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**New Regions and New Modes of Regional Governance in
Central Europe and in Brazil**

1. New regions and new modes of governance

Over the last years, profound changes in space and socioeconomic development have taken place. During Fordist regulation, the political and economic space coincided in the national power container: Regulation and accumulation had a national focus (Becker 2002; Lipietz 1998: 168). But, women and men make geography, not only history (Giddens 1988: 422) and space and territory are not immutable. Space is produced, and its production implies socioeconomic transformations (Lefebvre 1991). This article will investigate this relationship between emerging territorialities and new socioeconomic arrangements and its institutionalisation in modes of governance, the last seen as forms of coordination, conflict mediation and accommodation of interests (Jessop 2003).

Already in the 1980s, David Harvey investigated regional spaces which “hang together as some kind of structured coherence within a totality of productive forces and social relations” (Harvey 1985: 146) which might result in “islands of privilege within a sea of exploitation”, as “an efficiently organised regional economy [...] replete with adequate social and physical infrastructure, can be beneficial to most” (Harvey 1985: 151). Therefore, regional class alliances can be formed which are less unstable, if supported by the state. Later on he described the inherent tendency in capitalism to accommodate the tendency of overaccumulation by creating spatio-temporal fixes (Harvey 2004: 186), without elaborating a theory of the state and consistent concept of territorial power (Jessop 2004: 9). In advancing Harvey’s concept, Bob Jessop insists on the importance of extra-economic elements to reproduce capital and on the “political character of the capital relation”

(Jessop 2004: 13). This demands regulation and institutionalisation as an attempt to stabilize socioeconomic relations in a social fix, which is always spatially and temporarily concretised (Jessop 2002a: 48). The Keynesian National Welfare State elaborated in the 20th century was a spatio-temporal fix, which accommodated the interests of labour and capital at the national level. The neoliberal counterrevolution undermined this consensus and shifted power to capital (Harvey 2005). Borja and Castells (1997: 5) claim “that nation states are too small to control and direct the global flows of power, wealth and technology of the new system, and too big to represent the plurality of social interests and cultural identities of society, thus losing legitimacy both as representative institutions and as efficient organizations”. For them, the nation state as a power container is dismantled. Instead, following Jessop (2002b), a new Schumpeterian Post-National Workfare State with new territorialities and political institutionalisations has emerged, resulting in new spatio-temporal fixes. Swyngedouw (1997) has tried to capture these dynamics as “glocalization” which implies a host of institutional changes within the local and regional state apparatuses (Brenner et al. 2005). Local governments perceived their spatial and political borders as too limited to tackle new problems, like commuting and suburbanisation as well as locational competition and climatic changes. Additionally, these problems cannot be solved “through top-down state planning or market-mediated anarchy”, thus resulting in a “shift in the institutional centre of gravity (or institutional attractor) around which policy-makers choose among possible modes of co-ordination” (Jessop 2003: 101). Moulaert et al. (1988; 2002) and Harvey (1989) perceived early that these changes converged in an entrepreneurialist form of state and a new type of growth coalition, involving local chambers of commerce, local financiers, industrialists, property developers, etc., which produced a more intricate form of state, as the power to organize space derives from a whole complex of forces mobilized by diverse agents. Consequently, local governments seek new technologies of steering by implementing a new form of multi-scalar governance.

The key characteristic of the new discursive and organisational order is that the present socioeconomic structure is naturalised, contradictions and antagonism are harmonized (Jessop 2002a: 468f). Capitalist market societies are the sole possible world order, markets and private property natural institutions. Therefore, the new institutional arrangements of ‘governing’

give a greater role in policy-making, administration and implementation to private business and powerful segments of civil society.

The analysis presented in this paper is part of a broader effort undertaken in DEMOLOGOS, an EU-project organized by Frank Moulaert, to capture recent socioeconomic development by linking it to changes in the organisation of space. It tries to fill the analytical and political wasteland led by studies that exaggerate the focus on global and local dynamics by studying regional modes of governance as forms of spatio-temporal fixes, by a comparative investigation of growth alliances in two produced spaces: the newly emerging so-called Central European Region – “Centrope”, in the border region of four European countries: Austria, Hungary, Czech Republic and Slovakia, and the well established informal “Greater ABC Region”, formed by seven municipalities of the metropolitan area of São Paulo, in the south-eastern part of Brazil. In both regions, which do not coincide with formal political administrative units, local governments have launched projects trying to articulate different actors to face economic challenges through cooperation building.

