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Regional politics and economic patterns: 'glocalisation' and the network enterprise

Peter Cabus and Martin Hess

Introduction: regional policy over the crossroads

- 1 Traditionally regional policy is defined as a policy geared to the needs of a specific area that are not taken into account by the 'usual' policy fields. Since the early 1980s there have been some remarkable changes at the level of the European Union and especially at the level of individual countries. Partly these changes were inspired by the recognition that other policy fields have, intended or not, some kind of de facto regional impact. Today's regional programmes are therefore inclusive with a strong accent on horizontal coordination. Another reason was the ineffectiveness of support for lagging regions. Together with the growing global-local discourse and the application of the principle of subsidiarity, the accents in the regional economic policy field shifted towards the development and promotion of the endowments of every region in a country. Behind this shift there is also the conviction that this new regional economic policy will not only benefit the region concerned, but also the country as a whole.
- 2 It is clear that these new accents are such that regional policy is not at (Albrechts *et al.*, 1989) but is already over the crossroads. This also means that the traditional definition has become outdated.
- 3 In search for a new access to regional development we will first explore recent developments in this policy field. Subsequently there is a confrontation with the theoretical background developed within a global-local dialectic, leading to a glocalisation approach.
- 4 To evaluate these new global-local theories and their derived policies, it is also necessary to confront them with today's industrial strategies. It is indeed one of the main goals of

contemporary regional economic policy to stress indigenous economic growth, especially based on small and medium sized enterprises (SME). We will argue that a more realistic point of departure is one in which the network enterprise, exceeding local or regional boundaries and connecting SME and big firms, gets a central role. This will also be illustrated with two examples. The first explores the network enterprise between the Belgian car manufacturing industry and its suppliers. The second examines the role of nodes within global networks, based on rail engineering in the Berlin-Brandenburg Region.

New accents in the regional economic policy field

- 5 A common regional policy in the European Union had actually not been embedded in the Treaty of Rome of 25th March 1957, creating the European Community (Engel/Van Ginderachter, 1993, p. 35). Following the neo-classic liberal theory on which the Treaty was based, the belief was that with the development of the common market, market forces themselves would eventually redress the imbalances among the regions. However, this belief proved to be incorrect. Moreover, with the entry of new Member States and the growing disparities between the European regions in the 1970s and 1980s, the need for a more active regional policy was felt. From 1975 on a framework has been created to that effect. After the introduction of a specific regional policy in the Community, and the first steps in this field, new priorities, means and actions were developed in different stages (European Commission, 1999a). The last one was introduced with 'Agenda 2000' that was politically approved at the Berlin summit in March 1999 (European Commission, 1999b).
- 6 In these successive changes of European regional policy there were a number of accents. First there was a substantial increase of the financial resources. Next these increased financial means were focussed both on priority fields (objectives) and on regions and areas. Also the project-based approach was abandoned for a programme-based approach. Then there grew an increased partnership between the European Community, the Member States and the Regions. This was based on the principle of subsidiarity that was introduced by the Treaty of Maastricht in 1992. Finally there is a development of a clear-cut future vision on the common regional policy. Part of this relates to securing the resources for a European approach via Community initiatives. Despite all this new accents *a constant value in the European Regional Policy so far has been the focus on regions whose development is lagging behind and on declining industrial regions.*
- 7 The shifts in regional policy accents of the individual countries differ to a great extent from these of EU-regional policy. A first starting point of today's regional policy has his roots in the economic crisis of the 1970s and early 1980s that created massive unemployment and structural changes in the regions. This fact led to – contrary to the evolution of EU-regional policy – a reduced weight of regional policy on the political agendas of the Member States. Furthermore, as a result of budgetary restraints and changing views on subsidies, many countries have cut public spending and have taken a more selective approach to regional development. At the same time the regional incentives operated by the Member States have become less in both number and variety (European Commission, 1994, pp. 135-136).
- 8 A second point of departure of contemporary policy has to do with a number of important observations on regional policy of the past 30 years, such as the lack of

substantial growth, growing regional disparities, a top-down approach with at the end fairly small results, more market orientated governments in the 1980s, the growing (policy) importance of high technology industries and services, a centre-periphery relation not only between core and peripheral regions but also within the core regions, growing importance of business environment... From these observations and going further with Stohr's work (1989, p. 192), Glasson (1993, pp. 189-190) identified new accents for a future regional policy including a more flexible, decentralised approach, geared to regional innovation, technology and services rather than manufacturing, indigenous rather than inward investment, programmes rather than project, and small/intermediate rather than large firms.

- 9 It is indeed possible to spot these new accents on the field of today's regional policy. At first regional policy of individual countries (OECD, 1997) – unlike the situation at the European level – has shifted from supporting lagging regions to the development of all regions according to their own endowments. Of course the improvement of the competitive position of the regions concerned is a primary objective, but one estimates that also the country as a whole will benefit this new approach.
- 10 Further on bottom up turns out to be the common feature. The shift towards local levels becomes the rule in regional economic development. Different intermediate structures are created to give an answer on the new economic challenges. This is happening on a sufficiently low territorial level, to make horizontal cooperation possible.
- 11 In order to meet the essential horizontal coordination, national authorities decentralise their competencies towards existing or new infranational territorial structures. These structures have to realise policy governance and because they have to generate the financial means themselves they have also a bigger responsibility. Within this governance overlapping (institutional) networks (institutional thickness) are presumed to play an important role (Cooke, 1993). Traditional instruments (such as grants and investment support) are still existent today, but both geographical accents and objectives are more selective, with a greater emphasis on SME (Yuill/Batchler/Wishlade, 1997).
- 12 Although it is obvious that the infranational territorial structures, mentioned above, have to be understood geographically from the concrete context of the specific country, it remains unclear what the OECD means by local. The local level can be for instance the English regions as well as a city or municipality. This indistinctness is not inevitably a problem. Within the mainstream of bottom up there are variations from country to country. This has first to do with the differences in context regarding geographical, historical, cultural, social, economical and institutional aspects. Second, in some countries bottom up is linked with formal administrative structures while this is not so or to a lesser degree in other countries. In common there is the fact that formal administrative as well as informal intermediate structures are active on the regional economic policy field. Third, there are also differences in content of regional economic policy. Among the examples chosen to explore the 'local' more in detail (France, Germany, The Netherlands, Sweden¹ and Flanders), there are three (France, The Netherlands and Germany) where there is a strong link between physical planning and spatial policy. In Flanders (Belgium), this link is much weaker.
- 13 Ever since 1963 the central government of *France* is engaged in regional development via DATAR (Délégation à l'Aménagement du Territoire et à l'Action Régionale). From 1986 on the 26 French régions too are engaged in the regional economic policy field.² Via

