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Governance in new European regions: the case of Centrope

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Abstract

This dissertation analyses governance in the process of the formation of new regional alliances and spaces in Europe, by studying the case of the Central European Region – Centrope, which is both a region and a political project at the border area of Austria, the Czech Republic, Slovakia, and Hungary. This research aims at illuminating the historically founded relationship between emerging territories and new socioeconomic institutionalisations through unveiling the mode of governance in Centrope. It uncovers the progress and dilemmas of the institutionalization of a new region and regional alliances. The focus is on socio-spatial transformations, bringing in conceptual clarifications to unravel, among other issues, the ways in which actor’s alliances are formed and mobilized to defend and promote particular interests grounded within already established, emerging, or potential state spaces. It thus sheds light on the mode of governance and regional development being fostered by the EU in new trans-border regions, as well as on the challenges involved in implementing new spaces in the EU under the absolute rule of a specific notion of competitiveness. This enabled sketching some alternative policy recommendations.
**Abstract**

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1 Introduction, hypotheses and overview

1.1 Understanding governance in Europe with a new cross-border region

This dissertation analyses governance in the process of the formation of new regional alliances and spaces in Europe, by studying the case of the Central European Region – Centrope. It aims at illuminating the historically founded relationship between emerging territories and new socioeconomic institutionalisations through unveiling the mode of governance in the Centrope Region, the progress and dilemmas of the institutionalization of a new region and regional alliances and the existing possibilities and constraints for socio-economic development on a regional scale. The focus is on socio-spatial transformations, bringing in conceptual clarifications to unravel, among other issues, the ways in which alliances are formed and mobilized and defend and promote particular interests grounded within already established, emerging, or potential state spaces.

The Central European Region - Centrope is both a region and a political project. As a region, it encompasses a six-and-half million inhabitant’s territory covering the border area of Austria, the Czech Republic, Slovakia, and Hungary (cf. Map 1.1). This geographical unit delimits a political project aiming at cross-border regional development through the cooperation of 16 sub-national governments. It was a political initiative, triggered by the EU funding scheme of the Structural Funds, more specifically the Community Initiative Interreg III-A programme for cross-border cooperation.

The analysis for this dissertation is conducted within a multidisciplinary theoretical framework. Initially, the concept of governance is clarified and subsequently analysed on a regional dimension to allow the design of a conceptual structure for grasping the dynamics of regional alliances and actor’s relations in Centrope. The analytical context is marked by rescaling and the emergence of new (state) spaces; the growing importance of incentives of the European Union through its regional policy to the appearance of these spaces; the excessive valorisation of competitiveness to the detriment of social integration; an internationalization of local governments with correspondent new strategies, e.g.
associations that create new spaces which culminate in the formation of new territorial coalitions and networks.

Figure 1.1 – Map of the Centrope-Region

Source: author’s own elaboration

1.2 Governance in regional spaces

Governance analysis of regional dynamics necessarily involves features and concepts of various disciplines: geography, history, economics, political science and key concepts as state planning, power, regulation/accumulation, institutions, discourse, culture, identity and others. Therefore, it is essential to use a multi-disciplinary methodology and theoretical frame.

This dissertation focuses on the concept of governance to understand the motives, goals, strategies and mode of coordination, e.g. the way actors interact to decide and achieve goals. Governance is a multidisciplinary concept, and defining it is not an easy task: “the concept of governance is notoriously slippery; it is frequently used among both social scientists and practitioners without a definition which all agree on” (Pierre and Peters 2000, p. 7). It nevertheless generally deals with problems of coordination in socioeconomic development and its meaning is connected to policy-making, policy-
implementation and other institutional arrangements that go beyond governing solely by
governments; it takes in a greater involvement of private economic actors in what until
recently was provided or organised by the state. The concept permits a proper inclusive
analysis of actors and networks in spatial development and the rescaling process, but is an
elusive concept with a broad definition. There is a wide array of notions of governance
easily be related to various views of planning or political theories (Moulaert and Sekia
2003).

On a spatial dimension, governance widens the view of the state by taking into
consideration global, regional and local scales. Space is a product of practices, trajectories,
and interrelations. Governance can be approached in a broader perspective on social
relations, considering the empirical complexity as well as the role of discourse, culture and
social diversity in the interpretation. This allows including territorial features for a spatial
regional development analysis (cf. Moulaert and Mehmood 2008) which incorporates the
concept of governance in new regional spaces. Considering that network approaches miss
the territorialized regulatory framework that underpin social relations in these nets
(Hadjimichalis and Hudson 2006), the conceptualizations of governance and regional
development need to be complemented by the evaluation of the adequacy of the literature
to grasp social relations in spatial analysis.

In this sense, there is room and need for a meta-theoretical and analytical
framework that comprises the roles and interests of actors in their agency to produce
space, the intersection and interplay of different networks, the communication strategies,
democratic capacity, transparency and power density, especially regarding decision
making and planning. This dissertation, therefore, connects governance and new regional
spaces in a new approach to analyse regional alliances, actors and networks in the context
of altered geographies of social relations and state power.

1.3 New European geography and internationalization of local
governments

Regional governance is approached in this dissertation in the context of rescaling,
the emergence of new spaces with a growing role of incentives of the European Union to
the formation of regions (especially cross-border regions); the predominance of specific
supply-side norms of competitiveness over social integration; an internationalization of local governments, and the formation of new space coalitions and networks.

According to Henri Lefebvre, “we find ourselves faced with an extraordinary, little noticed phenomenon: the explosion of spaces. Neither capitalism nor the state can maintain the chaotic, contradictory space they have produced” (Lefebvre 1979, p. 290, emphasis in original). It means that established geographies of industrialization, state power, urbanism and everyday life have been thoroughly destabilized and rewoven. Rescaling emerges in a process of “glocalisation” (Swyngedouw 1997b), i.e. a new institutional and regulatory arrangement that transfers powers from the national scale upwards to supra-national or global scales and downwards to the scale of local, urban or regional configurations; economic activities and inter-firm networks turn to more localised/regionalised and trans-national scales.

The EU, principally by means of the agency of the European Commission, has gained regulatory power and interferes in the rescaling process. The Structural Funds are the means of the European Commission to stimulate integration through the configuration of new spaces. Notably, the Community Initiative Interreg, which operated from 1989 to 2007 and continued under the denomination of “Territorial Cooperation”, played a crucial role in the emergence of new regional configurations. As a result we observe a number of new regions in the EU using Interreg incentives. Europeanization and the remaking of borders were intensified in Central and Eastern Europe after the introduction of the EU PHARE programme in 1989 (cf. chapters 4 and 7) and the ascension of CEEC in the EU in 2004. This has enhanced the need to grasp the dynamics of the formation of trans-border regional space in Europe. Centrope is solely one case in a wide range of Interreg funded regions, but understanding the mode of coordination in this case may help to understand how actors integrate and behave in regional governance arrangements.

Accordingly, it is crucial to reveal the functioning of local governments in their process of adaptation to this new context. Local policy-makers choose among possible modes of co-ordination as they have, since the 1980s, perceived their spatial and political borders as too limited to tackle new problems that range from commuting and suburbanisation to locational competition and climatic changes. Moulaert et al. (1988, 2003) and Harvey (1989b) 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, real estate 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, embodied in new regional alliances in the course of the creation of new spaces and scales. Local planning started including dynamics beyond the local boundaries, including the international context. The creation of Centrope is a reflection of this process, representing the case of an eastward movement from European actors, notably from the government of Vienna.

For the local and supralocal forces of internationalisation overcoming borders within the European Union, economic integration is the primary goal, followed by efforts to create a common European identity. Social integration is not often mentioned (Levitas 1996) and the risk of promoting uneven development rises in these new arrangements (Brenner 2004, p. 12ff). Thus, this dissertation also aims at focussing on other aspects of integration by analysing governance and the possibilities for regional development enclosed in the cross-border attempt of Centrope.

1.4 The Centrope case-study

The analysis of governance and development in this context is empirically illustrated by means of the case study of the trans-border region Centrope (Central European Region), which comprises both an unclear demarcated geographical region and a political project with real attempts to the institutionalisation of a new governmental and economic space. The geographical unit delimits a political project aiming at cross-border regional development through the cooperation of sixteen sub-national governments in eastern Austria, southern Czech Republic, western Slovakia and western Hungary, with financial support of the EU, through the Structural Fund – Interreg III-A.

A new space was created, which, however, has deep historical roots. The region was part of the political and military unity of the Austro-Hungarian Empire and then separated in the 20th Century. After 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), as the Gateway to the East (Novy et al. 2001). Although the region is profoundly heterogeneous (Palme and Feldkircher 2005), one of the diverse initiatives to foster cooperation within the neighbouring countries – the invention of a transborder region – has been accomplished.

The Centrope political project claims to be “…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” (Consortium Centrope n.d.-b). Therefore, to understand governance in the new rescaling context, the following features are analysed in Centrope: regional history and geography, the formation of regional cooperation, actors involved and their interests, networks, power relations and the dynamics of domination that form a certain mode of governance.

1.5 Governance in Centrope and in new European regions: hypotheses

This dissertation analyses governance in Centrope and new European regions. An initial study of the methodological and theoretical base and of the case study that was conducted for the elaboration of the research proposal allowed the structuring of the dissertation and gave rise to a few hypotheses on the mode of governance of Centrope and, accordingly, on its context of European governance of new regional spaces. Consequently, the hypotheses that emerged regard the kind of region, alliances and development being fostered by the European Union and local governments in Centrope. They are summarised in Table 1.1.

Table 1.1 – Hypotheses: Centrope and new regional spaces in Europe

<table>
<thead>
<tr>
<th>Hypothesis</th>
</tr>
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<tbody>
<tr>
<td>1  Centrope is a “region on paper”</td>
</tr>
<tr>
<td>2  EU regional policy and Funds regulation had fostered ‘regions on paper’</td>
</tr>
<tr>
<td>3  Centrope represents a democratically limited mode of governance</td>
</tr>
<tr>
<td>4  Centrope is a “made in Austria” product.</td>
</tr>
<tr>
<td>5  Centrope fosters inter- governmental dialogue</td>
</tr>
<tr>
<td>6  Centrope is marked by an “outsourced neo-liberal type of-state”</td>
</tr>
</tbody>
</table>

Firstly, the clearly important role played by governments in the Centrope-project was noted. This led to questioning to which extent Centrope can be considered as a region rather than an idea laid out in an agreement signed by the heads of 16 local and regional
governments. The first hypothesis then looks at Centrope mainly as a “region on paper” in which participation is done quasi-exclusively by governmental actors, assuming that Centrope did not emerge from a social process of a broad range of social actors, but yet is a creation of governments to promote development by meeting European Commission standards and requirements to guarantee access to EU Funds.

The second hypothesis derived from the observation that the Centrope project members guide their aims and activities toward meeting EU priorities and funding requirements. The aim was to investigate if EU funds’ regulation plays a role in the formation of ‘regions on paper’. It is examined if the creation of regions to address EU requirements and obtain funds may lead to a type of cross-border cooperation which is not more than just an elaboration of ‘planning visions’ with little practical changes beyond than discourse. Studying this hypothesis involves examining if this can be caused by a possible absence of a satisfactory legal structure regulating the associations or institutions built to manage the cross-border cooperation promoted by the Interreg funds.

The third hypothesis concerns democratic governance, i.e. the participation observed in Centrope and the adequacy of project’s structures to include actors beyond the signatories local and regional governments. The preliminary research has led to the assumption that Centrope represents a top-down, non-transparent endeavour. The lack of democratic institution building may privilege powerful and well connected actors.

The fourth hypothesis states that Centrope although a cross-border attempt is an Austrian creation, a “made in Austria” product, which was ‘offered’ to the eastern European neighbour countries. The city of Vienna had a crucial role in fostering Centrope due to potential regional marketing. The real cross-border government association is to be achieved posterior to the creation of marketing strategies. Contributing to this situation is the low governmental capacity building in Hungary, the Czech Republic, and Slovakia, especially regarding EU relations, policy and use of funds. Austrians accessed the EU nine years before its eastern neighbours and thus benefited from longer experience in the use and management of EU funds. The fifth hypothesis is that Centrope positively catalysed a intergovernmental cross-border dialogue, which may impact in regional integration and integrative planning among the participating local and regional governments.
The process of region-building in Centrope is characterized by the outsourcing of governmental activities to private or quasi-governmental agencies, which are considered flexible and efficient due to a management style similar to that of private organisations. This leads us to the sixth and last hypothesis: that Centrope, although governmentally led, gives rise to a specific, a neo-liberalized state. The regional integration initiative may end up privileging outsourced governmental agencies and consultancy companies with good networks and good relations to state representatives, bureaucrats and politicians.

### 1.6 Overview of the dissertation

The study conducted to investigate these hypotheses can be roughly summarized in the following terms: first, it establishes the basis for understanding the concept of governance and to grasp networks and governance in regional development attempts, with special attention to the dynamics within European regional policy-making and the emergence of new spaces in Europe. This provides a framework in which the case-study will be scrutinized. Therefore, the locus is introduced, first narrating the history of the regional historical, geographical, economic, social and political characteristics with a focus on Austria’s and Vienna’s strategies for socio-economic development within Central and Eastern Europe. Then the case-study of Centrope is presented with a narrative telling the story of the institutionalization of the Centrope-project, showing its antecedents, formation and characteristics, which paves the way to unravel the networks and mode of coordination of actors and social relations in Centrope. Finally, the governance mode in Centrope is analysed and conclusions broadened to expose hints on new European spaces.