2. Centrope: re-creating an old trans-national region

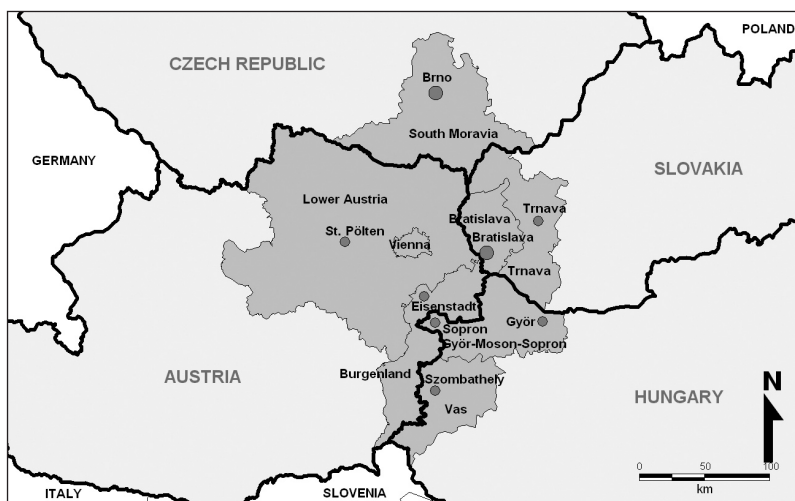
2.1 An emerging region

Central Europe is an intermediary region between Western and Eastern Europe with deep historical roots, though later the West became urban and industrialized, while the East remained rural and agrarian (Anderson 1980). It has been a cleavage of wealth for centuries. Within the Habsburg Empire these centre-periphery relations were found within the political-military unity of the Austro-Hungarian Empire. Austria ruled over the Western, Hungary over the Eastern part and their respective nations. After 1918 the region experimented with democratic, authoritarian and fascist regimes and after 1945, the East was disconnected from the West by the Iron Curtain, a border nearly identical to the border of the Carolin empire 1200 years ago (Szücs 1990: 13). This was only one more detour from the periphery back to the periphery (Berend 1996). After 1989, the fall of the Iron Curtain, attempts to cooperate with neighbours changed the geopolitical position of

Vienna from the most Eastern part of Western Europe to the historical position linking Eastern and Western Europe (Musil 2005).

In this concrete conjuncture, Viennese policy makers perceived the potential of institutionalising production and reproduction of capital in this geographical region. Local cooperation could create a regional class alliance of local cooperation to better compete internationally. This alliance has a material and a discursive dimension. The most important initiative to foster cooperation within the neighbouring countries as a discursive strategy was the invention of a transborder region. The Central European Region – “Centrope” is a region with six-and half million inhabitants covering the border area of Austria, Czech Republic, Slovakia, and Hungary. This geographical unit delimits a political project aiming at cross border regional development through the cooperation of 16 sub-national governments: the regional governments of Vienna, Lower Austria, Burgenland (Austria), South Moravia (Czech Republic), Bratislava, Trnava (Slovakia), Győr-Moson-Sopron and Vas (Hungary) and the cities of St. Pölten (Lower Austria), Eisenstadt (Burgenland), Brno (South Moravia), Bratislava, Trnava, Győr (Győr-Moson-Sopron), Sopron (Győr-Moson-Sopron), and Szombathely (Vas). In fact, it was a political initiative, incentivated by the EU-INTERREG-programme, that created Centrope, a name and a delimited territory, which did not exist before. As the 19th century invented nations (Hobsbawm 1990), the 21st century invents regions.

“Centrope is the lead project which develops a multilateral, binding and lasting cooperation framework for the collaboration of regions and municipalities, business enterprises and societal institutions in the Central European Region” (www.centrope.info). Launched at a meeting of local politicians in 2003 in the Austrian village of Kittsee, it aims at establishing a common region, to create an internationally attractive location and to communicate the future potential of the region to the public at large and to strengthen the social and entrepreneurial commitment to the region. All these efforts should contribute to “success in competition between European regions” (CENTROPE Consortium 2006). Fifty percent is financed by the European Union, in the framework of the Structural Fund INTERREG III-A, and 50% by the three Austrian Federal provinces of the region.