contracts with the central government (contrats de plan), the regions are responsible for the realisation of regional development goals.

- 14 Besides these formal structures, there was the installation of a Pays-approach with the new law on physical planning and spatial development in 1995. A Pays is defined as a territory with a geographical, cultural, economic or social cohesion. It is constituted of groups of communes that can cut through the borders of the départements or the regions. There is no minimum in terms of population or surface, and the Pays can adapt in time. The central government however strongly advises to have a sufficient geographical content in order to be able to work efficiently (more or less on the level of a arrondissement). In being a 'espace de rencontre' these Pays are the geographical context of free cooperation between local political and socio-economic partners that want to reach a common vision on the development of the Pays.
- 15 In *Germany* regional policy is under the authority of the Länder and regional planning associations. The federal government too plays a role in terms of keeping the balance between the (economic) development of the different Länder and setting the framework for regional planning via the law of federal spatial planning (Bundesraumordnungsgesetz). Important from our point of view is the development of new instruments like the so-called Regional-konferenz. The Regionalkonferenz Bremen/Niedersachsen, Mecklenburgische Seenplatte and Halle-Leipzig are developed as examples (BfLR, 1997). These Regionalkonferenzen are new, 'weak' cooperation structures, aiming at a region-specific development.³ This new initiative fits within the action programme 'Modellvorhaben der Raumordnung' (MORO), decided by the ministerial conference of physical planning in 1995.⁴ Before this official initiative there was already in 1991 a cooperation structure between the Länder Niedersachsen and Schleswig-Holstein (Metropolregion Hamburg, 1996), in order to achieve a better spatial-economic development of the Hamburg metropolitan area. This cooperation should result in a regional development concept (REK). One of the motives for starting this initiative was the development of a global economy and the resulting increased regional competition. In 1998 the process led to a first vision on the development of the region and the determination of the action fields (Metropolregion Hamburg, 1998).
- 16 In *The Netherlands* regional economic policy is catered for on the national level. This has led to a rather centralistic approach, but in the last few years the accent is clearly put on the region (Van Dok-Van Weele, 1995, Ministerie Van Economische Zaken 1999, NEI-INRO 1994). The main accent is the development of network structures on a regional scale from existent (public and private) structures. In principle the networking can take place on any supra-local level (province, city region, group of com-munes), with the already existent political and socio-economic partners in the region. In the regions with a Regional Development Agency (the (former) lagging regions), these agencies have to trigger the process.
- 17 In the spring of 1998, the parliament of *Sweden* (Sjöberg, 1999) voted a proposition for a renewed regional economic policy (Regional Growth – for Employment and Welfare). The point of departure is the conviction that an improved use of the region's possibilities will lead to stronger economic growth for Sweden as a whole. This policy implies that an appropriate regional economic policy has to start from the specific regional and local conditions. It was the intention of the Swedish government to implement this policy from January 2000 on.

- 18 This policy will result in regional growth agreements between the Län (county/province) and the central government, aiming on the one hand at the horizontal coordination of the different government departments. On the other hand it is also the intention to explore new ways of local and regional economic development.
- 19 On the county level regional partnerships will be created with local and regional governments, local social partners and universities. It is expected these partners will have an active role in the conception and the implementation of the regional growth agreements. It is also important to mention that despite the free character of the process, all 21 Swedish counties decided to participate in it.
- 20 Within the federal state of Belgium, the competence of regional economic policy is decentralised towards the constituent parts of the state (Wallonia, Brussels and Flanders). In the wake of new trends in European regional economic policy, from 1988 on new and renewed attention was given to regional development in *Flanders*. While the first regional development 'impulse' programme running from 1990 tot 1994, still was focused on lagging regions, today's regional policy, that was introduced in 1994, has a totally different and bottom up approach (Flemish Government, 1994). Basically the bottom-up is assured by the creation of sub-regional platforms. These platforms are developed spontaneously in the region and its members are the so-called living forces (local politicians together with social partners and other local actors). Through a system of consultation between the region, the central administration and the government a regional charter is effected. This charter includes environmental factors that the region considers to be important for the economic development of the sub-region. The Flemish government made the commitment to realise these charters.
- 21 We argued that differences in the 'local' are not necessarily a problem. However it is crucial to notice that this investigation complicates the situation and therefore does not clarify the question on what has to be understood by 'local'. On the contrary the dimension of the different regional platforms can vary very much. It ranges from 100,000 inhabitants (e.g. some of the Flemish regional platforms) to entities with several million people (e.g. the Regio-nalkonferenz of the Hamburg metropolitan area). As we will observe in the next section the question on the 'local' is also an unresolved issue in theories on local economic development.