The dissertation is structured in ten chapters, which can be understood as organised in five parts each addressing specific explanatory aims:

1) Chapters 1 and 2 contain the ‘foundations: methodology, hypotheses and overview’ and lay the basis for the reader’s understanding of the dissertation.

2) The conceptual and analytical framework is the core of chapters 3, 4 and 5, which contain the ‘theoretical basis: governance, actors and regional development’ and a synthesis of the conceptual basis to produce an analytical model to understand Centrope.
3) Chapters 6 and 7 present the regional context that is the background to the creation of the cross-border region Centrope. While Chapter 6 presents the historical strategies of Austria and Vienna within Central and Eastern Europe, Chapter 7 presents the institutional antecedents to Centrope’s creation.

4) ‘Genesis and developments of Centrope’ are the focus of chapters 8 and 9. These chapters contain a narrative that ‘tells the story’ of Centrope, bringing the history of project formation, its structures and application of the analytical model of Chapter 5, analysis of involved actors, their interests and relations, unravelling the mode of governance of Centrope.

5) A synthesis of the findings of the study is given in Chapter 10, in which the conclusions of ‘Governance in new regional spaces in Europe’ are presented.

Chapter 1 contains the introduction to the dissertation, its theoretical frame and case study, as well as the hypotheses and the overview of the dissertation, including abstracts of the subsequent chapters.

Chapter 2 – Methodological basis for a trans-disciplinary analysis

A multi-disciplinary theoretical perspective requires a multi-methodological approach. Chapter 2 contains this methodology, which is inspired by Critical Realism (cf. Archer et al. 2004, Sayer 1984) and by the methodology developed under the EU-funded research project DEMOLOGOS by Novy and Moulaert (2006). The work of Bent Flyvbjerg (2001) on social science methodology and power analysis, and Norman Denzin’s “Triangulation” (1989) provided significant inputs for the applied, multi-methodical methodology to analyse regional governance and case-study. This implies that the case should be approached in a “story telling” style placed in consideration of the historical and geographical context and power analysis to disclose the “social forces, political change, socio-cultural transformation significantly influenced by dominant and countervailing discourses, mobilised by a plurality of actors, and create a multi-faceted reality” (Novy and Moulaert 2006, p. 7). In this sense, resources, discourses and relations mobilised by different actors should be scrutinized.

Chapter 3 – Governance: approaching an elusive concept

Governance has various meanings and uses. In this chapter, the aim is to shed light on the concept clarifying uses and views in academic and policy areas. The starting point
is unravelling the context of the re-emergence of governance. This context is described and the features that emerged as elements of the concept are shown in the first topic “Understanding governance”. The elements with more relevance to the investigation of the case-study are subsequently developed in separate sections: one focuses on democracy, participation and the emergence of new actors involved in governance; the following section focuses on changes in the organization of public administration since the comeback of governance and includes concepts as meta-, local and good governance. Next there is a discussion of multi-level governance in Europe, and an assessment of the analytical validity in the last section of the chapter.

Chapter 4 – Regional development in the context of socio-spatial transformations

The objective of Chapter 4 is to provide a theoretical framework to analyse governance in space, which involves the contextualization of regional development and its spatial transformations, with a focus on the European dynamics. Approaching the altered geographies of social relations and state power, the process of space production within capitalism is introduced. State-space transformations, re-scaling, territory and borders are tackled within a polymorphic and relational approach. The concept of region is crucial to this study, and thus a section will explain it, as well as selected forms of actors’ spatial organisation, i.e. the formation of regional alliances and coalitions. Since networks are a relevant form of spatial organization of agency, these and more specific policy networks are at the centre of the following section. Regional development models and a critique of them are dealt with in the subsequent section, which is followed by a section on the process of regionalisation within the European Union. Finally, the new role of regions as the loci of competitiveness concludes the chapter.

Chapter 5 – Governance and Regional Spaces: a model to analyse Centrope

Chapters 3 and 4 form the theoretical frame for the empirical study. This frame is summarised in Chapter 5, which provides a theoretical synthesis that allows the construction of a model to grasp the Centrope case.

Chapter 6 – Contextualizing Centrope: Austria’s and Vienna’s strategies in Central and Eastern Europe

Chapter 6 draws on a team work done within the DEMOLOGOS research project and provides a deep contextualization of the initiation of the Centrope-project. The chapter sheds light on the history and geography of Central Europe, focusing on the strategies of
Austrian, and more specifically, Viennese, actors within Central and Eastern Europe. The association with the neighbours Hungary, Slovakia and Czech Republic has its roots in the Hapsburg Empire and is deeply influenced by the type of socio-economic development put forward by Austria and Vienna. Therefore, the strategies of these actors are approached and explained in a historical periodisation ranging from the nineteenth century to what is called a ‘re-orient-ation’ towards the east observed after the fall of the Iron Curtain, passing by the ‘short twentieth century’ (1918-1989). The strategies are analysed in a multi-scalar way in each period, describing separately those of Austria and of Vienna and giving special attention to their internationalization strategies.

Chapter 7 – Antecedents and emergence of the project Centrope: the history of regional association

The history of regional association and networking of actors is approached here with a focus on the concrete attempts of cooperation involving Austrian, Hungarian, Czechs and Slovaks actors. Chapter 7 describes the antecedents of the Centrope-project, i.e. the associations involving actors participating in Centrope, which were prior to it and thus shaped the way of the governance found in Centrope. It comprises ‘a story telling’ of the initiatives, organised chronologically and separated according to two dimensions: the initiatives among the Austrian actors of Centrope in a first section; and the first cross-border cooperation, as initiatives of enterprises “going east” or governmental attempts using EU financial incentives in a second section. A table summarizes the narrative; and detailed information on the cooperation initiatives approached can be found in Appendix 1.

Chapter 8 – The institutionalisation of the regional cooperation: genesis and development of the Centrope Project

The chapter on the ‘genesis and developments of Centrope’ describes the institutional framework of the Centrope-project, which precedes the analysis of actors, networks and power dimension in the region, which is the task of Chapter 9. It focuses on telling the story of the political project Centrope by showing in detail its functioning in its three different phases with overview tables and diagrams of administrative bodies, actors, roles, aims, results and financing of project vis-à-vis the Interreg funding criteria. Detailed information on the actors taking over the Centrope Consortium is provided in Appendix II.
Chapter 9 – Mapping Actors, Roles and Interests in Centrope

This chapter aims at unravelling governance in Centrope by mapping the actors involved, describing their roles and analysing interests justifying their participation. The first section describes the political aims and communication of Centrope. The second part of the chapter focuses on the official partners: the subnational governments of the four countries involved. It starts by mapping the main actor in Centrope, the City of Vienna, followed by the other two Austrian partners: Lower Austria and Burgenland. Subsequently, the state of the art of Centrope in the neighbouring countries is described taking into account the interests of actors and approaching the dilemmas and progress of building the decentralized cooperation. The final section of this chapter contains the mapping of actors’ interests and involvement in Centrope, providing an overview of actors’ participation and links in a graphic, and summarising them in a table.

Chapter 10 – Synthesis: Governance in European Regions: the case of Centrope

The final chapter synthesises the results of the dissertation. It contains a discussion of the hypotheses previously presented and a presentation of the lessons learned from Centrope to governance in new regional spaces in Europe. The territorial transformations of the state and the resulting kind of governance found in the case-study is related to the evidence provided in the precedent chapters. This then sheds light on the mode of governance and regional development being fostered by the EU in new trans-borders regions, as well as on the challenges involved in implementing new spaces in the EU under the absolute rule of competitiveness and economic development. Finally, some policy recommendations are sketched based on alternatives that have emerged from the analysis of Centrope.
2 Methodological basis for a trans-disciplinary analysis

2.1 Critical Realism as the onto-epistemological position

Considering the complexity of the selected subject of study, there is the need for a multi-methodological construction that properly allows grasping regional dynamics. Following Marsh and Stoker (2002, p. 27) this study applies the diversity of possible methods in social sciences. Nevertheless, there is a need to choose an onto-epistemological position, which shapes the orientation of each scientist towards her/his objects and forms the approach to theory and the methods which the social scientist utilises. Marsh and Furlong assert that ontological and epistemological positions are like a skin, and not like a sweater that can be ‘put on’ when addressing philosophical issues and ‘taken off’ when doing research. Researchers cannot adopt one position at one time for one project and another on another occasion for a different project, as these positions are not interchangeable because they reflect fundamentally different approaches to what social science is and how we do it (Marsh and Furlong 2002, p. 17-20). In this sense, the position chosen for the current study should be suitable to the researcher’s “skin” and allow to incorporate multiple methods and proper comprehension of the selected case study. It is Critical Realism that permits this endeavour.

Ontologically, critical realists are foundationalists, who argue that a real world exists independently of our knowledge of it. This differs from the interpretative and hermeneutic tradition, whose researchers assume that social phenomena do not exist independently of our interpretation of them. Rather it is this interpretation/understanding of social phenomena established within discourse which affects outcomes (Marsh and Furlong 2002). Researchers from the positivist tradition are also foundationalists; however, significant onto- and epistemological differences can be established between the two groups.

Realists, especially critical realists reject the simple adoption of methods of natural sciences to social sciences, as these were necessary to be considered “scientific”. Roy Bhaskar in A Realist Theory of Science (1978, partially reproduced in Bhaskar 1998b) criticized the positivist belief that science is monistic in its developments and deductive in
its structure. He argued for the inclusion of scientific change (in opposition to the monistic stance) and non-deductive aspects of theory, besides urging for a reorientation toward a non-anthropomorphic conception of the place of humanity in nature (Bhaskar 1998b, p. 16-17). The new ontology constructed by him to solve this in a coherent manner paved the way to Critical Realism.

The objects of study of social sciences are essentially different from those of natural sciences, thus requiring specific approaches. For Critical Realism the objects of knowledge exist independently of the existence of human beings. But knowledge is socially produced (i.e. having a material cause of its own): it neither is an epiphenomenon of nature nor a convention of man. Recognising this is fundamental for a proper conduction of social research; it “however does not imply the oft-seen image of impotent social sciences versus potent natural sciences” (Flyvbjerg 2001, p. 3).

Bhaskar asserts that science must be capable of sustaining both (1) the social character of science – the production of knowledge from and by means of knowledge--and (2) the independence from science of the objects of scientific thoughts – the independent existence and activity of causal structures and things. Therefore, science is a social activity whose aim is the production of the knowledge of the things and ways of acting of independently existing and active things (Bhaskar 1998b, p. 18). It hence requires acknowledging the particularity of the subject and of her/his relationship with the object; the concept-dependent nature of social objects of research; the character of observation; the structures and mechanisms that found causality and the conditions of context in it. These points are briefly developed below.

A particular view of the subject of research is consequently fostered. The researcher is not passive, but a creative agent that stands in a double relationship, to the research object and to other subjects. This happens because knowledge production is a social activity and there are interdependent contexts of knowledge. The critical realist Andrew Sayer (1984) establishes the fundamentals of the relationship between object and subject in social sciences by highlighting that we know objects in a mediated fashion rather than a contemplative one. We all have our frame of meaning, which is a tool that mediates understanding. Furthermore, the subject is surrounded by other subjects, thus sharing meaning at least with those of the researcher’s community, with whom the researcher shares a same language. If the object is a social one, it presupposes a social
relation between subject and object; i.e. a mutually active relationship. In this case, the objects are not socially defined (as the non-social objects of natural sciences are) but socially produced; therefore, they are not impervious to the meanings the subject attaches to them. Because subjects and objects are in an open system, they change intrinsically as a reaction to the meanings imputed. These (re)actions cannot be understood independently of the contexts which are constitutive of their meanings. Knowledge and language do not exist outside the social context (Sayer 1984, Chapters 1, 2 and 3).

Social phenomena have an essential concept-dependent\(^1\) character which ascribe that meaning is not merely descriptive but constitutive. Practices, institutions, rules, roles, relationships are concept-dependent: what they are depends on what they mean to the society and its members. There is a material dimension of the systems of meaning and beliefs. Although they themselves are not material, they usually require some material mode of objectification if they are to communicate and function socially in a stable manner. Therefore, there is a reciprocal confirmation where changes in meanings and in practices go hand in hand. For micro and macro phenomena, “understanding concepts in society and how they change requires understanding the material practices and circumstances associated with them” (Sayer 1984, p. 35-36).

Critical Realism – as established by its precursor, Bhaskar’s Transcendental Realism – regards objects of knowledge as the structures and mechanisms that generate phenomena (Bhaskar 1998b, 1978). These objects are real structures which endure and operate independently of our knowledge, our experience and the conditions which allow us access to them. They are structures, not events. On this conception, “a constant conjunction of events is no more a necessary than it is a sufficient condition for the assumption of the operation of a causal law” (Bhaskar 1998b, p. 19).

While social phenomena exist independent of our interpretation of them, our interpretation/understanding of them affects outcomes. Social structures do not endure automatically, they only do so where people reproduce them, but in turn people do not reproduce them automatically and rarely intentionally. Social science involves the study of reflexive agents who interpret and change structures. So, structures do not determine; rather they constrain and facilitate. Besides, our knowledge of the world being fallible, it

\(^1\) The term “concept-dependent” was coined by Baskar (cf. 1978), see also Sayer (1984) and Archer (1998).
is theory-laden\(^2\) (Sayer 1984, p. 47, 65, Marsh and Furlong 2002, p. 31). We need to identify and understand both the external ‘reality’ and the social construction of that ‘reality’ if we are to explain the relationships between social phenomena. Understanding these structures is crucial for approaching causality in realists’ terms. Besides, as perception is conceptually mediated, the data we gather is already (pre-)conceptualized, as we have no perception without concepts, we think \textit{with} hidden concepts but not \textit{about} them. Thus, the practical adequacy of different parts of our knowledge will vary according to context (Sayer 1984, p. 55-61).

