of the budget. The reason for this is mainly that compared to other countries our overheads are very high as office space here is much more expensive and so are the labour costs. Therefore, this location is somewhat a subsidy dependant at present.' (AHK*6, 2017)

Finally, a third AHK interviewee summarized their different funding arrangements as follows:

'Roughly speaking, our training services are still in their early stages and only contribute 5-10% to our budget. However, we are looking at about 50% contribution when we look out our service department, which does projects and studies for private and public clients, such as services for private companies and public authorities such as federal projects, but also services

for the EU, as we conduct work on behalf of the European business chamber present here. Due to our staff size, we have greater human resources capabilities compared to other European country chambers. The rest is made up of membership dues and the annual grant from Germany. Private clients make up 2/3 of our income for services and the remaining 1/3 is made up by public clients.’ (AHK*5, 2017)

This variation in actor relationships could be found in all 11 interviewed AHKs and is a clear indication of a hybridised form of VOC characteristics. (AHK*1, 2016; AHK*2, 2016; AHK*3, 2016; AHK*4, 2016; AHK*7, 2016; AHK*8, 2016; AHK*9, 2016; AHK*10, 2016; AHK*5, 2017; AHK*6, 2017; AHK*11, 2017). Instead of being a market-determined constant, actor relationships are variable and subject to the governance interactions and rational self-interest of the individual actor.

According to the DIHK, the annual federal grant on average typically accounts for between 20-25% of an AHK’s budget (DIHK*17, 2017; DIHK*18, 2017). Developing alternative income streams and thus gaining additional independence by engaging in competitive market relationships is a core behaviour common across AHKs. In fact, except for a single AHK which has become fully independent of German federal state funding, all AHKs display hybrid VOC actor relationships, which balance their non-market CME and coordination-based interactions with their necessity for competitive LME market behaviour.

Type II MLG structures are crucial for AHKs, as these allow the actors to form hybrid relationships with both state and non-state actors. AHKs display non-market relationship characteristics when engaging with their Type II MLG network, which in turn results in their ability to successfully engage in competitive actor relationships and secure market contracts. Such behaviour blurs the lines between nonmarket and competitive relationships. Both federal and regional state actors are viewed as potential clients, despite these actors primarily relying on grant funding which prohibits services from being offered for profit by AHKs. However, given that AHKs themselves are operated on a not-for-profit business, this has resulted in a situation in which non-market relationships between actors have taken on competitive aspects. AHKs compete for state grant funding, not within an open market or for-profit relationships, but instead, non-market relationships have become competitive. For example, according to one interviewee:

‘So, we have to make an effort here, actually, this is not a country that has such a high attractiveness, where people would run our doors in, but rather the other way round. We will have to approach the relevant organisations or something like that and say that things are happening here and there in certain sectors and ask them if they wouldn’t like to come.’ (AHK*2, 2016)

A similar comment supporting this notion that nonmarket relationships for AHKs also contain have a significant competitive dimension, was made by another senior staff member:

‘Our country is too small for this, and nobody approached us. We have done a project on behalf of BW_i in the past, but that was just a project. There is no real interest in a representation office. Our focus really is on federal [grant] projects and not regional state governments or EIPAs. We have also participated in several EU-funded projects as participants in the past and are currently applying for one concerning start-ups’ (AHK*1, 2016).

A third pointed out that: ‘I know there are colleagues who can only keep themselves going via such projects’ (AHK*7, 2016). As such, lacking the ability to exclusively access funding via competitive market relationships, AHKs become highly dependent on non-market relationships and catering their services to state-owned actors. In such instances, even the non-market relationships adopt competitive features within the hybrid system of the German EIPA sector.

This unique nature of AHKs was excellently summed up by one interview subject when they responded to a question concerning a possible increase in open tendering of federal government projects and moving away from being directly awarded projects on a grant basis when they stated:

‘I would be in favour of everything being put out to tender. It contradicts the objective of an AHK to be a set partner in such a project. We want a free-market economy and if you turn off the competition. Then it goes against the philosophy. The rationale behind this however is that we are less competitive than a consultant who can specialise in a particular sector that is very profitable and can calculate his costs accordingly. An AHK on the other side, has to cover everything across all sectors. So, we can’t say that the textile industry, for example, plays a

subordinate role, because it can't generate enough income, and therefore I don't give any more information about the German textile industry. I am at a competitive disadvantage compared to the commercial consultants because I have to offer unprofitable services. On the other hand, I have an immense advantage because I am on-site and embedded in the economy of the host country. No consultant can offer that' (AHK*7, 2016).

AHK therefore neither portray exclusively CME nor LME characteristics concerning their actor relationships. They challenge the traditional assumption of the VOC literature by displaying a hybridised version of LME and CME characteristics and further show that the two are neither mutually exclusive but may be supplementary to one another. Strong Type II MLG relationships are fundamental for the hybrid nature of actor relationships, as these allow them to proactively secure funding for themselves, whilst simultaneously maintaining strong nonmarket relationships with both state and non-state actors. Type II MLG thus becomes a vital prerequisite for an AHK to maximise its resources and effectively pursue its rational self-interest as a hybrid VOC actor.

5.3.2 Organisation of AHKs

The hybrid VOC characteristics of AHKs can be observed in their organisational set-up. On a macro level, AHKs display predominantly CME characteristics focused on coordination and maintaining durable market structures. Type I MLG interactions also become apparent given the strong systematic dependency on state actors amongst most AHKs. On an individual chamber or micro level, however, AHKs display more competitive and inconsistent organisational characteristics. This is primarily due to them displaying opportunistic behaviour resulting from Type II MLG interactions, particularly from the regional state level. This dichotomy is therefore best understood using the hybrid type understanding of VOC which allows actors to customise their market interaction to suit their needs.

On a macro level, AHKs are organised in a coordinated and durable network. All AHKs are in very close cooperation with the DIHK and draw from a common HR pool for their senior staff. Strong type I MLG interactions are fundamental here, as according to the interviews, core financial or operational decisions including annual budgets are made in agreement with the DIHK before being finalised by

the local board members (AHK*2, 2016; AHK*3, 2016; AHK*6, 2017; DIHK*17, 2017; DIHK*18, 2017). This shows a strong Type I MLG dynamic which is closely related to the actor's CME characteristics, such as their organisational coordination and the persistence of durable structures. Despite all AHKs being independent entities and not subject to organisational control by another body, the close relationships between AHKs and the DIHK (see Chapter Four) result in a strong degree of informal hierarchical control and subsequently coordination from the latter over the former. As one interviewee noted:

'So, in financial matters, the executive board is actually relatively reserved. Usually yes. I will of course inform the Executive Board about our plans. I think I presented our balance sheet for the first time this year. I don't think any of my predecessors have ever done that properly before. Anyway, they were all rather surprised. There were also corresponding questions because they were not used to that. But actually, in this respect, the management lies with me and also the responsibility. It's more of an informative character that I have towards the board. But of course, it is legally responsible' (AHK*2, 2016).

This quote illustrates how AHKs are subject to significant organisational coordination and Type I MLG relationships on a macro level, despite being independent actors active in various markets internationally.

Despite this coordinated, durable and Type I MLG display of interactions, AHKs simultaneously display a significant degree of inconsistency and competitiveness in terms of their operational set-up for day-to-day operations. When questioned about the amount of organisational influence that the DIHK has on their chamber's decisions, one interviewee stated that this was:

'Zero, or none at all. Zero, well that's what one says, of course, there is influence, but the influence is via the managing director, not via the board, and of course, we have our internal guidelines that we have to follow, but there is no internal influence whatsoever, influence in the sense of directives. Of course, there is consultation, and we know what topics are interesting in Germany and see if we can integrate them' (AHK*3, 2016).

Therefore, the direct ability of the DIHK to exert control and enforce coordination on individual AHK is limited. Instead, AHKs are organised on a local level yet accept a significant degree of informal yet durable coordination amongst their networks.

The hybrid form of organisational coordination is further illustrated by the fact that the 11 interviews with different AHK revealed commonalities in terms of structure and types of services offered under the DE Brand. Simultaneously, these showed significant differences in terms of their local market adaptation and the types of services they offered and focused on (AHK*1, 2016; AHK*2, 2016; AHK*3, 2016; AHK*4, 2016; AHK*7, 2016; AHK*8, 2016; AHK*9, 2016; AHK*10, 2016; AHK*5, 2017; AHK*6, 2017; AHK*11, 2017). These operational differences ranged from chambers focusing on taxation services, dual training qualifications for businesses or back-office solutions, all the way to chambers primarily focusing on trade fair services or even providing development consulting for state actors and non-governmental organisations (NGOs).

An example of how this hybrid market adaptation can result in inconsistent organisational responses can be seen in the case of a German export project consultant Mena PP. This private company has no formal links to any individual AHK, yet it was created by several former staff members from AHKs, with the explicit support of two current AHK general managers. According to two of the conducted interviews, its creation was an attempt by both former and current AHK staff to create a counterpart organisation within Germany, with whom AHKs particularly from the (Middle East and North Africa (MENA) region could partner up for German federal state projects (AHK*3, 2016; AHK*6, 2017). Many German federal projects aimed at investment or export promotion require a domestic component such as the acquisition of suitable export-interested companies or the execution of preparatory workshops. Here AHKs often collaborate with private sector consultants, as IHKs are restricted to a specific geographic area and lack coverage of the whole German federal republic.

Creating a semi-inhouse organisation with durable connections as an alternative to having inconsistent partnerships with private sector consultants is an interesting response by some AHKs, showing again how CME and LME characteristics can be combined. Mena PP receives no funding via AHKs and operates outside of their decision-making scope, yet the relationship between the actors shows distinct durable and coordinated features and can be seen in the quote below:

'There is, of course, a close connection or affinity to the AHKs and we basically carry out all projects with AHKs if there is an AHK in the target countries or an AHK is responsible for the market' (MENA PP*12, 2017).

MENA PP thus represents another embodiment of both the hybrid characteristics of AHKs, as well as the EIPA system in which they operate. Within this system, strong Type I MLG and CME characteristics can be observed in AHKs regarding their macro-level organisational decisions. In terms of their daily operations and internal set-up, however, significant inconsistencies can be observed, alongside a Type II MLG focus form of interactions. Central to an AHK's ability to display hybridised VOC characteristics and engage in different MLG relationships is the organisational autonomy that allows them to decide according to their rational self-interest. This allows them to adapt their organisational set-up and characteristics to correspond to the market opportunities and restrictions, which in turn results in a display of hybrid VOC characteristics.

5.3.3 Formal Structure of AHKs

The hybrid nature of AHKs is also reflected in their unique internal hierarchical structure. As mentioned in the previous section, AHKs display both CME and LME characteristics, depending on the restrictions or opportunities of their governance environment. Similarly, in terms of hierarchy, the distinction between them displaying hierarchical versus non-hierarchical structures depends on the governance environment.

From an individual actor perspective, AHKs display predominantly non-hierarchical structures and focus on a CME-type set-up. The senior staff of all 11 interviewed AHK mentioned that their respective chambers had different formal departments for activities such as membership and business services but there appeared to be no predefined organisational structure or direct hierarchical control on their set-up via the DIHK. Four of the interviewees included activities such as trade fair representation or training services within their business services department, whereas many others operated them as independent departments (AHK*2, 2016; AHK*3, 2016; AHK*4, 2016; AHK*9, 2016, AHK*1, 2016; AHK*5, 2017; AHK*6, 2017). There is no formal hierarchical structure that AHKs must internally adopt from a network perspective. Instead, a chamber's autonomy allows for greater opportunistic behaviour and specialisation to local market requirements. A closer

examination of both the Interviews and the financial dependencies of AHKs however highlights that there are indeed hierarchies which underpin the AHKs network. Although these may not be immediately recognisable and vary considerably between chambers, depending on their financial dependencies. As such, the AHKs network displays both hierarchical and non-hierarchical structures, or a hybrid VOC form, as the displayed formal structures are dependent on the individual chamber's circumstances.

The DIHK organises the AHKs network via a form of hierarchies which is described as a hybrid intermediary between hierarchical and non-hierarchical structures. Despite being a separate legal entity, the DIHK manages the staff pool for leadership positions within AHKs and is responsible for the dispersal and accounting of the annual German federal ministry grant, as well as major federal export and investment promotion programs (AHK*6, 2017). This established a structural dynamic which shapes the strategic decision-making process of AHKs. Furthermore, interviews with senior AHK staff revealed that individual chambers were subject to significantly stronger hierarchical control by the DIHK if they lacked financial autonomy. One interviewee suggested that there are de facto distinct types of chambers, with varying degrees of independence and in consequence different hierarchical relationships with the DIHK. According to them:

'Of course, you have to differentiate between whether you are an independent chamber, as in a chamber organisation organised as a limited company, registered association, etc. or whether you are a branch of the DIHK like the delegations are. Of course, the DIHK is then also liable and it is clear that it has a different eye on this. I would do the same in their position.'
(AHK*3, 2016)

The hierarchical structures visible within AHKs are therefore not the result of a particular dominant type of organisation within Germany's EIPA system, as traditional VOC would suggest. Instead, the structural hierarchies appear shaped by the level of autonomy that an actor has. This results in a situation, where particularly older, more established AHKs have greater independence compared to their younger counterparts. Accordingly, their organisational characteristics change, displaying a greater emphasis on Type II MLG interactions and a more distinct hybrid type combination of LME and CME characteristics.

AHKs actively try and reduce dependencies and find an equilibrium between CME and LME typical approaches to a market. This encompasses a transition from a Type I to Type II MLG focus and a shift between LME hierarchical and CME non-hierarchical formal structures. When asked about the level of dependency of their chamber on state funding via the DIHK, one interviewee responded that this was:

‘Too important for my taste at the moment. So, it makes up about 50 % (of our budget). This is clearly too much, but that also depends to some extent on the economic situation, is not so easy at the moment to attract new members and in particular to retain old ones. We have a relatively high level of turnover among the members...Reducing costs is hardly possible, we don’t have many possibilities there. Most of what we have are really more or less fixed costs such as personnel, rent, and the like. There is little room for manoeuvre. So, it’s more about finding new sources of income or the most important thing at the moment is member retention and member recruitment and yes, that’s the way it is. And again, more and more also to increase the interest in Germany, which one can also carry out for example again more delegations and similar again. That has been relatively little in the last two or three years’ (AHK*2, 2016).

This illustrates that such a governance set-up, which is characterised by strong dependencies and correspondingly stricter hierarchies, is not in the interest of the leadership of AHKs. Whilst accepting an overall strategic systemwide hierarchy of the DIHK, AHKs are intent on maintaining a significant amount of independence and relying on non-hierarchical structures as well. This shows that in the case of AHKs, the overall organisational set-up is distinguished by an interplay between hierarchical structures found on a strategic level versus a focus on non-hierarchical structures on an operational level. This results in the display of a hybrid form of VOC market organisation and reliance by AHKs on a Type II MLG structure.

5.3.4 Contracting Type of AHKs

AHKs display both formal and informal types of contracting, depending on their client. Formal contracting is utilised for a significant amount of their income and contracts. Membership fees, core business support services, such as those offered under the common DE brand, as well as more specialised services such as legal or accounting support for private companies are all examples of formal contracting arrangements (DIHK*17, 2017). The price and service scope are agreed upon before the services are rendered by both contractual parties and the clients are free in their choice of service provider, two core features of formal contracting distinguished by Hall and Soskice (Hall and Soskice, 2001a). Chargeable services rendered to state actors such as organising delegations or operating representative offices are subject to clear contractual and price-sensitive stipulations. This was confirmed by the fact that during the interviews, regional state EIPA staff voiced dissatisfaction about both the pricing and quality of some AHKs offers and services and mentioned their preference for alternatives in the form of private sector market consultant (BW_i*26, 2016; BW_i*27, 2017).

This formal LME-type contracting however is often based on what Weiss refers to as 'trust relationships' (Weiss, 2021). In his 2021 publication, Weiss sought to refine the traditional understanding of VOC by arguing that CME and LME types of organisation can be applied to the coordination between firms and state actors and identified the: 'role of trust as a distinct mode of coordination that translates institutional opportunities into political choices' (Weiss, 2021, p. 663). The findings on AHKs support this argument and highlight the importance of trust relationships within the governance system of this market sector. However, whilst Weiss attributes these trust-based interactions to CME-type systems, these research findings indicate that trust-based interactions are also central to competitive interactions found in the hybrid type organisation displayed by AHKs.

The contractual relationship between AHKs and state actors may be separated into two categories. AHKs may either take part in open tenders, bidding against other EIPA actors within a formalised setting, or they may be awarded contracts directly according to German grant law, discussed in detail in Section 5.3.4. In the example of open tenders by state-owned actors, however, the interviews revealed that in many of these instances, AHKs are already involved in the initial design of the state programs. Such involvement could either take place by directly proposing activities to relevant regional or federal ministries or having the DIHK lobby on their behalf in working groups of direct

discussion with senior ministry staff (BMWⁱ*13, 2017; DIHK*17, 2017; DIHK*18, 2017; DIHK*19, 2017; BMWⁱ, 2021a). Accordingly, there is a considerable informal component involved even in seemingly formal LME-type contracting situations. This results in a hybrid form of contracting which is central to AHKs.

Examples of this type of contracting which displays hybrid-type features are the market entry programs of the German federal state. The BMWⁱ, as well as ministries such as the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU), the Federal Ministry of Food and Agriculture (BMEL) and the Federal Ministry for Economic Cooperation and Development (BMZ) all run export promotion programs. The implementation of these programs is publicly tendered (BMWⁱ*13, 2017; DIHK*18, 2017; BMEL, 2018; BMU, 2019). The only notable exception to this is the Export Initiative Renewable Energy program (*Exportinitiative Erneuerbare Energy*), which is discussed in detail as a case in Chapter Six. Here, the AHKs network is preselected by the BMWⁱ, and individual chambers annually compete to receive grant funding for the program. AHKs are therefore directly involved in determining the scope and focus of the later-to-be-tendered projects, as can be deduced by the quote of a senior staff member below:

‘In our experience, we are usually far ahead when competing for tenders, but in today’s world, the price is often the decisive factor. The annoying thing is that we usually get proposals from the chambers or from the associations. I.e., we make the suggestions one or two years before what should be done and add quite a lot of details, and then this is put out to tender. And that always leaves a bad taste. You get a little angry here and there, but as long as it stays within an acceptable degree, we can’t really complain about it now’ (AHK*3, 2016).

The above quote shows the AHK’s ability to influence the scope and design of export and investment-related state contracts which are subsequently tendered. This puts AHKs in a preferential position in subsequent competitive contracting. This assumption is supported by the fact that as of 2017 about 70% of all BMWⁱ market development programs which were publicly tender were awarded to the AHK (BMWⁱ*13, 2017). Accordingly, the type of contracting displayed is indicative of important Type II MLG relationships and a hybrid type of VOC which combines informal-coordinating and formal-competitive aspects.

5.3.5 Nature of Interactions of AHKs

The research findings revealed that AHKs are both subject to demand and supply concerns as well as strategic interactions, thus again reflecting their hybrid characteristics and challenging a traditional dualistic understanding of VOC. The extent to which an AHK displays either form of interaction depends on the chamber's local market requirements, as well as its financial independence. MLG relationships shape an actor's behaviour and in the case of AHKs result in a hybrid response that balances demand and supply considerations with strategic interactions.

All AHKs are operated on a non-profit basis and share a common objective to support the German economy thus being predestined to focus on strategic interactions. Simultaneously, however, on an individual chamber level, the leadership staff must engage with demand and supply considerations as it is their responsibility to ensure that all chambers become self-sufficient via collecting revenue in the forms of membership dues or selling services. Grant funding obtained from the German state should ideally be reduced as far as possible (DIHK*17, 2017; DIHK*19, 2017). Currently, it accounts for about 25% on average of an AHK's budget, with significant differences between individual chambers (DIHK*19, 2017). Drops in local market demand were described as challenging by the leadership staff of smaller AHKs, as these chambers frequently appeared to struggle with a high percentage of overhead costs in their budget and lacked reserves (AHK*2, 2016; AHK*3, 2016). Such drops in demand and supply have to quickly be addressed via cost-cutting measures or obtaining new sources of income (AHK*6, 2017). Similarly, an increase in demand for their services such as in the lead-up to a particularly important economic event like a significant trade fair, or even the soccer world championship, requires AHKs to quickly expand their resources (AHK*9, 2016; AHK*6, 2017).

Despite such crucial demand and supply considerations, it would be wrong to assign LME characteristics to AHKs. As mentioned before, the non-profit structure and annual grant allocation from the German state shelters them from the full impact of demand and supply considerations experienced by an independent for-profit private company with no strong MLG Type II connections. Particularly the not-for-profit nature is crucial in allowing AHKs to focus less on demand and supply issues and more on strategic concerns. For example, one interviewee believed the non-for-profit nature of AHKs was a significant unique selling point for them compared to regular consultants, as it allowed them to give neutral advice to companies, even if it was not in their interest:

'If I do this to keep myself alive, I naturally give the information in a way that pleases the customer. An AHK however also has to be able to say we advise you not to invest in a country because the framework conditions are bad.' (AHK*7, 2016)

As such, the nature of the interaction with a client is shaped to a significant extent by strategic consideration. This results in a situation, where demand and supply consideration not only coexist with strategic interactions but where one characteristic directly shapes the other.

For AHK it is impossible to consider demand and supply interactions without strategic considerations. This is again illustrated by their distinctive relationship with regional state ministries. According to a regional state ministry interviewee:

'Some of them (AHKs) have two or three hats on. One is the delegate of the German economy and the other is the actual service company that offers services for money.... We have 25 foreign representation offices and if you look at 14 of them, the managing director or deputy managing director of that AHK is simultaneously in his second capacity also the representative of the Free State of Bavaria. The basic support of the Bavarian companies is thus ensured, but for everything that goes beyond this, companies must then contact the AHK and also pay for this service.' (StMWi *24, 2017)

Therefore, an AHK's strategic role as an institutional market instrument and its ability to simultaneously behave as a demand and supply-driven private actor is difficult to reconcile with a dualistic understanding of VOC but fits well with a hybrid-type understanding.

Lastly, this hybrid display of characteristics is also reflected in the interaction between AHKs and EU-level EIPAs, such as the growing number of EU-supported European Business Councils or European Chambers. Three of the interviewees highlighted that these EU chambers were a direct competition to them, in terms of their demand and supply interactions (AHK*7, 2016; AHK*8, 2016; AHK*6, 2017). According to one interviewee:

‘When a European business chamber is created, many, particularly larger German companies feel the need to join this chamber for representational reasons alone. This can then make the AHKs redundant and threaten them directly in terms of their membership and services.’ (AHK*7, 2016).

In two different interviews, however, the benefit of strong strategic interaction with these EU chambers was simultaneously highlighted as a significant long-term objective. One interviewee for example stated that: ‘When you are faced with facts, the best thing is not to complain but make the best out of it.’ (AHK*8, 2016). Subsequently, their chamber proposed to host the new EU-financed chamber in their own offices, becoming a member themselves and even providing staff to it. Another interviewee highlighted the possible future advantages of supporting an EU chamber in their local market, as it allowed them to highlight problems from a joint EU perspective compared to an exclusively bilateral one, thus potentially limiting negative fallout in their local market (AHK*10, 2016). Thus, a close strategic interaction with a potential competitor such as an EU chamber might even result in an advantage in future demand and supply interactions as it leverages the market position of the AHK and opens it to a significant new potential client. Accordingly, the nature of the interaction towards these types of actors is dependent on opportunistic decisions and the potential that senior staff perceive. The flexibility and autonomy displayed by AHKs are of vital importance, as they allow the actor to pursue demand and supply-focused interactions on an operational level, despite otherwise being coordinated via strategic interactions on a macro level. This highlights both the existence of hybrid VOC characteristics and interrelationship with essential Type II MLG structures, which together account for a hybrid form of market organisation within the German EIPA system.