Theoretical background: global-local dialectic

- 22 Recent models of local economic development stress the role of the 'local' in local economic development. Focussing the 'local' it is clear that the new attempts of regional policy at first glance raise the question of a new, localized Europe, based on the idea of a 'Europe of the Regions' (Amin/Malmberg, 1994 p. 229). Encouraged by the discussion on post-fordist flexible specialization (Piore/Sabel, 1984) and the re-emergence of regional 'marshallian' economies (Sabel, 1994) policy makers in many regions are looking for possibilities to improve endogenous development within their respective areas. Successful regions like the Silicon Valley, greater Boston or Cambridge with its fast-growing high-tech-sectors or the so-called 'third Italy', characterized by many local SME-networks in the textiles and clothing industry serve as prominent models. The importance of spatial proximity and the necessity of regional and social integration in order to achieve a prospering development of enterprises and economic regions are

stressed (see e.g. Scott, 1988; Harrison, 1992; DiGiovanna, 1996). One can see this as a counter-reaction to the sustained and publicly intensively perceived debate on globalisation.

- 23 Globalisation has become a slogan of the 1990s. While science tries to analyse the phenomenon of globalisation in a well-established and serious matter (e.g. Taylor/Thrift, 1982, 1986; Dicken, 1992; Dunning, 1994), in journals, magazines and literature of popular science, this item often becomes a synonym for all negative economic developments of the past several years. This is the case especially in Germany, where in recent years the debate on international competitiveness (Standort-Deutschland-Debatte) has dominated discussions so far (Henzler 1993; Martin/Schumann, 1996). But also in many of the scientific contributions, mentioned in the same context, the consideration of international levels of scale has dominated discussions as well. By the same token, especially the New International Division of Labour has to be mentioned (Froebel/Heinrichs/Kreye, 1977; Schoenberger, 1988). Accordingly the transnational enterprises (TNE) – the so-called 'global players' – are the driving forces of a worldwide capitalistic economy on a global scale. It is claimed that they are capable to operate regardless national rules or regional linkages, and of producing anywhere, where production factors seem most favourable. As a result, the impact of locality, also in its geographical sense, is diminishing and homogenisation of space is resulting out of it. On the other hand, especially production clusters of small and medium sized enterprises (SME) show significant competition abilities. In other words, there would be a paradox at work (Conti, 1993, p. 122): the more something is functioning on a global scale the more it needs a set of conditions which, by their nature, are local, immobile and specific. Specific, locally bound conditions would play a decisive role in the path of development of different territories (Swyngedouw, 1989; Porter, 1990) because these are integrated in corporate strategy.
- 24 Synthesizing this broad global-local debate, it is possible to separate different theoretical models (Cabus, 1999). First we see the reaffirmation of traditional regional geography, with the traditional region as a starting and ending point of territorial processes (Holmén, 1995). Second there is the accentuation of the Nation State as an answer to globalisation, taking into account that local conditions are very much nationally determined (Porter, 1990). But at the same time the Region State appears as an answer to globalisation, taking into account that in a global economy only the region can react efficiently (Ohmae, 1995/1996).
- 25 A next group of models considers the region not so much as the centre of local economic development but as a centre of knowledge in a process of territorial learning and thus the very focus of untraded interdependencies (Asheim, 1996, 1998 and 1999; Bellandi, 1996; Bellini, 1996; Malmberg/Maskell, 1997; Storper, 1995, 1999).
- 26 Others are looking for an answer on global territorial competition in reinforcing individual cities and regions by developing complementary networks between one another (Castells, 1993). Finally there is the institutional approach, in which the development within regions and nations of underlying public and private supporting networks for economic activities is the main accent for success in local economic development (Cooke, 1993).
- 27 Although the last two ones also make some considerations on weak regions and the relationship with the strong ones, all models envisage the detection of recipes for

winning regions. For Lipietz (1993, p. 16), there can only be a certain type of 'regions which win' within the framework of a certain type of national state. The losers are at the sidelines or even condemned to a greater subordination vis-à-vis the winning regions. Castells (1996, p. 472) concludes that the zero-sum on a global scale is typical for a global system. The losers are paying for the winners.

- 28 It is clear all global/local models start from the implicit hypothesis that local-specific processes and effects exist (Gordon/Murray, 1998, p. 8). The main question (Cox, 1998, p. 17), however, is whether it is possible to say that a place generates specific effects by itself without external inspiration or influence.
- 29 In order to dissolve the global-local paradox, it is possible to use the concept of 'glocalisation' that transcends the scale problem, by making scale not pre-given but the product of a socio-economic spatial struggle of power and control (Swyngedouw, 1992 and 1997). As Swyngedouw defines glocalisation, there are three main aspects to take into consideration. At first there is the restructuring of the institutional level from a national scale both upward to supranational governance structures and downward to the individual body, the local, the urban or regional configurations. Secondly, there are the strategies of global localisation of key forms of industrial, service, and financial capital. Thirdly, the scale at which social, cultural and economical life and actions take place is highly fluid and dynamic because it is the result and the outcome of social struggle for power and control. Glocalisation, thus, becomes a new way to deal with the global-local discourses in geography as well as in economy, by replacing it by scale politics.
- 30 In a way this dissolves the tension field between globalisation and regionalization in which industrial restructuring takes place. But in ranging from the individual body to regional or even national and supranational geographical configurations (e.g. the 'Southeast Asian Tigers'), the 'local' becomes at the same time even more difficult to handle than it was already established in the previous section.
- 31 In what is coming next, we will take the second part of Swyngedouw's definition of glocalisation as a point of departure because we will focus on production. Then glocalisation designates TNE-strategies by means of the most important customer-countries worldwide, in order to establish production networks with other enterprises (Courchene, 1995). So these TNE can react to specific market conditions much faster. Local-content demands can be fulfilled much easier as well, and within the recipient country there is an increase of 'local' production.
- 32 Decentralization of production is resulting out of TNE glocalisation strategies. In the target countries hierarchical supplier's networks are being established. In this context, Amin and Thrift (1992, 1994) speak of nodes in global networks by means of regional production clusters integrated in global networks. This goes along with the creation of highly sophisticated (quality) control systems of suppliers and distribution networks that remain within their enterprises of origin (Van Tulder/Ruigrok, 1993). In terms of division of labour, globalisation is characterized by a worldwide company-intra-firm division of labour, while the term glocalisation refers to a geographically more concentrated inter-firm division of labour, being under control of a transnational enterprise (Bartlett/Goshal, 1990).
- 33 Trying to replace the global-local discourses by glocalisation, it is possible to define it as a concept, being the ratio between global orientation and the local and regional aspects of industrial production. Therefore glocalisation manifests itself as local production

complexes that are nodes within global networks, as well as nationally adapted production strategies of transnational enterprises (Hess, 1998, p. 55).