Sayer (1984, p. 95) says that “on the realist view, causality concerns not a relationship between discrete events (‘Cause and Effect’) but the ‘causal powers’ or ‘liabilities’ of objects, or more generally their ways-of-acting or \textit{mechanisms}” (italics in original). Powers or liabilities can exist whether or not they are being exercised or suffered (he exemplifies that unemployed workers have the power to do work even when not mobilising and activating it). Therefore, postulating the mechanisms which are capable of producing socio-economic dynamics is crucial to understand the process. Whether a causal power or liability is actually activated or suffered on any occasion depends on conditions whose presence and configuration are contingent. In these terms, the relationship between causal powers or mechanisms and their effects is not fixed, but contingent. Causal claims are not about a relationship between separate things or events but about what an object is like and what it can do and what it will do in any particular situation. Furthermore, we must be aware that reasons can also be causes, independently of being “true”\(^3\) or coherent beliefs. It “is vital being aware of these necessary structural conditions and their historically specific and hence transformable character if we are to move beyond common sense limited horizons” (Sayer 1984, p. 102).

Noting the necessary conditions is not sufficient to explain how they are met, if they ever are. To do this we must refer to the level of actions. Sayer (1984, p. 103) illustrates this interdependency of structure and agency by exemplifying that in order to understand rules we have to ask why they exist, that is in virtue of what kinds of structure

\(^2\) The frames of meaning pursued by researchers include their customary theoretical approach which affects observation, as it works as an ordering framework through which the researchers “see” their objects. Therefore, our knowledge is fallible as our theories also might be. Moreover, in this manner the argument of “neutrality of observation” is refuted by realists.

\(^3\) The term “practical adequacy” is preferred to the term “truth” by realists.
or object do they exist?. For this, at a first level we judge actors and their reasons, secondly rules and the institutions, and thirdly the wider economic system together with its constitutive social relations. Therefore, agency is deeply embedded in structure. The sole action of an altruist manager won’t change the concessions of mortgages to poor people, says Sayer (1984, p. 103-4).

In this fashion, the positivist search for regularities is inadequate. The “discovery of empirical regularities may draw attention to objects whose causal powers might be responsible for the pattern of conditions which are necessary for their existence and activation. But in order to confirm this, qualitative information is needed on the nature of objects involved, not merely more quantitative data on empirical associations” (Sayer 1984, p. 104-5).

Positivists establish causal relationships and generate hypotheses that can be tested through direct observation, in order to develop explanatory or even predictive models and establish the precise nature of the relationship between chosen variables. Realists, in contrast, contend that not all social phenomena are directly observed (nor are all relationships between them) and understand that empirical and normative questions must be taken together. Additionally realists assert that what can be observed may offer a false picture of those phenomena and their effects, due to a wrong or inadequate conceptualisation of structures. The realists Marsh and Furlong explain it:

As such, to a realist there is often a dichotomy between reality and appearance. (...) It means that realists do not accept that what appears to be so, or perhaps more significantly, what actors say is so, is necessarily so. As an example, classical Marxism, and Marxism is the archetypal classical realism, argued that there was a difference between 'real' interests, which reflect material reality, and perceived interests, which might be manipulated by the powerful forces in society. Given this view, we cannot just ask people what their interests are, because we would merely be identifying their manipulated interests, not their 'real' interests (Marsh and Furlong 2002, p. 30-31).

This reflects the differences with the pure interpretative position, though realists suggest that there is a real world 'out there' and at the same time emphasise that outcomes are shaped by the way in which that world is socially constructed. It implies that realists recognize that both reality and discursive constructions affect social action. Critical
Realism thus came to address the necessity of solving the impasse between hermeneutics and positivism (Introduction; Archer et al. 1998, Bhaskar 1989).

Critical Realism assumes that normative theory is at its most useful when it provides a guide to action. “Social theory has to be useful and usable: it is not an end in itself” (Archer 1998, p. 356). This presupposes a strong relationship of theory and practice, in which knowledge and practice should be tied from start in an interactive relation. The relation of subject and object is normally, but wrongly, taken as merely contemplative, rather than practical, as the knowledge should be gained first and then applied to practice (Sayer 1984, Chapter 1). The lack of practical impact of social research has been admitted by many scientists. Bent Flyvbjerg (2001) –though not a realist– evocates this as one of the main causes of the failure of social inquiry and thus advocates its change as a pre-condition for it to succeed again.

Methodologically, this requires using the transformative power of research that emerges from criticising. It does not mean that simply by criticizing everything the social scientist is against, but rather critically evaluating social phenomena. It is challenging the universals, the morality consensus (Flyvbjerg 2001, p. 100-101). Social sciences should not be seen as developing a stock of knowledge about an object which is external to us, but should develop a critical self-awareness in people as subject and indeed assist in their emancipation (Sayer 1984, p. 43). This argument is clarified by Roy Bhaskar in the theory of explanatory critiques (Bhaskar 1998a, Bhaskar and Collier 1998).

It, says Bhaskar, involves recognising that science is not value-free and the possibility of fact-to-value statements. “While the critical potential of social sciences has often been noticed, it has also often been treated as an error, a departure from the ideal of a neutral, value-free science” (Bhaskar and Collier 1998, p. 386). It therefore entails including (also hidden) values in social sciences and doubting of the ideas under which we have lived by. For critically evaluating social phenomena we should be suspicious and use this as a theoretical tool in order to explain phenomena in a way that causal accounts show why we tend to have certain kinds of false belief. It means that social science can study both ideas and what those ideas are about; and actually discover values that it did not assume beforehand.
Two of Bhaskar and Collier’s examples allow understanding this point: a group or community may have mechanisms that hide oppression both from oppressed and oppressors, as an account of oppression would subvert that society; additionally, they may have an idea of its own class structure that differs from the one of mainstream society. For instance, the people in this society can deny the existence of a certain class structure, e.g. believing that they live in a classless society, and therefore it may prevent change in this respect (Bhaskar and Collier 1998, p. 386-8). In this sense “explanatory critiques (…) have an important place in the politics of human emancipation. They expose not just false beliefs by which oppression and injustice are disguised, whether conscious or not, and perpetuated” (Bhaskar and Collier 1998, p. 389). ‘Hence, the point of critical social science’s attempt to reduce illusion in society is to change its effects (peoples’ thoughts, acts), not merely to provide an ‘academic’ critique of an external description of society’ (Sayer 1984, p. 102).

It is not the scope of this work to expose details of the complex philosophy behind Critical Realism and its variation from other epistemological positions. Instead, the purpose is to highlight the points which are crucial for the adoption of Critical Realism as the onto-epistemological choice for the present study. Summarizing the above pages, these crucial aspects are six: (1) foundationalist realism differs from positivism, as it acknowledges the methodological differences of social science and natural sciences. (2) Realism comprehends the particularity of the social subject, who interacts with the context and with the concept-dependent and socially-produced object by means of a mediated perception; therefore (3) context has a double importance, not only for the formation of meaning for the researcher and for the object but also for understanding the contingent conditions under which mechanisms are exercised and activated; and (4) our knowledge is fallible, as observation is theory-laden, the structures that are objects of knowledge include non-observable structures that impact on social phenomena, and a false (and manipulated) picture can be observed. In this sense, (5) for a “suspicious subject” it is possible to grasp values that oppress, cause and perpetuate social injustices due to the critical and emancipatory character of social sciences determined by the critical realist philosophy. Finally (6) Critical Realism accepts the multiplicity of ways of approaching social objects. It admits different methods: quantitative, qualitative and accepts other types of knowledge besides science. This study has hence made use of other methodological
sources which are in line with Critical Realism, as the DEMOLOGOS methodology. These additional sources add important inputs to the multi-methodological construction required to comprehend the case-study of Centrope.

This being said, it is possible to move further to the methodological aspects of this dissertation. The more concrete insights come mainly from three sources: (i) the methodology of the research project DEMOLOGOS, consolidated by Novy and Moulaert (2006); (ii) Flyvbjerg’s *phronetic* social science⁴; and (iii) Denzin’s (1989) methodology of triangulation.

### 2.2 DEMOLOGOS

This study was conducted closely intertwined with the research project DEMOLOGOS (Development Models and Logics of Socioeconomic Organisation in Space). DEMOLOGOS⁵ is an EU-research-project funded under the 6th Framework Programme that involved a network of notable scholars in UK, Austria, Italy, France, Chicago and Hong Kong, under the coordination of Newcastle University, UK. The work conducted to this dissertation is directly related to DEMOLOGOS primarily due to the role of its two supervisors: Andreas Novy, responsible for coordinating the Viennese activities of the project, and, Frank Moulaert, the general coordinator of DEMOLOGOS. Secondly, due to similarities between my preliminary study conception and the research programme elaborated within DEMOLOGOS, the Centrope case-study was integrated as part of the empirical research undertaken in DEMOLOGOS, representing a helpful chance for me for benefiting from the produced theoretical and methodological insights and to apply in practice the principle of social production of knowledge by means of team work and collaborative research.

The application of the knowledge produced in DEMOLOGOS involved the use of resources of the project (papers, reports, minutes of workshops and interaction with the multi-disciplinary group of researchers). The resources can be distinguished in four main groups of outcomes: (a) the “ABC Papers”, literature surveys on socioeconomic

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⁴ Flyvbjerg developed a methodology for social science based on Aristotelian *phronesis* with strong focus on power. According to him, such a phronetic social science would be useful and successful. Although methodological implications of the phronetic research method are adopted for this dissertation, it is not the aim to explain details of the approach. For further reading see Flyvbjerg (2001) and (1998).

⁵ Cf. [http://demologos.ncl.ac.uk/index.php](http://demologos.ncl.ac.uk/index.php)
development from different perspectives; (b) the “Theoretical Synthesis Papers” (TSPs), which “order and structure the ABC-papers, providing a common epistemological and ontological understanding of socioeconomic development. They set the basis for shared language and analytical concepts and dimensions” (Novy and Moulaert 2006); (c) the DEMOLOGOS Case-Study Methodology (see below) and (d) Case-studies report/papers, where the theoretical and methodological basis are empirically applied. Inputs from all groups of outcomes were incorporated in the dissertation, especially from the methodology. Papers provided direct theoretical inputs to the dissertation, as the ABC Papers on cultural political economy, culture and discourse in development analysis (Sum 2005); endogenous spatial development (Moulaert 2006); and regulation and social development (Jessop 2005a, b). Moreover, the TSPs present knowledge for the theoretical conception, especially on Development (TSP6– Novy et al. 2006b), understanding development as a process and on Governance (TSP2– Swyngedouw and Jessop 2006) and on regional analysis aiming at case-study comprehension (TSP1– Moulaert and Jessop 2006 for chapter 4 and case-study chapters 7 to 9). The case-studies’ reports provided ground for comparison and highlighted features to be observed in Centrope. However, of special importance to this dissertation was the methodology based on the ABC and TSPs Papers conceived to guide the case-study work. The research in Centrope conducted for the sake of this dissertation and for DEMOLOGOS highly benefited from this tool.

As a product of the project, an essentially multi-disciplinary “DEMOLOGOS-case-study Methodology” was put together by Novy and Moulaert (2006). The main indications of this document to the conception of a case-study analysis include: a time-wise analysis of the dialectics of changes and stability, achieved through the incorporation of a path dependent examination of emblematic moments. The case-studies should thus be approached in a “story telling” style taking into consideration the historical and geographical context and multi-scalar arrangements. Moreover “power, imaginaries and the politics of the possible” are central to disclose the “social forces, political change, socio-cultural transformation [that] are significantly influenced by dominant and countervailing discourses, as mobilised by a plurality of actors, and create a multi-faceted reality” (Novy and Moulaert 2006, p. 7).

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6 According to Novy and Moulaert (2006, p. 5), “emblematic moments emphasise decisive situations in time-space developments”. But these do not refer to either the structural or conjunctural moments within time-space dynamics. They are rather “like snapshots, representative events or emblems, reflecting equilibrium or an eminent turn-about in the development of social relations and forces”.
The necessity of elaborating a proper methodology for the project came from the existing gap in literature and the need to create an approach sensitive to scales that allows overcoming the methodological nationalism without falling into the localist trap (Moulaert and Mehmood 2008). In this sense, the DEMOLOGOS Methodology raises a dialectical understanding of reality through the dynamic interpretation of agency in its relation to structures, institutions and discourse, which aims at perceiving emerging structures. “Dialectics is proposed as the key analytical concept for grasping totality and to deal with contradictions and conflict. It is the logic of movement and the adequate method to deal with development as a process” (Novy et al. 2006b, p. 2). The understanding of development as a process permeates the whole methodological design of DEMOLOGOS and of this dissertation, and implies that the dynamics of resources, discourses and relations mobilised by different actors should be scrutinized in a broad periodisation and path dependent contextualization. Therefore, it is clear that this methodology is perfectly in line with Critical Realism principles and hence has important methodological implications for the dissertation.

2.3 Methodological aspects for studying Centrope

Drawing upon Critical Realist premises, the DEMOLOGOS Methodology, the work of Flyvbjerg as well as interaction with colleagues, researchers in the social production of knowledge, the main features of the approach to the object and conduction were set up. They aim basically at giving the proper conditions to study the mechanisms that founded Centrope in relation to its context, and which are contingent according to specific beliefs and material conditions. The main aspects are described below.