5.4 The Association of German Chambers of Commerce and Industry (DIHK) and the German Chambers of Commerce and Industry (IHKs)

The DIHK is an umbrella organisation representing the interest of the German Chamber of Commerce system domestically from the IHKs and abroad from the AHKs. The DIHK is from an organisational perspective fully owned and primarily funded by the 79 local IHKs in Germany, which themselves are organised and owned via a mandatory membership of the local private sector businesses in the corresponding region. AHKs are not part of the ownership structure of the DIHK, however, they are affiliated bodies and the DIHK assumes responsibility for coordinating this network of 94 AHKs in 140 locations worldwide (DIHK, 2019).

These 94 IHKs themselves are private sector industry organisations and independent from the state. Unlike chambers of commerce in most countries, IHKs in Germany possess significant legal authority. This includes the ability to enforce membership in private companies within pre-defined geographic areas and industry sectors. They are responsible for the protection and representation of industry interests towards the state and the self-administration of the local economy (DIHK, 2022). This includes the administration and exclusive responsibility for the German dual education system in non-craft-related industries, as regulated in Paragraph 71 of the Federal German Vocational Training Act (*Berufsbildungsgesetz -BbiG*) (BMJ, 2022a). German IHKs can trace their lineages back to several private sector interest groups with various degrees of autonomy, control and self-governance concerning the administration of branches of industry. Already before the creation of the modern federal German state, the German Chambers of Commerce were granted partial autonomy with the introduction of the Prussian Chamber of Commerce Law (*Handelskammer Recht*) in 1870 (Stegeman, 1892). The current state-independent status of the IHKs within Germany is guaranteed via the 1956 Act on the Provisional Regulation of the Law of Chambers of Commerce and Industry (*Gesetz zur vorläufigen Regelung des Rechts der Industrie- und Handelskammern*). Paragraph 1 of this German federal law explicitly assigns responsibility to IHKs to represent the commercial interest of their assigned district members on a regional, national, European and international level. This representation interest is to always take into account the economic interests of different business and industry sectors and balance their interests. Paragraphs 2 and 3 continue to define the types of firms, commercial enterprises and self-employed individuals which are automatically subjected to these membership requirements and grant IHKs the legal right to levy membership fees on their compulsory members (BMJ, 2021). As such, from a legal perspective, there is a formalised state-to-

private sector governance setup, with the federal state deferring rights and responsibilities of self-administration to the private sector.

The German Institute for Chamber Law (*Institut für Kammerrecht*) defines German Chambers as forms of institutionalised self-government. According to them:

‘The German legal concept of self-government distinguishes between local government with its local decentralized public corporations and so-called **functional self-government** (*funktionale Selbstverwaltung*) with further public corporations called Chambers (*Kammern*), which are authorised to regulate their own affairs and interests but are subject to state supervision’ (Institut für Kammerrecht e.V., 2022).

IHKs thus fit the definition of institutional actors within the context of traditional VOC (Hall and Soskice, 2001a; Hall and Gingerich, 2009; Hall and Thelen, 2009). It is important to recognise, however, that their legal status in Germany and the official mandate of the German state award them a vast organisational capacity, which exceeds that of other typical market actors such as unions or other non-chamber industry associations (*Verbände*). Within the context of the German economy, private sector IHKs are comparable with their governance effect on markets to state actors. This results in a complex MLG structure in which state and non-state actors both attempt to assist in the organisation of their local market economies.

The research findings indicate that both the DIHK and the IHKs display significantly different VOC characteristics compared to AHKs. They display strong CME characteristics with little evidence indicative of either LME or a hybrid type of market organisation. Similarly, as regional state governments utilise regional state EIPAs as hybrid vehicles to address certain capacity shortfalls, IHKs and the DIHK, make significant use of AHKs, benefitting from their hybrid VOC characteristics. This relationship with AHKs, as well as with other actors in the German EIPA system is dependent on pronounced Type II MLG interactions.

5.4.1 Actor Relationships of the DIHK and IHKs

During multiple interviews with the DIHK and IHK senior staff, it became apparent that the actor relationship of these organisations showed a strong resemblance with what the VOC approach would classify as non-market relationships. According to Hall and Gingerich, institutional support for non-market relationships in CMEs is crucial:

‘for the formation of credible commitments, including support for effective information sharing, monitoring, sanctioning and deliberation’ (Hall and Gingerich, 2009, p. 452)

This appears to be exactly the relationship focus displayed by the IHKs and the DIHK. No interviewee perceived their organisation as competing with other private or state actors on a regional or federal level. The DIHK offers neither chargeable services nor does it accept payments including grants from external organisations for administrative costs (DIHK, 2015; DIHK*17, 2017; DIHK*18, 2017; DIHK*19, 2017). This is highly significant as, unlike regional state EIPAs or AHKs, the DIHK and IHKs have no financial incentive to engage in competitive behaviour. Instead, the focus seems exclusively on the above-mentioned organisational support offered by market institutions in line with the traditional understanding of VOC (Hall and Soskice, 2001a; Hall and Gingerich, 2009).

As outlined in detail in Chapters Four and Six, the DIHK manages the annual BMWi grant towards the AHK network and functions as a clearing house for major federal export programs, such as the Export Initiative Renewable Energy free of charge. The DIHK, therefore, displays strong CME characteristics when considered by itself. When questioned about potential conflicts of interest with private companies regarding state funding for export and investment promotion projects, as well as a recent transition from projects being awarded via open tenders instead of grant allocations, the interviewed staff from the DIHK appeared aware of this potential transition. According to one interviewee:

‘As an organisation representing the interest of the German economy, we always welcome open competition and are opposed to generalised market subsidies’ (DIHK*18, 2017).

Despite this apparent commitment to a competitive market, two out of the three interviewees pointed out that the DIHK itself does not engage in any competitive relationships, unlike the represented AHKs (DIHK*18, 2017; DIHK*19, 2017). These in the eyes of the DIHK staff did compete in the open market, but due to their independent structure and non-profit nature, were not seen as impacting the DIHK's actor relationships. This is an intriguing finding, as it shows that while the DIHK itself is committed to non-market actor relationships, it indirectly engages in competition via proxy. This unique feature is explained in detail in Chapter Six and Section 6.8 and can best be captured by a hybrid-type understanding.

IHKs as the local counterpart of the DIHK also display predominantly non-market relationships. All three interviewed IHKs exhibited strong Type I MLG predetermined spheres of influence and described their interaction with both state and non-state actors on a federal level in Germany as very limited. This was explained with the responsibility of the DIHK. Similarly, relationships with international actors in countries outside of Germany were limited and assigned to be the responsibility of the AHK, indicating Type I MLG coordination (IHK*20, 2017; IHK*21, 2017; IHK*22, 2017). In terms of their relationship with regional state ministries again strong non-market relationships became apparent, however, the extent of coordination with regional state bodies differed significantly between IHKs. For example, the IHK Munich collaborates extremely closely with both the Bavarian Ministry of Economy and the regional state EIPA, Bayern International, on matters of export development. This included setting up the Bavarian Foreign Business Centre (AWZ) in 2001, which is operated by a service company called BIHK, which itself is fully owned by all Bavarian IHKs (StMWi, 2021). The explicit purpose of this Initiative is to organise events in Bavaria, support companies in accessing foreign markets via programs such as 'Go International' and provide online information about export markets (StMWi, 2021). The AWZ in turn manages the Go International Program, which is then funded by both the regional state ministry as well as the European Regional Development Fund (ERDF) (IHK*21, 2017). This complex relationship structure between IHKs in Bavaria with both the regional state and even the EU's ERDF highlights the importance of non-market relationships for IHKs in the German EIPA system and how opportunistic behaviour of actors across different levels results in various governance setups.

The example of the AWZ highlights a CME dynamic, in which private IHKs and regional state actors engage in a non-market relationship and set up an institution for market coordination. This example simultaneously exhibits strong Type I MLG interactions, as this coordination occurs across multiple

actors with a distinct power distribution across a predetermined sphere of influence. Similar relationship dynamics are observed with the IHKs in the other two selected states, with the IHK Stuttgart even being a co-owner of the regional state EIPA BW_i and the IHK Hannover having a permanent seat in the Lower Saxony Ministry of Economic Affairs, Labour, Transport and Digitalisation export advisory council (IHK*22, 2017, IHK*20, 2017). It becomes clear that both IHKs and their umbrella organisation, the DIHK, exhibit strong CME characteristics focusing on the dispersion of information and supporting a type of market organisation based upon coordination in line with a CME system.

The display of such CME characteristics by both the DIHK and the IHKs should not be mistaken for a CME-type dominance in the German EIPA system. Instead, it can be explained by their income and ownership structure. IHKs are a unique feature of the German economic system, as they have the legal authority to enforce compulsory membership dues. Furthermore, despite being non-state actors, they also perform various functions which are traditionally identified as being part of a state's sovereign authority. These include the certification of export documentation and the authority to grant educational and vocational degrees and certificates. These non-market relationships also shape their interaction within the EIPA system. One IHK interviewee distinguished between the so-called sovereign functions (*Hoheitliche Aufgaben*), which included the certification of export documentation and training qualifications, compared to support activities for local member companies, such as advising companies on whether they are export-ready in terms of their product suitability and required procedures. Together this accounted for the organisation's understanding of: 'Self-administration of the economy' (IHK*21, 2017). Such behaviour is crucial according to traditional VOC literature for institutional actors within CMEs (Hall and Gingerich, 2009).

Hall and Soskice draw on the work of Elinor Ostrom to define institutional capacities (Ostrom, 1990). They explicitly mention the following institutional behaviour by actors such as businesses or employer associations and unions as central to the market organisation within CMEs:

'(i) the exchange of information among the actors, (ii) the monitoring of behaviour, and (iii) the sanctioning of defection from cooperative endeavour' (Hall and Soskice, 2001a, p. 10).

This understanding is later reiterated by Hall and Gingerich (Hall and Gingerich, 2009). Neither of these theorists recognises however that the behaviour of an actor may be a result of a legal necessity or ability, or due to the transfer of organisational control of the state onto private sector market actors. This distinction challenges the whole traditional dualistic VOC concept that markets may respond to organisational challenges either by pursuing CME or LME principles. As the example of the German Chambers of Commerce system illustrates, the observed actor behaviour is a direct result of the state intentionally devolving market control onto the market itself, either via granting special rights to certain market actors (as seen in the example of the IHKs) or when outsourcing the implementation of economic policies to the private sector (as seen in the example of the BMWi and regional state ministries and AHKs).

For the German IHKs or the DIHK, there simply appears to be no rational benefit in engaging in LME-type actor relationships. In instances where competitive characteristics would be required, for example, to finance an extensive international network of representatives, such behaviour is deferred to their AHK counterparts. IHKs are not dependent on selling services and are effectively barred from doing so (IHK*20, 2017; IHK*21, 2017). Accordingly, one cannot be assessed without considering the other. This delegation of certain tasks to hybrid actors such as AHKs instead of private consultants is engrained into the overall actor relationship of both the DIHK and (IHKs). When questioned how partners, either AHKs or private consultants, were selected to execute export and investment promotion activities, one interviewee responded: 'Basically, we work with the AHKs. We subcontract the work to the AHK. To organise this on-site together with us on behalf of the state ministry' (IHK*20, 2017).

The underlying reason for their collaboration with AHKs can thus be attributed to resource maximisation. IHKs draw upon the significant resources of the AHK network, without incurring significant costs of establishing and exclusively financing their international network or having to rely on the expensive solutions provided by private business consultants. Therefore, in the same way that regional state EIPAs are employed as flexible counterparts for regional state ministries, the DIHK and the IHKs rely on the network of AHKs to maximise their resource capacity. The overall hybrid nature of the EIPA system allows for different manifestations of organisation, which are independent within the MLG system.

5.4.2 Organisation of the DIHK and IHKs

In terms of organisation, both the DIHK and IHKs, predominantly display CME characteristics that focus on durability and coordination. They lack the distinct LME characteristics of their international AHK counterparts. This illustrates how the German EIPA system allows for CME and hybrid actors to exist simultaneously, with their different characteristics being shaped not by the predominant form of coordination of the system, but by the individual requirements of an actor within it.

As an associational institution, the DIHK fits well into what Hall and Soskice described as a paradigm example of an actor promoting organisational coordination within a market (Hall and Soskice, 2001a). Unlike IHKs however, the DIHK is not made up of private companies or responsible for a specific area, but it is an umbrella organisation of all IHKs. It is tasked with lobbying on behalf of IHKs on a federal level, alongside establishing and maintaining durable governance networks with other private and state actors. The interviews revealed that the DIHK viewed the dispersal of information to lower-tiered local IHKs on matters of export and investment promotion as particularly important (DIHK*17, 2017; DIHK*18, 2017). This assumption was supported by the Interviews with the German IHKs, as these, all pointed to the very limited interaction with federal state and non-state actors (IHK*20, 2017; IHK*21, 2017; IHK*22, 2017). As such, the DIHK exhibits a CME-typical focus on durability and coordination when interacting with German IHKs alongside an MLG Type I governance structure, which distinguishes a distinct power distribution and the predetermined spheres of influence.

The DIHK furthermore monitors the behaviour by acting as a direct go-between for the BMWi and the AHK network, administering contracts which make up: 'on average about 20-21% of the total AHK annual budget.' (DIHK*17, 2017). It attempts to coordinate the interaction between the chamber network and state actor and has even signed an MOU on the AHK network's behalf with Germany Trade and Invest (GTAI) to formalise their collaboration and subsequent activities such as payments for investment leads or office sublets in foreign markets (GTAI*14, 2016; GTAI*16, 2016; DIHK*17, 2017). The DIHK, therefore, fulfils the first two organisational characteristics of institutional actors in CMEs, which are defined by Hall and Soskice as: '(i) the exchange of information among the actors, (ii) the monitoring of behaviour, and (iii) the sanctioning of defection from cooperative endeavour' (Hall and Soskice, 2001a, p. 10)

In terms of sanctioning behaviour, the DIHK interviews and subsequent research only appear to show a very limited capacity, especially compared to the German Chamber of Commerce and Industry's (IHK) ability to sanction local members within their sphere of influence (AHK*3, 2016; AHK*7, 2016; AHK*6, 2017; DIHK*17, 2017; DIHK*18, 2017; DIHK*19, 2017). While its role as an administrative intermediary between the AHKs and the BMWi does grant the DIHK a level of sanctioning control, there is no evidence for this in the interviews. One DIHK interviewee suggested that on occasion, a regional state EIPA reaches out to the DIHK concerning individual AHKs focusing too much on a single regional state. In such instances, the DIHK will seek to: 'resolve these concerns in a conversation with that particular AHK.' (DIHK*17, 2017). This indicates a strong focus on coordination, attributed to institutional actors in CMEs by Hall and Soskice (Hall and Soskice, 2001a). Limited attempts in the past were made to introduce quantifiable performance indicators for the AHK network. These however abandoned due to the significant differences in terms of funding requirements, wage structures, markets and currency fluctuations and political focuses of export and investment promotion activities for AHKs (DIHK*18, 2017).

The interviews conducted with the IHKs echoed many aspects of those conducted with the DIHK. All IHK interviewees saw the distribution of information to their members as a central function. This could occur via email and printed newsletters informing companies about new export and customs regulations or market opportunities, organising delegations or training and workshops. Particularly workshops and export training organised in collaboration with other regional or federal state EIPA representatives play a significant role for IHKs (IHK*20, 2017; IHK*21, 2017; IHK*22, 2017). This again highlights the primary role of IHKs as institutional market coordinators.

IHKs have predetermined geographic spheres of influence and are unable to expand their physical membership area. Despite not being state actors themselves, they exhibit Type I MLG features such as a distinct power distribution and a predetermined sphere of influence which may be legally enforced. Furthermore, their ownership structure consisting of local private companies effectively bars them from establishing competitive organisational structures, as this would potentially create a conflict of interest with local businesses. Thus, there is no rational self-interest for IHKs to adopt an inconsistent or competitive form of market organisation. Their legal status and funding security give them no reason to exhibit Type II forms of MLG or LME organisational characteristics. Both the DIHK and the IHKs collaborate closely with the Chambers of Commerce Abroad (AHKs), which contrary to them display a significant amount of Type II MLG interactions and strong hybrid VOC features. The

close collaboration allows the DIHK and IHKs to benefit from hybrid organisational aspects by proxy, without having to fundamentally change their organisational structure.

From an EIPA system point of view, this also illustrates how different actors or segments of a market have adopted different forms of market organisation to maximise their rational self-interest. It challenges both the traditional VOC assumption of gradual systematic purification and homogeneity, by illustrating that individual actors within a market system do not have to align their form or coordination to that of other actors. Instead, the simultaneous existence of actors displaying both CME and distinct hybrid VOC characteristics is fundamental to the functioning of the German EIPA system.

5.4.3 Formal Structure of the DIHK and IHKs

In terms of formal structure, both the DIHK and the interviewed IHKs displayed strong non-hierarchical CME characteristics, with Type II MLG relationships being of the utmost importance. IHKs, whilst being autonomous within their geographic area, displayed significant non-hierarchical collaboration with regional local EIPA actors. The IHK Munich, for example, jointly operates the BIHK service company and the Bavarian Foreign Business Centre (*Aussenwirtschaftszentrum, AWZ*) with the other Bavarian IHKs to implement regional state ministries export policy. This collaboration is based on a voluntary understanding of mutual benefit. Particularly a common Bavarian identity was mentioned several times during one of the interviews, showing that instead of being organised via a hierarchical structure, collaboration is based on trust relationships and a common identity (IHK*21, 2017). Type II MLG problem-based power distribution is thus key to market governance, alongside a coordinating trust relationship between private and state market actors previously acknowledged by Weiss as central to the German economy (Weiss, 2021).

Such state-wide collaborative initiatives were also observed in the two other regional states of Baden Württemberg and Lower Saxony. Due to the non-hierarchical relationship between IHKs even within the same regional state, such developments however are opportunistic decisions of actors, emphasizing the importance of Type II MLG interactions. For example, despite being the biggest and financially most significant IHK within the state, the IHK Hannover did not join the Lower Saxony

Chamber of Commerce and Industry (*IHK Niedersachsen/IHKN*) umbrella organisation until 2014, thus indicating the lack of a hierarchical type of coordination. In the words of one Interviewee: ‘first and foremost we are independent and only responsible to our local members’ (IHK*22, 2017).

Only the larger IHKs within a regional state appeared able to maintain country or sector-specific experts and the structure varied between each organisation (IHK*20, 2017; IHK*21, 2017; IHK*22, 2017). This indicates that the formal structure is less dependent on formal organisational templates and more on the capacities and requirements of each economic region. This can also be seen in the varying types of export and investment promotion activities IHKs engaged in. Whilst the Hannover and Munich IHK each organised outgoing, as well as incoming delegations, the IHK in Stuttgart, only participated in incoming delegations: ‘We do not carry out our own outgoing economic measures’ (IHK*22, 2017). Outgoing delegations usually involve a preselected group of local companies (sometimes joined by local politicians or ministry staff) travelling with a member from the IHK to a foreign country and taking part in several export-related activities there. They include activities such as meeting with preselected distribution companies, taking part in workshops, attending conferences, or visiting foreign factories or both state and non-state institutions such as municipalities or training institutes, which may be interested in their services or products. Incoming delegations, on the other hand, are somewhat more investment-focused, with foreign companies and political representatives being invited to Germany and presented with regional state technology clusters or particular industry sectors. However, export and investment promotion go hand in hand in these instances. Foreign companies are primarily invited as potential buyers for German export products. Additionally, however, these incoming delegations generate investment leads, as close trading relations with Germany may likely result in a foreign company considering a subsequent investment in Germany, such as a branch office or production facilities. Given their ability to choose between these two forms of export and investment promotions, highlights the fact that IHKs possess significant autonomous decision-making capabilities instead of relying on hierarchical structures. They display strong Type II MLG interactions with state actors such as regional state ministries or regional state EIPAs which shape their conduct of activities to maximise their resources and rational self-benefit.

The DIHK as a higher-level institution, similarly, displays only a very limited amount of formal hierarchical structure when dealing with the IHK network which it represents, and the AHK network which it coordinates. In fact, during the interviews, one DIHK interviewee pointed out that there was

no way of knowing whether any AHKs accepted export and investment promotion contracts from non-German state actors, but according to them, this would be unlikely given the informal regulations and values within the network, as: '(w)e don't know, but if they did, I think we would know. That would be contrary to the basic principle. So no, rather not ' (DIHK*19, 2017).

This shows that despite the significant financial oversight and authority that the DIHK has over the AHK network, there is no formal hierarchy in place which would enforce either a strict top-down or bottom-up hierarchy via Type I MLG relationships or within a hierarchical LME structure. Instead, the formal structures depict a CME type of organisation, in which a cooperative outcome is secured outside of market or hierarchical relations. Accordingly, this is indicative of traditional CME characteristics. Furthermore, the DIHK displays strong MLG Type II features, including a strong policy focus, when interacting with regional and federal state ministries as well as other EIPAs. Actor collaboration is based on a mutual understanding of the benefit and a trust relationship which is central to both Type II MLG and CME forms of market coordination. Limited hierarchical governance relationships and structures are displayed in terms of its oversight function concerning the AHK network, yet overall, the non-hierarchical structure and dependence on MLG Type II remain central to this actor's behaviour. One interviewee commented that the hierarchical control of the DIHK varied significantly depending on the financial and legal dependency of an AHK:

'Of course, you have to differentiate between whether you are an independent chamber, as in a chamber organisation organised as a limited company, registered association, etc. or whether you are a branch of the DIHK like the delegations are. Of course, the DIHK is then also liable, and it is clear that it has a different eye on this. I would do the same in their position' (AHK*3, 2016).

The above statement illustrates that a potentially more hierarchical structure found in some instances between the DIHK and AHKs is not a result of a fundamentally hierarchical system or a predominant reliance on Type I MLG, but instead a result of either financial or legal dependencies. While in the prior examples of regional state EIPAs and AHKs, an actor's financial and legal independence was a prerequisite for its ability to engage in Type II MLG and exhibit hybrid VOC characteristics, this is not fully the case for IHKs or the DIHK. The lack of financial dependencies and the ability to act independently, results in the DIHK and IHKs engaging in Type II MLG relationships. However, in terms of exhibiting hybrid VOC characteristics, there simply seems to be no reason.

Both IHKs and the DIHK have extremely secure funding structures granted to them by the unique German legal code concerning chambers of commerce and their ability to enforce mandatory membership fees. In consequence, there is little incentive for either organisation to display hybrid VOC characteristics. A mix of LME and CME characteristics can thus only be identified in AHKs, which function as a more competition-focused component of the wider German Chamber system. Nevertheless, their unique funding situation allows them to engage in extensive Type II MLG and exhibit strong CME non-hierarchical features.

5.4.4 Contracting Type of the DIHK and IHKs

The DIHK does not offer any services for remuneration. Given its *raison d'être* being an umbrella organisation for the Chambers of Commerce network, there is effectively no formal contracting taking place and only a limited form of incomplete contracting for services. There are only two services which the DIHK offers free of charge to the BMWi, both of which account for exclusively incomplete forms of contracting.

First, the DIHK acts as a clearing house for the BMWi regarding the administration of the annual AHK grant and the Export Initiative Renewable Energy project. Rather than AHKs directly negotiating with the Foreign Trade Department V (*Abteilung V Aussenwirtschaftspolitik*) of the BMWi, all annual grant-related interactions with the ministry take place via the Association of German Chambers of Commerce and Industry (DIHK) (DIHK*17, 2017; DIHK*18, 2017). This service is free of charge and outside the scope of a formal contracting relationship. Secondly, the BMWi may task the DIHK to establish and support delegation offices. Despite these being part of the chamber of commerce system and direct management by the DIHK, these delegation offices are not independent bilateral chambers and are usually highly dependent on external funding, provided by the BMWi via the DIHK (DIHK*18, 2017). Such delegation offices are usually the precursor to AHKs and frequently establish an economic presence on behalf of Germany's EIPA interests in a foreign country or region which is of federal political interest (AHK*6, 2017; DIHK*18, 2017).