Industrial relationships

The network enterprise and enterprise networks

- 34 Over recent years there has been a considerable debate on the future socio-economic development of the western capitalist economies. A key element is the changing nature of industrial relationships as a reaction to the crisis of fordism and the emergence of a post- or neo-fordist era of production and organisation. As a result a lot of attention has been paid to new firm formation and the role of SME in economic restructuring processes. Consequently, over the last few years, the reactions and organizational changes of large firms to a comparably less extent have been the subject of economic-geographical research. Big firms were supposed to be 'dinosaurs' unable to compete under the new competition model (Best, 1990; Harrison, 1992, p. 471) and breaking under their own weight.
- 35 This in a way neglects the still dominant role of large firms, especially the transnational enterprises (TNE), which dominate most of the economic sectors and play a major role in many regions and nations. The growing number of mergers and acquisitions within and across borders, implying an enormous tendency to industrial concentration, underlines the importance of big national and international companies impressively. In other words, 'oligopoly is alive and well' (Martinelli/Schoenberger, 1991).
- 36 Companies had to change their organization and inter-firm relationships to a considerable degree to stay competitive, resulting in the expulsion of activities not belonging to the core-competencies. Considering market conditions and their capacities, other companies perform these activities. New forms of corporate organization and new strategies of cooperation between producers, suppliers and customers have replaced hierarchical structures. The emergence of the *network enterprise* (Castells, 1996) has to be seen as a result of these restructuring processes. In this system of enterprise networks, large corporations as well as small and medium sized firms play a role in a context of increasing concentration of capital and control (e.g. Cooke, 1988; Harrison, 1994; Hudson, 1988; Martinelli/Schoenberger, 1992; Scott, 1990; Storper, 1995; Vaessen, 1993; Young R. *et al.*, 1994)
- 37 Networking has become the new paradigm of contemporary industrial development (Morgan, 1997). Situated organizationally between the extremes of markets and hierarchies, it offers a hybrid model of competition and cooperation (sometimes named 'coopetition') in search for greater flexibility and avoidance respectively share of costs and risks. This does not mean the network enterprise has no longer to do with markets and hierarchies (Sayer, 1995). Depending on the balance and distribution of power between the actors of a network, hierarchical coordination might exist as well as market transactions. Which particular type (Figure 1) of network enterprise will be chosen by the actors, is determined by structural elements like political-economical frameworks or the degree of competition within a specific sector, but at least as important are the strategies and decision-making processes of the firms engaged in such a network. The result of these processes is determined by (changes in) the balance of power between the decision-makers. This balance is not only an inside-enterprise matter, but it is also very much

influenced by actors outside the company: especially the State and the relationship between labour and capital. Finally, this results in specific organisational structures that are an essential part of the organisational paradigm of the network enterprise.

Figure 1. Typology of different network governance structures.

Governance structure	Definition
(1) All ring, no core	There is no systematic lead firm, or a rotating leader, by project. There is no hierarchy.
(2) Core-ring, with coordinating firm	The coordinating firm is the lead, systematic agent in the input-output system, but the coordinating firm cannot function on its own, nor determine the existence of other firms in the system. There is some hierarchy.
(3) Core ring, with lead firm	The lead firm is substantially independent of its ring of suppliers and subcontractors, that is, it has the ability to reconfigure at least part of its ring. It can thus determine the existence of some of its ring. Power is asymmetrical; there is considerable hierarchy.
(4) All core, no ring	The vertically-integrated firm.

SOURCE: STORPER AND HARRISON, 1992B, P. 412

- 38 Looking for the geographical consequences of the network enterprise, there is a fear that the end of the discipline of geography is near because of the increasing importance of the global action space (Amin/Thrift, 1997, p. 49). This should imply that geographic research on specific 'local' assets in terms of skills, knowledge and socio-cultural and political environment becomes useless. This is at least one bridge too far. It is certain that interactions exist between the socio-cultural-political and the economic forces. A completely asocial economy with only rational individuals solely interested in themselves could never function. Even a strong economic environment (like Silicon Valley) cannot be strictly economically defined. This space, too, is the result of social relationships and a cultural attitude, with a specific historical path and specific power relations (Massey, 1997). However recent developments in economic functioning – the emergence of a global economy – lead to a situation in which the interdependency between the two groups (economic and socio-cultural) of forces is diminishing. This increasing separation of economy and socio-cultural background inevitably leads to a repression of moral considerations in economic decisions. This means that there is a decline of the 'moral economy', which explains a neat distinction between economy and socio-cultural elements (Sayer, 1997).
- 39 Veltz (1992) concludes that the '*territoire-zone*', which is the traditional socio-political region, is being abandoned for a '*territoire-réseaux*', a network of territories mainly determined by the actions of economical agents, in which cities perform the central role. Benko and Lipietz (1992, p. 384) refer to a district of networks, with (economic) activities spread over different cities. These networked territories, determined mainly by actions of economic agents, are drifting further and further away from daily life and political and administrative structures. This means that (Storper and Harrison, 1992a, p. 286) '*The point of view of the region*' differs from the point of view of the economical actors in the region: the companies.
- 40 For the parties at the origin of the networked territory (in our view the firms), the junctions – the nodes – are contextual places (Harvey, 1973; Aase, 1994). The relationships between these parties cross the coherent layers, in which socio-political parties are active, in a non-coherent way. The market determines the rules of the game. Within this context today's gross-entrepreneurial strategies have to be understood as a result of

altered competition environments. In the context of spatial developments, glocalisation becomes the framework for the establishment of globally oriented but locally situated production networks that organise space as networked territories.