Map 1: The Centrope Region (Source: own elaboration)

2.2 Transborder governance

Efforts have been made by Austria, and more specifically by Vienna, since the early 1990s to establish co-operation with neighbours and “to maintain but also to extend its grown role as an attractive site for international co-operation and to position itself as a competence centre of European co-operation” (Stadt Wien 2004: 2). A previous, national attempt to cooperate was the association of governments of Vienna, Lower Austria and Burgenland in the so called “Vienna-Region”. It was a first initiative to create an interregional trademark for locational competition. Previous attempts of regional cooperation, like the Planungsgemeinschaft Ost and the Verkehrsverbund Ost aimed at coordinating public transport and planning. In 2000-02, seminars with participants from all four countries were financed by the City of Vienna. The cross-border project DIANE (Direct Investment Agency Net) was launched in 2002 by the three local development agencies of the “Vienna-Region” to build an international network of public development agencies. Official discourse asserts that this is “the return to a new normality”, as “only the political events of the 20th century that split this socially,

economically and culturally integrated region into a space divided by borders” (CENTROPE Consortium 2006: 5).

Local government in Vienna has created an exemplary local welfare state. After World War II, it was embedded in a nation-centred mode of regulation and an accommodation of the interests of labour and capital organized nationally and top down. This paternalist mode of governance was an economic success and led to the implementation of a nearly universal welfare regime (Novy/Hammer forthcoming). Nation-centred regulation came in crisis in Austria later than worldwide. Until the 1990s, Vienna stuck to a defensive Keynesianism (Becker/Novy 1999). With the strategic plan of 1995 (Stadt Wien 1995) that followed the one of Barcelona, Vienna adhered to the liberal mainstream and glocal policies to foster local competitiveness. The city was seen as the decisive nodal point in the world economy (Borja/Castells 1997) and the place to accommodate ecological, social and economic interests in a strategy of sustainability. But as its success or failure depends on the form of integration into the world, competitiveness becomes the *sine qua non* that determines all other political objectives. Vienna started to redefine itself. Instead of focussing on its role as capital city of the Austrian nation, it shifted emphasis to its function of becoming “an international finance and service centre”, turning itself into the “Gateway to the East” (Novy et al. 2001: 132). Administrative reforms towards New Public Management and the outsourcing of activities became the cornerstones of a strategy that aims at giving local government better capacity to respond quickly and flexibly to investors’ requests. Business agencies were created to implement new economic policy and large urban projects were executed by public–private partnerships. Planning became more open to the business sector and appealed to a public of “qualified” persons. It was a shift towards elite networks and business friendly policies. Vienna did not abandon, but adapted its paternalist, top-down approach.

The organisational form of Centrope reflects the Viennese ideological shift towards entrepreneurialism and its commitment to cooperate with its eastern neighbours. The City of Vienna has a key role in the four organisational bodies involved in Centrope: At the *Political Conferences* the heads of the sixteen local governments of Centrope meet to elaborate overall strategies and political guidelines. So far there have been three conferences which all took place in Austria: Kittsee in 2003, St. Pölten in 2005 and Vienna

in 2006. The *Advisory Board* is a discussion forum composed of two representatives of each of the 16 local governments who are normally from the lower political or higher administrative level and is only a consulting body with no decision-making power. The *Steering Committee* is formed by the three Austrian states that co-fund the Centrope project. It is the decision making body, responsible for selecting those projects presented by the *Consortium* that receive financial support. The *Consortium* is the executive body, responsible for everyday implementation and “building the multilateral co-operation” by assisting the coordination of existing cross-border activities and the regional working groups, writing projects to be submitted to the Committee, selecting ideas, etc. Their main tasks are outsourced and executed by governmental agencies and collaborators. The main actors are the Vienna Business Agency (WWFF), Ecoplus from Lower Austria, WIBAG from Burgenland and Europaforum Wien, a formally non-governmental organisation, which is in charge of the secretariat and elaborates communication material from political declarations to the website and planning documents.

Centrope tries to tailor a lasting cooperation framework for governments, business and selected segments of civil society. Neither social movements nor trade unions participate. Furthermore, although Centrope covers four nations, funding and decision making-power and bodies for implementation are concentrated in Austria. Non-Austrian governmental partners complain about the lack of a common space for financial decision-making. One intended improvement is to foster complementary INTER-REG-projects under the organisational structure of Centrope, strengthening non-Austrian governments as projects leaders and co-financers.

While civil society has no access to decision making, its participation is supported in the working groups, the pilot projects or the Centrope Platform. The working groups focus on experts and discuss development themes, produce diagnoses and deliberate on strategies. The discussed themes are selected by the Consortium and the groups’ discussions are publicized by the Secretary. Moreover the experts are mostly working in local and regional governments. Although any local actor can suggest projects, the pilot projects are launched by the Consortium and depend on the Committee’s approval. The implementation, analogously to the working groups, involves mainly governments. The Platform counts in its majority on entrepreneurs

and other civil society participants, but it remains an information forum with no decision making or planning competences.