The DIHK provides coordinating services for federal state ministries in an incomplete and trust-based contracting type capacity typical of CME characteristics. By doing so, however, the DIHK enables subsequent formal contracting relationships between the federal state and AHKs. Rather than engaging in formal contracting itself, the DIHK limits its role to that of an intermediary between state actors and the hybrid AHK network. This way, the DIHK supports the AHK network by facilitating access to state revenue streams, while simultaneously not having to operate a substantial international network itself or engage in competitive market arrangements. This illustrates how a market system is organised with a mixture of actors displaying strong CME and hybrid characteristics, which specialise in different roles and fulfil the capacity gaps left by one another. In such instances, strong Type II MLG interactions are displayed between actors such as the federal state ministries, the DIHK and AHKs, which due to their overlapping spheres of influence and focus on policy instead of hierarchies, enables coordination between both CME and hybrid VOC actors.

All German IHKs interviewed offer basic-level export consulting services (ranging from free advice on export and customs regulations to general foreign market data or consultations on possible country sanctions) to their member companies, in addition to sovereign-type functions, such as the issuing of certificates of origin (required internationally as import documentation and for calculating of custom tariffs) or Carnet ATA (a customs document accepted by 77 countries worldwide for the temporary admission of goods requiring no customs payment). According to an interviewee:

‘In the field of foreign trade, advisory services are an area that is relatively well developed... At least 1/3 if not 50% of our time and work falls under the area of export consultancy’ (IHK*21, 2017).

As such IHKs actively engage with individual private companies and advise them in their export-related endeavours and advise them on any programs on a state or federal level or export financing structures they may be able to access. The Interviewee was quick to point out, however, that from an IHK perspective, this export advice is different to the consulting services offered by other private sector agents:

‘All chambers of commerce and industry are required to provide informative advice. As chambers of commerce and industry, we are not allowed to provide advice as in-depth as that

of so-called consultants, tax advisors, etc., in contrast to private companies operating on the market' (IHK*21, 2017).

The type of contracting is, therefore, a combination of formal and competitive, as well as informal and non-market-based. Companies can be charged for services on a cost-covering basis. Instead of offering services at market rate, export advice is offered free of charge to members or more accurately is seen as one of the services which members receive in return for their dues. In the event of workshops or information events, speakers are usually acquired in a similar incomplete contracting manner, with IHKs relying firmly on the AHK network or volunteers from regional state EIPAs or ministries.

Despite not offering for-profit export consultation services, IHKs do occasionally access external revenue sources via collaborative programs exhibiting Type II MLG. The IHK Munich administers ERDF funding on the regional state government's behalf. Similarly, the IHK Stuttgart tendered to become an Enterprise Europe Network (EEN) thus again tapping into higher-tiered actors' financial resources to increase their own financial and operational capacities. According to the interviews, the staff do not consider this to be a form of service income. As illustrated by the quote below, the income generated is only a form of co-financing for external third-party costs incurred for any related activities. The IHK has to cover all staff-related costs. The contractual relationship with the Enterprise Europe Network (EEN) therefore is primarily based upon a notion of mutual benefit via collaboration between actors, thus displaying informal contracting characteristics.

'We are against subsidies in principle. But we do accept money wherever it makes sense for us on a selective basis. Enterprise Europe Network (EEN) is a certain source of income, but of course, it is connected with human resources overheads. The term 'source of income' is actually wrong. It is a co-financing. 40% of the funding comes from the client organisation. The manpower has to be provided by the client organisation itself' (IHK*22, 2017).

The funding acquired via these activities is therefore primarily meant to supplement an IHK's activities and not be for profit or even offered at competitive market rates. The contracting arrangement is informal and signifies the reliance of the IHKs on a co-funding mechanism for cost reduction and collaborative non-market-based agreements. Similar to the DIHK, the IHKs exhibit

distinct CME characteristics in terms of contracting yet are actively opportunistically engaged in a Type II MLG behaviour to maximise their resources. Given their secure income situation and the fact that they are owned by all industrial and commercial companies within their area of operation, there is little reason for an actor such as them to adopt LME or hybrid characteristics. This is left to their network partners, the AHKs, with the IHKs focusing their Type II MLG on coordination and support-focused activities instead.

5.4.5 Nature of Interactions of the DIHK and IHKs

Throughout the interactions with other actors be it AHKs or federal state actors such as federal ministries or state EIPAs such as GTAI, the DIHK displays a focus on strategic interactions. According to the DIHK interviews, they do not pursue their independent agenda, but instead: ‘represent the interests of the German industry and the IHK/ AHK network in particular.’ (DIHK*18, 2017).

The nature of the DIHK’s interaction is strategic and in line with a traditional CME-type understanding. Similarly, for IHKs, demand and supply considerations appeared of limited significance, with strategic considerations such as project fit and timing being of greater concern (IHK*22, 2017; IHK*20, 2017). When questioned concerning participating in federal tenders either as a project leader or as a domestic acquisition partner for a foreign-based AHK or consultant, one interviewee responded:

‘Are we now actively participating in the federal government’s promotion activities? No. Only if an AHK approaches us. Most of the time though the acquisition consultants approach us’ (IHK*22, 2017).

This shows that IHKs are not proactive regarding demand and supply interactions and, only collaborate with other EIPAs if it is in their strategic interest. Similarly, supranational co-funded projects are pursued for strategic, non-monetary reasons. The interview with the IHK Stuttgart for example mentioned its collaboration with EU institutions within this context. The chamber participates in the EU co-funded Enterprise Europe Network (EEN) program. This project intends to connect business support institutions across the EU to assist small and medium enterprises in their

access to foreign markets (European Innovation Council and SMEs Executive Agency (EISMEA), 2022). Although some limited funding for activities such as events or speakers fees is obtained as part of this program from the EU, the interviewee pointed to the fact that besides potentially offering a benefit to member companies down the lines, the primary reason for their organisation's collaboration in this program was to develop a direct relationship with the EU Commission in Brussel, which was seen as potentially beneficial in the long run (IHK*22, 2017).

Given the secure funding guaranteed via its membership fee structure, IHKs are less subject to market fluctuations and as such do not require their interaction to be based upon demand and supply interaction. They display opportunistic Type II MLG interactions, yet do not need to engage in demand and supply-driven interactions, as AHKs fulfil this role. This highlights the intricate governance interdependencies of the German EIPA market. Actor categories cannot be categories without considering their wider context, as each has specialised in a particular type of market interaction. Just as regional state EIPAs address hybrid functions and characteristics not fulfilled by regional state ministries, AHKs function as a hybrid counterpart to IHKs and the DIHK. This is an important realisation as it illustrates that actors with hybrid characteristics, as well as those with more clear-cut CME characteristics, can coexist within an organised market system and even benefit from cooperation and synergetic effects. A dualistic interpretation of a market's organisation that neglects MLG interactions would overlook such vital varieties of coordination.

5.5 Findings Summary

The German EIPA system includes both actors that display traditional CME characteristics, as well as hybrid forms, which combine LME and CME characteristics. Actors displaying pronounced or possibly purer forms of CME characteristics, such as the DIHK, German IHKs or regional state ministries can be either private or state-owned. They provide the best fit with the traditional understanding put forward by Hall and Soskice of an Institutional actor that assists in the coordination of a market (Hall and Soskice, 2001a). It is important to note that the distinction between state and private ownership alone does not impact the organisational system of actor behaviour displayed within a market system. Nevertheless, as shown by the examples in this chapter, the German EIPA system has brought forward actors which combine traditional VOC and CME characteristics and display an intermediate, hybrid form of VOC, which is central to the market organisation of the German EIPA system. These actors, such as AHKs and some regional state EIPAs, are distinguished by displaying strong Type II MLG and a degree of organisational autonomy which allows them to pursue existing governance structures in a rational self-interested manner.

A significant result of these research findings is that a hybrid VOC form of organisation can be observed within most of the actors in the German EIPA system, with some such as AHKs displaying very strong hybrid characteristics. These hybrid forms of organisation appear central to the functioning of the German EIPA system. This finding directly challenges the traditional path-dependant, dualist understanding of VOC. Hybrid actors such as AHKs or regional state EIPAs, appear to fill a gap left by an overly simplistic, dualist understanding of a market organisation. Rather than focusing on expanding market coordination with the creation or further development of institutional actors or breaking fully with CME-type, coordination-based forms of market organisation, the German EIPA system depicts an alternative hybrid form of organisation. In this new, ideal-type hybrid form within a VOC classification, a form of market organisation can be achieved via a combination of coordination and competition-based characteristics. Actors accordingly adopt the optimal form of interaction based on their organisational self-interest. This ability allows for both competition and coordination-based market organisations to coexist and develop synergies.

A second result is that there is a strong relationship between types of MLG and VOC. Whilst actors that displayed overwhelmingly CME characteristics simultaneously predominantly engaged in Type I MLG, the display of hybrid VOC characteristics coincides with Type II MLG structures. This can be explained by the fact that actors displaying strong hybrid VOC characteristics such as the AHKs or certain regional state EIPAs, had both the organisational independence allowing them to engage with other actors on multiple levels, as well as the necessity to do so, as they are least partially dependant on acquiring alternative revenue streams through their initiative. The hybrid form of VOC thus correlates with Type II forms of MLG and specifically depends on a hybrid form of organisation between state and non-state actors across multiple levels of the German state and economy. Recognising the importance of state actors and the multiple levels of governance is an important addition to the VOC approach.

The hybrid VOC characteristics displayed by some actors are directly related and impact the relationship dynamic between state and non-state actors. The examined instances of hybrid VOC forms of market organisation shared a strong interconnection between state and non-state market actors which engage in a Type II MLG set-up. Rather than the state being separate from private sector forms of market organisation, there is a governance relationship highlighted by adopting MLG characteristics found between these two different actor spheres. This interdependence of state and non-state actors with a market is vital for the observed hybrid form of VOC. This is an important finding, as it shows that in a complex market system such as Germany's EIPA system, the presence of both state and non-state actors engaging in different forms of market organisation can be reconciled by understanding how VOC hybrid characteristics and Type II MLG structures are interdependent. Hybrid actors, enabled by their degree of organisational autonomy and competitive characteristics, engage in governance relationships with state and non-state actors across multiple levels to maximise their resources. Traditional concepts of VOC however are unable to successfully account for the role which the state has as both an institution and market actor. As illustrated by the example of the German EIPA market, state actors have an alternative to either relying on the self-organisation of a market according to competitive LME principles or relying on market coordination. The creation of an extensive governance environment where actors display distinct Type II MLG structures results in a form of market coordination that displays hybrid VOC and CME features instead of relying on a single type.

5.5.1 Similarities and differences between the three different regional states

All three examined regional states showed strong similarities in terms of their EIPA systems. They also displayed a significant increase in spending towards export development and investment attraction in recent years, operate at least one local state EIPA and engage in only limited or ad hoc export and investment-related interactions with federal actors, such as the BMWi, the GTAI or international institutions such as the EU. Further, they all rely heavily on the AHK network for the implementation of international activities such as business delegations. In the case of Bavaria and Lower Saxony, AHKs are also contracted to operate delegation offices and on a local level, there is a strong collaboration with IHKs to assess market requirements and provide export training and additional services to businesses.

Differences however do exist between the three states, when looking closely into the exact way they organised their institutional setup and interact with the private sector. An example of this can be found in the different services their state EIPAs perform as well as the different ownership structures of these entities as illustrated in **Figures 5.2, 5.3, 5.4 and 5.5**. On one end of the spectrum, Bavaria operates its state EIPA, Bayern International, directly without any external input via its ministry of economy. In this example, the regional state has 100% ownership of the limited liability company which is the state EIPA. Bayern International does offer free yet limited services to companies but primarily services the regional state ministry of economy as their principal client and only source of revenue. Rather than offering extensive export advice services themselves, Bayern International appears to rely heavily on collaborating with private sector associations such as IHKs and HKs. Despite having limited operational autonomy, Bayern International may best be understood as a direct extended arm of the local state ministry of economy, which provides a flexible solution in terms of administrative capacity to implement economic policy. Whilst all investment attraction activities and project administration are provided for the ministry, Bayern International relies very heavily on the IHK and AHK network for the implementation of business services. In comparison, BW_i integrates non-state entities into its structure, by having industry associations such as local IHKs and HKs as co-owners. Unlike Bayern International, BW_i also directly offers limited chargeable services to third parties itself, rather than relying on overseeing the implementation of such activities by private actors such as IHKs or AHKs. Unlike Bayern International, however, BW-I operates its international representation offices, without the support of the AHK network or another proxy. As a result, the EIPA system observed in Baden Württemberg pursues a strategy that prioritises combining

state and non-state actors internally within a joint venture, rather than a close collaboration between separate public and private actor organisations, as seen in Bavaria.

In comparison in Lower Saxony, DMAN only has a marginal state ownership majority of just over 50%. The other half of the state EIPA is owned by a mix of state-related entities such as the Nord/LB Bank (a majority state-owned bank) and the Deutsche Messe AG (a trade fair company co-owned by the city of Hannover and the state of Lower Saxony) as well as private companies and industry associations. DMAN is expected to independently acquire 2/3 of its income from offering services to external actors on a regional, federal and international level. As such only 1/3 of its annual budget is made up of direct contributions by the state of lower saxony, in stark contrast to the 100% for Bayern International. Accordingly, DMAN has a much stronger focus on attracting clients other than local state institutions and offering chargeable services, thus displaying more demand and supply-driven characteristics and formal contracting. It must be pointed out here though, that DMAN and Bavaria International differ significantly in terms of their service focus, as DMAN explicitly offers no inbound investment attraction services nor does it organise state delegations abroad. These services had up until 2013 been provided by the now-defunct state EIPA NGlobal. In 2013, this EIPA and the services it provided were reintegrated back into the state's ministry of economy following an executive decision by the state minister of economy. Hereby Lower Saxony essentially divided up the service capacity and structure of its state EIPA activities. As a consequence, Lower Saxony simultaneously exhibits a more coordinated, state-focused approach to Investment attraction and organising activities such as delegations compared to Bavaria and Baden Württemberg, whilst also operating a state EIPA with arguably the greatest amount of private sector co-ownership and demand and supply driven characteristics in the form of DMAN.

Despite these organisational differences, the overall purpose and strong dependency on private sector actors such as chambers of Commerce remained the same in all three states. Accordingly, this emphasises the hybrid VOC nature of the system, where individual actors can display opportunistic behaviour and combine aspects of coordination and competition to ultimately optimize their resources. Rather than displaying a uniform path dependant process in which actors adopt similar organisational traits over time, the variation between three different regional states shows that variation can exist within a hybrid type of VOC system and actors may pursue a variety of different mixtures of LME and CME characteristics whilst seeking to optimise their resources. As seen in the example of Lower Saxony following the dissolution of one of its regional EIPAs in 2013, the close

collaboration with AHK and IHKs as well as the access to higher-tiered federal and international actors remains central to its strategy of policy implementation. Furthermore, the state continues to maintain a second state EIPA (DMAN) which displays even stronger demand and supply-driven characteristics compared to BW_i and Bayern International. Therefore, despite the overserved organisational differences between the three states, all three share strong similarities in terms of their governance interactions with the private sector and higher-tiered state and private actors. All three states display hybrid-type VOC characteristics, which include opportunistic behaviour, but lack a one-size-fits-all type of approach.

5.5.2 The challenge to traditional VOC by recognising hybrid forms of organisation

The traditional VOC theoretical framework puts forward assumptions concerning how market economies may be organised and categorises them according to a dualistic understanding. While this may be convenient for quantitative comparative approaches between countries, the qualitative research findings challenge the dualistic nature of the categories. As shown in Chapter Five, both CME and LME characteristics can be observed across various categories of actors. The governance structure of the German EIPA system relies on a combination of aspects from both sides of the VOC spectrum rather than a pure version of CME or LME. Both coordination-based as well as competitive behaviour are displayed by actors, pending their requirements within an MLG system.

Such a flexible understanding of governance networks and market behaviour is difficult to consolidate with a traditional understanding of VOC, as: 'A core prediction in VOC is inter-temporal stability in CME and LME structures once they are established' (Liebmann, 2009, p. 2). Given that actors such as AHKs display extensive hybrid VOC characteristics in their interactions with the German state for more than a century, it becomes apparent, that both VOC dualistic understanding and its presumption of internal homogeneity and path dependency are problematic. This finding, therefore, supports the criticisms of traditional VOC outlined in Chapter Two and explains why previous applications of VOC have identified drastic shifts in VOC-type behaviour in market economies, rather than a continuous development towards a purer type of market organisation (Paunescu and Schneider, 2004; Liebmann, 2009). VOC should incorporate a hybrid type of market organisation, in which actors display either weak CME or LME characteristics with the ability to combine the two. Furthermore, opportunistic behaviour via MLG interactions results in actors

displaying a hybrid type of organisation, whilst attempting to find an optimal fit for their respective requirements.

According to traditional VOC theory, a market system's organisation benefits the most in instances where actors portray purist forms of CME or LME characteristics. This contention ignores the prospect of hybrid forms of VOC both in terms of market systems and actor characteristics. Crouch critically pointed out this failure of traditional VOC to acknowledge hybrids and stated that:

'Hall and Gingerich (2004) take this further to argue that Systems mixing institutions of different fundamental types (specifically, mixing CME and LME characteristics) will underperform pure types. In other words, pedigree dogs will outperform mongrels. It belongs in the class of 'U-curve' theories which, disconcertingly for most policymakers, predict that extreme cases will outperform compromises and hybrids. As Hay (2002) has pointed out, having derived theoretical reasons for producing a set of types, authors tend to regard as somehow 'incoherent' those cases whose histories have happened not to place them in the theorist's boxes' (Crouch 2009: 48).

From the evidence gathered in this research, however, it is exactly this hybridisation ability of actors to combine different LME and CME aspects, such as a mix of strategic interaction with demand and supply consideration, which is fundamental to the German EIPA system. As an alternative, it offers the possibility of something more akin to a pendulum shape model, in which market economies may swing from one extreme to another, but slowly develop towards a central hybrid form of the two extremes.

Foregoing this hybrid ability and focusing exclusively on LME or CME characteristics would be a systematic shock to the German EIPA system and the governance ecosphere it has established. As depicted in Chapters Five and later Chapter Six, the interrelationships between different types of actors go incredibly deep, with state ministries having established in-depth strategic coordination shaped connections and formal structures with actors such as German IHKs, and simultaneously depending on the hybrid type services offered by actors such as AHK. Both private and state actors would face an unprecedented level of reform change resulting in a fundamentally different and incompatible system to that observed today. As such, both the past and present form of organisation found within the German EIPA system displays strong hybrid VOC features and challenges the traditional VOC assumptions.

5.5.3 Expanding the VOC approach by recognising aspects of MLG.

The results of this research show that a traditional VOC fails to recognise the importance of state actors, not in terms of institutional actors shaping a market environment, but as active participants, such as clients and service providers within it. Recognising the different impacts and roles of the state, as well as its multilevel dimension, is therefore necessary to further refine the analytical potential of the approach. This can be achieved by the integration of the MLG framework, which applied to the interviews shows that the interaction between actors such as the AHKs, the DIHK, and the BMWi display strong Type II MLG characteristics. Bruff recognised the limitation of the VOC approach due to its focus on the organisation between firms and the impact of institutions. According to him:

‘the very focus on institutions – the source of the literature’s strengths – makes it likely that this body of knowledge has reached its own self-imposed limits. Breaking through and going beyond these constraints requires an acknowledgement of the need for a more holistic approach to the evolution of capitalist societies’ (Bruff, 2011).

Whilst Bruff is correct in critically pointing out the shortcomings of the VOC approach, he fails to see the ability to supplement it with concepts of MLG and relies exclusively on replacing it with concepts of historical materialism. Given the findings from the German EIPA system, this however is neither necessary nor warranted as the VOC approach can be refined in this respect in two ways.

The first way is to expand on Crouch’s notion of hybrids or in his words mongrels and accept that VOC classifications are not internally homogenous (Crouch, 2009). Crouch’s classification should be understood as anchoring points on a spectrum rather than mutually exclusive classifications of extremes. **Figure 5.6** below illustrates how CME and LME definitions should thus be seen as a spectrum of actor organisation, rather than dualistic categories.

Figure 5. 6 Spectrum of traditional VOC



(Author, 2022)

This thesis, however, seeks to expand the theoretical framework of VOC, rather than just acknowledging that VOC categories should be viewed along a spectrum. Instead of having two incompatible extreme ideal types which actors within a market system develop towards, the organisation among actors can instead display a hybrid form, which is based on a combination of both CME and LME characteristics. This thesis proposes a third new hybrid category which is located at the centre of the two extreme positions and allows for a new, previously not recognised combined ideal type. This hybrid category is illustrated in **Figure 5.7** below. Rather than just describing imperfect forms of either CME or LME types of market organisation present in the real world, the explicit recognition of a hybrid category can explain instances in which actors display a type of coordinated competition. Rather than systems becoming more pure forms of CME or LMEs, they instead display a more balanced combination of the two, demonstrating an independent category. Within this ideal type of actor organisation, individual actors and particularly their senior staff pursue opportunistic decisions across levels of governance, Accordingly, actors display a mix of CME and LME-type characteristics depending on their requirements. Scharpf considers a similar notion in a Governance context based on actor-centred institutionalism (Scharpf, 1997a, 2000a). Within the VOC approach, introducing a new hybrid ideal type increases the approach's heuristic potential, as it enables it to recognise the complex forms of coordinated competition this thesis identified in the German EIPA system.

Figure 5. 7 Proposed Expanded Spectrum of VOC



(Author, 2022)

This new category is characterized by a form of coordinated competition, a type of market organisation which became apparent throughout the research into the German EIPA system. The existence of this hybrid ideal type contravenes the traditional path dependency associated with traditional VOC and as highlighted in Chapter Two a source of strong criticisms. It thereby offers an alternative new type of market organisation, which can convey the distinct governance networks in a market economy such as Germany as well as accommodate for how state actors directly participate in shaping a market. This also allows for accommodating the VOC contradicting pattern shifts displayed by several countries outlined by Paunescu and Schneider as well as Liebmann (Paunescu and Schneider, 2004; Liebmann, 2009). Rather than diminishing the ability of VOC to capture the organisation of market economies and pointing to shifts contradicting the assumed path dependency of VOC, adopting a hybrid ideal type can explain the complex market networks in which state and non-state actors interact and develop opportunistic synergies based on both competition and cooperation.

In the example of the examined EIPA system, this is perfectly illustrated by how AHKs are integrated into the wider system and the organisational characteristics which their interaction with other actors displays. Direct federal grant allocations make up about 20% of the income of the AHK system as a whole (AHK*3, 2016; Hauser *et al.*, 2016; DIHK*18, 2017). Whilst this contribution is not enough for AHKs to truly develop a dependency and does not entail any direct BMWi control due to it being

allocated via the BMWi, it has created a very close symbiosis or more accurately ecosystem of EIPAs which does not fit a traditional VOC concept without the incorporation of the proposed hybrid type.

The second way is by integrating the rich body of knowledge developed within the MLG literature to account for the impact that MLG networks and specifically Type II MLG structures have on actors within predominantly CME environments. For example, a 2016 study on the German federal export and investment promotion system attempted to quantify the financial and staff-based synergies resulting from the close collaboration between the different AHKs and federal-level EIPA actors. The study pointed out that while 58% of the assessed 258 network partners reported no financially measurable cooperation savings, the overall synergy resulting savings were calculated to be 72,500 € per network collaboration and partner, with the strongest effects measured for GTAI as well as embassy and foreign office respondents. For the AHK network as a whole, synergy savings due to actor cooperation were estimated to account for 10% of their income (Hauser *et al.*, 2016). This supports the notion of the complex ecosystem created in the German EIPA case. Type II MLG mechanisms underpin CME structures, yet simultaneously LME interactions and Type I MLG continue to exist and make up for the majority of interactions of an individual AHK. Furthermore, it indicates that actors within the system are aware of the economic rationale for collaboration instead of institutional or socially constructed factors. Thus, their hybrid VOC behaviour and the continued expansion of governance networks are a direct response to both the environment they operate in and the best fitting economically rationalised responses to it.