- 41 In the next section the role of network enterprises will be discussed and illustrated with two respective examples. The first will take a close look on the network relationships of Belgian car manufacturers and their suppliers, while the second will outline the role of nodes within global networks as well as the discovery of this situation by politics, regarding the rail engineering industry in Berlin-Brandenburg.
- 42 Classifying the relationship between the Belgian car manufacturers and their suppliers is certainly a Core-Ring-model. However, as we will explain later, the shift in the balance of power is also resulting in a shift from stage 3 (leading firm) to stage 2 (coordinating firm). So we argue the network enterprise is in a transitional phase between stage 3 and 2, and this transition is differentiated according to the car manufacturer concerned. Furthermore the question on who is coordinating who will certainly gain importance.
- 43 The governance structure of the rail industry cluster in Berlin-Brandenburg can be characterised as a Core-Ring-model, with three lead firms and a considerable degree of asymmetric power relationships.

The network enterprise between Belgian car manufacturers and their suppliers

- 44 The industrial relationships in the period 1995-1997 (Cabus, 1999, 2000) between the car manufacturing industry in Belgium⁵ and their supplying industry are a first example of the way in which a network enterprise is functioning. 2,087 plants are supplying⁶ the Belgian car manufacturers. The huge number of suppliers does not imply they are all equally important. For Volvo, only 7 suppliers are responsible for 50% of total supply. Volkswagen needs 14 companies and Ford 30. For Volvo, a supply of 80% is reached with 31 companies, while for Volkswagen and Ford there are 59 and 63 suppliers. To fill in the next 20% there are much more companies than these required to reach the first 80%. So, many companies are involved in the supplying process. There is however, a relatively small number of very important ones.
- 45 The 2,087 plants are localised in nearly 1,500 places in the world, especially in Germany, France, the United Kingdom, Spain, Belgium and Sweden. The importance of the different countries depends on the car manufacturer concerned and is clearly linked with the nationality of the Mother Company.
- 46 Already the number of suppliers and their localisation on the country level explains something about the functioning of the network enterprise. However it is clear that in the organisation of the network, the balance of power between the car manufacturers and their suppliers is an essential part. The strategic position of the supplier vis-à-vis the car manufacturer can vary from suppliers who have an exclusive relationship with one manufacturer to suppliers who have all manufacturers on their delivery list. It is obvious that suppliers working for several manufacturers have a highly strategic position because they succeeded in conquering a larger part of the market for a certain system or component, and because the output is spread strategically. These strategic suppliers are or are becoming themselves in most cases global players. From this perspective the balance of power is clearly shifting from the manufacturers to the global suppliers.

Table 1. The industry supplying the Belgian car manufactures: suppliers per country.

Country	Volkswagen		Opel		Ford		Volvo		Renault		Firms	
	Abs	%	Abs	%	Abs	%	Abs	%	Abs	%	Abs	%
Germany	494	68.6	390	46.4	182	35.3	91	30.3	15	4.5	812	38.9
France	29	4.0	68	8.1	25	4.8	23	7.7	260	77.8	341	16.3
United Kingdom	14	1.9	101	12.0	145	28.1	18	6.0	2	0.6	235	11.3
Spain	28	3.9	101	12.0	52	10.1	6	2.0	34	10.2	166	8.0
Belgium	77	10.7	42	5.0	24	4.7	34	11.3	9	2.7	146	7.0
Sweden	0	0.0	10	1.2	0	0.0	87	29.0	0	0.0	91	4.4
Italy	21	2.9	40	4.8	10	1.9	1	0.3	7	2.1	64	3.1
US	3	0.4	9	1.1	45	8.7	7	2.3	0	0.0	59	2.8
The Netherlands	15	2.1	14	1.7	9	1.7	13	4.3	1	0.3	40	1.9
Austria	19	2.6	11	1.3	2	0.4	1	0.3	1	0.3	30	1.4
Canada	4	0.6	0	0.0	7	1.4	1	0.3	0	0.0	12	0.6
Portugal	0	0.0	7	0.8	4	0.8	0	0.0	1	0.3	11	0.5
Switzerland	6	0.8	3	0.4	4	0.8	4	1.3	1	0.3	11	0.5
Ireland	0	0.0	3	0.4	3	0.6	1	0.3	1	0.3	8	0.4
Turkey	0	0.0	7	0.8	0	0.0	0	0.0	0	0.0	7	0.3
Brazil	1	0.1	5	0.6	0	0.0	0	0.0	0	0.0	6	0.3
Japan	0	0.0	2	0.2	0	0.0	3	1.0	0	0.0	5	0.2
Norway	0	0.0	0	0.0	0	0.0	5	1.7	0	0.0	5	0.2
Hungary	0	0.0	5	0.6	0	0.0	0	0.0	0	0.0	5	0.2
Other Countries	9	1.3	22	2.6	4	0.8	5	1.7	2	0.6	33	1.6
Sum	720	100	840	100	516	100	300	100	334	100	2,087	100

SOURCE: VW, OPEL, FORD, VOLVO AND RENAULT AND OWN CALCULATIONS – 1995-1997

- 47 Companies having an exclusive business relationship are more vulnerable. Of course, this is not the case for every exclusive supplier. At first, the car manufacturer can depend on the supplier, because the specific knowledge and skills are not transferable to other companies. This is certainly the case with system supply (Mercer, 1998). Secondly, exclusive suppliers are in quite a number of cases strategic partners of different large groups, especially founded to supply a specific plant of a car manufacturer. This type of business relationship is evidently not the same as the one between a local supplier and the car manufacturer.
- 48 Table 2 and Figure 2 give an overview of the strategic position of the industry supplying Belgian car manufacturers. Within this exercise it is important to know which suppliers are local and which are global. As the network enterprise is studied from the production side and localisation of the plant, suppliers who only have one plant are defined as local. Suppliers that have more than one plant are considered to be global.
- 49 Within 1,156 local companies and 252 global groups, there are 434 companies/groups that supply more than one manufacturer. 23 of them have all manufacturers on their delivery list. They are in control of 218 plants. On the other hand, there are an important number of exclusive suppliers: 48 groups having 124 plants and 926 local suppliers.