Official documents related to Centrope are differentiated according to two target groups, both types of documents sharing the characteristic of advertising folders: one aims at the population in general in order to “communicate the future potential of the region to the public at large” (Kittsee Declaration 2003; www.centrope.info). These documents stress cultural and employment/labour issues, thereby, constructing a regional identity. The second type of documents is directed towards investors and gives information concerning locational advantages of the region. It includes information on tax cuts for corporations and all kinds of governmental subsidies or services offered.

As shown, the main actors in Centrope come from government or outsourced public bodies. These are highly educated and cosmopolitan bureaucrats who become key opinion makers and organic intellectuals of regional integration. They form an increasingly internationalized elite network and elaborate their own “discourse of competence” (Chauí 2000), which incorporates and institutionalizes new, mainly liberal ideas and embeds it in everyday practices and common sense through documents and speeches that contain selected narratives.

3. ABC Region: revitalising an old industrial area

3.1 An old industrial region

The “ABC” is the industrial core of Brazilian’s metropolis São Paulo. Founded in 1554 by Jesuits, São Paulo remained a minor village until the coffee boom in the 19th century. From the turn of the 20th century onwards it became the industrial centre of Brazil, overtaking bureaucracy-centred Rio de Janeiro (Townroe/Keen 1984; Storper 1984). In the 1950s, a corporate pact was sealed that attracted multinational investors, especially the automotive industry. Ford, Volkswagen and other leading multinationals chose the periphery of São Paulo as production sites. The region composed of the cities of Santo André, São Bernardo and São Caetano became known as the ABC. Today it has approximately 2.5 million inhabitants and congregates

seven municipalities: Santo André, São Bernardo do Campo, São Caetano do Sul, Mauá, Diadema, Ribeirão Pires and Rio Grande da Serra.



Map 2: The Metropolitan Area of São Paulo. City of São Paulo and the ABC Region in darker colours (Source: own elaboration)

The strong regional identity is due to the common industrialization process fostered in the 1950s by the federal government. The ABC region is in a privileged logistical position, as it connects the city of São Paulo and the port of Santos. Therefore, it received massive incentives and subsidies to develop industries, mainly automobile, metallurgical, and later on, petrochemical industries (Scott 1999; Sacramento 2002). The automobile industry gave a special sense of identity to regional actors, who are proud of having a “manufacturing culture” (Cocco 2001). Since the 1970s, the workers organized and started to identify themselves with the region. New actors entered the public arena (Sader 1988). At the end of the 1970s, still during military dictatorship, a vigorous workers’ movement organised three huge strikes for higher salaries, human rights and democracy that became known all over the country and the reference for the creation of a proper party of the workers,

the PT (Partido dos Trabalhadores/ Workers' Party), which main leader was the present Brazilian president Luis Inácio Lula da Silva.

The dynamics of world capitalism permitted that the ABC became the centre of an import-substitution model of national development in the 1950s and turned the ABC into one of the most prosperous parts of peripheral capitalism in Brazil. This successful spatial fix of a highly concentrated industrial growth pole of metallurgy and automotive industry became a historical legacy after the end of the economic miracle in 1973. The crisis of the nation-centred mode of development in Brazil had its first local expression in the revolts in the ABC, the most Fordist region (Novy 2001: 250). De-industrialisation affected the ABC more severely than others. The worldwide restructuring led to plant closure, layoffs and wage cuts (Klink 2001). The ABC Region, although a peripheral and cheap location world-wide, became victim of increased international competition and the decentralisation of industrial locations within Brazil. During the 1990s, the federal government supported the "fiscal war" between regions to attract plants. This was to the detriment of the ABC Region, whose image was linked to "high wages, combative labour unions, spatial shortage, elevated and increasing prices of land, and lack of governmental incentives that would have increased the production cost of the regional enterprises" (Jacobi 2000). This resulted, in a regional unemployment rate higher than the metropolitan average. Between 1991 and 2001, more than 120,000 industrial jobs were extinguished; and car factories had a reduction of more than 30% of its work-force (Pamplona 2001; Conceição 2001). In addition, the regional income has fallen as well as the governmental revenue.

Beyond the regional economic specificities, the region also stands out for an environmental peculiarity represented by the watershed protection area that covers 56% of the total regional territory in six of the seven cities. Such a huge water reservoir demands integrated environmental policies and is the source of common problems such as land restrictions, since the area cannot be used for housing or business. However, the area is illegally occupied by socially excluded groups notably those expelled from São Paulo's new urbanization projects (Fix 2001).