2.3.1 Historical contextualization

There is no possible understanding of an object of knowledge outside its context. Following a dialectical approach of change and stability, DEMOLOGOS’ methodology suggests embedding empirical studies in a comprehensive periodisation with both historical and geographic contextualisation, in order to spatially articulate general features, models and regimes of development. Novy and Moulaert use the examples of Fordism and Post-Fordism to illustrate that general conceptualisations, though useful, are not universal models, they rather take specific forms in time and space; therefore, it is important to
carefully define models in their historical evolution and concrete local variants (Novy and Moulaert 2006, p. 6).

Accordingly, the study of social phenomena must focus on practices embedded in the specific history and geography. We must “stick to the concrete” of “deep going cases experiences, never loosing sight of reference to a concrete example”, however bearing in mind that “praxis has always been contingent on context-dependent judgement, on situational ethics” (Flyvbjerg 2001, p. 135-6).

Contextualization of case-studies can be structured time-wise, focusing on moments of change or periods of relative stability and describing the constitutive mechanisms of those periods. Emblematic moments emphasise decisive situations in time-space developments in a capitalist context which is characterized by long periods of relative coherence and stability which are grasped by spatio-temporal fixes. As emblematic moments often coincide with turning points, and can thereby identify periods. The representative significance of emblematic moments cannot be seen in its totality if it is not integrated in an institutional-structural analysis and in the more or less stable existing socio-spatial fix. “In other words: the analysis of these moments and periods must be path dependent, showing recursiveness and variation as determined by the course of history in a particular space-time setting” (Novy and Moulaert 2006, p. 6); i.e. deeply embedded in the particular contingencies.

In this sense, the contextualization of Centrope is embedded in a larger periodisation, taking into account historical and geographical aspects.

“In the historical analysis, both event and conjuncture are crucial, just as practices are studied in the context of several centuries, akin to what Fernand Braudel calls “longue durée. The century-long view is employed in order to allow for the influence on current practices of tradition with long historical roots” (Flyvbjerg 2001, p. 137).

Centrope had its official launching in September 2003 (Consortium Centrope 2006g) The analysis of Centrope’s regional arrangement is focused in a larger periodisation to grasp the institutional-structural order that marked the genesis of the

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7 Following Harvey (2004) and Jessop (2002a), spatial-fix can be roughly understood as an institutionalised class compromise, which delimit the main spatial and temporal boundaries within which structural coherence is secured. Chapter 4 brings a more detailed description. See also Coimbra de Souza and Novy (2007b) for a specific application to Centrope.
Centrope idea, i.e. the study must include alliances and compromises in a larger period to reveal the reasons why the spatiality of Centrope was shaped. Causal powers/mechanisms/ways of acting can then be disclosed. Therefore, the historical horizon should cover the time when the region was embedded in a common political order - starting with the Hapsburg Empire and including the socio-political-economic development of Austria in the 20th century (Novy et al. 2007). Accordingly, the study approaches historical moments (e.g. the changing regimes in Eastern Europe, the entrance of Austria into the EU, etc) and embeds them in their background. This premise is dealt with specifically in chapter 6, but it guides the narrative of chapters 7 and 8 and the composition of alliances in chapter 9.

2.3.2 Scale sensitive approach

Spatial scales and their articulation are crucial elements to grasp current European regional development, whose diversity highlights the importance of a historical-geographical and multi-scalar analysis and the articulation of political, economic and socio-cultural dimensions. This implies focussing on a “glocal” analysis that links the local to the global, as well as on an institutional analysis that insists on a more spatially – but also historically - mediated understanding of scales (Swyngedouw 1992).

An integrated analysis of scales must be aware that the dynamics of economic development in capitalism are still strongly related to the national regulations and institutions shaped by the state (money, law, internal market, etc.) but on the other hand must acknowledge that supra- and infra-national structural and institutional forms have become increasingly relevant and necessary to explain current dynamics. While significant changes in regulation still take place at the national level, the EU increasingly assumes regulatory functions; and regions/localities increasingly institutionalise their specificity, thus producing new hybrid forms and articulations of European governance; as for instance, the Centrope case. Thus, methodologically scale-wise emphasis is on regional and national arrangements and supra-regional ‘social armatures’, putting a stronger focus on the articulation of the State with territorial social relations and forces (Novy and Moulaert 2006, p. 6-7).

The mediation between scales focuses on the scalar mode of regulation, and the new regulatory frame emerging in the context of transformation of the role of national
actors. This is of high importance in the regional articulation of Centrope, which is produced by local and regional/provincial governments in direct connection to the European Union and low interference of the national state. The trans-national dynamics incorporated in Centrope enhance the complexity of the case as it involves mediation and intra-scalar relations in federal and also centralized countries.

Nevertheless, an entry point to the scalar analysis was necessary to guarantee the feasibility of the study. Therefore the study is centred on Vienna, as the city plays a leading role in the regional articulation and launching of Centrope. Due to the internationalization strategy of Vienna, local planning was transformed to become a tool to make the city a European centre, to which the articulation of Austrian partners in Centrope has been fundamental. As shown here (chapters 6, 7, 8 and 9) the prominent function of Austrian governments in the region allows focusing on these actors to understand scales dynamics in Centrope.

2.3.3 Power analysis

Besides the focus on contextualization and scalar issues, placing power in the core of analysis is vital to understand the relations and mechanisms in regional development, e.g. in Centrope.

Flyvbjerg’s phronetic research centres on power and draws upon Foucault’s work, after discussing the differences (and essential tension) between the work of Habermas and that of Foucault. He examines the view of power initially by means of discussing consensus versus conflict, in order to find if power questions are better answered by consensus or if conflict is a more suitable frame of reference. Though recognising Habermas’ value to understand democracy, Flyvbjerg accounts for his high idealism in supposing consensus as possible and emancipatory. He thus points out the value of Foucault’s emphasis on the dynamics of concrete power relations, on where and how power is exercised and to unmask political violence and abuse of power so one can fight it. The dialectical understanding of power in connection to the process of power exercise is crucial in Foucault’s work and additionally strongly acknowledged in DEMOLOGOS. Moreover, Foucault establishes conflict, resistance and struggle as the basis for freedom and democracy. “Indeed, the more democratic a society, the more it allows groups to define their own specific ways of life and legitimates the inevitable conflicts of interest
that arise between them” (Flyvbjerg 2001, p. 108). Although Foucault is not a realist, his approach to power suits perfectly the research here conducted; and, accordingly, the power analysis is guided by the conception of power designed by Flyvbjerg upon Foucault’s ideas. It is characterized by six features, reproduced below:

i. Power is seen as productive and positive, not only as restrictive and negative.
ii. Power is viewed as a dense net of omnipresent relations and not only as localized in “centers” and institutions, or as an entity one can “possess”.
iii. The concept of power is seen as “ultradynamic”; power is not only something one appropriates, but also something one re-appropriates and exercises in a constant back-and-forth movement in relations of strength, tactics, and strategies.
iv. Knowledge and power, truth and power, rationality and power are analytically inseparable from each other; power produces knowledge and knowledge produces power.
v. The central question is how power is exercised, and not only who has power, and why they have it; the focus is on process in addition to structure.
vi. Power is studied with a point of departure in small questions, “flat and empirical”, not only, nor primarily, with a point of departure in “big questions” (Flyvbjerg 2001, p. 131-2)

The political analysis in DEMOLOGOS focuses on “power, imaginaries and the politics of the possible” (Novy and Moulaert 2006, p. 7ff) bringing about the features to perceive regional dynamics. The methodology focused on guiding the empirical part of the project and for that reason it identifies three pillars to practically guide power analyses in case-studies:

a) the resources mobilized by actors to change rules and achieve objectives (money, knowledge, social networks, etc.);
b) relations between actors, i.e. in networks and hierarchies which constitute an unevenly structured field of power; and
c) and structural-institutional dynamics of hegemonic and counter-hegemonic forces that set the time-space context in which power struggles emerge, reproduce their resources and create or destroy potential for collective action (Novy and Moulaert 2006, p. 7-8).
The outcome of ‘power games’ thus depends on the reproduction of social forces, collective strategies within institutionalised networks and – transversal to both of these – the impact of hegemonic and counter-hegemonic discourses.

The political analysis has a central role in the study of Centrope. It follows Flyvbjerg’s conception and the three pillars of power – both in data collection, selection and analysis – to analyse the regional formation in Central Europe. The analysis of governance in this dissertation is critically evaluated in a manner deeply intertwined with power relations. Therefore, as based on Critical Realism, this is not a value-free study. Practices are analysed in a critical and emancipatory perspective, based on a construction that examines the beliefs of participants in interviews in different perspectives, contrasting to other interviewees’ beliefs and documents and practices, through projects and joint actions.

2.3.4 Discourse, practices and institutional mediation

This study has a strong empirical vein. As said above, we should look deeply at different practices when studying social phenomena. However, one should recognise the influence of discourse in shaping reality.

“Discourse as a rhetoric is an economic practice with powerful impacts on e.g. investment decisions, macro-economic policy making, employment strategies of firms, (...) Discourse replaces to a high extent ‘proper’ analyses of socio-economic situations and, therefore, reproduces analysis as ideology- and consensus-building” (Novy and Moulaert 2006, p. 10).

Discourse influences the formation of the material dimension in which agency and structure are embedded. DEMOLOGOS TSP-4 specifies the CDIH Model (Culture, Discourse, Ideology, Hegemony) in which discourse is fundamental as it “refers to the practices involved in the production of inter-subjective meaning and the results of such practices” (TSP-4 - Sum 2006, p. 3). In her paper, Sum analyses the power of discourse in the light of Foucault, taking it beyond language practices by focusing on the power of discourse in producing knowledge and ideology. “In this regard, discourse is seen as mediating the construction of new objects and the remaking of subjectivities and identities in everyday practices. This discursive relationship is also articulated with extra-discursive elements in critical discourse analysis where discourse is seen in contributing towards the
The power of discourse is notorious in new regional endeavours in Europe, which receive funding from the European Union mostly for constructing the cooperation structure, i.e. the governance system. The role given to marketing is important as the fostering of the competitiveness ideology is a crucial driving force for development. Centrope is no exception and the visible activities in the region regard mostly marketing issues, which permeate the relations between people and the construction of institutions. Therefore, to understand the mechanisms in Centrope it is important to approach spoken sentences used in conversations, arguments or speeches as well as in written marketing and policy documents. In addition to the investigation of the role of bureaucrats as organic intellectuals (Gramsci 1988) who reproduce structures by routine behaviour and thereby shape reality. However, as noted by critical realists (and outlined above), noting the mechanisms is not enough, as the conditions that trigger them are contingent. As a result, we should refer to the level of structures and actions, which are institutionally mediated.

The ASID Model described in DEMOLOGOS TSP-1 (Moulaert and Jessop 2006) provide the basis for this. The model elucidates the contradictory relationship between agency, structure, institution and discourse – establishes that “the dialectics of structure and agency are mediated by institutions insofar as they selectively shape opportunities in space and time for collective action by different (sets of) actors” (Moulaert and Jessop 2006, p. 3). Structure is linked to agency through the study of institutional dynamics and contextualization of place and time, or “the institutional mediation of actions and interactions” (idem, p. 12). Institutions “i.e., a relatively enduring ensemble of structural constraints and opportunities insofar as they appear in the form of a more or less coherent, interconnected set of routines, conventions, rules, sanctioning mechanisms, and practices that govern more or less specific domains of action” (idem), impact on structures, which on the other hand, facilitate or constrain opportunity for agency to produce institutional change. Hence, there is a need for a dialectical comprehension of these dynamic relations and interconnections in Centrope.
2.3.5 Story telling

The form of presentation of the study is crucial to allow the comprehension and subsequent use of the arguments exposed. A narrative constitutes the best presentation form, for with it, it is possible to demonstrate the “how” in addition to “what” and why”. Minor events and things can be emphasized and the details shown, enabling the construction of a profound characterization. A story-telling is the best solution for the issue of “how best to get an honest story honestly told” (Flyvbjerg 2001, p. 137).

The complex social processes that form the territoriality must be revealed in a concrete manner that integrates explanation of emblematic or turning points, actors, interests, relations. Narrative hence should properly elucidate the context. History is central to social research both as narrative containing specific actors and events and as the recording of a historical development.

“A theoretically-informed, historically and geographically embedded story telling focuses on specific emblematic moments and the structural as well as conjunctural dynamics which they reflect. Stories have to name actors (individuals, groups, parties, etc.) instead of abstract bearers of social transformation” (Novy and Moulaert 2006, p. 11).

Narratives should be complete, show the richness of reality, even its ambiguity. The researcher should “demur from omniscient narrator and summarizer in favour of gradually allowing the case narrative to unfold from the diverse, complex and sometimes conflicting stories that people, documents, and other evidence tell them” (Flyvbjerg 2001, p. 85-6). Inquiries begin with an interest in a particular phenomenon that is best understood narratively. Subsequently they develop descriptions and interpretations of the phenomenon from the perspective of participants, researchers and others, as it is essential for a realist to include multi-perspectives, as said above, realists do not accept what appears to be so, or, what actors say is so, is necessarily so. It was therefore here aimed at dialoguing with a “polyphony of voices, in which no voice – including that of the researcher – claiming final authority” as asserted by Flyvbjerg (2001, p. 139). He states that the research goal is to produce input to the ongoing social dialogue and praxis in a society, rather than generate ultimate, unequivocally verified knowledge. This approach leaves ample scope to readers’ involvement and interpretation.
The narrative is the core of the work done in studying Centrope. The basis of unravelling the governance arrangement in Centrope is achieved by telling the story of the regional articulation, naming and embedding actors in the historic-geographical context. It is wherefrom comes the originality of the present work, as no other study has yet told the story of this regional formation and identified its protagonists.