Table 2. Strategic position of the industry supplying Belgian car manufacturers.

Supply	Number Groups/companies	Global companies Groups	Plants	Local companies
1 manufacturer	974	48	124	926
2 manufacturers	260	81	209	179
3 manufacturers	99	59	202	40
4 manufacturers	52	41	178	11
5 manufacturers	23	23	218	0
Sum	1,408	252	931	1,156

SOURCE: VW, OPEL, FORD, VOLVO AND RENAULT AND OWN CALCULATIONS – 1995-1997

Figure 2. Strategic position of the industry supplying Belgian car manufacturers: supplied quantity (%).

SOURCE: VW, OPEL, FORD, VOLVO AND RENAULT AND OWN CALCULATIONS – 1995-1997

- 50 Companies or groups that have reached a strategic position by supplying several manufacturers are not big in numbers, but they have a large piece of the supplying cake. Global companies are of major importance within strategic delivery, i.e. suppliers delivering 3 or more manufacturers. They are responsible for more than 80% of all strategic deliveries.
- 51 Local companies⁷ are most important for exclusive supply. Exclusive supply is the largest for Volvo with 57% of supplying turnover and the smallest for Ford (with 24%).
- 52 Figure 3 illustrates the geographical spread and importance of supplying industry to Belgian car manufacturers, related to the strategic position of the suppliers concerned. The big share of exclusive supply to Volvo, displays itself also in the map, with big white circles in Belgium indicating the exclusive supply from firms localised in Belgium. A big share of this supply is delivered JIS by only 3 firms (Seats, Engines and Wheels). Also a part of strategic supply is delivered JIS, by only 5 firms (Interior trim, Carpets,

instruments panel, bumpers and fuel tanks). In total 42% of total supply to Volvo is JIS. The firms concerned are therefore localised in the immediate vicinity of the plant in Ghent.

Figure 3. Geographical localisation and strategic position of the supplier.

Source: VW, Opel, Ford, Volvo and Renault and own calculations 1995-1997⁸

- 53 Compared to the other manufactures, Volvo is in fact in an extreme position, with 48% of total supply delivered from and suppliers localised in Belgium. Ford still reaches 21%, while Volkswagen, Renault and Opel don't have 6% of total supply delivered from suppliers localised in Belgium. But even in the case of Volvo more than 50% of supply is coming from outside Belgium. This reflects itself on the map with a scattered and complex image of suppliers.
- 54 The map makes it clear that most of the supply from outside Belgium is produced in areas with an industrial tradition. This is especially the case for Germany, France, England, Spain, and Sweden and to a lesser degree Italy. The contribution of more peripheral European regions is still very limited. It is also obvious that to understand the relationships between firms, one has to identify 'local' as belonging to West and Central Europe. It is indeed this action space that is integrated in the external organisation of the network enterprise. Therefore, in corporate strategy, 'local' is certainly not the same as it is to the socio-political entity(ies) concerned. We point to the importance of logistics to keep the system running from the economic as well as from the geographical point of view.⁹

Nodes in Global Networks: The Rail Engineering in the Berlin-Brandenburg Region

- 55 In recent years significant changes of structures within the European rail business can be detected. These changes are mainly activated by alterations of the traffic- and industrial-political framework within the countries of the European Community and also by increased competition on the international level as well as an increasing globalisation of markets. Divisions of entrepreneurial organization and locational structure as well as inter company division of labour of rail vehicle producers and their subcontractors are mainly affected. Nowadays rail industry has an oligopolistic structure. A small number of systems suppliers dominate the global market (Hess, 1996, 1998). Three global players, whose locations are shown in the map (figure 4), shall serve as an example. The company called ADtranz is the most powerful supplier of rail engineering technique whereas Siemens Traffic Technology (Siemens Verkehrstechnik) ranks at place two on the global scale, followed by the Canadian enterprise Bombardier, who bought up the German group DWA (Deutsche Waggonbau AG) last year. Altogether these three companies make about one quarter of the global rail vehicle's market and one quarter of respective employees as well.

Figure 4. Production sites of 3 global players in rail engineering 1999. Firms with world or German headquarters in Berlin, covering around 25% of world output and employment.

- 56 After the reunification of Germany, the Berlin Region started to become the European centre of rail vehicle production. In connection with the governmental change of residence to Berlin, the German Bahn AG, which is one of the most important European sources of demand for rail vehicles, established its headquarters right there as well. Also the internationally operating Siemens group transferred its traffic technology headquarters to Berlin. Additionally, in the suburb called Hennigsdorf, ADtranz, today's most important supplier for rail vehicles worldwide and headquartered in Berlin, established its main production site on the lot of former DDR-combine Lokomotivbau

Elektrotechnische Werke. The DWA, owned by Canadian enterprise Bombardier, is located there as well and is also integrated in an international production network. As a result the Berlin area has a headquarter function of the entire rail industry. It supersedes Paris, home base of Alstom, the world's third largest supplier, and the centre of the French rail vehicle production. From Berlin, ADtranz and Siemens and, in part, Bombardier-DWA control production plants in Europe and worldwide.

- 57 Located in the vicinity of these entrepreneurial headquarters there are another 50 rail industry enterprises as well as about 28 on-campus and off-campus university research establishments, who deal with railway engineering technology. The second map (Figure 5) shows the geographical locations of railway industry of Berlin-Brandenburg differentiated by producers, operators, planning/consulting and research and development (R&D).