5.5.4 Conclusions regarding the expanded definition of VOC

Surprisingly throughout the interviews, there appeared to be little concern regarding a lack of collaboration within the German EIPA system. Interrelationships between the AHKs, IHKs, regional state EIPAs and both federal and regional state ministries were generally viewed as very closely knit and effective. As mentioned earlier, one regional state EIPA interviewee described it as: 'It's like a big family in foreign trade promotion' (StMWi *24, 2017).

A federal government representative was very proud of the fact that the BMWi programmes were a job creator for AHKs and these hired staff full-time exclusively for the ministry's projects (BMW*13, 2017). Similarly, one AHK interviewee pointed to the fact that despite the large number of different

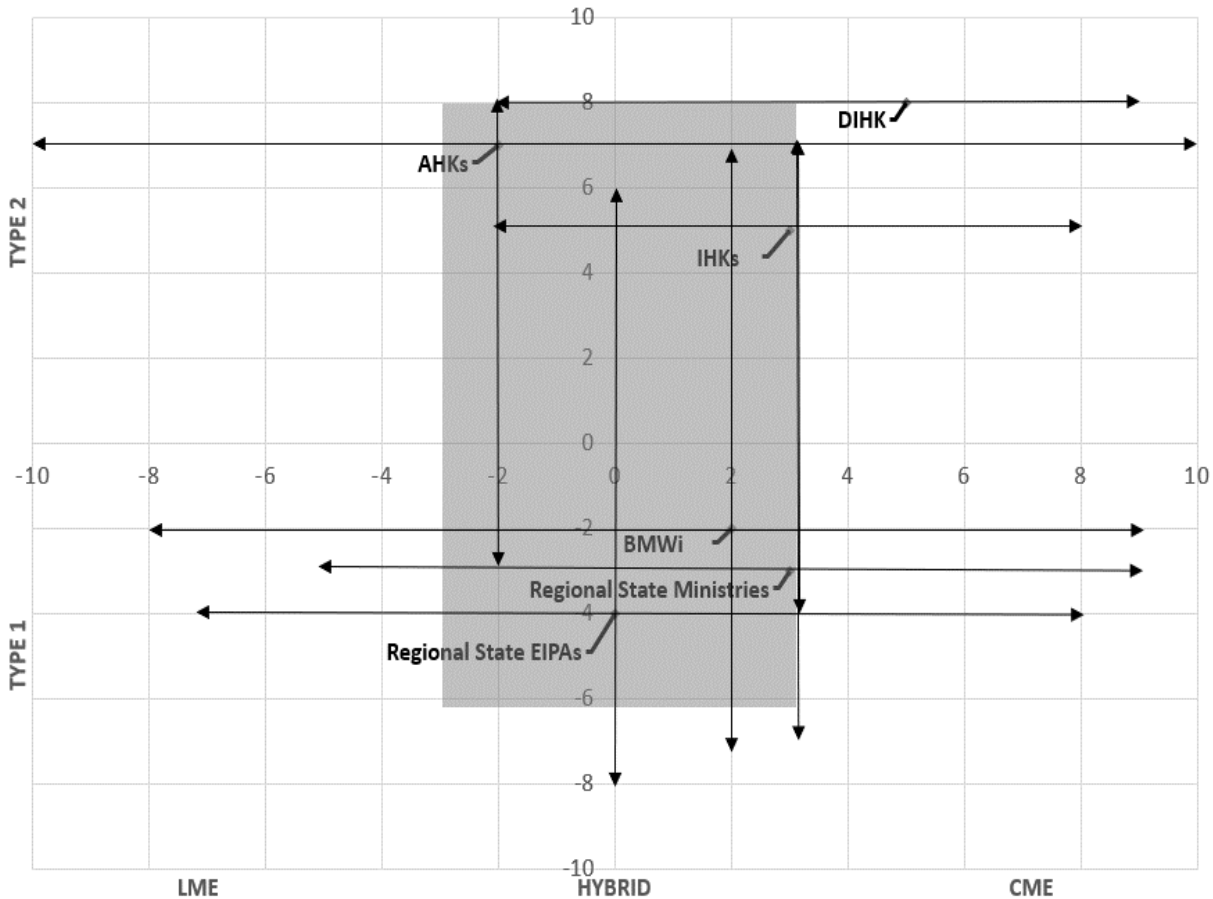
actors present within the German EIPA system and its overlap at times with other state-related actors such as the German Goethe language and cultural institute, collaboration was generally amicable and trust-based. Furthermore, they saw little duplication of responsibilities or direct confrontation between organisations (AHK*8, 2016). The interviewee also highlighted that this was in stark contrast to foreign EIPA systems which they had experienced working within the context of a European business chamber. Here, particularly regional-level EIPAs from the same country frequently compete directly with each other.

The German EIPA system displays a significant level of coordination, something expected of a CME-type system. Simultaneously it maintains essential aspects of market competition, which are crucial to the interaction between state and non-state actors. This finding is difficult to reconcile with a traditional understanding of VOC. By recognising two major MLG aspects, however, the situation changes. First, VOC must follow MLG’s recognition of the state as being more than just a single institutional framework. The state, either directly via its ministries or state EIPAs is a direct participant within the market. It engages both on a direct market actor level with private actors and creates and maintains an institutional framework and governance relationships by delegating policy implementation, awarding direct grant funding or giving legal rights to private actors such as IHKs for limited self-administration. Secondly, VOC must recognise that different types of governance can coexist within a system and potentially even create synergies, as recognised by MLG in terms of Type I and II MLG. Within the context of VOC, this means that both actors and the system as a whole display either one or a mix of CME and LME characteristics, depending on the requirement. Rather than such a hybrid display of VOC characteristics being an exception and resulting in the underperformance of the system, the adoption of what Crouch refers to as ‘mongrel’ characteristics accounts for a previously not recognised third ideal type of VOC organisation (Crouch, 2009). Actors displaying this hybrid form of VOC can be identified throughout the German EIPA system, with the system itself displaying a strong adherence to a form of coordinated competition.

Figure 5.8 below summarises the findings of this chapter and depicts them in a matrix-style representation. The actor categories selected are located on the matrix depending on their display of VOC and MLG characteristics. The x-axis depicts the spectrum of VOC. It ranges from -10, depicting strong LME characteristics, to +10 for strong CME characteristics. In the middle range of -3 to +3, no dominant CME or LME characteristics are displayed by the actors. This is indicative of the coordinated type of competition proposed by the VOC hybrid type category. The arrows indicate the

range of characteristics which the actors displayed in opportunistic market behaviour. For instance, AHKs displayed the largest range of VOC interactions, in some instances displaying a strong focus on LME characteristics, while on other occasions or in other market segments they displayed strong CME characteristics. The DIHK on the other hand displayed no instances of strong LME-type market behaviour but depicted a range of CME characteristics which combined some LME aspects. The Y axis depicts the spectrum of MLG, ranging from -10 for strong Type I and +10 for strong Type II interactions. All actors displayed governance interactions across different levels, with both state and non-state actors displaying the greatest range of activities within the Type II category of MLG.

Figure 5. 8 German EIPAs displaying VOC and MLG characteristics



(Author, 2023)

Figure 5.8 illustrates that German EIPA system actors displayed neither strong CME nor LME characteristics. Whilst most of the actors display a minor predisposition towards CME-type characteristics, the range of different VOC characteristics depicted by the arrows is very broad. All but the DIHK are grouped around the centre of the VOC spectrum within the predominant hybrid category shaded. They all demonstrate a wide range of organisational characteristics and display

both Type I and particularly Type II MLG interactions. This range of CME and LME characteristics can be attributed to the opportunistic behaviour displayed by the actors and a general system reliance on coordinated competition to maximise capacities via synergies. The display of organisational variation and grouping towards the centre hybrid category challenges the traditional path-dependent and dualistic assumption of VOC. Rather than displaying purer LME or CME-type characteristics, actors balance competitive and coordinating aspects, particularly concerning the interaction between state and private market actors.

The illustration further highlights a partiality of state actors towards a mild Type I form of MLG. In comparison, private sector EIPAs display a stronger emphasis on Type II interactions. This is an intriguing insight, as it illustrates that rather than developing towards purer forms of actor organisation, the German EIPA system is best understood by a hybrid type of VOC, that recognises MLG interactions between the state and private sector. Type II MLG interaction allows private actors to engage with state counterparts and secure contracts and ultimately new income streams. Meanwhile, despite state actors engaging primarily in hierarchical relationships, there appears to be a distinct role for Type II MLG interactions for state actors to delegate responsibilities and tasks relating to policy implementation. Accordingly, rather than implementing export and investment promotion themselves or fully outsourcing it to the private sector, the case of the German EIPA system illustrates a third option, which can best be understood as a hybrid VOC type, based on coordinated competition. As seen in the example of the “Go International” program in Bavaria, regional state ministries tap into the funding resources of higher-tiered actors such as the EU's ERDF, to then delegate the actual program implementation to private sector actors such as IHKs. Therefore, competitive considerations and Type II MLG interactions are displayed in instances where they benefit the coordination and implementation of the state's export and investment policy.

Regional state EIPAs such as BW_i or DMAN are co-owned between the state and private sector and are required to sell services and engage in formal contracting to secure their funding with actors from multiple levels. As such they display LME characteristics and make use of Type II MLG forms of Governance. Crucially, however, they operate not for profit and can expect significant cofounding from their direct owners. This inevitably impacts their strategic decisions and results in a hierarchical relationship towards their state owners, resulting in them being displayed in the CME and Type I spectrum of the chart. However, this is far from the dualistic understanding of traditional VOC. Despite a minor bias towards the CME and Type I categories, these actors' complete governance

behaviour and display of system organisation cannot be understood without the mentioned Type II MLG and CME aspects. Therefore, an expanded VOC framework that recognises a hybrid type is required.

This hybrid type of actor organisation in the system becomes apparent when considering AHKs. As shown in **Figure 5.8**, these display both distinct CME and LME characteristics and Type IIO MLG characteristics. They are independent private actors and not subject to direct hierarchical control from either the DIHK or federal or regional state ministries. They offer their services to both private and state actors on multiple levels to cover their expenses and engage predominantly in formal contracting procedures. Accordingly, they display predominantly LME and Type II MLG characteristics. At the same time, however, there is an indisputable degree of interdependence on regional and federal state actors. AHKs are officially recognised as the third pillar of export promotion for the Federal Republic of Germany and frequently function as representatives of regional state governments, for which they receive additional funding (DIHK*18, 2017; MW Nds*23, 2017; StMWi *24, 2017; Auswärtiges Amt, 2021). Thus, there is a significant amount of coordination between them and state actors.

Interestingly, this coordination between the AHK and the BMWi is conducted via a third party, namely the DIHK. This results in a complex interdependent governance relationship (illustrated in Chapter Six, **Figure 6.2** and **Figure 6.3**). AHKs remain independent at face value and appear to focus on formal and competitive market arrangements and LME characteristics. Closer examination however reveals a close informal Type II MLG interactions with the federal German state via the DIHK as a basis for their subsequent interaction with federal state actors. Furthermore, the subsequent financial dependencies on state funding result in a significant display of non-market interactions and CME characteristics.

These complex organisational realities cannot be adequately captured by traditional VOC. However, a combined VOC-MLG approach that recognises a hybrid type of system organisation can capture these complex governance interactions across multiple levels. This allows for an innovative new approach to capture the distinct type of market actor organisation within Germany's EIPA system. In **Figure 5.8** above, this hybrid type of actor organisation has been marked by the shaded area.

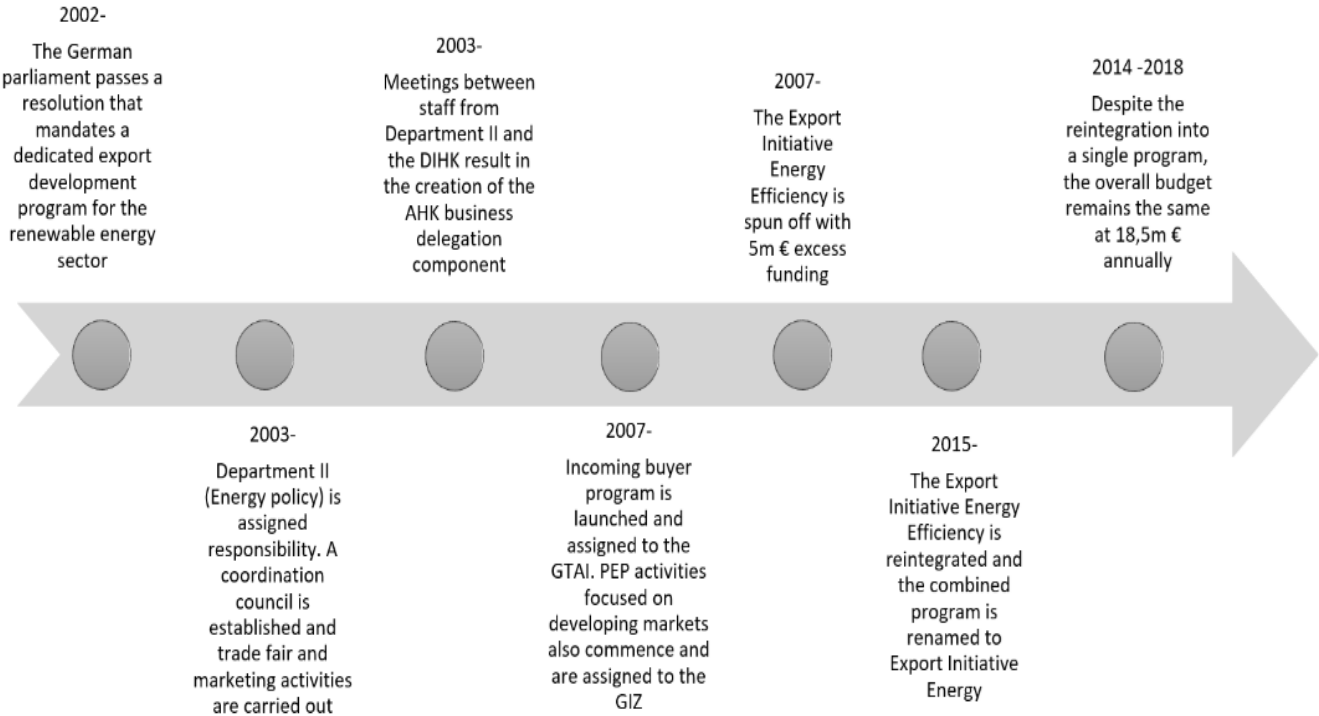
6 The case of the German Export Initiative Renewable Energy program

This section will introduce the case of the Export Initiative Renewable Energy (*Exportinitiative Erneuerbare Energien*) program. It will begin by providing an initial description and historical development of the case, identifying the actors involved in the case as well as the key activities of the program and a description of the actor interactions. This is done to illustrate the complex governance interactions and forms of actor organisation which occur as part of the German Export Initiative Renewable Energy and highlight how an expanded Varieties of Capitalism (VOC) definition that includes a hybrid ideal type and considers the different types of governance between state and non-state actors. The case comes from the German EIPA system and thus develops a case within a case analysis. In doing so, it functions as an in-depth example of how the proposed expanded theoretical VOC framework can be applied to the actor organisation within the context of one of the German EIPA system's most prominent programs, which involves nearly all the actors discussed in this research. Following Seawright and Gehring, it represents a typical case, meant for confirmatory use of a theory (Seawright and Gerring, 2008). It will therefore be used to illustrate the fit and heuristic potential of the proposed expanded VOC hybrid framework.

The Export Initiative Renewable Energy is the largest individual project in terms of program funding focused on export promotion by the German federal government (Deutscher Bundestag, 2007; VDI / VDE Innovation & Technik GmbH, 2010; iit, 2016; DIHK, 2021b). It focuses on promoting products and services from primarily Small and Medium Enterprises (SMEs) in the German renewable energy sector to export markets and German companies in identifying export opportunities and potential business partners abroad. Between 2007 and 2015 the program's funding was used to develop a second smaller program called Export Initiative Energy Efficiency (*Exportinitiative Energieeffizienz*), which focused on a wider range of technologies that focused on saving energy rather than supplying renewable energy, but it was reintegrated into the main project in 2015. This development is further discussed in Section 6.6. Following the reintegration of this program, the Export Initiative was rebranded and renamed the Export Initiative Energy (*Exportinitiative Energie*). To avoid confusion to the reader, this thesis will continue to refer to the Export Initiative Energy by its original name, Export Initiative Renewable Energy. **Figure 6.1** below represents a timeline of the program

development since 2002, to assist the reader in understanding the detailed case description of this chapter in context.

Figure 6. 1 Timeline of the Export Initiative Renewable Energy



(Author 2022 based on Deutscher Bundestag, 2007, 2019; VDI / VDE Innovation & Technik GmbH, 2010; iit, 2016; BMWi*13, 2017; DIHK, 2021b)

6.1 The conception of the program

The project was initiated following a German federal parliament resolution in 2002 and assigned to the organisational responsibility of the Federal Ministry of Economics and Technology (BMWi) (iit, 2016; Deutscher Bundestag, 2019). Before 2002, the topic of promoting renewable energies had been the responsibility of the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) and was not part of the BMWi export promotion policy. This reassignment of responsibilities marked a distinct shift within the organisation of policy responsibilities on a federal-state level and resulted in the creation of new governance networks which shaped the German EIPA system. The decision to change this allocation and reassign the topic area to the BMWi was made by the German federal parliament (iit, 2016; Deutscher Bundestag, 2019). The interviews however revealed that it was a direct decree by the German Federal Chancellor (*Bundeskanzler:in*) Merkel at the time to assign the program to the BMWi and thus explicitly make it part of Germany's export promotion policy (BMWi*13, 2017).

This shows how the decisions of elite actors can impact organisational structure and shape the market organisation of actors, an aspect previously neglected by the traditional VOC literature. By reassigning the topic area and directly awarding the mandate and funding to the BMWi, the subject area of renewable energies eventually became the single most important project between the federal government and the German Chamber of Commerce system. This is a clear first indication of how governance structures and the exact components of a program or actor interaction are formed on an opportunistic basis. As highlighted specifically in Section 6.5 of this chapter, the executive decisions by senior staff members have a significant impact on governance setups and the type of VOC or Multi-Level Governance (MLG) characteristics they display. In the case of the Export Initiative Renewable Energy, this can be traced from the program's original conception marked by the Chancellor's decision to assign it to a particular ministry, all the way to how senior federal state ministry and private sector staff from the Association of German Chambers of Commerce and Industry (DIHK) have designed it.

Assigning the program to the BMWi resulted in prolonged internal discussion within the ministry as to which department should be tasked with the operation of the program. Specifically, Department V, responsible for general export promotion and Department II, responsible for Energy Policy, clashed in terms of which department had to take on the extra responsibility. In the end, the new

program was awarded to Department II, which according to one interviewee came down to the fact that Department V staff insisted that they lacked the organisational capacity and expertise to address this sector of industry (BMWⁱ*13, 2017). A complete organisational chart of the federal ministry can be found in ANNEX 2 (BMWⁱ, 2020a). This is highly interesting, as the Export Initiative Renewable Energy has since become the single largest contract awarded to the German Chambers of Commerce Abroad (AHK) network, yet as mentioned in Chapter Five, the annual BMWⁱ grant awarded to the network is determined in negotiations between the DIHK and Department V of the BMWⁱ. Department II was assigned what was to become the single largest source of federal-state contracts for AHKs, despite Department V being the department in charge of allocating the annual federal-state grant contribution to the AHK network.

This complex governance set-up would support the adoption of an MLG, specifically a Type II approach to highlight the relationship intricacies and assist in explaining the type of actor organisation which using a traditional VOC approach would be difficult to capture. Department II of the BMWⁱ is solely responsible for the implementation of the Export Initiative Renewable Energy program. To do so, it adopts an implementation strategy based on outsourcing operational requirements to private actors. It awards formal contracts to individual AHKs following a closed competition and refrains from engaging directly with this group of actors or ceding decision-making power to them. There is however a strong degree of coordination with the DIHK in terms of developing the strategy and focus of the program. This outsourcing of policy implementation activities depicts features which are best understood by combining a hybrid VOC approach with particularly Type II aspects of MLG. Department II of the BMWⁱ develops a relationship with the German Chamber of Commerce system, separate from that of Department V. This governance interaction can best be described as a type of coordinated competition. Rather than relying exclusively on the competitive private sector and actors such as market consultant companies, the federal government's interaction with the DIHK and the AHKs seen in the Export Initiative Renewable Energy, can be explained via the proposed combined VOC and MLG approaches and the concept of coordinated competition. Here a state actor implements a policy program using private actors and competitive aspects, while simultaneously relying on close coordination between actors on multiple levels. Accordingly, this method benefits from 'the best of both worlds'. A hybrid type of VOC understanding describes the process best, as the actor organisation is optimised using both types of characteristics, rather than displaying more pronounced and exclusive CME or LME characteristics.

6.2 Design of the program

Since 2004, one senior staff within the BMWi has been in charge of the Export Initiative Renewable Energy program. This continuity of program leadership is indicative of a significant relationship network that has been in place for nearly two decades. This assumption was confirmed throughout the interviews with both the BMWi and several senior DIHK staff members mentioning the importance of personal relationships between senior staff as well as the resulting challenges in instances where contact names are unclear or individual staff held strong prejudices against collaboration (BMWⁱ*13, 2017; DIHK*17, 2017; DIHK*19, 2017). Accordingly, coordination via informal governance networks has been instrumental in the design and implementation of the Export Initiative as it is today. Once the BMWi was tasked with the conception and implementation of this topic, a mixture of informal governance networks, personal initiative and instances of extensive actor coordination began to shape the program. For example, instead of the program being designed in advance and independently by the federal state ministry and later implemented via a top-down fashion onto the private sector and actors such as AHKs, typical of a Type I MLG understanding, the interviews revealed a process that appeared to centre around elite individuals making decisions based upon the benefit they perceive for their organisations. This is more in line with the actor-centred institutionalism formulated by Scharpf (Scharpf, 1997a, 2000a). Crucially, however, this close form of Type II governance between the DIHK and the BMWi did not result in what a traditional understanding of VOC would define as a form of coordination-based market organisation. This is because at no point in the program, was the DIHK directly awarded any contracts or a recipient of state funding. All subsequent program contracts and funding were awarded to the individual AHKs. Because of this, the function of the governance relationship between the DIHK and the BMWi is best summarised by the hybrid VOC concept of coordinated competition.

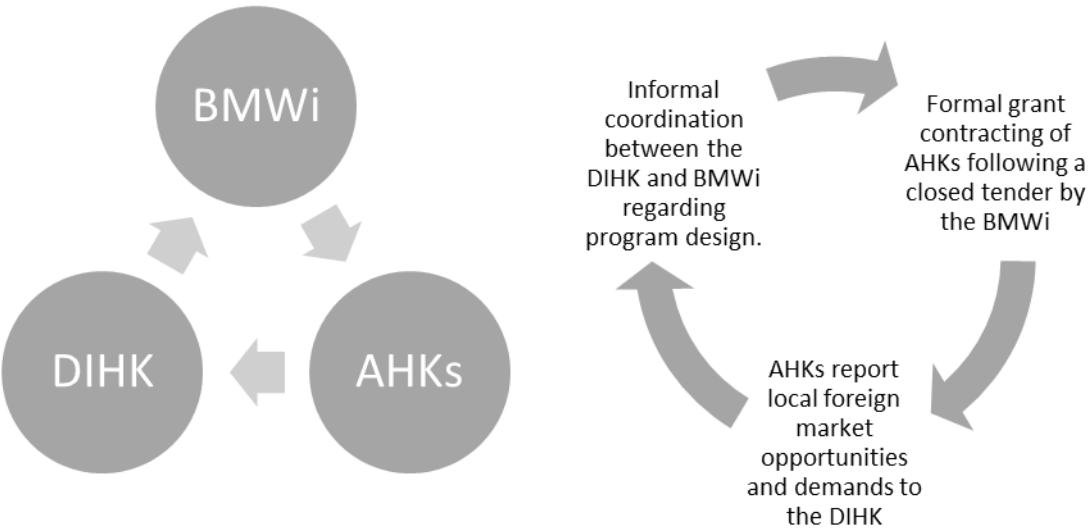
Both the private sector DIHK and the state BMWi appeared to be focused on coordination efforts, which resulted in the subsequent implementation of the program by third parties, primarily private sector AHKs. Unlike the relationship between the BMWi and the DIHK, this interaction would not exhibit Type II MLG and more CME typical characteristics, but instead, a more hierarchical Type I governance approach with an emphasis on competition. Crucially, however, this form of actor organisation would not have been possible without the coordinating groundwork of the DIHK, thus illustrating the heuristic utility of a hybrid VOC ideal type, which recognises the possibility of combining CME and LME characteristics. Particularly ad-hoc meetings between senior staff members appear to have been a driving force in the design of the program, resulting in a type of actor

organisation this thesis refers to as coordinated competition or a hybrid ideal type of VOC. According to a federal ministry interviewee for instance:

‘Then came Mr [anonymised] from the DIHK and I had just been in office for two or three days. And he said we absolutely had to introduce a business travel programme into the Export Initiative. I had no idea, but I said, that sounds good, let's do it. And then it came about slowly’(BMW*13, 2017).