Furthermore, a narrative style aims at democratizing knowledge by providing accessibility to the reader in an understandable way. It is an important tool in the effort of permitting the interaction with policy-makers and other non-academic regional stakeholders. This dialogue, on the other hand, allows valuable feedback for the improvement of the research conducted and the knowledge of subject and objects. This interaction is present in this study on Centrope, in which interviewees had access to draft versions of empirical description (contained in published papers) and their feedbacks were incorporated when pertinent. Feedbacks from academia have also been stimulated by DEMOLOGOS. Accordingly, results of this dissertation have been discussed on several occasions: published and presented in international conferences, at the DEMOLOGOS meetings, with PhD students and professors during my research-visit to Newcastle University (UK, 2006) and Harvard University (USA, 2008) and peer reviewed by DEMOLOGOS and Viennese colleagues.

2.3.6 Analysis of enlarged state and enlarged economy

To help empirical analysis to move from abstract forms to specific institutions, DEMOLOGOS methodology suggests subsuming a synthesis towards two main themes: state and capital, from the vantage points of an enlarged state and an enlarged economy.

More concretely, the analysis of the enlarged economy is made from the perspective of competition, cooperation and competitiveness. Competition and cooperation are key ways of organising socioeconomic development. Competitiveness is a norm pointing at becoming competitive, assuming competing without taking systemic consequences into account (Jäger 2006). The concrete institutional forms through which

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8 E.g. the EAEPE - Annual Conference of the European Association of Evolutionary Political Economy (Turkey 2006 and Portugal 2007); the First East-Central European Seminar (meeting of Regional Studies departments of Eastern European Academies of Sciences, held in Hungary 2006); the Trans-border Laboratory of Cooperation from Below (Czech Republic 2007); the 2008 Conference of AAG (Association of American Geographers); additionally published in scientific journal and as chapter of book; cf. (Coimbra de Souza and Novy 2007b, Coimbra de Souza 2007); and is forthcoming as a book chapter (Novy et al. 2012a)
competition and cooperation are regulated, deregulated and re-regulated differ in time and space and are of special concern to DEMOLOGOS. Therefore field research should focus on the “actually existing” practices and discourses around competition, cooperation and competitiveness (Novy and Moulaert 2006, p. 14). Business strategy, competition between locations, growth alliances, trans-national cooperation, state policies, and discourse are to be studied.

The analysis of the enlarged state should focus on democracy and authoritarianism. They are related to state restructuring (workfare state, Schumpeterian post-national state, new modes of governance and the respective institutional forms…). Tendencies towards authoritarian statism have been identified in DEMOLOGOS papers as an element of the current political situation (Novy et al. 2006b, Jessop and Swyngedouw 2006). The dynamics of social and political movements and institutions give shape to this complex democratisation process and state arrangement and the way they are related to hegemonic forces.

The study of Centrope investigates if the regional association influenced the form by which competition, cooperation, competitiveness and state restructuring are transformed through institutional change, law making and policy delivery within the region and how ‘higher scale’ policies have been catalysed at the regional level. In the story-telling, these features will be identified focusing on agency and its impacts. The importance of these lead themes for Centrope is notorious, as the dialectics of cooperation and competition in this governmental association is taking place under a European regulatory frame of competitiveness and the Lisbon strategy.

### 2.4 Empirical analysis and data collection

A multi-disciplinary perspective requires a multi-methodological approach. The empirical starting point for the construction of this dissertation was a priori based on the methodological implications of Critical Realism and DEMOLOGOS. Data collection was based on the view that potentially ‘anything is data’ and followed the principle of openness, i.e. the theoretical structuring was postponed until a preliminary structuring of the issue under study has emerged (Flick 2002, p. 41). In this sense, early field research was conducted right from the beginning of the doctoral study – without definition of the theoretical basis or ex-ante formulation of hypotheses. The hypotheses stated in Chapter 1
were formulated after an initial field research. This does not mean that no theoretical work prior to the field was done, but rather that empirical material was handled with multiple perspectives and interpretations in mind.

In this gradual sampling, the data collection process was controlled by the emerging theories (or assumptions on the subject under study), taking into consideration what new evidence or data collection can aggregate to the research. As it is one case, preference was given to qualitative data collection (Marsh and Stoker 2002, p. 15)

The multidisciplinary critical realist approach that dialogues “with a polyphony of voices” (Flyvbjerg 2001) fits to Denzin’s methodology of “Triangulation” (Denzin 1989, p. 237ff), which aims at increasing the quality of the research results. Denzin suggests different kinds of triangulation: data, investigator, theory and method, and all these were, in different degrees, applied in the Centrope study. Data triangulation refers to the use of different sources, which should be distinguished from the use of different methods for producing data. The author makes a distinction between time, space and persons and suggests studying phenomena at different dates and places and from different persons. This comes close to a theoretical sampling as its starting point is to purposely and systematically involve persons/groups, as well as local and temporal settings in the study.

Data triangulation goes along with “the analysis/reconstruction of structures, forms, agents and change (the ‘story’) following the DEMOLOGOS theoretical framework will be carried out mostly drawing on existing national and international scientific literature and other institutional documentation from different sources and disciplines: university publications, government documents and legislation, etc.; history, geography, sociology, political sciences, etc” (Novy and Moulaert 2006, p. 18). As shown below, this was intensively applied in field research, aiming at investigating a variety of actors, views in different places and periods. Method triangulation was applied by combining semi-structured interviews with field observation in Centrope events and meeting, informal conversations and hermeneutics/artefacts analysis (mainly policy documents, marketing brochures and others).

Investigator triangulation, i.e. the systematic use of different observers, goes beyond a mere division of labour, rather representing a way of balancing the influence of researchers in study results and minimize the bias, according to Denzin. This triangulation
was unfortunately limitedly applied in the present study, mainly due to the scarcity of resources to hire additional field researchers and -above all- as a PhD is supposed to examine the capacity of the candidate to conduct research on his/her own. However, strategies were used to decrease this bias: the supervisors had a main role in consultation and cross-checking some primary sources, mainly by contact with stakeholders and publishers/authors of artefacts; colleagues have accompanied the PhD researcher in a few regional Centrope events, as well as the employment of dialogue and feed-backs from policy-makers and regional actors involved with Centrope. The choice of a first supervisor with experience in the theme, and the use of two supervisors from different universities, facilitates this cross-checking. Theory triangulation was guaranteed by approaching data with multiple perspectives and hypotheses in mind and by the use of the multiple materials of TSP and ABC Papers of DEMOLOGOS, which are not centred in one theoretical approach, but rather bring together different views required to conduct development analysis. Moreover, together with the supervisors, various theoretical points of view were placed side by side to assess their utility and explanatory power.

The multi-dimensional and trans-disciplinary approach to the case-study research relies on several sources, methods and forms of information. Therefore, the empirical work involved mostly qualitative assessments, with the support of some quantitative information, and integration of secondary sources with first hand field work. The data collection focused on two main kinds of data, the first for contextual analysis and the second for the political analysis, as described below.

It is worth noting the value of oral communication (interviews and conversations) as an important source. Although most interviews were recorded and interviewees agreed to publish their names in a list, many did not agree to publicize their statements in connection to their names. Therefore, the identity of the regional actors is covert to protect interviewees; especially because many interviewed people work together, being directly involved with Centrope.\(^{9}\)

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\(^{9}\) The interviewees are collaborators of Centrope, directly, as from governments or governmental agencies, as well as high governmental authorities; or indirectly as those from business associations, governmental companies, national governments, press and enterprises. There was a total of 26 interviews, of which 20 were recorded (all lasted between one and two hours). There were furthermore various informal visits, i.e. non recorded interviews (to the same kind of interviewed actors plus academics), recording of events (seminars, meetings) and email/telephone and “coffee-breaks” communications.
2.4.1 Data collection for contextualization

The case-study analysis must properly introduce the arena where the political dynamics occur. Thus the historical-geographical context of the region is described, mainly through the use of the collective work undertaken under DEMOLOGOS by the Vienna-team (composed by Andreas Novy, Lukas Lengauer and myself, coordinated by the first). Centrope is the case study of Vienna for DEMOLOGOS, and as mentioned, this thesis benefited greatly from team discussions and knowledge creation. Therefore, there would be no reason not to use the same analytical background employed in DEMOLOGOS to this doctoral work. The decision to employ the collective work here is supported by the other authors. Chapter 6 is based on collective authorship, for it uses the work of the Viennese team of DEMOLOGOS.

The data collection for contextualization was, in this sense, extensive and includes an in-depth history of socio-economic development in Austria and Vienna, and actors’ agency strategies, in an extended periodisation from the nineteenth century onwards. It relies on an immense number of sources, including the work of Lengauer on Austrian economy, Novy’s large experience in analysing Vienna’s socio-economic development and my own research on a more recent period of Vienna’s development strategies.

2.4.2 Data for the politics/governance analysis

To accomplish the study of the political dimension in a historic-geographical perspective, subjective data on governance and actors agency were sought. The main aim was to describe formal and informal institutions: agents, relations, power, planning, and policies involved in the production of the regional space.

Data collection was therefore centred on gathering and analysing official documents and publications by governmental or quasi-government institutions, institutional documentation and advertising material by any kind of organisation directly or indirectly involved in the region; the press (newspapers, magazines), broadcasting (TV and radio news), and large participation in events promoted in the region by Centrope or involved institutions/actors. An inventory of all material concerning the Centrope region and project was a first step. This material was studied by artefact analysis, and revealed preliminary conclusions on the regional history and agency in Centrope.
Subsequently, a more relations-centred compilation was conducted, in which conversations and interviews with actors were the principal source, in addition to observation of events promoted by the Centrope-project and related actors. The methods were basically: (a) notes and quotations of speeches in events/media; (b) informal talks, e.g. by approaching actors during events, followed by (c) visits (to regional actors involved in Centrope and to academics researching or dealing with regional issues) for exploratory interviews, and finally (d) visits to regional institutions and realization of semi-structured interviews, which were recorded and aimed at dealing with specific regional issues and identification of roles, relations and networks. The semi-structured interviews targeted primarily the regional institutions formally engaged in the regional governance system, as identified by the artefact analysis. Nevertheless, other semi-structured interviews were conducted with relevant actors not directly involved, notably private actors as business associations or entrepreneurs.
3 Governance: approaching an elusive concept

3.1 Academic and policy uses of the concept of governance

Governance is frequently used in academic and policy milieus, on websites, policy documents, studies, speeches and everyday talks in public and private institutions. Not only numerous academics are dedicated to study governance, but various policy-makers are devoting time and energy to define and use governance for their policies and organization of activities. The United Nations, OECD, European Union, World Bank, states in every continent and level, associations of governments, NGOs, besides the numerous research centres, schools and departments have published their approach to governance.

Clearly defining governance is not an easy task: the concept of governance is elusive, “slippery” (Pierre and Peters 2000, p. 7). In many uses, especially in everyday discourse, it became a synonym for government when referring to the organisation of public activities and a fashionable way of referring to activities that are conducted by governments. For others – some policy institutions included – governance equals efficient government with transparency, accountability, participation. In this approach, it is a normative ideal of a certain type of government.

In this sense, since the 1990s it has become a political catchword as the new way of liberal thinking about the state, its capabilities and relation with society. International organizations launched campaigns to promote good governance as the ideal to be followed by developing countries. This has contributed tremendously to the diffusion of the concept among policy makers and consequently to the increase of a variety of meanings and uses of governance, making it notoriously an elusive concept. Faludi (2009) says “concepts are like wax in our hands”; we can mould them according to our interests. Governance is no exception, and being the prevailing mode of political regulation, it can signify several arrangements or processes to different uses and misuses. As Pierre and Peters articulate, it is “a useful concept not least because it is sufficiently vague and inclusive that it can be thought to embrace a variety of different approaches and theories, some of which are even mutually contradictory” (Pierre and Peters 2000, p. 37).
Like the popular say “the devil has many names”, so does governance: multi-level governance, democratic governance, participatory governance, regulatory governance, territorial governance, urban governance, decentralized governance, governance beyond-the-state, local governance, global governance, good governance, etc, applied to many policy fields: e.g. environmental governance, transport governance, economic governance, governance of health or child-care system and others. It is sometimes approached in a very broad sense and employed to explain various aspects in the political or social sphere, or to refer to several kinds of decision-making or political action that concerns more than one type of social actor. As basically everything in the world concerns more than one actor, directly or indirectly, governance can fits all. “Does anything happen anywhere which is not subsumed in some fashion or other under the term ‘governance’?” asks the governance theorist Alberta Sbragia (2008, p. 340).

What actors understand of governance varies to a great extent. After perceiving almost different “languages” on governance when participating in meetings and conferences of policy-makers and academics, I made a small experiment at one of the biannual conference of the Global Network of Government Innovators, which gathered over 300 government collaborators and academics. I asked people of more than twenty different nationalities during coffee breaks and social events about their understanding of governance. The answers were quite diverse, ranging from governance as the process or form to fight corruption, to promote social inclusion, modernization of state apparatus, decentralization, to promote cooperation and innovation. One panel of the conference was polemic and commented on by many: a speaker told the story of his country, in which authoritarian measures have diminished corruption and thus improved access of public services to the population. The presenter understood this as a “successful governance”, while others questioned if that is really governance. The impression remaining for me after the experiment is that governance is adjustable to the biggest challenge of a society at a time, whatever it is.