Figure 5. Location of the railway engineering in the Berlin-Brandenburg area.

- 58 Industrial employment within the Berlin-Brandenburg region has dramatically decreased after the Reunification. Therefore rail industry has become a major positive factor by means of employment, with special regard to high-quality employment opportunities, given the sophisticated research and technology intensity of local enterprises. In contrast, traditional production sites, especially in those former industrial areas of Germany and Great Britain, had to deal with immense unemployment problems.
- 59 The rail vehicle production branch employs about 8,500 people in Berlin-Brandenburg and the maintenance works of the Deutsche Bahn AG and the Berlin Railways System (Berliner Verkehrs-betriebe) have jobs for another 8,000 people. Therefore a number of authors recognise a regional industrial core (see e.g. Bochum/Meissner 1994; DIW 1995). It is certain that there is a concentration of research establishments. There are also plans for a better cooperation between them. In addition there is the economic and regional political support for the rail vehicle industry in this area. Therefore it is possible to speak about a really innovative rail-technological environment. It is of course this aspect of regional economic development that regional policy makers emphasize. It is also in this respect that the 'region-advocating-local-interest' emerges (Cabus, 1999).

- 60 As a result, next to other sectors, such as media management and biotechnology, traffic technology belongs to the well-promoted innovation sectors in Berlin State. This becomes quite clear, when achieved regional cooperation between producers, operators and institutions are facilitated and deepened with the establishment of highly sophisticated facilities.¹⁰ The designated objective of these initiatives is to amplify and optimise the regional research and production clusters of rail technology, and to make use of international connections of the branch to innovations and cooperation. The main objective is the development of regional and interregional networking. In doing so the concept of glocalisation is filled in on the field. This basically turns out in concrete projects. There are for example international exhibitions on rail industry and transport that give the opportunity for information exchange (seminars, mailing lists, workshops). In the near future, there is also the establishment of special infrastructures with a test and utilization route near Berlin. This includes an industrial park, especially for rail industry enterprises. The project will be funded by the development agencies of the relevant industry.
- 61 Moreover a variety of activities take place in Berlin-Brandenburg, which enhance the establishment of an internationally linked and locally embedded competition rail technology cluster. This development besides the political willingness to promote the research and production network can be seen as unique within the branch.
- 62 The Berlin-Brandenburg rail equipment industry exemplifies the still dominant role of large, multinational firms for the development of sectors and regions. As focal firms they are acting in networks and consortia, including a ring of innovative SME. Nevertheless, local networking plays a major role within this industry, but has to be seen in the wider context of local nodes in even more globalising, big-firm-led networks.

Conclusion

- 63 In the introduction we made the statement that the traditional definition of regional policy is outdated. In search for a new perspective we first examined contemporary policies and linked them with the recent theories and models on local and regional development. All these policies and models have a certain way of local (economic) development in mind. They have a coherent-geographical approach in common, in which (economic) developments correspond with the coherent-geographical entity considered. Local, however, always has a different definition. It is clear these models are appealing, but they are dangerous. The danger consists in a linear extension of economic to territorial processes.
- 64 Secondly we described what is going on from the corporate point of view. Resulting out of the industrial restructuring processes, there is the development of a new type of industrial relationships in terms of the emergence of the network enterprise, combining big firms as well as SME in the value chain. Networking has become the new paradigm of contemporary industrial development, in which market conditions (competition) and organisational elements play a prominent role. In this system, large corporations as well as small and medium sized firms play a role in a context of increasing concentration of capital and control. This network enterprise organises space as a networked territory, in which the junctions – the nodes – are contextual places within global networks. This glocalisation of production networks is thus the ratio between global orientation and the

local and regional aspects of industrial production. Both examples, the network enterprise between the Belgian car manufacturing industry and their suppliers and the rail engineering in the Berlin-Brandenburg region as nodes in a global network, support this thesis.

- 65 How do these conclusions affect a new definition of regional policy? It is certain that the following elements have to be a part of it:
- 66 First, it is clear that the nodes within global networks have to offer something in terms of competence, knowledge and skills. Therefore it is necessary that the socio-political environment fosters these endowments. The development of policies for this purpose must be seen from the point of view of the socio-political entity that defends local interests by attempting to unite the firms' interests with the own interests. It is clear that this concept of local interests is precisely the missing link in the global/local models. They are sometimes assumed to be present, but as Cox (1998, p. 19) argues, rarely is their existence problematised.
- 67 Second, it is a reality that on the production level there is a shift towards SME. But at the same time there is also a growing concentration of control and capital. Even companies that look like SME, are often a part of a larger (global) network. Therefore a more realistic point of departure is one in which the network enterprise gets a central role. This implies that the external inspiration, as mentioned by Cox (1998), or the non-local embeddedness, as put forward by Markusen (1997), are a fact. This also means that purely indigenous models and policies are not appropriate.
- 68 Finally it is also not clear what the precise meaning of local/region in the theories of local economic development is. In the global/local models the 'local' has a very broad definition with a geographical dimension varying from the individual body, over infra-regional to international structures. From the corporate point of view, even for SME, local is certainly not the same as it is to the socio-political entity(ies) where the firms are located. Bringing these observations together, the question is indeed: does local exist without global and vice versa? The answer on this last question was given with the concepts of the network enterprise, of glocalisation and of local interests.