As shown by the above example, informal governance networks and the decision-making and initiative capacity of senior staff can best be understood using a Type II MLG approach and a hybrid type of VOC, which combines CME coordination and LME competition aspects. **Figures 6.2** and **Figure 6.3** below further depict how the three different types of actors engaged with one another independently and exhibited different VOC and MLG characteristics, which combined result in a dynamic that is best captured by a hybrid concept of VOC based on coordinated competition.

Figure 6. 2 Interaction between the three primary program actors



(Author, 2023)

The interrelationship described above results in the awarding of formal contracts by the state to private sector AHKs, which remain independent and in a type of organised competition amongst one another. This indirect form of contracting cannot easily be reconciled with a traditional understanding of VOC but is best captured by a hybrid VOC understanding, which recognises explicitly the organisation between state and non-state actors and allows for deviations in terms of individual actor interactions, which are crucial for the functioning of the system as a whole. As argued in Chapters Two and Five, rather than attempting to apply a dualistic interpretation of actor organisation, a hybrid type of VOC allows researchers to illustrate complex governance arrangements between market actors that rely on both competitive and coordinating aspects of organisations. Leadership staff engage in a variety of interactions with other market actors, which display distinct organisational characteristics depending on an opportunistic assessment of their benefit to them individually or their organisation.

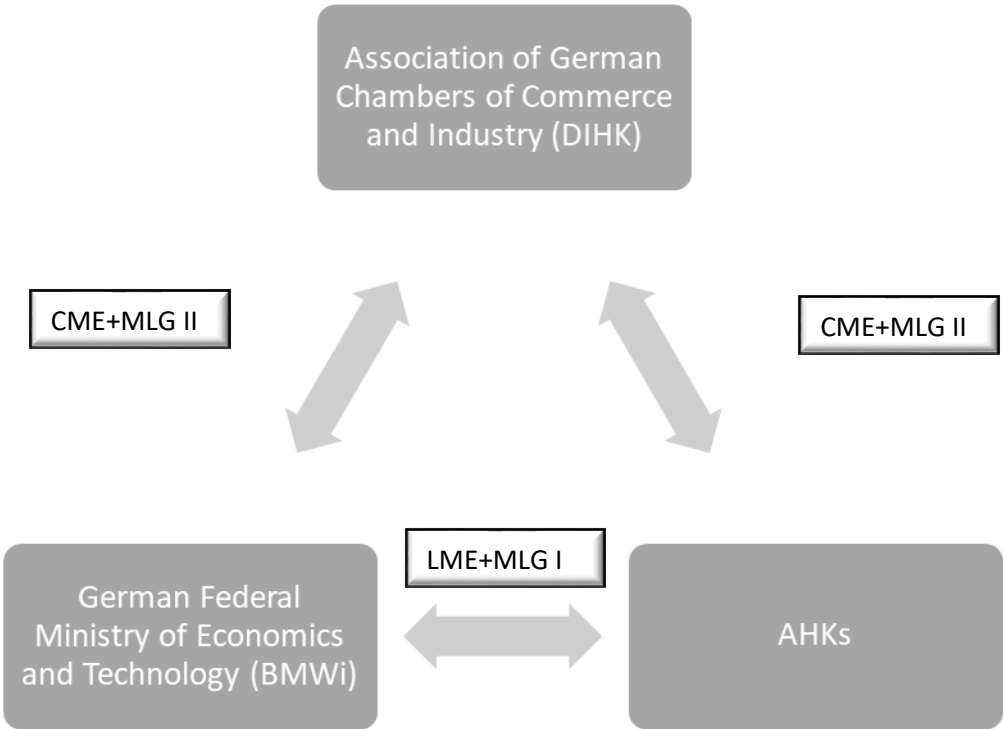
In the context of the Export Initiative Renewable Energy, the BMWi export development department was assigned the topic area of renewable energies, yet it appeared to be the personal initiative of both leadership personnel of the BMWi and the DIHK which resulted in the actual design of the program. The DIHK neither received any financial compensation nor did it enter a formal contractual arrangement with the ministry. Instead, it engaged in a type of interaction, which is best captured via the concept of coordination via informal governance networks aimed at increasing the competitiveness of the AHKs network. Thus, the above-described governance interactions can be understood by a coordination-focused VOC understanding, which recognises strong Type II MLG characteristics.

These informal, coordination-based interactions between the DIHK and the BMWi however are directly responsible for creating formal contracts and competition-based relationships between the BMWi and individual AHKs. Individual AHKs must annually engage in a formalised, through chamber network restricted type of competition, where they pitch their local market potential, as well as program activities and the costs for the latter. This is done to secure lucrative contracts which contribute significantly to their income. Furthermore, this bidding process is done at arm's length without any direct communication between the AHKs and the BMWi. At face value, therefore, this interaction would suit many of the LME characteristics and a Type I form of MLG. However, neither of the interactions displayed in **Figure 6.2** should be analysed out of context, as the governance

system between these three actors depends on the combination of relationship aspects and interactions.

The resulting organisation between the different actors must therefore be considered within a systemic context and is thus best understood using a hybrid type of VOC category. **Figure 6.3** below expands on the previous **Figure 6.2** but explicitly labels the different VOC and MLG types and characteristics which collectively account for the hybrid form of coordinated competition.

Figure 6. 3 VOC and MLG relationship characteristics within the hybrid German EIPA system



(Author, 2022)

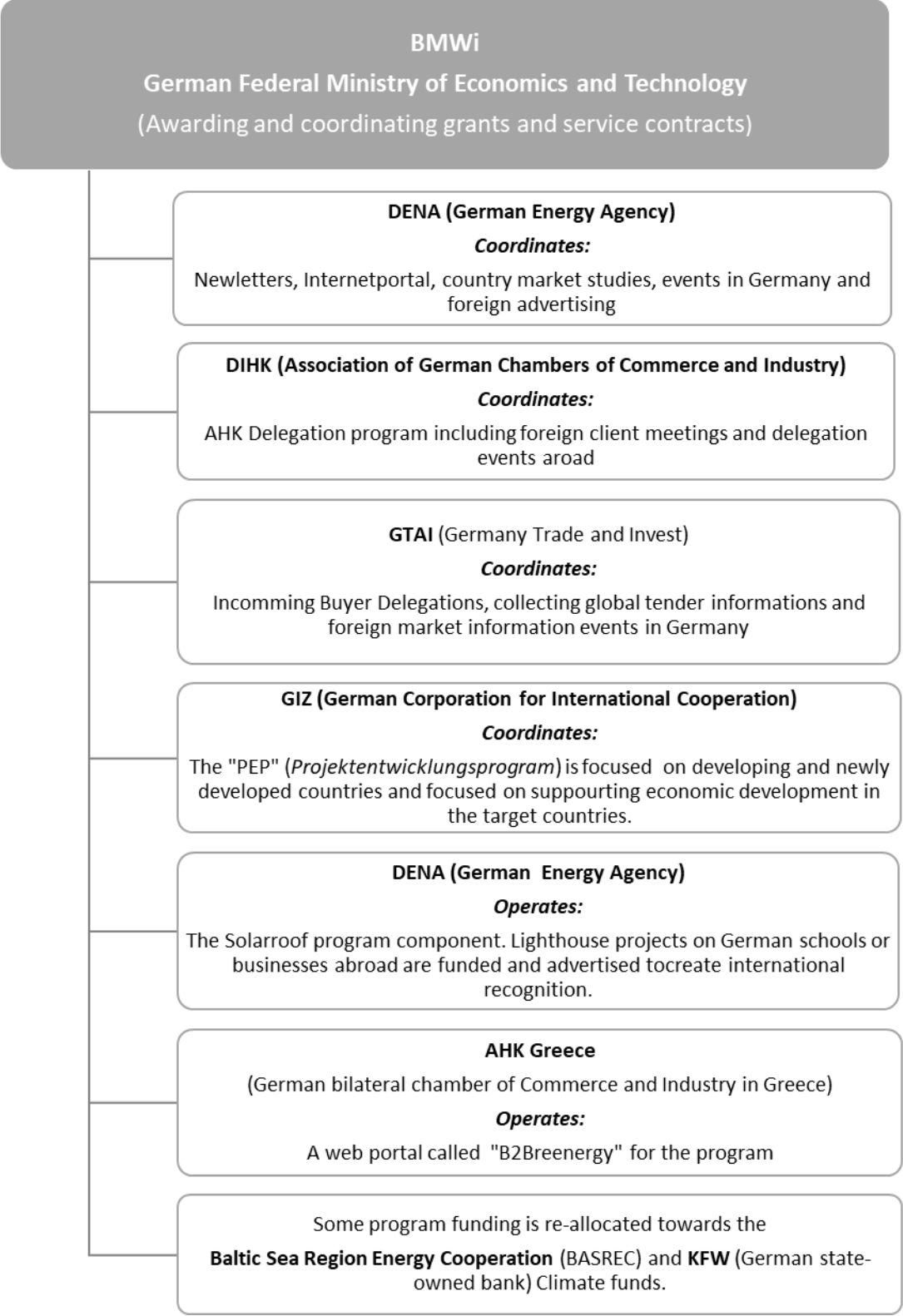
As illustrated in **Figure 6.3** above, individual actor relationships display an emphasis on different types and spectrums of both MLG and VOC. All three actors are effectively independent of one another, yet each relies on the interaction of the other two, to coordinate and as a result, enable formal and competitive types of contracting to occur. This complex interaction in which different actors take on distinct roles is best described by the concept of a hybrid form of VOC that displays

both coordination and competition are core components of its overall actor organisation. Furthermore, this hybrid-type understanding accommodates the opportunistic behaviour of actors, particularly driven by their senior staff. New competitive interactions are enabled via precursory coordination-based multi-level governance interactions. Furthermore, rather than having to assign any of such instances to a path-dependent development towards the extremes of the CME or LME spectrum or as simple outliers, adopting a hybrid type of VOC, allows for a heuristic application that highlights complex governance structures and decision-making processes.

6.3 Program structure

As mentioned above, complex governance interactions, which are best captured using a hybrid VOC and Type II MLG understanding, were central to the design of the Export Initiative Renewable Energy. An examination of the resulting program structure using this analytical framework further strengthens these findings and shows how coordination and competition-based interactions between state and non-state actors are central to the program. **Figure 6.4** below outlines the program structure in terms of key actors involved and stipulates their roles and areas of responsibility.

Figure 6. 4 Structure of the Export Initiative Renewable Energy



(Deutscher Bundestag, 2007; VDI / VDE Innovation & Technik GmbH, 2010; iit, 2016; BMWi*13, 2017)

As depicted in **Figure 6.4**, the BMWi is the sole actor responsible for awarding grants and service contracts to any other of the program participants. As such, the ultimate hierarchical authority is maintained by the ministry and neither shared nor delegated to other actors. In terms of the actual operation and coordination of the program, however, the ministry's role is extremely limited. This can also be explained by the fact that in 2018 for instance, the responsible department within the ministry had less than 10 full-time positions working there (Deutscher Bundestag, 2019). These staff are restricted to an executive and oversight role, with the actual management and coordination of major aspects of the program being delegated to third-party state and non-state actors. Even within the actual BMWi, the civil servants are supported by operational staff working alongside them but hired via an agency construct (*Geschäftstelle*) from a private sector limited liability company on a multiple-year contract basis. This notable construct will be further detailed in Section 6.7 of this chapter.

In terms of the coordination between the actors identified in **Figure 6.4**, a distinction can be made between state-owned actors, such as Germany Trade and Invest (GTAI), the German Energy Agency (*DENA*), the German Corporation for International Cooperation (GIZ) and the KfW Bank (*Kreditanstalt für Wiederaufbau*) which are all fully owned by the federal government (or as in the case of the KfW Bank by federal and regional states), and privately owned actors such as the DIHK or individual AHKs, such as the AHK Greece. Whilst state-owned actors are directly assigned program responsibilities without competition and funding via internal budget allocations, private actors such as the DIHK and the AHKs depend on a complex mixture of internal tenders and budget proposals (GTAI, 2014; AHK*1, 2016; AHK*3, 2016; AHK*4, 2016; AHK*7, 2016; AHK*9, 2016; GTAI*14, 2016; GTAI*16, 2016; AHK*5, 2017; AHK*6, 2017; BMWi*13, 2017; DIHK*17, 2017; DIHK*18, 2017; DIHK*19, 2017; GTAI*15, 2017).

When applying a VOC approach, the delegation of contracts to GTAI, DENA or the GIZ is an example of CME-type characteristics. There are neither formal contracts nor competitive aspects observable in the interaction between them and the ministry. Furthermore, from an MLG understanding, these interactions display what is best described as Type I hierarchical characteristics, as the three actors have little choice in being tasked with the outlined activities. Indeed, the interview with the BMWi interviewee highlighted the fact that there is no negotiation regarding price when a state actor such as GTAI is tasked with incoming buyer delegations (BMW*13, 2017). Any costs that occur from such

activities are either expected to be covered directly by the actor which incurred them or passed on via an internal budgeting process to the relevant program budget. In consequence, there is no aspect of competition or formal contracting present.

This is in stark contrast to the type of actor organisation which occurs with private sector actors such as German chambers of commerce. As previously mentioned, whilst the DIHK offers its service as a coordinating body free of charge to the BMWi, this should be seen within the context of benefitting the competitive subsequent relationship formed with AHKs as their service provider. The DIHK maintains what can be described as a coordination-based form of actor organisation with the ministry, importantly however, given the lack of a direct hierarchical Type I form of governance relationship, this coordination appears voluntary, and policy focused and is therefore better explained by a Type II MLG. It is of note that rather than the BMWi coordinating the delegation component awarded to AHKs itself, it cedes this coordinating capacity to the DIHK. In consequence, the BMWi is relieved of a significant amount of bureaucratic oversight and having to deal with issues such as checking contract invoices or responding to individual contractor questions whilst maintaining de facto control of the overall program management and integrating competitive aspects such as formalised contract and arm's length relationships with the contractors implementing the program.

From the actors listed in **Figure 6.4**, only the AHK in Greece maintains a direct formal contractual relationship with the federal ministry. Thereby it is the only actor that displays both primarily LME and Type I MLG characteristics in its relationship as a directly hired service provider for the ministry. However, despite this contracting relationship not being coordinated via the DIHK, it seems unlikely that a small, non-software specialised German Chamber in Greece would have been selected to operate the program's web portal without the trust and coordination-based governance network in place between the BMWi and the German Chamber of Commerce network. As such it becomes apparent that despite individual actor relationships appearing to fit a traditional interpretation of VOC or MLG types, the functioning of the system depicts a mixture of coordination and competition which itself is dependent on complex governance interrelationships. The role of the DIHK is crucial in terms of coordinating with the ministry, thereby enabling subsequent competitive relationships with AHKs.

The importance of the private sector and the chamber of commerce system in terms of the program's structure becomes very apparent when looking at the financial resource allocation of the program. **Figure 6.5** below illustrates the distribution and size of program expenditure in the first seven years of the Export Initiative Renewable Energy.

Figure 6. 5 Expenditures of the Export Initiative Renewable Energy (in thousands of Euros)

	2003	2004	2005	2006	2007	2008	2009	Total
Delegation program (AHK)	0	3.587	3.910	3.508	3.079	2.699	3.329	20.112
Information events (GTAI)	0	635	191	150	124	116	117	1.333
Incoming Buyer Program (GTAI)	0	0	0	0	278	267	355	901
Incoming multiplier travel program (GTAI)	0	0	0	0	0	0	20	20
Trade Fair Program (BMW i)	2.074	2.780	1.624	1.590	1.706	2.143	2.844	14.761
DENA PR and Information activities	795	1.827	639	585	342	1.174	2.234	7.595
Solar roof showcase program for German schools and businesses abroad (DENA)	0	953	985	1.006	1.365	969	1.233	6.510
BASREC Fond (Renewable energy fund for the Baltic Sea States)	0	2.000	1.000	1.000	1.000	0	0	5.000
KFW Climate Protection Fund	0	0	27	107	498	143	118	893
PEP Project development program for developing economies (GIZ)	0	0	0	0	178	602	0	781
Project research fund	0	314	102	11	0	0	0	427

(VDI / VDE Innovation & Technik GmbH, 2010)

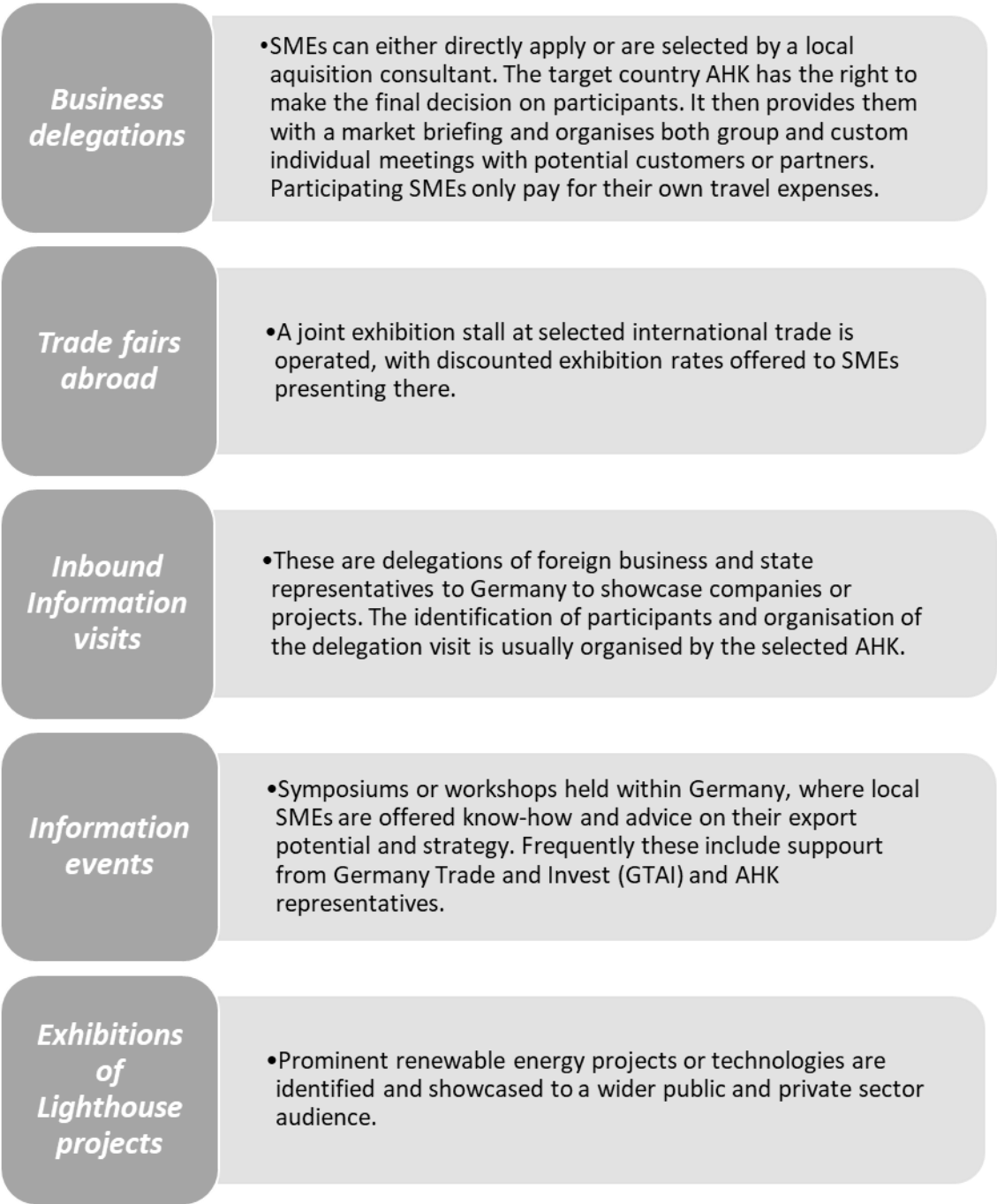
As illustrated in **Figure 6.5**, during the first few years of the Export Initiative, the AHK received the most funding from the project of any institution involved. Excluding the trade fair component, which accounts for the second highest expenses with €14.76 million until 2009 and can be mainly explained due to the high rental fees of pavilions during major trade fairs, AHKs received more than 20 million Euros. This is noteworthy, for several reasons. First, unlike other major cost centres such as the trade fair component or the advertising activities implemented by DENA, the majority of the payment to AHKs goes directly to the responsible actor and is not immediately passed on as third-party costs such as trade fair rental fees or print and advertising costs. According to an AHK interviewee, despite having the Export Initiative components awarded as grant contracts (meaning that there is no fixed fee, but all expenses have to be disclosed to the ministry) the majority of the invoiced costs account for staff hours they incurred. These staff hours are then reimbursed according to a pre-approved per diem rate, thus contributing significantly to covering an AHK's annual staff overhead cost. Third-party expenses such as catering for events or transportation, typically only comprise a minor percentage of the overall chargeable cost (AHK*6, 2017). As such, the program expenditures towards AHKs are of vital importance for them and make up the single biggest service fee allocation and expenditure in terms of both total amount and direct actor contribution.

Secondly, the expenditures to the AHKs stand out, as all other expenditures are paid to state-owned actors. GTAI for instance, which is an EIPA that is fully owned by the BMWi, received just over 10% of the funding for their program-related activities compared to the external AHKs. Therefore, despite possessing an in-house EIPA, the BMWi chose to outsource the majority of the workload and financial compensation to an external private sector actor. The tasked department in the BMWi chose to incorporate an external non-state organisation in the design and execution of the program, instead of funnelling resources internally into its EIPA in a top-down manner or relying exclusively on arm's length private sector contractors in the form of private market consultants. This highlights the governance interrelationships between actors which cannot be explained using either a traditional understanding of VOC or an exclusively MLG-focused approach. Instead, it supports the argument for introducing a new hybrid ideal type of VOC that recognises complex Type II MLG relationships between state and non-state actors. Rather than relying exclusively on formal private sector outsourcing solutions or creating operational capacities in-house and delegating and coordinating projects with other state actors, the BMWi approach towards operating the Export Initiative Renewable Energy can best be described as a form of coordinated competition.

6.4 Core components of the program

The previously outlined program structure resulted in several major program components which have remained largely unchanged from their initial inception of the program in 2004. For the sake of clarity, these components have been summarised in **Figure 6.6**.

Figure 6. 6 Core components of the Export Initiative Renewable Energy



(Author based on BMWi, 2016, 2019)

The business delegation component outlined in **Figure 6.6** is central to the whole program. A 2019 program evaluation report of the German federal government on the program identified AHK-led delegations (*AHK Geschäftsreisen*) as one of the three main components of the program, the others being information events within Germany and inbound information visits of foreign companies (also components organised by or in conjunction with AHKs (BMW_i, 2016, 2018; Deutscher Bundestag, 2019). Its significance is also reflected in terms of program expenditure (see **Figure 6.5**), as it accounts for the largest component in terms of funding. Therefore, both in terms of expense allocation and the German government's evaluation report, the core program components are outsourced and operated by private-sector actor service providers, despite the existence of multiple federal state EIPAs such as GTAI. This is a stark indication that both coordination and competition are central to the implementation of the program.