3.2 Local corporatism

The “ABC Region” does not define itself as a proper project: it represents basically a set of articulated institutions for regional development built in particular geographical, social, economical and political conditions.

The regional repercussion of the crisis of Fordism convinced key regional actors of the necessity to cooperate in order to enhance their international competitiveness. This typical *glocal* dynamic resulted in the stepwise formation of a regional governance system. *The Inter-municipal Consortium of the Greater ABC Region* is the association of the seven local governments. Its “Board of Mayors”, which meets every month to discuss common issues and projects, represents the decision-making level. Created in 1991 to solve a common environmental problem, it has been increasingly concerned with economic development issues (Daniel/Somekh 2001). It is financed by the cities, proportionally to their revenue. Its workforce is partly an established bureaucracy hired by the Consortium and partly collaborators of municipalities. In a moment of paralysis of the Consortium, civil society organized itself. In 1994, regional media, business associations, labour unions and other civil society organisations were assembled in the so called “Citizenship Forum” to accomplish a broader legislative representation of the ABC Region at the state and federal level, as they believed that their representation was below their economic importance (Abrucio/Soares 2001: 165). The launching of the *Regional Chamber*, in 1997, was a key moment in the regional cooperation between state and civil society, as governments of two levels, business associations, labour unions, NGOs and plenty of regional actors gathered in meetings and working groups.

The Regional Chamber was inaugurated in 1997, which coincided with a revival of the Consortium. It is a non-officially constituted discussion forum that gathers government representatives from the local and the state level, private actors mostly from regional business associations, labour unions and regional NGOs, notably those referring to environmental issues. It has no physical location or exclusive staff: its secretary tasks are performed mainly by the Consortium. One of the Chamber’s main objectives was to coordinate regional planning. The final document, which was almost exclusively written by city governmental actors in 1999, focused mostly on regional economic development matters. The content of the planning document published in 1999 was extremely similar to a regional declaration of 1997:

“The Great ABC Letter” which contains the regional vision and strategies. Even with no formal planning mechanism, 1997 was a successful period for regional planning, as traditionally absent actors, like state government and automobile industry, were participating (Coimbra de Souza 2003).

The *Regional Economic Development Agency*, founded in 1998, implements regional projects. Aiming to consolidate the participation of business in the regional governance system, it was agreed that the agency would formally be a private entity with 51% of the seats for the private actors (regional business associations and labour unions, universities and some NGO’s), and the other 49% to the Consortium. Contributions for budget and projects should follow the same proportionality. Although being legally organized as a private organisation, the Agency has worked mainly as a governmental agency, given the low participation of private actors in meetings (and thus in planning), projects and financing. Most business associations do not pay their monthly contributions and refuse to give additional resources to projects.

Regional discourse was strongly influenced by non-public actors, notably business associations and labour unions. Furthermore, international organic intellectuals, e.g. planners from Barcelona, have had a huge influence on the construction of ABC’s discourse in shaping the “Letter” and their liberal discourse was “interiorized” by local actors. Although private and civil society actors have formal means of participation and important functions in the regional planning institutions, the Consortium has always played a major role: the “mayors put their personal efforts and a huge number of municipal managers participate in the working groups” (Daniel 1997).

The strong regional media had a significant role in the construction of the regional identity. The regional newspaper “The ABC Diary” and the magazine “Free Market” largely influence the formation of a common sense that aims at identifying the interests of local business with those of the whole local economy and society. Their editors have free access to most of the regional leaders. Local governments, however, have been from the political left – the majority belonging to the Workers’ Party (PT). Therefore, media, which is broadly connected to local capital, has enhanced the conflicts with local governments. The latter, however, has avoided confrontation aiming at consensus building and co-operation within the regional Chamber and Agency.

The regional governance system sharply lost vigour after 2002. One reason was the murder of the most active and reputable local leader, Santo André's Mayor Celso Daniel. The other reason was the victory of Lula and the PT in the general elections. Many local politicians have been personally or politically linked to Lula and his closest confidants. Therefore, interests and strategic outlook shifted from the local to the national level. Many politicians and labour union leaders from the ABC became federal deputies, ministers or entered federal bureaucracy. They assumed that the space of manoeuvre is larger at the national than at the local level.