10 The ‘experiment’ has no methodological validity; it is more an issue of anthropological curiosity to illustrate the different understandings of governance. It was conducted during the Global Network of Government Innovators, which was organized by the Harvard Kennedy School of Government and took place in March 2008 in Cambridge MA, USA.
11 The nations of origin of people I talked or listened to were: Brazil, China, Colombia, England, Greece, India, Italy, Kenya, Mexico, Mongolia, Netherlands, Nigeria, Northern Ireland, Pakistan, Panama, Peru, Poland, Portugal, South Africa, and USA.
However, governance generally refers to problems of coordination in socioeconomic development and is intrinsically connected to public-policy and governing. It has brought to the surface old debates in political science and also in public administration as the delegation for the executive, the representation of the population by elected officials, the relation of legislators and executive power in a new fashion, which claims to be dynamic, as the “new modes of governance” in contrast to “old modes of governance”. Besides cutting across boundaries of institutions and territories of governments (Benz and Papadopoulos 2006a, p. 276) and across boundaries of actors categories. The interest in governance is also a response to a paradigm crisis in the social sciences. “Governance is being introduced to bridge disciplines and to provide alternative ways of understanding” (Jessop 2003, p. 102).

In the sea of definitions of governance, it is crucial to clarify the approach that is being used. This is required for the task of shedding light on the kind of governance which is emerging in new regional spaces in Europe, like Centrope. There is however no aim of building here a new conceptualization, but rather of clarifying selected elements from the literature which need to be considered for the case-study analysis. The novelty is the conciliation of theoretical considerations with notions of policy makers and policy institutions. Therefore, this chapter dialectically draws upon academic literature on governance jointly with policy-papers. This paves the way to grasping the complexity of the world and its transformation in society, economy, and state, which has, among other results, led to the formation of Centrope, a territorialization of these transformations. Thereby, this work can contribute to the theory with a robust empirical analysis.

3.2 Understanding governance

Two main aspects of governance are relatively consensual: first, it is by no means a new concept, since modes of coordination have always been important in regulating societies with diverging interests; secondly, there is no definition which is agreed upon by every one (Pierre 2000, Pierre and Peters 2000, Jessop 2003, Benz and Papadopoulos 2006b, Leubolt 2007).

Governance can be used as a blanket term to signify a change in the meaning of government (Jessop 2003, p. 101). A basic definition by Erik Swyngedouw (2005) presents the general idea behind the word.
“[Governance] is the emergence, proliferation and active encouragement of institutional arrangements of ‘governing’ which give a much greater role in policy-making, administration, and implementation to the involvement of private economic actors on the one hand and to parts of civil society on the other hand in self-managing what until recently was provided or organised by the national or local state” (Swyngedouw 2005, p. 1992).

Swyngedouw’s definition reflects a general understanding of governance; however, an analysis of how and why there was a change in roles is required. In this sense, it is crucial to get the greater picture, in which the context and the implications of the transformations are exposed.

Considering governance as a product of political changes at the end of the 20th Century (Pierre and Peters 2000, p. 2), this section aims at explaining this transition from government to governance; here considered as a transition from government and market as opposed modes of governing to governance as a new hybrid mode of coordination, institutional design and economic regulation. This section explains the context and grounds of the transition and the resultant features of this new mode. Figure 3.1 summarises the main points of the context and features of governance as resulting from the transformations. This context and the features will be the focus of the subtopics 3.2.1 and 3.2.2.

Market and state as opposed modes of governing gave place to governance as the emerging prevailing mode of coordination and regulation. This happened in a context of “dramatic intensification of societal complexity” (Jessop 2003) and related state transformations. The crisis of Fordism and the accompanying strengthening of neoliberalism led to a crisis of hierarchical modes of coordination, the emergence of new liberal discourses on state and society expressing the belief that society and private actors were “clever” while the state was clumsy and bureaucratic. These theories were further supported by the fiscal crisis of western democracies in the 1980’s and 90’s (and further ones, as the recent crises from 2008 onwards shows), and the crisis of state planning. A new form of territorial organisation of state also emerged within growing international interdependencies and new scale dynamics.
Governance emerged in this context as the appropriate liberal form of the organisation of state, public activities and resources and relations. This approach to governing, which hybridises market and state, included reforms of state policies, creation of policy networks, new liberal theories of public management and policy making, new liberal arrangements for civil society participation in policy making and new power constellations. The re-emergence of governance results from a historical socio-economic context of transformations roughly summarised below.

### 3.2.1 Growing complexity and State transformation: the context of governance resurgence

Two concepts are crucial for grasping the context of the re-emergence and the meaning of governance: neoliberalism and Fordism. They are here briefly introduced, noting, however, that it is not the aim of this section to dissect such complex concepts.

Fordism emerged in the 1930’s as a new mode of societal organisation, which achieved hegemony after the end of the World War II as the dominant mode of capitalist development and went into decline in the 1970’s (Jessop 2006, p. 58ff). “Fordism is
summarised as the age of ‘intensive accumulation’ with ‘monopolistic regulation’ of the economy” (Amin 1994, p. 9). Although comprising different models and significant local and national variation, Fordism was generally characterized by forms of tripartite corporatism, a welfare regime based on a gender division of labour, mass production to mass consumption, subsidized public services and planning from above, all within the power container of the national state (Leubolt et al. 2007, p. 8-9).

The driving force of Fordist intensive accumulation is the mass production dynamic, reliant upon the intensification of work, the detailed division of tasks and mechanization to raise productivity, operated by the semi-skilled labour of the mass worker within an urban-industrial, middle-mass, wage-earning society and a state dynamic closely related to the form and function of the Keynesian welfare state (Jessop 1994).

The crisis of Fordism brought important changes concerning the socio-economic order, and a liberal mode of societal organization re-emerged (Moulaert et al. 1988, Harvey 2005a). Reagan’s government in USA and Thatcher’s in UK were paradigmatic in fostering a new model of state (Jessop 2002b, Harvey 2005a). Reagan’s and Thatcher’s were more aggressive programs of neoliberal restructuring to destroy the welfare state that were followed by more moderate politics mobilised in a variety of states, ranging from New Zealand and Canada to even Sweden. The standard version of state minimalism is set out in the World Bank’s World Development Report 1992 which proposed that development proceeds best when governments concentrate on two tasks: maintaining macroeconomic stability with conservative fiscal and monetary policies and developing human resources through education, training, and providing health care. Apart from these functions, however, governments should accede to markets (World Bank 1992).

The linchpin of neoliberal ideology, according to Brenner and Theodore (2002, p. 350) is the belief that open, competitive and unregulated markets, liberated from all forms of state intervention, represent the optimal mechanism for economic development. Especially since the 1990s the term became a major rallying point for a wide range of anti-capitalist struggles, as protests against the World Economic Forum and international organisations as the IMF or World Bank. Moody (1997, p. 119) has concisely described neoliberalism as
“a mixture of neoclassical economic fundamentalism, market regulation in place of state guidance, economic redistribution in favour of capital (known as supply-side economics), moral authoritarianism with an idealised family as its centre, international free trade principles (sometimes inconsistently applied), and a throughout intolerance of trade unionism” (Moody, 1997, p. 119-120).

As a consequence of the neoliberal turn, corporatist alliances were weakened, subsidized public services privatized and market forces gained strength, and an immense change in societal relations was observed. On the local level, governments became “entrepreneurialists” (Harvey 1989b) and focused on supporting entrepreneurial activities to the expense of providing public social services. They instituted a “workfare regime” (Peck 2001) that subordinates social policy to the demands of labour market flexibility and employability and to the demands of competitiveness (Jessop 2006, Peck 2001).

Governance as a conceptual frame was put forward by academic studies and policy reports by international organisations in this context of a neoliberal counterrevolution (Harvey 2005a). As a result, governance was “on occasions used to provide the acceptable face of spending cuts. It is a code for less government” (Stoker 1998, p. 18).

The fiscal crisis of western democracies of the 1980’s and 90’s (but also the more recent one of 2008) contributed to reduce the scope and action of state, especially on the provision of social services. States became more dependent on other societal actors. The state was deprived of its authoritative position by policy networks, sub-governments, and negotiation systems (Rhodes 1997).

The decline of the hierarchical mode of organisation resulting from the crisis of Fordism concomitant to the rise of neoliberalism reinforced the ideological view of the state as bureaucratic and inefficient, while private models of management were taken as ideal models. The rhetoric of lack of capacity of governments made them lose their confidence and search for advice. This led to the development of new theories for the organisation of public administration as the “New Public Management” which applies paradigms of business management to the public (Lynn 2001).

Governance is also a response to Fordism’s rigid structures and “governance by law” (Pierre and Peters 2000, p. 15). In Fordism, bureaucracy was the organising principle both in public and private sectors. Hierarchies and the alienation of population were the
results of the top down bureaucratic organisation of the state apparatus (Mandel 2000). The new post-Fordist context implied organisational changes in governments and companies to cope with the rapid changes in the economic ordering. The battle against hierarchical modes of public organisation seemed to have ignored the hierarchical mode of organisation which still exists in many big companies.

“The advantages of hierarchical coordination are lost in a world that is characterized by increasingly dense, extended, and rapidly changing patterns of reciprocal interdependence, and by increasingly frequent, but ephemeral, interactions across all types of pre-established boundaries, intra- and interorganizational, intra- and intersectoral, intra- and international” (Scharpf 1994, p. 37)

This, on the other hand, led to a crisis of state planning which was top-down and hierarchical and implied a degree of separation of society and state that was pressed by liberal views. Political theory was focusing on top-down approaches, by means of planning, policy development and implementation (Mayntz 2003, p. 28-30). Yet the hierarchical mode of coordination was not exclusive of state organisation, as Renate Mayntz (2003) noticed. Governance has attracted attention as a solution to co-ordination problems in and across private and public spheres. Within a context of growing complexity, it implies that important new problems have emerged that “cannot be managed or resolved readily, if at all, through top-down state planning or market-mediated anarchy (...) This has promoted a shift in the institutional centre of gravity (or institutional attractor) around which policy-makers choose among possible modes of co-ordination” (Jessop 2003, p. 103ff.).

In this sense, the fragmentation of the state increased, to the extent that it turned into a constellation of uncoordinated policy areas with institutions responsible for policy-making and policy-implementing competing for resources. “The existence of all these internal divisions means that making decisions within any government is complex and involves developing coalitions across a range of interests”, say Peters and Savoie (1995), these “centrifugal forces tend to overwhelm the unity and coherence given by unifying institutions as central budgetary ones” (Peters and Savoie 1995, p. 4).

In this context of liberal hegemony among decision-makers the concept of governance gained importance: “The current fascination with governance is closely linked to the failure of many coordination mechanisms that had been taken for granted in the
post-war world” (Jessop and Sum 2006, p. 251). Benz and Papadopoulos affirm that “governance was introduced into political science and more recently, practical political discourses when it became obvious that the traditional model of the nation state is no longer adequate to describe reality or guide reform policies (Benz and Papadopoulos 2006b, p. 2), although the financial crisis from 2008 onwards may put this in question.

The nation state has been challenged by the increasing complexity of social problems, the differentiation of societies followed by the rise of new organized interests, the overload and inflexibility of hierarchical structures, the growing international interdependencies and competition, and finally the diffusion of new theories of public management and policy-making (cf. Pierre and Peters 2000, Chapter 3).

However, as noticed by Jessop (2003) governance “provides a solution, however partial, temporary, and provisional, to the crisis of state planning in the mixed economy and the more recent disillusion with excessively disembedded neo-liberal market forces”. In recent years there is a tendency to shift the balance between government and society “away from the public sector and more towards the private sector. Partly, this added up to privatization and sometimes to deregulation. But there are also efforts to shift the balance towards a sharing of tasks and responsibility; towards doing things together instead of doing them alone (either by the ‘state’ or the ‘market’)” (Kooiman 1993, p. 1). For this reason governance has acquired positive connotations such as mediation or dialogue, in contrast to the anarchy of the market or the state’s ‘iron fist’ (Jessop 2003).

3.2.2 Features of governance: attempting to unravel the concept

Understanding the context of re-emergence of governance sheds some light on its meaning, however in a vague form. As mentioned above, there are several definitions, features and ways to understand governance. This section is an attempt to clarify governance by elucidating some of its main features according to the literature.

Governance is defined usually in a broad manner, to cover the whole range of institutions and relationships involved in the process of governing. This encompasses advantages and problems. On the one hand, it permits a proper inclusive analysis of various arrangements and processes; but on the other hand, keeps it as an elusive unclear concept with a vague definition. “The secret of its [governance] success is clearly due to
its conceptual vagueness. It is – with its variety of meanings – compatible with a wide range of social theories” (Schneider 2004, p. 25).

Definitions sometimes emphasize limited aspects involved in governance. Governance is at times taken as a theory or analytical framework of the coordination of social systems, i.e. a way of viewing the world of politics and government, but also as a phenomenon or empirical manifestation of adaptations (Pierre 2000, p. 3) and a process of organising reality, the last as “a process and a state whereby public and private actors engage in the intentional regulation of societal relationships and conflicts” (Kohler-Koch and Rittberger 2006, p. 28).