As outlined in **Figure 6.6** above, the business delegation component consists of two separate activities. Following the selection of an AHK to host and organise a business delegation of German SMEs from the renewable energy sector, a private sector consultant (*Akquisekonsultant*) within Germany is tasked with approaching suitable SMEs within Germany and informing them about the possibility of taking part in a dedicated business delegation to the selected target country. This private sector consultant is selected via a public tender by the BMW_i, with contracts being awarded for 2-3 years at a time and for a specific international region (BMW_i*13, 2017). During the research, one of these consultants was also interviewed, which revealed that despite being a registered company in Germany, the consultancy was initially set up by an individual AHK. The reason given was that the chamber wanted a dedicated “in-house” project counterpart in Germany (MENA PP*12, 2017). This again is an indication of the significance of governance networks and degrees of coordination present even in instances which do not appear so at first examination.

Once a potential participant has been identified by the domestic consultant, their details are forwarded to the relevant AHK operating the delegation. Up until January 2018, participating in the Export Initiative Renewable Energy was free of charge for German companies. Participants were responsible for arranging their travel to the destination country and paying for food and accommodation expenses. Since 2018, companies are asked to contribute either 250 €, 750 € or 1250 € depending on their size (Deutscher Bundestag, 2019). Furthermore, depending on the total cost of the business delegation component, companies are issued a Deminimis subsidy attestation,

which specifies the value of the free services received in line with European Union (EU) subsidy regulations (European Commission, 2013; AHK*6, 2017; DIHK*17, 2017; DIHK*19, 2017).

Interestingly the selection process for participants is exclusively in the hands of the individual AHKs. Neither the private sector consultant nor the federal ministry is involved in this process (BMW*13, 2017; DIHK*17, 2017; DIHK*19, 2017). As such, the BMWi effectively delegates the decision-making power for the selection process to its private-sector service supplier. This can be seen as a further example of the devolution of implementing state economic policies onto private sector market actors.

After being selected by the AHK as a delegation participant, the respective private companies are then supplied with a current sector-specific market study prepared by the AHK and paid for by the budget of the Export Initiative. Next, a custom delegation program is prepared for each participant, which includes AHK-accompanied meetings with potential customers or partners such as sales agents in the respective market. The AHKs evaluate each participant's market potential for this and identify and approach selected foreign contacts on the company's behalf. Finally, business delegations usually include a symposium organised by the respective AHK in the target market, where all delegation participants can showcase their products and services to a wider audience. The delegation itself is also frequently accompanied by staff from the BMWi, usually from the relevant country or region office in Department V of the ministry.

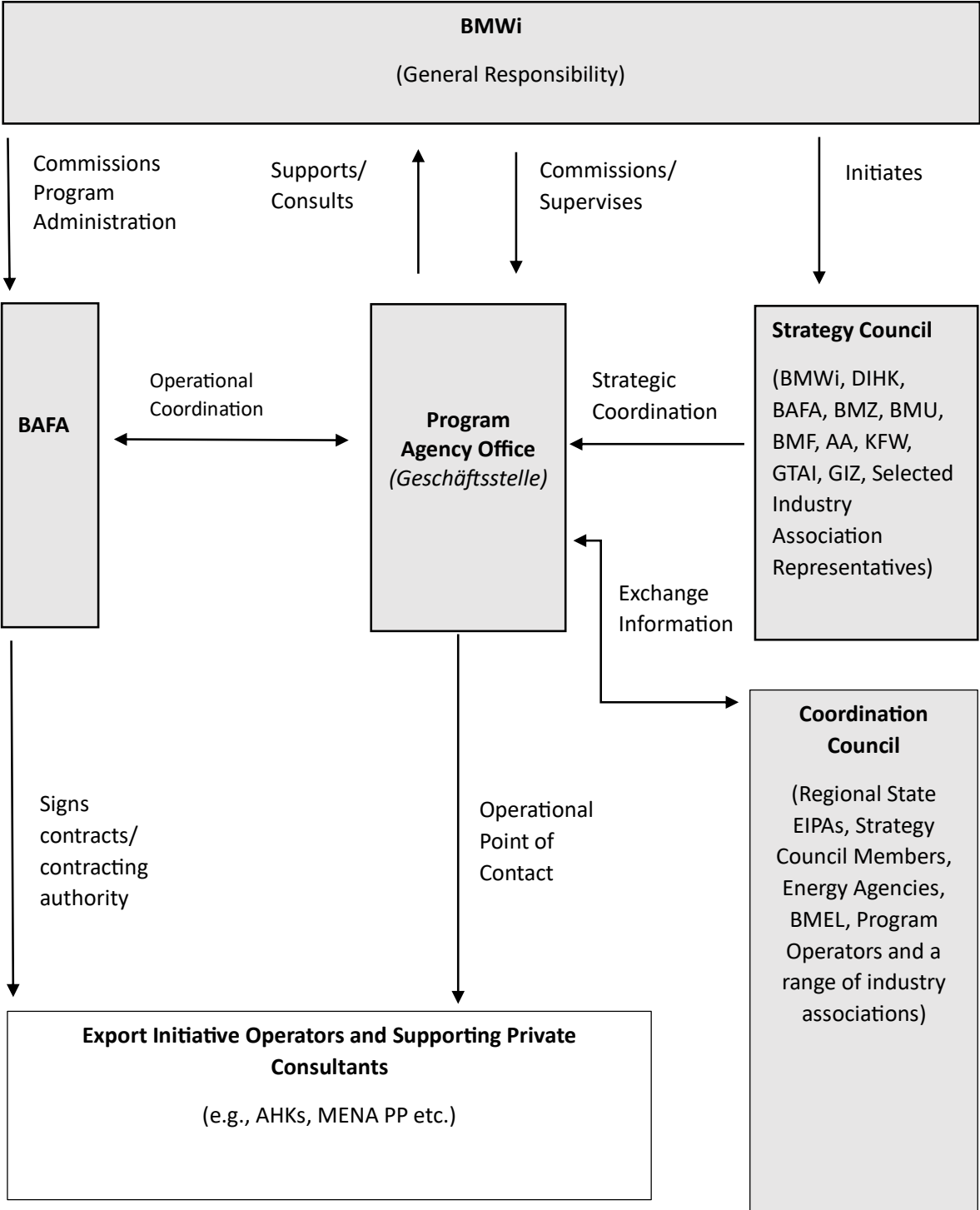
AHKs thus function as the primary service provider for the BMWi, fulfilling several different services which would otherwise require a significant increase in the operational capacity of the ministry itself or dedicated federal EIPAs such as GTAI. Rather than having to maintain a significant international network themselves or being subject to the dozens of separate private sector consultants around the globe, the BMWi established a synergetic compromise by outsourcing services via formal contracts to AHKs, whilst simultaneously maintaining an indirect level of coordination via the interrelationship with the DIHK and the general close governance relationship resulting from annual grant contribution towards the AHK system.

6.5 Selection of the program's target markets

As the above section has illustrated, business delegation accounts for a significant proportion of the overall program and is outsourced to private actors in the shape of AHKs and domestic consultants in Germany. According to a 2016 interview, the AHK network receives between € 8-9 million in federal projects per year. The Export Initiative Renewable Energy alone, however, accounted for about € 4-5 million of this amount (DIHK*19, 2017). These numbers illustrate the structural importance of the Export Initiative Renewable Energy to the AHK system. What emphasizes the importance of the specific interrelationship and form or actor organisation between the BMWi and the AHK network even further is how AHKs are awardee components of the Export Initiative Renewable Energy. Despite competing internally with other AHKs, engaging in formal contracting, and having little to no direct contact with the BMWi the selection process is neither compatible with an LME-type understanding nor a traditional CME-type. To illustrate this, some context must be given in terms of how and who decides the scope and targets of the annual programme activities.

According to an official parliamentary evaluation report, the decision-making process is a three-step process. First, AHKs worldwide are required to fill out a standardised market potential form for their respective country or region. Next, the results of an annual survey among members of selected industry associations as well as an annually updated global market study are included in developing the strategy for the program. Finally, project proposals of network partners such as the German Foreign Office (AA) and the DIHK are included before an ultimate decision is made (Deutscher Bundestag, 2019). These governance interactions shaping the scope and focus of the annual program are partially formalised via the strategy and coordination council. These advise and discuss the program with the BMWi agency (*Geschäftsstelle*) responsible for the implementation of the program. **Figure 6.7** below illustrates this process of governance interaction.

Figure 6. 7 The governance structure of the Export Initiative Renewable Energy



(Author based on Deutscher Bundestag, 2019)

As illustrated above, despite a partial overlap in membership, the Strategy and Coordination Councils have different purposes and degrees of influence. The Coordination Council consist of a large membership of more than 80 members (as of 2023), made up of private sector actors such as industry associations as well as state actors from multiple levels, such as federal ministries and regional state EIPAs (BMWK, 2023). The purpose of this council is to inform relevant actors in the EIPA system about the program's activities. At no point did the coordination council which includes the other relevant federal ministries such as the BMU, the Federal Ministry of Food and Agriculture (BMEL) and the Federal Ministry for Economic Cooperation and Development (BMZ) have the executive authority or even the task to determine the activities of focus areas of the export promotion activities of the programme (BMW*13, 2017). It predates the creation of the strategy council and according to one of the interviewees involved in the early stages could not provide valuable feedback which could assist in the ongoing design of the program activities. According to them:

‘And, yes, the coordination circle was actually more of an information circle. What is the Export Initiative doing, what have we just done and so on. Eating biscuits, drinking coffee, listening, being bored and so on. Then we thought about a coordination circle. At some point, I started to draw up a concept after the first external evaluation. We had a huge event with 1000 participants and discussed how the Export Initiative should actually be presented. And that's when it came out that the business community needs to be more involved. And in this coordination group, the economy was not strongly involved. And then we had this big meeting and found out that somehow, we wanted to involve the business community more, and then I said that we didn't need the coordination group, but a strategy advisory board. That is the result. And this strategy advisory board advises the BMWi, as described, on the selection of countries and measures.’ (BMW*13, 2017)

This statement indicates that the governance function of this formal body focuses more on informing rather than coordinating or competing. As a result, the strategy council was created, which featured a stronger advisory focus and private sector membership. This council is significantly smaller and includes primarily the DIHK, representative of the AHK network as the primary program operator, a limited number of key industry associations which provide the annual survey feedback of companies mentioned previously, as well as the Federal Office for Economic Affairs and Export Control (BAFA), which itself is part of the BMWi and for administrative reasons in control of allocating the funding to

the commissioned service providers (BMWⁱ*13, 2017; BMWⁱ, 2021b). This sharing of authority with other state and private sector actors to shape the program can best be understood using a Type II MLG understanding. From an actor coordination point of view, there is a clear focus on coordination. It is important to point out here, however, that neither the AHKs which are selected and ultimately execute the program, nor the private consultants are involved in the coordination directly. Whilst their general interest is represented by third-party private sector actors such as the DIHK and sector-specific industry associations, there is no direct coordination on contractual services between them and the BMWⁱ. As such, they continue having to compete against one another for federal-state contracts in a type of coordinated competition. It should also be noted that despite the formalised governance structures in place, the interview with a senior ministry staff clarified that ultimately, they saw themselves in charge of any decisions made in the program, as according to them: 'if we spend money on something, I will deal with it' (BMWⁱ*13, 2017).

6.6 Role of senior staff

As highlighted in the previous section, there are complex governance structures in place, that influence the structure and coordination of the program. This research further emphasizes the impact of opportunistic decisions made by senior staff on the organisation of actors. According to a traditional VOC understanding, actors adopt organisational characteristics depending on the respective market system's prevalence, to obtain a competitive advantage. By applying an expanded VOC definition that recognises hybrids, however, opportunistic decisions made by senior staff can be explained, as there is no clear assumption for actors to pursue more pure forms of either CME or LME organisation. In the context of the Export Initiative Renewable Energy, the interview research revealed several instances where conflicts or spats between individuals and inter-ministerial competition appeared to be key determinants which shaped the actor organisation and structure and design of the program. Applying the proposed expanded hybrid definition of VOC, allows the researcher to consider how exactly these opportunistic decisions impact the organisational structure. An example of this is the creation of a spin-off program from the expert initiative renewable energy, labelled Export Initiative Energy Efficiency (*Exportinitiative Energieeffizienz*), in 2007. This program was created from leftover funding from the Export Initiative Renewable Energy by the same department responsible for the within the BMWi. As aptly shown in the quote below, the underlying reason for this action, however, was not a coordinative effort to fill a requirement of German private companies, but instead driven by inter-ministerial competition and the initiative of leadership staff:

‘And then there was a spat with the BMU (German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety) at the time because they wanted to create an Energy Efficiency Export Initiative. They weren't responsible for that at all, neither for exports nor for energy efficiency, but they wanted to do it...and at some point, the budget was being prepared and then I said to the head of the department whether we shouldn't come up with the idea of simply making 5 million available from my budget, which I couldn't use up, and say we're now doing an energy efficiency export initiative. Then the topic is occupied, and the BMU can no longer get involved and we can think about what to do with it' (BMWⁱ*13, 2017).

The above example illustrates how the initiatives of individual members of staff can impact governance structures. Furthermore, by adopting an expanded VOC approach, it is possible to account for how both competition and coordination-based considerations are important even

amongst federal state actors, such as different federal ministries. In the above example, the perceived competition with another horizontal governance actor resulted in the creation of an entirely new export and investment promotion program. It should be pointed out at this point, that the above-mentioned spin-off program, Export Initiative Energy Efficiency (*Exportinitiative Energieeffizienz*), ran between 2007 and 2015 when it was reintegrated into the original Export Initiative Renewable Energy (*Exportinitiative Erneuerbare Energien*) and the entire program was renamed simply into Export Initiative Energy (*Exportinitiative Energie*).

The importance of senior staff and their personal preferences on the implementation of state-funded export and investment promotion programs can also be observed by the fact that both state-owned and private-sector EIPAs are selected for implementation depending on their respective strengths. This results in a governance environment which fits the proposed coordinated competition ideal type (outlined in Chapter Five, **Figure 5.7**), rather than the traditional mutually exclusive spectrums of traditional VOC. The BMWi interviewee recognised the importance of the GIZ as a policy implementation vehicle in foreign markets for the federal government, yet explicitly chose not to rely upon this instrument and instead engage with the private chamber sector. This is somewhat surprising as the GIZ is organised as a limited liability company but 100% owned by the German federal government and reports to the German Federal Ministry of Finance (BMF) and the German BMZ (GIZ, 2022). As a wholly federal state-owned entity, the GIZ is not allowed to tender and compete with external actors for the program but instead may be tasked directly by the BMWi. Despite this ability to directly coordinate their export and investment promotion policies in-house, the senior ministry staff professed a preference for collaborating with the private sector, ideally via the German chamber system due to perceived efficiency benefits. In the words of the interviewee:

‘when a business trip is made, the AHK should be included. At some point, I made that clear by direct order [colloquial term German term used], because the competition between the AHK and the GIZ, as you may have noticed, is sometimes extreme. Sometimes the reservations against each other are extreme. And I think that's very sad, because when they work together, they realise that they complement each other wonderfully, because they really do have a different focus, so the AHKs are really better at dealing with the economy than the GIZlers [term used by the interviewee to describe GIZ staff] ... And that complements each other wonderfully. And I think that once they realise that they are really happy together’ (BMWⁱ*13, 2017).

The above statement illustrates three issues. First, senior staff appear to have a very strong decision-making impact on governance relations and the actor relationships within the EIPA system. This complements the findings of Chapter Five, which showed that the collaboration between AHKs and regional state EIPAs, as well as regional states, depended significantly on the initiative of service providers to proactively engage with their respective clients and further and whether the senior staff in ministries and EIPAs held a favourable view of chambers of commerce. Secondly, it highlights the fact that the collaboration between state and non-state actors seen here within the context of the Export Initiative is seen as in the self-interest of the ordering party. The BMWi leadership is aware of the possibility of operating the program internally via the GIZ or as stated later on expanding the role of GTAI, yet instead chooses to outsource the main component to the private sector German Chambers of Commerce system. Third, senior staff within the system appear to be aware of competitive relationships between different EIPA actors. Despite both the AHKs and the GIZ operating not for profit, there is a strong competitive dynamic between the two actors. The senior ministry staff seems to harness this competition between the different EIPAs to achieve complementary synergies and greater efficiencies, instead of only relying on a fully in-house or outsourced solution.

Such behaviour is indicative of a hybrid form of VOC, as competitive considerations are maintained within the relationship structures within the system, yet they are significantly different compared to a completely liberal and open competition-based market system ascribed to an LME ideal. The adoption of limited competitive characteristics can be explained by the BMWi's intent to improve coordination efficiency. Applying a VOC approach, therefore, highlights that the BMWi neither displays an LME characteristic behaviour, which would focus on an arm's length type of outsourcing to the private sector, nor a coordination-focused CME type of conduct, which would make extensive use of in-house actors or set up institutional arrangements with third parties. Instead, it adopts a type of actor organisation best explained by a hybrid type of VOC, that also includes essential MLG conservation, such as recognising Type II governance setups between both state and non-state actors to maximise synergies.

6.7 The strategic collaboration between the BMWi and the AHKs

The above-described selection process of target markets and the awarding of grant contracts to AHKs is a defining feature of the Export Initiative. Applying a VOC theoretical framework illustrates how state and non-state actors organise themselves via neither strictly liberal nor coordinated market principles. The Export Initiative stands out in the German EIPA system in terms of the relationship between the AHK network and federal state ministries, as besides accounting for the financially most significant program, it is also one of the last programs directly awarded to AHKs via direct grant contracting instead of via open tender. According to a DIHK interviewee:

‘Public projects play a very important role for AHKs and will continue to do so in the future. The experience of the last 5-6 years has shown that instead of being directly awarded as grants, more and more are awarded via tender. We are also addressing this issue. Cooperation with our partners is going well’ (DIHK*18, 2017).

Given this overall liberalisation trend, the Export Initiative accounts for a notable exception to this, although the acquisition consultants are selected following an open tender, AHKs are selected following the aforementioned internal competition and the strategic selection process of the ministry. There appears to be an expectation on behalf of the BMWi of the AHKs to be the set and preferable partner for all federal export promotion activities abroad. This is reflected in an interview with a senior ministry representative, who discussed the future of the tendering process of the program:

‘No, not with us. The market development programme on the other hand puts everything out to tender and 70 %, they are always very proud of it, 70 % is done by the AHKianians [colloquial term used by the interviewee to describe AHK staff] and why don't they do 100 %? That's what they're there for. That is their job. And I don't think it's a good idea for a German consultant with German knowledge to go abroad and look for someone he doesn't know. The AHK has made it its task to observe the economy and also has members and knows where to start’(BMW*13, 2017).

According to this statement, there is an underlying and informal understanding by the senior staff in the ministry regarding the preferential collaboration with AHKs compared to other private sector actors, such as private consultants. Despite being non-state actors and not in direct contact with the BMWi from an organisational perspective, AHKs are not-for-profit actors and already received parts of their annual overhead in the form of an annual federal funding allocation. Utilizing their services instead of depending on external for-profit private consultants or developing a new fully state-owned EIPA maximises the overall impact of the funding allocation and potentially even lowers the overall cost for the BMWi. Despite there being no quantifiable evidence for this potential price advantage, a similar argument was made during an interview with the DIHK, where an interviewee argued that being publicly funded organisations, AHKs offer certain services at prices which would not make sense from a business perspective (DIHK*18, 2017). This again highlights the split nature of said actors, which can best be understood using the proposed hybrid VOC type and MLG principles.

6.8 Coordinated competition as an actor organisation strategy

This chapter sought to illustrate the ability of an expanded VOC definition to highlight complex governance interactions and capture more precisely the type of actor organisation displayed by German EIPAs which are part of the Export Initiative Renewable Energy. Unlike the traditional VOC framework proposed by Hall and Soskice, this thesis argues that an expanded VOC framework that considers MLG structures and hybrid forms of actor organisation is better able to account for how state and non-state actors have structured their organisation (Hall and Soskice, 2001a). Specifically, Type II MLG structures appear to be crucial for the coordinated competition that underlies the relationship dynamic of state and non-state actors. Top-level state actors, such as the BMWi, attempt to maximise their resources and find solutions to a lack of their organisational capacity and thus engage in complex governance interactions. Ministries are allocated funding and tasked with implementing market policies yet appear to lack organisational capacity in terms of manpower and knowledge as well as access to information concerning the private sector to successfully implement political economic policy. Faced with either considerable in-house capacity building or being exclusively reliant on outsourcing all services to a plethora of private consulting companies, the action of the BMWi constitutes an intermediate approach which combines both coordination and competition and engages with both state and non-state types of market actors. Furthermore, depending on the circumstances and the preferences of senior staff, a focus of this delegation of operation is either placed on state EIPAs or private sector actors. The German Chamber of Commerce system directly benefits from this given its historical unique position and size, with network actors spanning both the German domestic market as well as hundreds of international markets.

An example of this lack of organisational capacity can be seen in the fact that the allocated budget by the ministry by far exceeded the amount it was able to spend on Export Initiative Renewable Energy. By 2009, the annual spending for the program had reached €10 million. Interestingly, however, interviews revealed that the allocated budget amounted to €29,5 million (BMWⁱ*13, 2017). A ministry interviewee admitted that:

‘So somewhere we couldn't go any further in terms of capacity. And then we realised at some point that we couldn't spend that much money at the moment’ (BMWⁱ*13, 2017).

As such, the ministry lacked sufficient organisational capacity to implement its mandated policies and programs itself and is dependent on support from external, non-state actors. A similar rationale was identified in Chapter Five during the closer inspection of regional state ministries and regional state EIPAs. Here an interviewee explicitly mentioned state hiring restrictions and the lack of internal administrative capacities, as the primary reason for their regional state government operating a regional state EIPA and collaborating with chambers of commerce both domestically and abroad (Bayern International*25, 2017; DMAN*28, 2017; MW Nds*23, 2017; StMWi *24, 2017). Accordingly, state and EU-funded programs such as the Go International program in Bavaria as well as even the operation of foreign representation offices were outsourced to German Chambers of Commerce and Industry (IHKs) and AHKs. Observing a similar example on the federal level indicates that both regional and federal level state actors rely on the delegation and outsourcing of policy implementation to private sector actors and in particular the German Chamber of Commerce system. This should be recognised as an attempt by state actors to address their organisational shortcomings and improve their competitiveness in terms of policy implementation effectiveness. Governance structures displaying a type of coordinated competition are the result of this strategy.

Further evidence of this “liberalisation” of state policy implementation can be seen on multiple occasions within the context of the Export Initiative program. First, despite the program being operated via a sub-department of the BMWi, the interviews revealed that the daily operational management of the Export Initiative was implemented by staff working physically inside the ministry but hired via a ministry agency (*Geschäftsstelle Exportinitiative Erneuerbare Energie*) and not classified as civil servants or even ministry employees (Deutscher Bundestag, 2019). All staff working for this ministry agency are officially employed by a private consulting company, contracted by the ministry to operate the agency. From at least 2009 until the present time, the operation of this agency has been subcontracted to a private limited company specialising in government consulting and program implementation called GFA Consulting Group GmbH (Deutscher Bundestag, 2019). This private consulting company also operates several other implementation agencies (*Geschäftsstellen*) for other federal ministries such as the BMEL, while being a fully for-profit private company (GFA Consulting Group GmbH, 2023). An interesting side note illustrating the importance of informal governance networks is that the former head of this agency was a previous AHK employee managing the international component of the Export Initiative program before joining GFA Consulting Group GmbH (LinkedIn, 2023). This again indicates the importance of informal networks and senior staff decision-making within the governance system.