4. Centrope and ABC Region: building regions for capital?

The two cases are attempts to create at the same time a region and a mode of governance. They are spatial as well as political innovations. This final section will analyse the potential of these new regional arrangements by comparing them to the national Fordist institutionalisation as a spatio-temporal fix of an institutionalised class compromise, which delimit the main spatial and temporal boundaries within which structural coherence is secured. While Harvey insists on the expansionary, often imperialist, dynamic inherent in fixing a compromise (Harvey 1985: 157ff.), Jessop stresses the possibility of coherence achieved via spatially and temporarily fixed modes of regulation (Jessop 2002b: 49). For both, however, successful regional class alliances assure structural coherence by externalising the cost beyond its boundaries and marginalizing, excluding and oppressing some classes, class fractions, social categories or social forces located inside these spatio-temporal boundaries. The Fordist fix was based on a national compromise between labour and capital, although excluding migrants and women and transferring ecological problems to the future and externalising social problems to the periphery. But it was based on a balance of power, as the "exit option" of capital was severely limited due to capital control (Hirschman 1958). Moreover it was based on a territory with universally valid rules and public law. Therefore, it achieved a decade-long stability that was only dismantled by neoliberalism.

Built upon the ruins of the Fordist fix, a new compromise emerged which is based on powerful actors and excludes whole fractions of society. It

characterises the new *glocal* mode of governance, which builds institutions at the local as well as the global level (cf. Leubolt and Brand in this volume). This refers to a form of territorialisation which is flexible, but fragile as well as to a mode of governance which is not consensual, but elitist and hardly contested. In this sense, Centrope and ABC raise doubts about the sustainability of regional modes of governance.

4.1 New regions?

Centrope and the ABC are regions with no constitutional status, but a long history. In the federal structure of Brazil, the ABC is in between the local and the state level, a sub-part of the metropolitan region of São Paulo. Centrope articulates local and state governments, two federal units, in a supra-regional territory. Czech Republic, Hungary and Slovakia are unitary states, which implemented decentralisation recently during adhesion to EU. In its totality, Centrope is a trans-border and trans-national region as well as a top-down initiative of public policy. ABC was created from the bottom up, which only later on became a region of policy making. Both regions have not only strong historical roots, but are increasingly becoming meaningful territories for living and working as well, although this dynamic is much more limited in Centrope than in ABC. They condense relations of production and reproduction, regulation and accumulation and institutionalize socioeconomic relations, a prerequisite for a regional spatio-temporal fix and a requirement of the hegemonic bloc which stabilizes it. Therefore, the regional level is becoming more suited to the challenges of socio-spatial restructuring than the local.

In both regions, new compromises are emerging in the form of new alliances in spatial and temporal boundaries. Business associations and local governments have been the main movers who aimed at attracting and satisfying capital. In Austria, the centralized structure of national corporatism has been weakened to the detriment of labour. Even in Vienna, governed by social democracy, trade unions have not been incorporated in the emerging institutions and planning procedures of Centrope. The main agents of the growth alliance are capital and the state: the former the leader, the latter the follower. First, Western-Austrian local capital successfully reoriented itself to the East after 1989, thereby enlarging the economic space beyond the national borders (Musil 2005). Austria has been able to turn its historically ne-

gative balance of direct foreign investment (FDI), due to huge active FDI in Central and Eastern Europe. From the 370.500 employees in Austrian firms abroad, 266.200 work in Central and Eastern Europe (Österreichische Nationalbank 2006). While capital started to explore opportunities soon after 1989, the state picked up the initiative later on. The City of Vienna started with a proper secretary for foreign affairs, but only more than ten years later, tried to supply a regulatory and organisational framework for this evolving transborder space of accumulation. In the ABC Region, a local tripartite alliance of state, capital and labour has striven for a class compromise in a country where labour had no independence, being always subordinated to the Ministry of Labour. Capital, however, did participate only reluctantly in this corporatist co-operation system and insisted on its exit-options. Labour unions although included had weak voice and did surrender to most of the threats of capital.

The dominant mode of governance in both regions is liberal and looks for flexible and multi-scalar solutions to coordinate a space of accumulation based on cross-border linkages. It looks for mechanism to commit local firms to the region. The pursued mechanisms are concessions to capital in diverse forms: subsidies, information, organisational support, legal changes in taxation and procedures. Large firms and banks accept the dialogue with public bodies, without abdicating to create their proper organisations. Raiffeisen, an Austrian bank, promotes its own website www.centrope.at and activities on Centrope, parallel to the governmental attempts. Multinationals in Brazil subordinate their branch plants to overall restructuring targets, independent of any regional governance or dialogue. At the regional level, business is stimulated to get involved and participates if short-term interests are at stake, for example getting support structures or influencing planning decision. But investors are not formally represented in Centrope. ABC's most important industry, the automotive, is traditionally absent in regional discussion. Although the emerging modes of governance are cross-border co-operation systems to strengthen entrepreneurial commitment to the region by creating institutional arrangements favourable for corporate investment, a long-lasting articulation of public and private actors has not yet been achieved.