Similarly in the context of politics, there is no clear delimitation of the subject. There are two broad approaches to defining the political according to Marsh and Stoker (Marsh and Stoker 2002, p. 9): the first defines politics by reference to an arena or particular set of institutions, of which much is devoted to the formal operation of politics in the world of government and those who seek to influence it. The second approach to the definition of the political sees it as a social process that exists in a variety of settings. Similarly, in literature governance is sometimes limited to governmental arena, mainly describing a new mode of governing which transcends a mechanical view of governing as government. But by others governance is understood as permeating all relations in institutions, public or private. Marsh and Stoker (Marsh and Stoker 2002, p. 10) understand that “politics is about more than what governments choose to do or not do; it is about the uneven distribution of power in society, how the struggle over power is conducted, and its impact on the creation and distribution of resources, life chances and well-being”. Pierre and Peters (2000, p. 24) see governance as different from traditional political science, because this is wary of political power as the base of governing. In governance, “instead, leverage is frequently derived from entrepreneurialism and political skill”.

New distribution of power

Power is a central feature to approach governance. For the UNDP, “governance embraces all of the methods—good and bad— that societies use to distribute power and manage public resources and problems” (UNDP 1997b, p. 9). In governance, say Sattertwaite et al (2007), power also exists outside the formal authorities and institutions
of government, and this enhances the risk of networking solely with powerful but unrepresentative groups.

Governance implies power changes, a power displacement from state upwards, downwards, to NGOs, and other kinds of “outsourcing” or privatization. However, this is not in an equally distributed form, as governance regards the state as an asymmetrical institutional terrain (Jessop 2006, Poulantzas 1978), or as described by Novy (2001), like a football camp with inclination on which different forces compete for power.

**Steering and degrees of state influence**

The change in the power of state to steer society is said to have led to the “actor-centred conception of steering” (Mayntz and Scharpf 1995) which presumes goal-oriented activities by both actors who do the steering and objects that are being steered. However, the fragmentation of the state diminished the capacity of democratic governments to impose its will on society, i.e. to steer. Policy and the organization of state would be subject to negotiation with society, as governance presumes a large range of unaccountable actors involved in public affairs. However, “state centred” approaches of governance suppose that the state still has a large steering capacity. The key would be identifying who defines the objectives of governance, instead of focusing only on the relationship between involved actors.

**Actors and Networks**

Therefore, there is a revaluation of non-state actors in policy making: governance shifts the focus from public actors and hierarchical decision-making to the interaction of public and private actors (Jachtenfuchs and Kohler-Koch 2003, Kooiman 1993).

Governance is, in this sense, conceptualised as a networked mode of decision making and intervention in society (Rhodes 2000, 1997). Governance as networks include a variety of actors, generally in a given policy sector. In this mode of governance, the state is not dominant but rather taken as just one more component in a more differentiated set of public and private actors, thereby partly privatising the public domain.

“It is a structure of policy making that consists of several independent decision centres” (Benz and Papadopoulos 2006c, p. 2ff.). Plurality of decision centres implies no clear hierarchy and the core consists of networks (which are relatively stable relationships
between formally autonomous actors). Negotiation prevails, and thus an inclination to compromise and learn from each other is required. Governance as networks is a dynamic of cooperation and competition simultaneously “antagonistic cooperation” (Benz and Papadopoulos 2006c, p. 4). In most cases, there is a normative position, as pertinently summarised by Frank Moulaert and Kathy Cabaret:

“A network is an attractive ideal to pursue, because of its flexibility, horizontal organization, low transaction and communication cost, and enhances implicit equal power among stakeholders, etc. But in real-life situations, the ideal network configuration embodying equal stakes and reflexive cooperation is most of the time a distant one, and the transition from an existing organization or interaction pattern to the normatively attractive network mode of organization is quite difficult, if not undesirable” (Moulaert and Cabaret 2006, p. 52).

From a policy perspective, it may enhance the efficiency in the implementation of public policy for it represents less opposition with the involvement of diverse society groups. In the new governance, networks coordinate and regulate policy sectors (Henry et al. 2004). From the point of view of the state, networks embody considerable expertise and interest representation and hence are potentially valuable components in the policy process (Pierre and Peters 2000). Nevertheless, networks sometimes become powerful enough to resist state influence, as shown by Marsh and Rhodes (1992). They say networks may challenge the state, trying to prevent cut-backs and thus they insulate the policy sector. The decreasing reliance on formal democratic and legal powers (compared to legal-hierarchical Fordist type of governance) permits such manoeuvres.

Institutions matter

Governance as a transformation of state power does not mean governing without the state, but governing with a changed, a liberal state. Institutions matter for they shape power relations and guide interactions of actors; and collective actors and collective entities are subject to the institutional rules governing structures and processes. Dynamics of governance are due to the interplay of formal and informal patterns (Pierre 2000, p. 3-4). Institutions define who is authorized to act and to make collectively bindings decisions, they make actors’ behaviour predictable and visible and link those who hold power to those subject to decisions (Moulaert and Jessop 2006). Thus, governance is coupled with the institutions of the state.
Governance means using society groups for governing through state institutions, not substituting or presenting alternatives for those institutions (Pierre and Peters 2000, p. 35). Even the network approach does not disregard political institutions, as governmental institutions are part of these networks in various levels of government.

Additionally, governance also explicitly entails the multilaterally involved interests and the necessity of mutually satisfactory decisions and projects. As described by Jessop, it can be understood as: “the reflexive self-organization of independent actors involved in complex relations of reciprocal interdependence” (Jessop 2003, p. 101). He says this self-organization is based on continuing dialogue and resource-sharing to develop mutually beneficial joint projects and to manage the contradictions and dilemmas inevitably involved in such situations (idem).

Re-Territorialization

Changes in reorganization of the state and its fragmentation challenged the national state as the main power container. In the territorial dimension governance tries to capture the ongoing spatial restructuring by introducing global, regional and local dimensions beside the nation state (cf. Leubolt 2007 and Chapter 4 of this dissertation).

Governance seems to fit the approach of a networked society (Castells 1996, Blatter 2004) in which re-territorializations and the formation of new spatial fixes (Jessop 2004) are observed, together with boundaries that are more functional than territorial (Benz and Papadopoulos 2006c).

The United Nations, on the other hand, emphasises the chief role of national states in governance by defining it as the “exercise of political, economic, and administrative authority to manage a nation’s affairs” (UNDP 1997b, p. 9). It is the complex mechanisms, processes, relationships and institutions through which citizens and interests groups articulate their interests, exercise their rights and obligations and mediate their differences (UNDP 1997a).

Performance and efficiency of government

Not only approaches to governance by international organizations as the UN or World Bank have a strong focus on performance and efficiency of governments. The re-emergence of governance as the solution for the failure of hierarchy and markets as
antagonist modes of societal organization led to the normative claim that governance offers the most efficient techniques of governing. In addition, governance is confounded with ideal situations:

“Sound governance is therefore a subset of governance, wherein public resources and problems are managed effectively, efficiently and in response to critical needs of society. Effective democratic forms of governance rely on public participation, accountability and transparency. (...) Systemic governance encompasses the processes and structures of society that guide political and socioeconomic relationships to protect cultural and religious beliefs and values, and to create and maintain an environment of health, freedom, security and with the opportunity to exercise personal capabilities that lead to a better life for all people” (UNDP 1997b, p. 9-10).

Jan Kooiman (2003, p. 4) defines governance as “the totality of interactions, in which public as well as private actors participate, aimed at solving societal problems or creating societal opportunities”; to affirm “the challenge is to make governing interactions productive”. It is worth noting that the variety of actors involved implies a variety of interests to be accommodated as well as a variety of views on the ‘societal problems’.

The definitions focused on productivity and efficient governance reflect a belief in the capacity of governance to improve performance: “it can help to overcome problems of implementation by considering motives and by fostering the willingness of policy addressees to comply as well as through the mobilization of the knowledge of those affected” (Gbikpi and Grote 2002, p. 23).

“Administrative governance is the system of policy implementation carried out through an efficient, independent, accountable and open public sector” (UNDP 1997b, p. 10). “Effectiveness of Governments” is one of the six dimensions of governance measured for the Worldwide Governance Indicators (WGI), perception based indicator of the World Bank on governance covering 212 countries and territories (Kaufmann et al. 2008).

**Reforming the state**

Explicit liberal views on governance advocate public management reform to achieve governance effectiveness. The policy papers of the OECD typify this approach. According to the OECD, “the purpose of reform is to make government more responsive to society’s needs. People want government that does more and costs less. Much of
current public reform is an effort to meet society’s needs by providing better, faster and more services from government” (OECD 2000). Thus, it fostered a mode of intervention in society which moves “from Interventionism to Regulatory Governance”. This means:

“the rise of regulatory policies – an explicit policy that aims at continuously improving the quality of the regulatory environment – show how early notions of ‘deregulation’ or ‘cutting red tape’ quickly gave way to a central good governance notion based on an understanding of how regulatory practices can substantially improve market performance, public sector effectiveness and citizens satisfaction, through a mix or deregulation, re-regulation and better quality regulation, backed up by new or improved institutions” (OECD 2002, p. 14).

Nonetheless,

“Regulatory policy (…) on the view that ensuring the quality of the regulatory structure is a permanent role of government. (…) regulatory policy is itself giving way to regulatory governance. Regulatory governance as a concept is firmly grounded in the wider theme of democratic governance. That is, the tasks involved in exercising regulatory functions go beyond the design and implementation of instruments, or their co-ordination, and also embrace wider issues that are integral to democratic governance, such as transparency, accountability, efficiency, adaptability and coherence. Regulatory governance also refers to a larger domain encompassing the complex interplay of other regulatory ‘actors’ such as the legislature, the judiciary and the sub- and supranational levels of government action” (OECD 2002, p. 16).

Regulatory governance is, however, also conceptualized in relation to the recent proliferation of “autonomous” regulatory agencies of governments (cf. Schneider 2004).

3.3 Governance and democracy

When discussing governance and democracy, it is important to clarify that although governance supposes a broader range of actors involved in public policy and government affairs, it does not mean it is democratic per se. Democracy means “a government which is exercised by the people” (see Leubolt et al. 2007 for an overview). Although governance brings an opportunity to include popular interests in policy making and governing, this inclusion can, however, result in several political arrangements, ranging from democratic to privatised or elitist modes of governance.
In a classic work in policy literature, Buchanan and Tullock (1962) warned, almost 50 years ago, that it is almost by definition that policy making is more difficult in democratic than in more authoritarian states, because of the many interests involved and enhanced complexity of the process (Buchanan and Tullock 1962). The complex arrangement of governance involves balancing several competing views and a number of participation forms: political parties and elections; interest groups and lobbying; individual citizens’ letters or other forms of voice, etc. all these forms have some degree of legitimacy and legitimate political press.

Adding to the normative claim that governments must be democratic, with governance “governments must persuade and motivate citizens to secure their allegiance” (UNDP 1997b, p. 27), citizens here can be read as including firms and investors. As Jessop (2006) puts it:

“Whilst it [governance] increases the range of stakeholders whose cooperation is required for successful state intervention, it also forces states to create, or at least recruit, new subjects to act as its partners. Thus states are now trying to change the identities, interests, capacities, rights and duties of economic and social forces so that they become more flexible, capable and reliable agents of the state’s new economic strategies” (Jessop 2006, p. 145).

Nevertheless, the affirmation that more actors involved means a more democratic public policy is highly contested.

3.3.1 The democratic problem of legitimacy

The enhanced complexity and transformation of state in Post-Fordism denounced the old forms of democracy as unfit to the new times.

“As the size of polities has become larger and more heterogeneous, the institutional forms of liberal democracy developed in nineteenth century –representative democracy plus techno-bureaucratic administration– seem increasingly ill suited to the novel problems we face in the twenty-first century” (Fung and Wright 2003b, p. 3).

Political science focused on the challenges of democratic elections while the state was hierarchical and dominant. In governance the focus is on participation mechanisms but the issues of how to give voice to the majority of population and legitimacy are still central.
Governance as the prevailing mode of political regulation raises questions of its democratic legitimacy (Benz and Papadopoulos 2006b). Legitimacy is a generalized degree of trust of the governed towards the political system and political institutions, which results from availability of democratic procedures that accommodate and facilitate the fullest possible participation of interested parties (input-legitimacy) and from the efficiency and performance with which policy-making addresses citizens’ concerns (output-legitimacy) (Smismans 2006, p. 117).

Fritz Scharpf neatly explains the output- and input-oriented dimensions of democratic government: “[The democratic] legitimacy of political systems has come to depend (. . .) on the belief in, and the practice of, democratic self-determination which must assure that government of the people must also be government by the people and for the people” (Scharpf 1999, p. 1). This led to a distinction of two dimensions of democratic self-determination: input-oriented authenticity (government by the people) and output-oriented effectiveness (government for the people) (Scharpf 1999, p. 2).

To analyse democratic representation, Arthur Benz (2006) adds a third point to input and output legitimacy, which concern the criteria to qualify the relationship as democratic: “the reactions of the represented, feedback between them (office holders must be accountable, representatives should be able to punish them, it requires transparency, clear responsibilities of decision-makers, and effective ways to control representatives)” (Benz 2006, p. 101).