Meanwhile, as the previous section had detailed, state projects, both offered by regional state governments and regional state EIPAs, as well as federal state actors such as the BMWi are a crucial source of income for the AHK system as a whole. The AHK interviews did show that there are significant differences between them in terms of the financial dependence on federal-state programs. Particularly smaller and younger chambers saw them as crucial. However, all AHK interviewees agreed that the Export Initiative Renewable Energy was very important to the AHK network (AHK*1, 2016; AHK*2, 2016; AHK*3, 2016; AHK*4, 2016; AHK*7, 2016; AHK*8, 2016; AHK*9, 2016; AHK*10, 2016; AHK*5, 2017; AHK*6, 2017; AHK*11, 2017). Besides the direct financial benefits of the annual program to the selected chambers, the ongoing nature and reach of the program also ensured access to both state and private sector decision-makers either directly as participants or indirectly via the DIHK. Furthermore, organising the business delegations was seen as a possibility to secure lucrative secondary contracts with private sector participants and increase the standing in the local market for AHKs. As such, the financial remuneration for operating these programs on the state's behalf only accounts for one beneficial aspect. Others include access to new potential clients, new relationship networks and potentially an enhanced reputation and wider awareness in the local market.

As a result of these synergies, the systematic interaction between the AHK network and state actors such as the BMWi in the context of the Export Initiative must be seen as much more than simply an outsourcing of services within a liberal market environment or a form of direct actor coordination. Instead, it is best explained as a form of hybrid actor organisation which also exhibits complex Type II MLG network dynamics as proposed by this research.

7 Conclusion

The purpose of this dissertation was to study a significant market sector of Germany in a new and original way using a combination of the Varieties of Capitalism (VOC) and Multi-Level Governance (MLG) approaches. EIPA systems in general and in Germany specifically have received relatively little academic attention in the past. The research which did occur was predominantly focused on qualitative assessments of their impact on trade, rather than on how they functioned or how their governance system was organised. Specifically, the interaction between state and private sector actors on a regional as well as federal level had yet to be explored. To do so, both the VOC and MLG approaches offered useful theoretical frameworks to approach this issue. However, each of the two approaches also has significant criticisms, which this thesis highlighted in Chapter Two. These criticisms impact their heuristic potential to analyse political economies and thus make neither of the approaches by themselves precise enough to capture the complexities of the German EIPA system as a whole. Accordingly, this thesis illustrated how a combination of both approaches and an expansion of the VOC approach can address these concerns and offer a valuable and new framework for analysis.

German EIPAs operate and cooperate across different levels of state, with instances of regional state actors bypassing federal level actors and operating internationally or in conjunction with external actors, such as the European Union (EU) or foreign state governments. Furthermore, there is a very close collaboration between state and private sector actors, with the state becoming a direct market participant, something not adequately captured by either VOC or MLG by itself. Accordingly, a combination of both approaches was implemented to successfully apply a heuristic analytical framework to this specific sector and gain new forms of insights. The VOC approach was expanded to recognise MLG Type I and II, thereby acknowledging both formal and informal governance interactions across levels and between both state and private sector actors. Specifically, by recognising state actors as market actors and recognising the interaction between the regional and federal dimensions of actors, the combination of both approaches allows for a deeper and more complex understanding of the German EIPA system. The combination of both approaches and their application to the German EIPA system resulted in findings that not only offered unprecedented insight into the German EIPA governance system but also indicated the possibility of a new hybrid ideal type category within the VOC framework. The proposed hybrid ideal type acknowledges that

the organisation between actors exhibits a type of coordinated competition characteristics. This is a significant theoretical expansion of the traditional dualistic understanding of VOC. Rather than actors inevitably displaying purer CME or LME characteristics, they adopt a more balanced approach, which combines CME and LME aspects. This hybrid type of organisation that displays a type of coordinated competition is distinctive within the German EIPA system. Dating back to at least the 19th century, the organisation of Germany's market system across different levels can best be understood by the proposed hybrid type of VOC. Here, Type II MLG interactions enable a degree of opportunistic behaviour by actors, which results in a display of variations of coordinated competition.

Chapter Two provides a comprehensive literature review of both the VOC and MLG approaches, including their respective criticisms. The chapter further proposes a combination of both approaches to benefit from their respective analytical strengths and theoretical complementarities. Such a combined approach allows VOC to recognise the role of the state as a market actor, as well as the regional state dimension on federal and international export and investment promotion activities. The chapter further explores the possibility of hybrids within the VOC approach, building in particular on the VOC criticisms by Crouch and his notion of the mongrel (Crouch, 2009).

Chapter Three outlined the research methodology of this research, including the generation of primary data via 28 elite interviews. The chapter further provided a rationale for utilising a qualitative case study approach in the context of analysing the German EIPA system and seeking to develop and expand the current theoretical foundation of the VOC approach.

Chapter Four introduced the reader to the historical and organisational background of German EIPAs, focusing specifically on the development of the global network of German chambers of commerce and the close governance interaction between the German state and non-state actors.

Chapter Five presented the interview research findings and showed that within Germany's EIPA system, core actors such as regional state EIPAs or German Chambers of Commerce Abroad (AHKs) rely on a combination of LME and CME characteristics. Shifting to the macro level, the German EIPA system relies on a complex multi-level governance ecosphere between state and non-state actors, which has and continues to display a strong hybrid form of VOC and relies on the inherent combination of coordination and competition. The results of this analysis challenge the traditional

path-dependent assumption of VOC of systems becoming a purer form of their predominant form of organisation and argue for the adoption of a new hybrid VOC category.

Chapter Six utilised a case within case example of the German export initiative renewable energy to illustrate how the newly proposed hybrid VOC category is central to explaining the current governance interaction between state and non-state actors. Actor independence and the ability of senior staff to make opportunistic decisions have resulted in a complex governance ecosystem, in which both CME and LME characteristics are displayed by actors as they attempt to optimise their organisational networks. Rather than depicting a single form of actor organisation, a hybrid form of VOC can be observed that relies on organisation via coordinated competition. As a result of this research, there are several clear contributions to the VOC academic literature as well as practical implications that emerge. These will now be discussed.

7.1 Academic Contributions of this research

This research offers four main academic contributions. Three of these are theoretical contributions to the field of VOC and MLG and the last is an empirical contribution revealing new insights into Germany's EIPA system.

The first academic contribution of this thesis is theoretical and proposes a new, independent ideal type of VOC. This ideal type combines the characteristics of CMEs and LMEs and describes a type of actor organisation based on coordinated competition. This hybrid form is an alternative to the traditional dualistic and path-dependent assumption of the VOC approach. Rather than dismissing any combination of CME or LME organisational characteristics, it recognises the potential synergies and advantages which they might have. This holds both on an individual actor level as well as on a more macro system-wide level. Individual actors such as AHKs display a hybrid type of organisation which relies on competitive market relationships and formal contracting, as well as strong levels of coordination and non-market relationships. Similarly, the German EIPA system as a whole, depends on a complex governance ecosphere between state and non-state actors on multiple levels. Within it, state actors outsource activities and policy implementation to the private sector for greater efficiency. Rather than relying exclusively on a hands-off liberal market, strong Type II MLG networks are simultaneously maintained to ensure a degree of coordination. In consequence, the market is organised in a way that seeks to find an equilibrium and synergies between the two spectrums of traditional VOC, instead of gravitating towards one extreme and becoming a purer form of CME or LME. The resulting hybrid form of VOC is shown in Chapter Five, **Figure 5.7** and depicts a form of coordinated competition.

Actors such as AHKs are real-world examples of an actor that is best understood according to this hybrid type of VOC. The way that they are integrated into the German EIPA system, neither fits a 'pure' LME nor CME model and instead supports what Crouch first recognised as a type of hybrid organisation, or in his words: 'the advantages of the mongrel over the pedigree animal' (Crouch, 2009, p. 48). Rather than just using this hybrid concept as a criticism of VOC, this research proposes an expansion of the contemporary understanding of VOC by incorporating it as a new ideal type rather than trivialising such instances as expected real-world outliers. Crucially this new expanded theoretical framework would thus also be able to be applied to specific economic sectors and represent the impact of state actors and multiple levels of governance on the organisation of market

actors. In the past valid criticisms of VOC by the likes of Crouch had failed to provide a viable alternative to VOC or a way of addressing the shortcomings of the approach. This research, therefore, provided a new solution to address the shortcomings of the VOC approach by proposing the incorporation of a new, third, ideal type category, by illustrating the hybrid VOC nature depicted in the German EIPA system. State, non-state and mixed ownership actors on multiple levels display a mix of Types I and II MLG features when seeking to maximise their self-interest in governance interactions. This results in an overall system of actor organisation that exhibits a type of coordinated competition, best described as a new hybrid form of VOC.

The second theoretical contribution of this research is its ability to highlight actor-specific impacts on governance interactions and organisation. The application of the combined VOC and MLG approaches highlighted how the degree of financial and organisational independence of actors allowed senior staff to make opportunistic decisions which shaped the governance system. Traditional interpretations of VOC have ignored the role of the individual actor and their ability to independently engage with their relevant governance environment. Specifically, no consideration was given to the impact of senior staff and the opportunistic decisions of actors. This research however has shown a distinct opportunistic aspect to the behaviour of actors, which can best be reconciled with adopting the proposed hybrid-type contribution to VOC and moving past the approaches' traditional dualistic understanding and path dependant assumptions. Senior staff pursue either a focus on competitive or coordinated interactions depending on factors such as personal preferences and contract networks or prejudices and disagreements. This possibility for opportunistic behaviour challenges the path dependency assumption of traditional VOC but can be accommodated by the proposed hybrid type. Rather than adopting a purer version of a particular type of market organisation, actors within a market display a constant balancing of coordination and competition-focused interactions, whilst pursuing their interests. Furthermore, recognising non-firm actors, such as industry associations or state-owned entities as market actors which shape MLG interactions helps to account for and explain such opportunistic actor behaviour.

Hall, Soskice and Gingerich expect actors to fall in line with the predominant form of organisation, as an independent or contrary activity would result in their underperformance (Hall and Soskice, 2001a; Hall and Gingerich, 2009). Similarly, Prevezer maintained that the type of VOC organisation displayed by actors was predetermined by the historical and institutional environment in which they functioned (Prevezer, 2017). This research has shown that this is not the case. Pending their degree

of operational autonomy as seen in the example of the three different regional state EIPAs, actors adopt a variety of ways in which to engage with their governance environment. This is again seen in the example of AHKs, where younger and financially dependent chambers display more CME-type relationships with state actors, whereas financially independent chambers display a stronger focus on competitive LME-type aspects. Finally, as highlighted in the case within a case example of the export initiative renewable energy, senior staff members from actors such as the Association of German Chambers of Commerce and Industry (DIHK) or the Federal Ministry of Economics and Technology (BMWi), can both initiate and shape major programs directly and thereby the degree of coordination or competition. Senior staff's personal preferences and opportunistic decision-making can have significant impacts on actor organisation. While actor independence can be dictated by the institutional environment in which they operate, the freedom provided by the German system allows them to adopt a context-specific approach within the EIPA system. This further supports the necessity of a hybrid approach, because actors can and do act in their own best interest, which can change when the context changes.

The third contribution of this is also theoretical and proves that a combination of the VOC and MLG approaches is possible given the commonalities of both approaches and can result in an enhancement of their heuristic capabilities. While both approaches have been extensively discussed and used in academic discourse, this thesis sought to address some of their relevant weaknesses through a combination of both approaches. By themselves, neither the MLG nor VOC approach can adequately account for the complex and at times contradictory behaviour and set-up of the actors within the German EIPA system. The traditional understanding of VOC for instance fails to recognise the state as a direct market actor and does not take the regional aspect and the interaction between levels of governance into account. However, as highlighted in Chapter Four, **Figure 4.3**, the interaction between state and non-state actors on a regional, federal and international level is central to the German EIPA system. MLG on the other hand suffers from what Chapter Two argued is a theoretical overstretch and inability to provide an explanation or prediction for the observed interactions. The combination of both approaches, however, yielded several complementarities that directly addressed the criticisms and allowed for compelling insights into the German EIPA system.

The VOC theoretical framework benefits from this combination, as this allows for a recognition of the state as a market actor. In the context of the German EIPA system, this distinction is vital, as state actors directly engage within the wider market by offering services themselves or by outsourcing

their responsibilities or the implementation of policies to the private sector. Furthermore, combining both approaches meant that the regional aspect of the German EIPA system could be highlighted within a VOC framework. As highlighted in Chapter Five, regional state ministries tap into both federal as well as international resources, both in terms of funding and operational support. The Go international program by the Bavarian Ministry of Economy for instance uses significant EU co-funding via the European Regional Development Fund (ERDF), yet the actual implementation of the program is delegated to the local private sector Chambers of Commerce and Industry (IHKs). Similarly, AHKs are legally independent actors based in different countries around the world. A significant percentage of their revenue however is made up of implementing both regional and federal state programs and even operating several foreign representation offices on behalf of regional states. This results in types of interactions and market organisation, which cannot adequately be represented by either approach itself. Combining both approaches, however, results in theoretical complementarities which increase the heuristic and analytical capability of both.

The final academic contribution of this research is empirical. As noted in Chapters One and Three of this research, there has been only limited academic research into EIPAs and even less into EIPAs in Germany. The majority of the past research focused on quantitative data and sought to address research questions such as which impact on trade flows EIPAs have had. In consequence, very little is known about the actual EIPA systems themselves and the different types of actors who engage in them. This is unsatisfactory, given the interesting and diverse types of both state and private sector actors which this research revealed for Germany alone. Particularly the governance systems which underlie the German EIPA system have been somewhat of a black box for academic research, as there had been no primary data collection via interviews or other qualitative means. Instead, the research relied on secondary data such as program evaluation reports or official publications by the actors themselves. This empirical knowledge gap was directly addressed by the research in this thesis.

The subsequent finding revealed a diverse governance ecosphere in which actors from multiple levels engaged with one another to implement regional or federal state policy, support the interest of individual industry associations or simply fulfil market demands and secure contract revenues. The research revealed intriguing types of market actors, such as regional state EIPAs like German Management Academy Lower Saxony (DMAN) and NGlobal in Lower Saxony or Baden-Württemberg International (BW_i) in Baden Württemberg. These are incorporated as limited liability companies, have both state and private sector shareholders, operate not for profit yet offer services to both the

state and private sector, primarily on a regional but sometimes even federal or international level. The uncovered differences and similarities between regional state EIPAs and the activities of regional ministries demonstrate that regional states have a significant degree of independence in terms of implementing policy and interacting with the market. Some regional states such as Bavaria operate extensive foreign representation networks internationally, separate from those of the federal German state. At the same time however, these regional states also make significant use of the AHKs network, similar to federal state actors, and coordinate with or receive funding from both German federal state actors and even international actors such as the EU. The decision for such interactions is driven by senior staff within the actors or by political decisions of the respective regional state governments.

Another revealed distinct aspect of the German EIPA system is the longstanding shared governance approach between the German Federal Government and the German Chamber of Commerce system. As shown in Chapter Four of this research, this can be traced back to the late 19th century with the state attempting to simultaneously protect the private economy and support its export potential via close interaction with industry associations. By 1894, the first German Chambers of Commerce Abroad had been created in Belgium, marking the beginning of a close governance relationship between state and private actors on export and investment promotion. Domestically, the German federal state delegated part of the state's traditional sovereign responsibilities (*Hoheitliche Aufgaben*) to the private IHKs. Internationally a similar, yet different type of Governance interaction can be observed, in which AHKs are officially recognised by the German government as the third pillar of Germany's export promotion and receive an annual grant from the federal government to supplement their income. Interestingly, however, whilst the interviews revealed instances of conflict between actors, senior staff described what can best be summarised as a form of collective identity among the interviewed EIPA actors. This collective identity appeared to be based on the concept of all actors attempting to benefit the export capability of German companies and increase Germany's international economic footprint. Given these new insights, the empirical research conducted for this thesis and focused on the 28 semi-structured elite interviews with senior representatives from both regional and federal level actors should be seen as a valuable contribution to the study of EIPAs and the German political economy.

7.2 Practical Implications

While the focus of this research was to apply an analytical framework on the German EIPA system and expand the theoretical understanding of VOC and MLG, four practical implications also emerged from this thesis.

First, policymakers within the German EIPA system should be aware of the hybrid VOC characteristics and prevalence of Type II governance mechanisms found within the German EIPA system. The system's characteristics highlighted by these approaches are essential to the functioning of the system as a whole. The mix of different forms of actor interactions and governance structures across multiple levels has resulted in a robust EIPA system which can absorb significant financial and operational fluctuations and span across regional federal and international markets. However, this has also resulted in the creation of what is best described as an actor ecosphere, in which individual changes can have systemwide consequences. Actors such as the AHKs and some regional EIPAs are used to engaging with actors on multiple levels of governance in both formal and informal types of contracting to secure their funding. Accordingly, the interaction between state and private actors is capable of accommodating either a stronger emphasis on CME or CME types of interaction, such as the observed continuous move away from the direct awarding of grant projects towards open tenders. A dramatic reduction in government spending in the sector on either the regional or federal state level could seriously disrupt the system as a whole, given the strong degree of cross-financing. Similarly adopting a radical change of federal state actors, in terms of how they implement their trade and investment-related policies, by either developing such capabilities in-house or delegating them to a supranational actor such as the EU, would have far-reaching consequences for the system as a whole.

Should such a dramatic change occur either on a federal or regional state level, this could have significant downstream effects across multiple levels of governance, due to the high levels of interdependence. For example, a sudden cancellation of a significant federal program, such as the export initiative renewable energy, could have wide-ranging consequences on AHKs and, subsequently, even the capacities of regional state EIPAs. Due to these interdependencies, the knock-on effects of dramatic policy changes should be considered on multiple levels and outside the immediately impacted actors. Rather than pursuing singularly focused policies on either coordination or competition-driven forms of market organisation, practitioners should recognise the potential

benefits and synergies which can result from a combination of the two different approaches. This includes the preparation of in-depth impact assessments to fully understand the impact of any substantial financial changes, including the impact of changing from grant to service contract awards, to the EIPA system and their current way of export and investment policy implementation.

Second, policymakers must recognise that the strengths of the current EIPA system result from the variation of governance interactions between actors and the resulting synergies. Therefore, they should try and avoid situations in which dependencies are created and actors are no longer able to operate independently. Actors such as the AHKs are vital as a go-between between the state and private sector thus serving a dual purpose as both policy instruments and lobby organisations. By depending on LME instruments such as formal contracting regional and federal state actors risk losing touch with the needs of the private sector. The risk of a loss in capacity for the global EIPA network may lead to higher overall costs due to reliance on private sector consultants operating for profit. By contrast, a too heavy reliance on MLG Type I or CME mechanisms likely results in AHKs becoming overly dependent on state funding. This would result in a loss of competitiveness in terms of their services as well as a lowered incentive to proactively engage with actors on multiple levels to create synergies. Indeed, a similar process can be observed for regional-level EIPAs. While public-private co-owned EIPAs such as DMAN and BW_i engage more proactively with actors on various levels and pursue new projects, fully state-owned actors such as Bayern International are less independent and appear to primarily function as a state instrument to facilitate an increase in an administrative capacity.

Thirdly, policymakers should be aware of the benefits and resources available to them when interacting with the EIPA system. The hybrid nature of the German EIPA system is advantageous as it allows for the retention of a significant amount of knowledge and capacity which would otherwise be very costly to maintain in a setup exhibiting LME and MLG Type I characteristics. The interviews revealed traditional private-sector consultants appeared to play the biggest role in interactions which displayed a strong focus on LME characteristics. In the current German EIPA system, such private consultant companies either lacked the organisational capacity to compete with actors displaying hybrid VOC characteristics, such as AHKs or regional state EIPAs or were viewed as offering their services at a higher cost. Given their non-profit German EIPAs such as German IHKs, AHKs and regional state EIPAs are in principle able to offer their services at a lower price to both state and non-state clients by using methods of cross-financing, compared to traditional private sector market

consultants maintaining a similar operational structure. Staff and facility overheads are to a significant extent covered by annual state funds or grants, thus allowing individual activities to be offered at a lower margin. As such there is a degree of cross-financing apparent throughout the EIPA system, which reduces transactional costs, thereby allowing for services to be offered at a lower price whilst maintaining formal contracting relationships and competitive aspects. Particularly associational actors such as AHKs, but also state EIPAs such as DMAN or BW_i pursue both state and private sector clients on multiple levels, to increase their revenue streams. As such policymakers should consider the long-term system-wide advantages when investing resources into collaborations with other EIPA actors and not exclusively focus on short-term cost savings or reliance on strict hierarchies due to transactional costs of project implementation.

Thirdly, effective use of the potential cost-saving synergies of this hybrid system can be pursued by integrating MLG Type II considerations into policy planning. By doing so, state actors can ensure that their planned export and investment promotion activities and strategies are in line with the needs and requirements of the private sector. The governance networks resulting from this also ensure that there is communication between the various actors thus aiding program uptake and minimising the risk of unnecessary duplications. Type II MLG interactions in a CME system can successfully funnel information such as market needs and opportunities upwards, therefore inadvertently influencing top-level actors and their decisions on export and investment promotion programs. This advantage should be actively recognised by policymakers and seen as a substantial asset to the system.

Fourth, depending on their requirements, policymakers should consider using governance networks more effectively by focusing on common synergies. Particularly federal actors and ministries may benefit by pooling their resources and collaborating horizontally to maximise resources and reduce transactional costs. Potential areas would include greater project coordination between the BMWi, the Federal Ministry for Economic Cooperation and Development (BMZ), the Federal Ministry of Food and Agriculture (BMEL) and the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU). Interest in this was voiced during the interviews, however, the implementation is hampered by unclear responsibilities, bureaucratic requirements and a general lack of awareness by some departments. This has even resulted in a potential duplication of programs, such as the BMU's Export Initiative Environmental Technologies (*Exportinitiative Umweltechnologien*) (BMU, 2019). This significantly smaller export initiative is operated separately from the Export Initiative Renewable Energy of the BMWi, thus requiring separate administration

and potentially complicating oversight of federal programs for private firms. Greater horizontal coordination between federal ministries for dedicated export promotion programs could thus yield significant synergies.

Another example of drawing on common synergies would be a more pronounced and coordinated collaboration between the AHKs and the German Corporation for International Cooperation (GIZ). The AHKs and Germany Trade and Invest (GTAI) already have a system-wide in-depth collaboration that is outlined by a Memorandum of Understanding (MOU) and is very visible in the day-to-day operation of the two organisations in terms of office sharing agreements and joint events (AHK*8, 2016; GTAI*14, 2016; GTAI*16, 2016; AHK*5, 2017; AHK*6, 2017; GTAI*15, 2017). The same however cannot be said for the collaboration between the GIZ and the AHKs. Given that both organisations work extensively on behalf of the German federal government abroad and have several overlapping topics such as training and education and developing the economic potential of foreign markets, closer collaboration in German federal programs could potentially yield significant synergies and benefits.

Further synergies can also be obtained by integrating private sector associational actors such as chambers of commerce further into the operational activities of federal and state actors. For example, this could be achieved by posting ministry staff to the AHKs or IHK offices for a set amount of time to allow civil servants direct access to the business community and vice versa. One instance of this was identified in the Business Scout program. Here the BMZ placed a staff member in the IHK in Hannover, to advise local companies willing to invest in developing countries about potential state support programs (IHK*20, 2017; BMZ, 2020).

By assisting in the dissemination of information across institutional actors, first-hand experience is added to the strategic federal level, potentially resulting in the conception of new targeted programmes. Other options include a closer collaboration between the German Foreign Office (*Auswärtiges Amt, AA*) and the AHKs on related matters such as operational services. This would include areas such as processing visa applications, which so far are traditionally outsourced to private third-party service companies. Such a collaboration could yield various synergies for both sides as the AHKs would generate an additional income stream, increase the level of awareness for them in the local market and develop even closer operational ties with the Foreign Office. Meanwhile, the German Foreign Office could benefit from a globalised network partner with a strong reputation and

a not-for-profit approach. Of course, there would also be several drawbacks to consider, such as a perceived over-reliance on a single actor, a potential conflict of interest with the private sector and a potential over-emphasis by the AHK system of federal-state actors instead of private industry. Nevertheless, it illustrates one example of how federal actors could further leverage the advantages of the unique EIPA ecosystem.