The new class compromise accepts the basic asymmetry in power relations that result from the possibility of capital to exit. This is the crucial

difference to the territorial compromise during the Keynesian welfare state. Local politics and labour are place-bound and political bargaining refers to the regulation of place. Large enterprises can choose between “voice” and “exit” and they use their power deliberately. They participate regionally to improve profitability of their investments and threaten to leave the region if the environment is not sufficiently suitable. The way Volkswagen dealt with the strike in São Bernardo in 2006 is a vivid example. The company threatened to leave the region if the workers do not agree with dismissing 3600 employees, almost one third of total at the local plant. Even with pressure from the federal government through deferral of a loan from the public National Bank, the giant car producer did not take back its menaces and had fully succeeded in its attempts. The struggle over the privatisation of the Bratislava airport is another example: Austrian capital convinced the Slovakian government to cooperate in transforming the Bratislava airport into a subsidiary of the Vienna airport. Privatisation was promoted by using incentives and threats. The newly elected Slovakian Central Government, however, wanted to stop privatisation which resulted in huge protests of Austrian and local Slovakian key actors.

Thus, the spatio-temporal fix which regional governance currently aims at is much more fragile than during nation-centred regulation. The key problem is that the nation-centred spatial fix was based on the rule of law and a public law binding for private actors. New modes of governance are based on private law, even if the state participates and provides financing. The common interest coincides with short-term business interests: what is good for business is good for the region. This unilateralism, however, fosters a short-term perspective and inhibits stability. This imbalance of power between capital, state and labour is more severe at the periphery. To start with, Raiffeisen, as an Austrian corporation, is much more committed to the region and the project than Volkswagen in Brazil where it applies a cost-cutting strategy more easily than at home. In general, corporations do not seem to commit themselves to local job creation. But they are more reluctant overseas than at home.

Furthermore, project financing is precarious in the ABC, while it does not yet limit activities in Centropé. The latter is deliberately supported by European Union through its Structural Funds and its eligible criteria for grants, which foster trans-border regions, for instance the “Euroregions”

(Bundeskanzleramt 2003). It is, thus, a top down initiative in a broader European governance tradition. The ABC Region, on the other hand, is much smaller and counts with no external funding. Unequal development continues shaping the concrete form of institutional arrangements.

4.2 New mode of governance?

The general idea about governance is that government as a mode of governing from above is substituted by governance as a more network-oriented and inclusive form of governing (Jessop 1997; Rhodes 1997). While the old-fashioned mode is described as bureaucratic, hierarchical and mechanistic, the new one is seen as flexible, multi-scalar, open and relational, more in line with biological metaphors. It implies that the new mode of governance is natural and universally applied, homogenizing institutional arrangements in a worldwide trend towards isomorphism in governance. However, the actually existing modes of governance can only be grasped by context-specific analyses. The particularities of our case studies do not support this simplistic understanding.

First and foremost, the leading role of government is striking in both cases. Institution building consisted in the creation of public development agencies or the empowerment of existing ones, instead of a liberal minimal state. These new public institutions conduct capital-friendly state interventions and steering. The leading role of government is indirect as regional development projects are implemented by outsourced public or quasi-public agencies. Funding is mainly public as well.

Second, Jessop (2002b) describes the development of a “Schumpeterian Post-National Workfare State”. The new mode of governance has strong Schumpeterian traces, as he describes development as a process of creative destruction that is based on innovation and entrepreneurship (Schumpeter 1947: Chapter 7; Schumpeter 1931). But innovation is realized by leadership (*Führerschaft*) (Schumpeter 1947: 124ff.), a highly problematic concept in Austrian history. New possibilities are realized by a strong leader who can alone impose his or her will. Hierarchical and authoritarian institutions, like firms and executive bodies, facilitate his or her innovative agency. Therefore, Schumpeterian traces in current modes of governance refer not only to innovation, entrepreneurship but as well to authoritarianism. The latter is fostered by the discourse of competitiveness, which aims at establishing

a new institutional framework at all levels with an elitist and authoritarian trait. Competitiveness as an overall target of regional governance parts from the assumption that addressing capital demands is the necessary condition for regional prosperity. This discourse is reinforced by governmental agencies via meetings, planning and advertising documents, conversations with other governmental spheres and with entrepreneurs (Sum 2005). The discourse of competitiveness emphasises innovation and entrepreneurship, without problematizing its authoritarian connotations. Firms as generators of wealth and employment are seen as the key actors, their participation in regional institutions, in planning and dialogue, being celebrated and their demands tending to be promptly accepted. Therefore, access of interest groups that might oppose the pre-defined strategy is limited. Countervailing power, a key element of traditional liberal political thinking, is considered obstructive. The state assumes the responsibility to create an environment favourable for enterprises by outflanking other interests – ecology, justice or democracy. Socio-ecological problems, e.g. environment and poverty, have not even been tackled by the studied regional governance institutions. Diverging conceptions of regional development are considered as obstructive, although even the economic viability of the concept of competitiveness has been questioned (Jäger 2006).