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NOTES

1. The Swedish example was chosen especially for the interesting bottom up model. There was no further investigation on the content of the policy itself or the relationship between physical and spatial economic planning.
2. Based on the general law of 1972 on decentralisation, adapted in 1982.
3. According to the principle of subsidiarity, all administrative levels, from the community up to the federal government, are involved in spatial planning. The Regionalkonferenz relies to a spatial level that normally exceeds those of traditional regional planning associations and therefore too is a new model of spatial planning.
4. Besides the instrument of the Regional-konferenz, the MORO program includes a variety of projects, e.g. concerning 'future regions', sustainability or cross-border cooperation.
5. Volkswagen (Brussels), Ford (Genk), Volvo (Ghent), Renault (Vilvoorde – Plant closed at the end of July 1997) and Opel (Antwerp).
6. Every component, system, or good purchased elsewhere, is considered to be a supply (the 75 own affiliates of the car manufacturers supplying their plants in Belgium included).
7. Of course one has to be very careful in drawing conclusions regarding the importance of local supplying industry. For instance, the local supplier 'Engine Center Gent' delivers engines JIS to Volvo in Ghent. However, these engines are produced in Sweden (Skövde). This means the company ECG is merely a logistic go-between doing nothing more than unpacking the engines. So in fact this is a supply from Sweden (Volvo, 1997, p. 15). This company counts for 1/3 of total supply from companies with a plant in Belgium. This example underlines also the increasing importance of logistic solutions in the functioning of the network enterprise.
8. For each car manufacturer separately, the share in the supply for a place in which suppliers are located was calculated as a percentage. Then the unweighted sum of the percentages per place was calculated. Since there are five car manufacturers, the total sum equals 500. This implies each manufacturer is considered to be equally important. The map is limited to the European action space. This space counts for nearly 494 points on a scale of 500. The rest of the suppliers is localised in Japan and North America. This is especially the case for Ford, where they are responsible for 3 % of total supply. This figure mounts up to 5.3 % when the own American affiliates of Ford are taken into account. Japan counts for 2.1 point on a scale of 500. This is the result of the JIT-supply of electrical components from Mitsubishi and Alpine Electronics to Volvo.

9. The geographical spread of supply makes it clear that logistics play an increasingly important role in the functioning of the network enterprise. The creation of JIT and JIS supply parks in the immediate vicinity of the car manufacturers in recent years has to be understood from this respect. It reduces the risks that go together with the complexity of the system. Furthermore there are also environmental reasons to support this tendency. However thinking that the creation of such JIT and JIS industrial sites gives another content on 'local' and creates a renewed and strengthened local embedding is a misconception because these new developments increase the mobility of capital. Indeed suppliers that can meet the standards of the manufacturers for quality and global supply are themselves becoming global players. Increasing outsourcing implies a shift in balance of power and a replacement of 'local' by global players. It is also a fact that disinvestments by manufacturers in certain places can easily be incorporated and transferred within the global network of the manufacturers and suppliers, without real losses or even with benefits on a global scale, but with severe consequences on a local scale.

10. E.g. the 'Research and Application Federation of Traffic Engineering Technology in Berlin-Brandenburg' (Forschungs- und Anwendungsverbund Verkehrstechnik Berlin-Brandenburg), a public-private-partnership initiative, and the 'Interdisciplinary Research Federation of Rail Engineering Technology' (Interdisziplinärer Forschungsverbund Bahntechnik) at the Technical University of Berlin.

ABSTRACTS

The exploration of contemporary accents in regional economic policy is the starting point of this paper. The confrontation of this investigation with the theoretical background that is developed within the global-local paradox, leads to a glocalisation concept, being the ratio between global orientation and the local and regional aspects of industrial production. Glocalisation manifests itself as local production complexes that are nodes within global networks. Seen from the production point of view, industrial strategies, leading to the emergence of the network enterprise, are the driving forces behind this process. Both examples, the network enterprise between the Belgian car manufacturing industry and their suppliers and the rail engineering in the Berlin-Brandenburg region as nodes in a global network, support this thesis. In search for a new perspective of regional economic policy, it is clear that the local does not exist without the global. This implies that regional policy must be seen from the point of view of a socio-political entity that defends local interests by attempting to unite the firms' interests with their own interests. There is no doubt that this concept of local interests is precisely the missing link in the global/local models. From the existence of the network enterprise, for whom local is certainly not the same as it is to the socio-political entity(ies), this also indicates that purely indigenous models and policies are not appropriate.

Ausgangspunkt des vorliegenden Beitrags ist die Analyse gegenwärtiger Strömungen in der regionalen Wirtschaftspolitik. Die Gegenüberstellung dieser Überlegungen mit theoretischen Fundamenten vor dem Hintergrund einer scheinbaren Global-Lokal-Dichotomie führt zu einem Konzept der Glokalisierung. Dieses beschreibt das Verhältnis von globaler Orientierung und lokaler Einbettung industrieller Produktion. Glokalisierung manifestiert sich in lokalen Produktionskomplexen als Knoten in globalen Netzwerken. Aus der Perspektive der Produktion sind die Strategien der Unternehmen, die zum Entstehen von Netzwerk-Unternehmen führen,

die treibenden Kräfte dieses Prozesses. Zwei Beispiele, die Netzwerkunternehmen der belgischen Automobilindustrie einschliesslich ihrer Zulieferer und die Bahnindustrie im Raum Berlin-Brandenburg als Knoten in globalen Produktionsnetzen, unterstreichen die These der Glokalisierung. Auf der Suche nach neuen Perspektiven für regionale Wirtschaftspolitik darf nicht vergessen werden, dass das Lokale nicht ohne das Globale betrachtet werden kann. Dies hat zur Konsequenz, Regionalpolitik aus dem Blickwinkel einer sozio-politischen Einheit heraus zu betreiben, die lokale Interessen dadurch vertritt, dass sie versucht, die Unternehmensinteressen mit den eigenen Zielen in Einklang zu bringen. Diese Konzeption lokaler Interessen ist zweifellos das fehlende Element in den Global-Lokal-Modellen. Aus der Entwicklung und Existenz von Netzwerk-Unternehmen, für die 'lokal' sicherlich nicht das gleiche bedeutet wie für die Regionalpolitik, wird deutlich, dass Modelle und Politikkonzepte, die ausschliesslich endogene Entwicklung berücksichtigen, keine ausreichende Antwort auf Fragen wirtschaftsräumlicher Entwicklung sein können.

INDEX

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