7.3 Research Limitations and Future Research

Several research limitations of this thesis should be acknowledged and addressed in the future. First, a single case-study design was selected to provide an in-depth application of the MLG and VOC approaches. However, as with all case-study research that is limited to a low number of examples, one limitation is the uniqueness of a single-country case study and the questions as to what extent its findings can be applied to other countries. For example, is the German system the only example of a hybrid? Could the results from the German case apply to other federal states? Or heavily export-oriented states? In addition to this, can these results be extended to the EU level? Testing the wider applicability of these findings and the presence of an independent hybrid ideal type category in other countries' market economies or market sectors opens up future comparative inquiries that one may take up and test if the results can be replicated under similar circumstances. Most notably an in-depth analysis of another economic system which traditionally has been seen as representing a different type of VOC would be of significant interest. Then it might be possible to determine whether system features could be reconciled with both the MLG and VOC approaches and whether a certain approach is dominant.

In traditional applications of the VOC approach, the UK alongside other Anglo-Saxon countries such as Canada and Australia are seen as paradigm examples of LME systems. It would therefore be pertinent to examine if the findings from this case study also apply to their EIPA sectors and whether the sector itself reflects a pure category or also reveals a hybrid form of VOC. Furthermore, given the close interdependence of Type II MLG and hybrid VOC characteristics identified within Germany's EIPA system, future research should determine whether a similar interdependence can be observed between Type I MLG and LME characteristics in other country case studies. In the case of Canada, for example, it is worthwhile to point out that despite the country's economy being traditionally described as an example of an LME, the EIPA system is centred around a federal state actor called the Trade Commissioner Service (TCS), which offers export and investment promotion advice free of charge to the private sector and is operated via the Canadian federal foreign ministry. This indicates a contradiction to a more LME-characteristic economic system, whilst simultaneously appearing to be more focused on a Type I MLG approach.

Second, by focusing not only on the German economy but on a particular sector within it, this research could be seen as lacking the analytical breadth to properly apply both the VOC and MLG

approaches. However, given that such a sectoral application of both approaches has previously not been attempted, yet offers new insights into the types of organisation between state and non-state actors across multiple levels, illustrates the value of this research. It studies the sectoral organisation of actors in a new way and proposes theoretical innovations to established analytical frameworks.

It should be noted that neo-Marxist authors such as Bruff, Jessop or Ebenau have also highlighted the need for VOC or a theoretical alternative to recognise governance structure across multiple levels of state (Bruff, 2011, 2021; Jessop, 2014, 2016; Ebenau, Bruff and May, 2015). Rather than expanding the theoretical framework of VOC and attempting a combination with MLG, Jessop and Bruff in particular argued for a logical-historical approach based on form-analysis and institutionalism, which they referred to as variegated capitalism instead of varieties of capitalism (Jessop, 2013, 2014; Bruff, 2021). This thesis had not directly engaged with the neo-Marxist critique of VOC and its potential alternatives. Rather than focusing on the applicability of the VOC and MLG approaches on a specific sector and among levels of a political economy, this would have required a focus on the historical-institutional development of the German economy and a considerable theoretical discussion on the definition of capitalism itself, rather than acknowledging different types of organisation within market economies. Nevertheless, Jessop's concept of variegated capitalism, which recognises multilevel governance structures and was proposed as an alternative to traditional VOC, is a potential road for further consideration in future research. It would be of particular interest to see how such an approach would highlight the complex interaction between state and non-state actors on different levels in comparison to the combined approach adopted by this research.

Third, whilst the research did look into both private and state actors central to the EIPA system and conducted 28 in-depth interviews with them, this research did not take into consideration private companies directly accessing EIPA services. While this was beyond the scope of this research, future research could examine private companies in different types of VOC environments accessing EIPA services. It would be of particular interest here to see whether the VOC characteristics displayed within the EIPA sector impact the wider economic sector as a whole, and how private companies integrate the services and governance network offered by the EIPA system into their export strategy. Additional interviews with companies which both do and do not access EIPA services for their export activities would be of considerable interest to determine to what extent and how the EIPA sector impacts the export market.

Fourth, the research only selected three of the sixteen German regional states, namely Bavaria, Lower Saxony and Baden Württemberg. As highlighted in Chapter Three of this research, these three states all possess comparatively strong economies with high levels of industrial exports. This poses the question of whether the resulting finding can also be applied to economically weaker or smaller states or city-states. This thesis argues that this is the case and the findings remain valid for the remaining German federal states and the German regional EIPA sector as a whole. Despite differences in terms of the size of their local economies and variations in industry industrial focus, all German federal states share a very similar EIPA setup. This includes dedicated regional state EIPAs which provide investment attraction and international marketing and function as a direct point of contact for the federal GTAI. The regional states also pursue close cooperation between regional ministries of economy and IHKs on a local level and to varying degrees utilise the AHK network for international export promotion activities.

During the research, it became apparent that even economically smaller German states, such as Hamburg, maintain multiple international representation offices and regional state EIPAs, mirroring the set-up of economically larger states. Hamburg for instance operates 6 foreign representation offices compared to Bavaria with 25 locations, with out of six locations being based within or even operated by AHKs (AHK*6, 2017; StMWi, 2017; StMWi *24, 2017; Behörde für Wirtschaft und Arbeit, 2023). The city-state also has a state EIPA in the form of a limited liability company called Hamburg Invest/ HIW Hamburg Invest Wirtschaftsförderungsgesellschaft mbH. This regional state EIPA is owned 51% by the state of Hamburg via its Marketing agency, and 49% via the local Chamber of Industry and Commerce and the Chamber of Crafts (Hamburg Marketing GmbH, 2023). This setup displays a striking similarity to the analysed state EIPAs such as BW_i in Baden Württemberg or DMAN in Lower Saxony. The size and range of activities however is limited when compared to the three economically stronger states analysed in the research. This becomes very apparent when comparing the budgets of the state EIPAs. Hamburg Invest received 3.95€ million euros of direct funding from the state of Hamburg and an additional 1.35€ million of project-related funding in 2022. Meanwhile Bayer International received 6.78€ of direct state funding in 2022, with the state ministry of economy allocating an additional 12.9€ million for EIPA projects (Mazars GmbH & Co. KG, 2022; Freistaat Bayern, 2023). This accounts for a substantial 300% difference in budgets between the two states.

Despite the limitations in terms of the size of their activity due to financial and administrative constraints, economically smaller states display similar organisational behaviour in terms of their EIPA activities as the three states highlighted in this research. They inevitably engage with the same group of actors such as IHKs locally, AHKs or even EU institutions internationally and organisations such as the GTAI, the DIHK or the BMWi on a federal level. Accordingly, while this research focused on German states with larger and more export-driven economies to illustrate the fully developed extent and complexity of governance interaction within regional state EIPA systems, the resulting findings are applicable across the other regional states and representative of the wider German economic governance system.

Fifth, despite the successful access to senior staff of organisations central to the German EIPA system, as well as to access several key documents owed to open access policies, there was a lack of access to additional empirical data that could have further supported the analysis of system interactions. Despite the willingness of senior staff from AHKs to share basic budgetary information about their organisations, it was not possible to have full access to their complete financial record and annual balance sheets. Similarly, the financial data for regional state and federal EIPAs was not possible to obtain in full, aside from indirect funding allocations found within ministry budgets. Despite being state-owned, or majority state-owned entities, state EIPAs are mostly incorporated as private limited companies and thus not required to publish their financial data and internal budgets. Having had access to this type of data, for example, could have lent itself to a quantitative assessment of the financial efficiency of the system. A future research project might explore this, particularly comparing sectors of Germany's economy to that of a country traditionally identified as a paradigm example depicting LME or Type I MLG characteristics such as the United Kingdom or Canada.

Sixth, the introduction of the EU Chambers of Commerce was only briefly touched on in the analysis. Again, due to the main interest in understanding Germany's internal EIPA dynamics, the EU as an institutional actor was not included. Nevertheless, the role of the EU as an additional actor influencing EIPA behaviour was brought up in several interviews. While this adds another level of complexity to the system, the findings from this research – predominantly that both LME and VOC can be reconciled with the assistance of MLG open up the possibility of applying this thinking at the EU level too. German federal EIPAs, both private or state-owned could be integrated into EU-wide programs. This could take the form of individual programs aimed at highlighting certain foreign

markets across the EU by integrating EIPAs from different EU member countries. Simultaneously, it could also challenge the current German EIPA system by duplicating capacities, reducing the amount of available financial resources and creating direct competition with actors from the regional and federal levels of the German EIPA system.

Some limited programs such as this have occurred in the past and were co-financed by the EU's European External Action Service or the Directorate General for Trade (DG Trade). For instance, several EU-financed European Chambers of Commerce have been set up since the early 2000s, some such as the one in Toronto, Canada, being based within the premises of the local AHKs. These European chambers are particularly meant to assist companies from EU states, that do not have a national EIPA present within the foreign market. Furthermore, they are meant to assist the European business community to highlight problems or obstacles in their host economies better. Similar to the way that local German states access the AHKs network for foreign representations, EU-funded chambers may draw upon member country EIPAs already present in target markets.

Certain EU programs in the past have already made use of member states' EIPA networks, such as the AHKs in the past. One example of this was the EU-GCC Invest project, which ran between 2011 and 2014. This program was co-funded by the EU via its DG Trade department and led by Eurochambres in Brussels (an umbrella organisation of European chambers of commerce) and organised by two AHKs in the Gulf region, as well as the Bahrain Chambers of Commerce. The project aimed to promote FDI flows between the EU and the GCC (Gulf Cooperation Council) economic regions and as part of this engagement with all national investment promotion agencies EU member states. This included the creation of a website that offers a comprehensive overview of the different national investment promotion agencies and their contact details as well as several events showcasing European EIPAs in the GCC and vice versa (Bossdorf, Engels and Weiler, 2013). Recently another project between the EU and the German Chambers of Commerce in Saudi Arabia was launched, called, the EU-GCC Dialogue on Economic Diversification Project. This program is co-funded by the European External Action Service (EEAS) and appears to be another example of a state EIPA tapping into the funding potential of a higher level of government, whilst the EU may access the existing operational capacities of member state EIPAs (EEAS, 2022). Despite their existence, such programs and EU collaboration with German EIPAs remain limited or in their relatively early stages of development. Furthermore, there has been very little academic attention paid to them, creating the possibility for innovative new research and further application tests of the hybrid VOC category.

Finally, the topicality and continued applicability of the research interviews should be acknowledged, as these took place between the years 2016 and 2017. This fact however should not diminish their significance and results, as the gained information remains relevant to this day. As Chapter Four of this thesis established, the German EIPA system and its distinct governance arrangements between the public and private sectors date back to the creation of a unified German state in the 19th century. The integration of private sector chambers of commerce both domestically and internationally has and remains to be a central aspect of German economic policy and market organisation. Dramatic changes to this type of market system were only observed during instances of extreme political change, such as before and during World War two under the National Socialist Government, or in the former socialist East German Democratic Republic before German re-unification. The overall institutional structures and governance ecosphere therefore displays a strong durability, despite the inherent flexibility and opportunistic behaviour displayed by some of its actors on an operational level. Furthermore, since the interviews were conducted in 2016 and 2017, none of the three examined regional state governments have had a change in their ruling party following an election. Accordingly, it is very unlikely that any extraordinary reforms have been implemented which would challenge the established system of export and investment promotion. On a federal level, there has been a change in terms of government, with Merkel's CDU/SPD party coalition being replaced by a coalition of the SPD/Green and FDP parties under the new leadership of the cabinet's former Vice Chancellor Scholz. However, despite this change in government, no pervasive reforms have been either implemented or announced in the German EIPA sector. All analysed state actors remain in place as well as the Export Initiative Renewable Energy, which was only renamed to Exportinitiative Energy. German Federal funding towards AHKs has increased from 40 to more than 61 € million between 2015 and 2021 and the last parliamentary enquiry from 2023 into the subject affirms strong continued government support for the interaction between GTAI, BMWI and the AHK/DIHK network (Deutscher Bundestag, 2023). This illustrates the strong institutional stability and legitimacy, which is widely accepted by the socio-political environment.

Another reason for the continued relevance of the interviews is the relatively small degree of senior staff turnover inherent to the system. As pointed out in Section 4.1.4, the DIHK maintains a staff pool for general managers of AHKs. Accordingly, despite AHKs being legally independent entities, their leadership staff is essentially posted to them on a rotational basis. Similarly, the senior interviewees in ministries overwhelmingly indicated that they had held their current position for extended periods, sometimes decades. This can be explained that while ministers are often replaced following

elections and changes in party leadership, senior bureaucratic staff in ministries such as department heads, have much more permanent positions in the German civil service system. As of 2023, the overwhelming majority of interviewed subjects either remain in their position or have changed positions but stayed part of their organisation or the EIPA system. Furthermore, the findings of the research remain relevant, as they focused on explaining the complex governance system found within the German EIPA system and identifying its hybrid VOC characteristics, rather than individual policies or programs. Accordingly, the systematic findings remain valid despite any continual and expected changes to the system.

7.4 Outlook and Concluding Thoughts

This research sought to expand the academic discussion in several ways. From a theoretical perspective, it examined two common concepts from the field of political economy, MLG and VOC, and applied an expanded VOC approach to the German EIPA system. By doing so, the analysis revealed some key problems previously highlighted by the criticism of the VOC approach, about the approach's dualistic understanding and path dependency assumption. Rather than this undermining the VOC approach, however, the thesis offered a solution to these criticisms by expanding the theoretical understanding of VOC to consider MLG aspects and recognise a third, ideal hybrid type of system organisation reflective of the real world.

The ability to combine both the MLG and VOC approach and the introduction of a new, ideal type hybrid form of VOC, should be tested and applied further in additional case studies and economic sub-sectors. This would be of particular interest in the context of states which have traditionally been associated with either strong MLG Type I structures or LME systems, as the existence of hybrid actors or complete hybrid systems within a political economy, would further strengthen the case that a more holistic approach for VOC and MLG is needed.

In addition to the theoretical contribution to the VOC and MLG literature, this thesis provided an in-depth insight into the governance structures shaping the German EIPA system. This aspect of the German economy has so far received only very little academic attention despite accounting for an important, well-developed, and complex sector of the German economy. As part of this qualitative analysis of the sector, a governance ecosphere became apparent which has continually grown and developed complex interdependencies which shape Germany's export and investment policy as well as the way it is implemented. A thorough understanding of this complex governance and economic relationship is vital for academics and practitioners alike to be able to comprehend the impact that changes in economic policy can have on the system. It also provides a unique case study of a complex economic system that involves both state and private sector interaction on multiple levels of governance, which depicts a form of coordinated competition, best described by the concept of a new hybrid form of VOC. This thesis, therefore, combines a contribution to the theoretical foundation of the VOC and MLG approaches, with an original, governance-focused analysis of the distinctive German EIPA system.

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Appendix 1 Interview List

List of Organisations interviewed (not in order of referencing)	Date of conducted Interview	Interview in Person, via Telephone or Email (P/T/E)
German Chamber of Commerce and Industry (IHKs)		
Stuttgart	13.10.2017	P
Munich	23.10.2017	T
Hannover	21.10.2017	P
Association of German Chambers of Commerce and Industry (DIHK)		
Services Department	18.01.2017	P
Export Initiatives Department	19.12.2016	P
AHK Coordination Department	04.04.2017	T
Regional State EIPAs		
BW_i	27.10.2016	P
BW_i	13.10.2017	P
Invest in Bavaria	23.10.2017	T
German Management Academy (DMAN)/ Lower Saxony	21.10.2017	P
Federal EIPAs		
GTAI Headquarter Berlin	13.12.2016	E
GTAI Kuala Lumpur, Malaysia	10.02.2017	P
GTAI Toronto, Canada	12.12.2016	P
German State Ministries		
BMWi	20.01.2017	P
Ministry of Economics, Labour, Transport and Digitisation of Lower Saxony	24.10.2017	P
Bavarian Ministry of Economic Affairs, Regional Development and Energy	12.10.2017	P
Domestic AHK partners		
MENA PP e.V.	20.01.2017	P
German Chambers of Commerce Abroad (AHKs)		
Canada	26.10.2016	P
Portugal	10.11.2016	P
France	23.12.2016	P
China	27.10.2016	P
Saudi Arabia	27.10.2016	P
Morocco	27,10,2016	P
Algeria	27.10.2016	P
Egypt	27.10.2016	P
Malaysia	06.05.2017	T
United Arab Emirates	12.07.2017	P
Switzerland	08.03.2017	T

Appendix 2 Information Sheet and Consent Form

Navigating Levels of Governance Project

Information Leaflet for recruitment to study (October 2016)



My name is Maximilian Bossdorf, and I am a PhD student at the University of the West of England (Bristol). I would like to invite you to take part in the research study which I am carrying out for my thesis. Before you decide whether or not you would like to participate it is important for you to understand why the research is being done and what it will involve.

The purpose of the project is to understand the organizational set up of trade and investment promotion agencies in Germany, and the way in which they cooperate with organizations on a regional, federal and EU level.

You will be asked questions concerning the organizational set up of your organization and the way it cooperates with other export promotion organizations, as well as government entities. There are not thought to be any significant risks resulting from taking part in the research and you would maintain your anonymity if you chose to contribute. The interview is open ended but estimated to take between 30-45 minutes. The interview may be conducted either in English or German pending on your preference.

Your data will be treated with the utmost care and solely for the purpose of this research. You hereby explicitly consent to this interview and having this conversation recorded. Individuals will not be identified in the study and instead you will be known as Participant 1, 2, 3 etc. from groups of organization (AHK, federal ministry, regional agency etc.). All data collected will be kept secure in a protected document on a password protected computer database, which only the researcher will be able to access.

You may withdraw from participating in the research without having to provide a reason, up to 4 weeks after the interview has been conducted, by sending an email to maximilian.bossdorf@live.uwe.ac.uk

If you are in any way unhappy with the research process and do not wish to contact me directly then you can contact my supervisor Dr. Gunter Walzenbach (Senior Lecturer, University of the West of England Bristol).

*Email: gunter.walzenbach@uwe.ac.uk
Telephone: +44 (0)117 32 81392*

If you have any further questions, please feel free to notify me.

Thank you very much for your time,

Maximilian Bossdorf



Navigating Levels of Governance Projekt

Informationsschreiben für Teilnehmer der Studie (Oktober 2016)

Mein Name ist Maximilian Bossdorf und ich bin Doktorand an der University of the West of England (Bristol). Ich würde Sie gerne zu der Teilnahme an einem Forschungsprojekt, welches ich im Rahmen meiner Doktorarbeit durchführe, einladen. Bevor Sie sich zu der Teilnahme entscheiden, ist es wichtig Sie darauf hinzuweisen, was diese Forschung beinhaltet und zu welchen Zweck Sie durchgeführt wird.

Der Zweck dieser Forschung ist es das Verständnis von Export und Investitionsförderorganisationen in Deutschland zu vertiefen, sowie deren Beziehungen mit anderen Organisationen auf Landes, Bundes und EU Ebene zu analysieren.

Ihnen werden Fragen zum organisationalen Aufbau Ihrer Institution gestellt, sowie zu derer Zusammenarbeit mit anderen Export und Investitionsförderern und Regierungsorganisationen. Durch die Teilnahmen an dieser Forschung entstehen für Sie keine signifikanten Risiken und Ihre Anonymität wird im Rahmen der Ergebnisse gewährleistet. Das Interview hat einen offenen Zeitrahmen, wird jedoch erfahrungsgemäß zirka 30-45 Minuten dauern. Je nach Ihrer Präferenz kann das Gespräch in Deutsch oder Englisch durchgeführt werden.

Ihre Daten werden vertraulich behandelt und ausschließlich für die Durchführung dieser Forschung genutzt. Sie willigen ausdrücklich zu dieser Befragung ein und dass dieses Gespräch digital aufgenommen wird. Teilnehmer der Befragung werden nicht namentlich identifiziert und stattdessen als Teilnehmer 1,2,3 etc. von organisationalen Gruppen (AHK/Kammern/Landesförderer etc.) aufgeführt. Sämtliche Daten werden auf einem gesicherten Dokument und einer Kennwort gesicherten Datenbank gespeichert, zu welcher ausschließlich der Forscher Zugang hat.

Sie können ihre Teilnahme an der Studie innerhalb von 4 Wochen nach dem Interview ohne Nennung von Gründen zurückziehen, in dem Sie eine E-Mail an maximilian.bossdorf@live.uwe.ac.uk schicken.

Falls Sie mit irgendeinem Aspekt dieser Forschung unzufrieden sind und mich nicht direkt kontaktieren möchten, steht Ihnen mein Betreuer, Dr. Gunter Walzenbach (Senior Lecturer, University of the West of England Bristol) zur Verfügung.

*E-Mail: gunter.walzenbach@uwe.ac.uk
Telefon: +44 (0)117 32 81392*

Falls Sie weitere Fragen haben, stehe ich Ihnen zur Verfügung

Mit freundlichen Grüßen

Maximilian Bossdorf

CONSENT FORM for

Navigating Levels of Governance Project

Lead researcher: M. Bossdorf



Please initial boxes

I confirm that I have received the Information Sheet (October 2016) and consent to taking part in an Interview for the before mentioned study.

I agree to my interview being audio-recorded.

Name of participant _____

Participant's signature _____

Date (dd/mm/yyyy) / /

Maximilian Bossdorf
Email: maximilian.bossdorf@live.uwe.ac.uk
Tel: +49 15756291972



Einwilligungsbescheinigung für

Navigating Levels of Governance

Durchführender Wissenschaftler: M. Bossdorf

Bitte Paraphieren

Ich habe das Informationsblatt (Oktober 2016) erhalten und willige hiermit ein im Rahmen der genannten Studie an einem Interview teilzunehmen.

Ich willige hiermit ein, dass das Gespräch digital aufgenommen wird.

Name des Teilnehmers _____

Unterschrift _____

Datum (T/M/J) / /

Maximilian Bossdorf
Email: maximilian.bossdorf@live.uwe.ac.uk
Tel: +49 15756291972

Appendix 3 Sample Interview Guide

(Sample Interview Guide for a German Federal EIPA (AHK) /English Version)

Greeting of Interviewee.

(Start of Recording)

Recording No.

Date and location.....

Welcome Mr. from Thank you very much for meeting me today.

Questions:

1. What is the name of your organization and your position?
2. How long have you been working for ?
3. What is your organisation's mission/purpose?
4. What services does your organization provide?
5. Who is your target audience/customers?
6. Who does your organization report too?
7. How is your organization funded?
 - a. What are your primary revenue streams/ size of budget?
 - b. Are there any plans regarding new revenue streams?
8. How would you describe your organizations relationship with the BMWi (or DIHK)?
9. How independent do you see your boards decisions from the DIHK?
10. Has the dependency on the BMWi /DIHK transfers increased or decreased for your organizations in the past years?
11. Do you feel increasing pressures from the BMWi /DIHK regarding cost cutting or increasing revenue streams?
12. How many export initiatives do you apply for and conduct annually on average?
13. Can you elaborate on you're the Export Initiative Renewable Energy in particular?
14. What is the significance of such Initiatives for your organization?
15. Has there been an increase in the tendering of Ministerial projects? Is there more competition from other EIPAS or private companies for these?

16. How would you describe your relationship with the BMWI and GTAI?
17. How close to you work together with German embassies/ the Auswärtige Amt?
18. Are there other federal ministries or organizations you work closely with?

19. Which “Länder” do you work the closest with?
20. How important are cooperation’s with regional state “Länder” promotion agencies for you?
(In terms of strategy and funding)?
21. Do you currently have any MOUs with regional EIPAs? Or positions dedicated to them?
22. In your experience, have the activities of regional agencies increased in the past years?
23. Do you see yourself in direct competition with other local EIPAs? What are the differences?

24. Has your organisation ever tendered for or conducted a project that was funded /co-funded by the EU?
 - a. If **yes**, what have been your experiences working on EU projects? (Challenges Opportunities?)
 - b. Did you have any partners?
 - c. If **no**, is there a particular reason for this?
 - d. Would you be interested?

25. Do you think that the expanding EEAS offices threaten or support your organization?
26. Has the introduction of De-minimis requirements impacted your services?
27. What is your view regarding a further tightening of De-minimis allowances?
28. How closely do you work with Eurochambres or other European counterparts?