Third, the new mode of governance is a threat to democracy and public planning, which has historically been organized in territories. Popular sovereignty and local self-administration need a delimited territory (Lipietz 1998: 181). But socioeconomic relations tend to transcend boundaries and the new forms of governance strengthen the multi-scalar and network dimension of socioeconomic and political relations. Therefore, they lead not only to a hollowing-out of the nation state, but of democratic decision making as well. Local and regional legislators can participate, though they have no competence for defining or implementing strategies. The same is true for civil society other than business interests: it has voice in limited domains, but it has no vote. Involved in both governance systems are the heads of local (and regional) governments and managers of public or public-private development agencies. The concentration of power and access to decision making and resources in public bodies that are neither accountable nor transparent for parliamentary control or for civil society facilitates the private lobbying of dominant private actors.

The dominant solution to complexity and the need for innovative solutions tends to be elitist and authoritarian and the new compromise – as shown in the cases – tends to exclude social forces except large enterprises and a coalition of willing governments. Workers, however, are excluded in Centrepe and powerless in ABC. Contrary to the Fordist spatio-temporal fix, the fix of the new mode of governance does not count on a sovereign State with power to control financial and legal issues and, moreover, the stability of a class compromise that binds capital to the region. The challenge, Centrepe and ABC pose for emancipatory politics is to find accumulation strategies and organisational forms suitable to the relational space of socio-economics and the network society. A new and democratic spatio-temporal fix cannot be achieved without modifying and amplifying the composition of regional alliances, thereby, sharing the burden of socioeconomic crisis (Harvey 1985: 157)

Alternative socioeconomic development has to overcome the dualism of a closed democratic power container like a nation state versus a flexible, but non-democratic and elitist articulation of multi-scalar spaces. Democracy is no static situation, but an ongoing process (Beigewum 2003). Democratisation means continuous experimentation with forms of opening access to all parts of the population, especially those at its margin. This is the core of popular sovereignty: What concerns all has to be decided by all. Including common deliberation about the objectives of development presupposes accountable and transparent public institutions, beyond bureaucratic government and the parliament (Hirst 2000). Subsequently, dialogue and democratic decision-making can include the people in a process of socioeconomic democratisation. This should become the *leitmotif* of re-shaping history and geography.

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Abstracts

The paper analyses regional modes of governance by conducting a comparative investigation of growth alliances in two regions: the newly emerging so-called Central European Region - "Centropole", in the border region of four nations: Austria, Hungary, Czech Republic and Slovakia, and the well established "Greater ABC Region", formed by seven municipalities of the metropolitan area of São Paulo, in the south-eastern part of Brazil. The analyses of both modes of governance will show how these territories are socially produced, therefore not coinciding with existing political or administrative units. The comparative analysis focuses on forms of spatio-temporal fixes, comparing the regional institutionalised class compromises in terms of participation and exit options of capital and state. It aims at a better understanding of the peculiarities of these new modes of governance.

Der vorliegende Beitrag beschäftigt sich im Rahmen einer vergleichenden Analyse von Wachstumspakten in zwei neu formierten Regionen mit *Regional Governance*: die so genannte Central European Region – *Centropole* in der Grenzregion von Österreich, Ungarn, der Tschechischen Republik und der Slowakei – sowie die schon länger etablierte *ABC Region*, die aus sieben Gemeinden im Großraum São Paulos im Südwesten Brasiliens besteht. Die Analyse der *Governance*-Strukturen zeigt den Prozess der Produktion von zwei Territorien, die nicht mit formellen administrativen Einheiten identisch sind. Die vergleichende Analyse konzentriert sich auf die Institutionalisierung regionaler Klassenkompromisse im Rahmen von Partizipation und Exit-Optionen für Kapital und Staat. Ziel der Analyse ist die

Diskussion der Fragen, ob es eine neue Art der *Governance* gibt und ob die Produktion von Raum die regionale Ausrichtung auf die Bedürfnisse des Kapitals impliziert.

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