Democratic legitimacy is a recurrent question in the analysis of multi-level governance (MLG), firstly, because the new geography emerging from MLG arrangements does not necessarily coincide with a ‘demos’, a real locus to popular decision, moreover democracy has heavily relied on a notion of self-governing community coincident with the nation state (Hirst 2000). Popular sovereignty and local self-administration need a delimited territory (Lipietz 1998, p. 181). DeBardeleben and Hurrelmann (2007) enumerate three of the main democratic dilemmas to multilevel governance in Europe: (1) the dilemma of congruence between political and sociocultural spheres – connected to the ‘non-demos’ problem; (2) the accountability dilemma of vast non-elected actors deeply involved in governance and (3) the (unequal) representation of citizens, as “deliberation under real world conditions (…) tends to privilege participants
with superior material as well as cognitive resources, and hence might bring about new forms of exclusion or domination” (DeBardeleben and Hurrelmann 2007, p. 8).

Since the “production of policy output” is the “primary goal of politicians”, they resort to procedures outside the formal institutions that reduce the likelihood of vetoes. “Any advantage from these patterns of ML governance is attained at the cost of accountability”, adds Benz (2006, p. 109-110).

3.3.2 Participation and the challenge of new actors in governance

There is some confusion in literature and policy on the meaning of governance and of participation: it is not difficult to find those treated as synonyms. A search in internet with popular search engines gives numerous cases in which governance experiences are simply some examples of participation. Empowered participatory governance (Fung and Wright 2003a) are cases of participation in which some quality criteria are achieved, nevertheless they cannot be understood as a democratization of governance.

Participation is not a panacea, since it can be misused to overshadow power struggles. The flagships Participatory Budget experiences, which are still the among the best practices that participatory governance can offer, can be a token of inclusion while possibly giving little decision power over marginal issues to deprived groups and keeping structures that sustain elitist policies. It is important to consider the quality of inclusion and participation beyond a possible empty rhetoric of pseudo democratic governance.

Nevertheless, it is praiseworthy that active citizens should be included in policy processes because their participation improves the quality of decision-making and service delivery. This caused a “frisson for participation”, which nevertheless not necessarily mean that the declared desired aims are being reached (Wagenaar 2007, Gilchrist 2006). Furthermore, even when – supposedly – all citizens can participate, we should bear in mind that not all residents of a place are in fact citizens. Dynamics as social exclusion, immigration and other exclusionary processes determine whether or not a citizen is granted entrance to a participatory process. This is illustrated by the right given to some European citizens to vote in two European countries if they are from one country and live in another, while large percentage of non-European immigrants living in these countries have no right to vote in elections (Swyngedown 2009, in personal communication).
Despite its shortcomings, participatory democracy via civil society involvement correctly came to be considered as a promising supplement to representative democracy (Finke 2007) and represents a potential for a democratization of governance. The concept of participatory governance gains more importance as it involves the mechanisms and features of inclusion of population groups into the governance system. According to Sattertwaite et al. (2007, p. 314) it “differs from ‘good governance’ in its emphasis on the inclusion of groups whose interests and priorities tend to get marginalised in representative democracy”. Building new forms of governance that differ from elitist top-down approaches remains a challenge, particularly when political relevance and representation is attributed to the “possession of some quality or resource relevant to the substance of the problem that has to be solved” (Gbikpi and Grote 2002, p. 21). Besides, “the use of the concept is almost exclusively confined to technocratic and elite discourse” (Hirst 2000, p. 13).

The inclusion of new actors in governance shows why participation for the sake of participation is not enough. It is imperial to qualify these actors. The democratic deficit raises the question of participation of civil-society as a remedy, regarded as a source of democratic legitimacy. In diverse occasions, non-state actors are considered to express stakeholders’ interests better than governmental actors.

According to Benz and Papadopoulos “actors in governance includes experts, public actors (government officials and state administrators) who can represent different territorial levels, and representatives of private interests (of business groups, lifestyle communities, and so on, depending on the policy area). Elected politicians are deemed to play a secondary role”. Citizens seem to play a secondary role as well, as they were not even mentioned by the authors.

Although involving individual actors, those who define issues and really exert power are collective actors, say the authors. “The participation of interest groups is an important feature in governance, so that governance implies the rise of corporate actors” (Benz and Papadopoulos 2006c, p. 3). The introduction of new actors is reinforced by the imaginary of the dominant discourse:

“bureaucracy as all-bad, markets as necessary evil, and networks as the “New Jerusalem” and “policy makers’ obsession with networks and partnerships”, as they see it
as “more in tune with underlying values of collective public purpose and welfare which the New Right agenda threatened” (Lowndes and Skelcher 2002, p. 321).

Democratic governments have fostered and helped to set up non-governmental organisations to work on public service delivery. Pierre and Peters (2000, p. 89) believe there are many ways of “exporting” policy activities, of which “the simplest is the creation of quasi-autonomous ‘agencies’ in government to perform tasks previously performed by government departments”. Finally governments can use for-profit or non-profit organisations to fulfil government purposes and for this reason they also created companies. State active intervention enhanced the number of actors involved in governance.

“However, the more actors are integrated into decision-making, the higher the ‘decision costs’” (Benz 2006, p. 109); in particular due to divergent action orientations, incompatible decision rules that ignite conflicts when combined, and the rising number of internal and external veto players.

The coming out of more and new actors in governance arrangements is directly connected to the so called “functional participation” (Finke 2007, Smismans 2006), which is found in literature regarding European governance, but the concept transcends the continent. Functional participation presupposes a kind of governance in which the participation of citizens’ associations in governance systems is determined in terms of their contribution to effective problem solving. Therefore those to be involved must own resources (knowledge or material) to solve the problem.

Functional participation gives rise to the so called “expert-based governance”: “experts, meaning actors who provide knowledge but do not bear the responsibility for decisions” (Benz and Papadopoulos 2006a, p. 276). Based on the case-studies of their book, Benz and Papadopoulos affirm: “expert-based governance is mushrooming in the EU”. There are reasons for it: experts are used to output-legitimacy. In fact, the authors say experts can increase it.

But politicians can use experts for discharging them from the need of making decisions in disputed matters. “Experts therefore function as an additional source of legitimacy for policy-making, based upon the assumption that scientific knowledge can help to distinguish between what is right or wrong” (Benz and Papadopoulos 2006a, p.
This entails highly contested issues: firstly on the role of science and interest of scientific actors. Science is not value free and experts are often directly or indirectly, implicitly or explicitly connected to particular interests or even advocating them (Sayer 1984). Certainly this does not mean science cannot support policy decision impartially and thus properly contribute to output legitimacy. Nevertheless the need for input legitimacy is there anyway and cannot be substituted by ‘increased’ output legitimacy. As Paul Appleby’s said in 1952: “perhaps there is no single problem in public administration of moment equal to the reconciliation of the increasing dependence upon experts with an enduring democratic reality” (Paul Appleby 1952 p. 145, quoted in Lynn 2007, p. 17).

3.3.3 Accountability and expert-based governance

Democratizing governance is deeply connected with making it accountable. Pierre and Peters (2006) regard accountability as the main problem of governance. As a broader range of actors is already involved, there is a tendency to not be accountable to those outside the network or governance system. A concern with accountability has always been at stake; however focusing mostly on the issue of control of bureaucracy to avoid the abuse of public administrators. Governance would contribute to this issue with horizontal arrangements that include non-state actors, and which would supplement the classical vertical accountability and therewith remedies the ‘weaknesses beyond the nation state’.

Since governance regularly cuts across the boundaries of institutions and territories of governments, internal accountability has to be complemented by external accountability, assert Benz and Papadopoulos (2006a, p. 276). External accountability requires the inclusion of actors standing for general interests or representing those outside the immediate political context of the government arrangement or policy sector.

Functional participation especially enhances the challenge of accountability in governance. Smismans (2006) warns of the problem of accountability of organisations of expert-advising in governance, as these representatives are not elected and the control over their actions is minimal. On the other hand, he says, functional representation, besides being influential, normally holds solely advisory competence and does not substitute territorial representation, which has legal competence. “Functional representation thus does not bypass territorial representation” (Smismans 2006, p. 122). However, legal competence “is no guarantee since in technical issues territorial representatives might
simply rubber-stamp what has been decided by technical experts” (Smismans 2006, p. 122). Transparency would then be a way of some public control over advisory structures.

The challenge of accountability to governance involves overcoming dependency of expert-based governance without external public accountability. Its importance relates to a possible dominance of few actors who under the label of experts are entitled to control public resources and manipulate reality by means of constructing a hegemonic discourse. Ngai-Ling Sum (2005) analyses how economic, political and intellectual actors compete across scales to remake the objects of governance materially and discursively.

“Actors perform and repeat their selected subjectivities under the neo-liberal-managerial-audit gaze of gurus and experts (…) through mundane institutional events (e.g. talking, meetings, writings seminars, advertisements) and everyday routines (e.g. working, managing, discussing and debating)” (Sum 2005, p. 15).

Among other effects, this disconnects the economy from political accountability. This resulting institutionalized discourse pointed by Sum is called by Chaui (2000) as the “discourse of competence”. It represents the discourse that is accepted as truth, i.e. the authorized speech made by “legitimate interlocutors”, who are previously recognised as having the right to say and listen according to specific spatial and temporal circumstances. The intention behind the “legitimated interlocutors” is to avoid the “danger of political and social instability that allows questionings about the institutionalized order” (Chaui 2000, p. 6). Hence it incorporates and institutionalizes new ideas to abolish risks of questioning of what to do and what to think. In this fashion “the exercise of ‘political, intellectual, and moral leadership’ works “as a basis for overcoming social fragmentation and the paralysis of initiative or, conversely, to facilitate the disorganization of forces mobilized behind social transformation” (Moulaert and Jessop 2006, p. 5)

The discourse of competence is based on experts, named by Chaui as “specialists”. According to her, bureaucratization and its master idea of organisation permeates society and culminates in the determination of “experts”, who are in charge of (re-) affirming and denying the expansion of state power over various spheres of societal life through a discourse of “organisation” (Chaui 2000). Under this discourse, two points are crucial: 1) the rationality of the means that automatically eliminate the rationality of ends of all actions; 2) the administrative ratio that makes commanders and the commanded believe that solely rational imperatives intrinsic of the organisation guide their actions. This belief
covers up power relations within organisations and underlines the discourse of new-public-management by an “organisational” imaginary, the idea that whatever is private is more efficient than public organisation is based on the illusion that activities under administrative rationality are free of power relations.

In Gramscian terms, the experts are called “organic intellectuals” (Gramsci 1971, p. 3-14) and hold a main role in the construction of the hegemonic discourse. Those organic intellectuals are involved not only in key (inter-)national organisations and civil society, but also in local governments and – most important to the purpose of this study – in local governance arrangements. They act in the construction of “new imaginaries, identities, and subjectivities in strategic action, organizational and institutional design, institution-building, and social revolution”, which “may result from deliberate strategic action, through the effects of new communication and discursive technologies and/or new ways of utilizing them, or through the accumulation of small-scale, molecular changes” (Moulaert and Jessop 2006, p. 3 and 5)

However, their action is not neutral. Organic intellectuals can serve different political-ideological purposes linked to different social groups. In many cases “the intellectuals are the dominant group’s ‘deputies’ exercising subaltern functions of social hegemony and political government” (Gramsci 1971, p. 12). “Such figures problematize, co-construct and circulate marketized and/or managerialized discourses that limit public choice and constrain public opinion” (Sum 2005, p. 12). The role of the organic intellectuals involved in governance can be understood analogously to Gramsci’s concept of urban intellectuals, as their job is to articulate the relationship between different groups, which could be between the entrepreneur and the instrumental mass or between certain government or governance system and the public at large.

3.4 Governance and the restoration of public administration

Although governance gave for some the expectation that “governance without government” would be possible (cf. Peters and Pierre 1998 for an overview) and new liberal theories of public administration arose, governance provoked a restoration of the debate on public administration. Governance brings public administration back in as a response to the fragmentation of public policy and service delivery, says Rhodes:
“Governance is the fight back of public administration, as the concept is a description of the unintended consequences of corporate management and marketization, and a response to the perceived weaknesses of marketization, as it fragmented service delivery systems by drawing in multiple actors from public, private and voluntary sectors” (Rhodes 2000, p. 54).

New managing models are necessary for the state to engage in new governance models (Pierre and Peters 2000, p. 27). There is a need to adapt management in the time of the paradoxical requirement of capable governments within dismantling neoliberal policies that caused governments to lose the benefit of financial resources or trust. Scholars turned their attention to how governments work and old issues of public administration came back on stage. The result is that governance gave renewed attention to public management\(^\text{12}\).

International organizations used the opportunity to advocate the importance of improved public management. In its first discussion paper on this topic, named “Public Sector Management, Governance, and Sustainable Human Development”, the UNDP drew attention to the importance of the public sector management aspects of governance and how improvements in this area might promote the realisation of objectives of sustainable human development (UNDP 1995).

Governance, due to its elusiveness, on the one hand, may represent a chance to counterattack against neoliberal theories and discourses of public efficiency associated with a minimal state. But on the other hand, it has led to the strengthening of such neoliberal views. This last is shown by the influence of New Public Management (NPM) approaches, which were reinforced by the publication of the landmark book *Reinventing Government* by Osborne and Gaebler in 1992.

The influential *Reinventing Government* places the role of the government in a point of the spectrum between the extremes of “anarchy of the market” or “the state’s ‘iron fist’”, to use Jessop’s (2003) denomination of the two opposed coordination modes. However, the position of the spectrum that Osborne and Gaebler (1992) place government is too close to the market. Their departing point is that government is too weak to steer,

\(^{12}\) The differences between management and administration are highly debated in the literature, however with no consensus. Lynn (2007, p. 15-16) dwell on this debate and adopts both as synonyms in his article on the development of public management and governance. Thesis follows Lynn and public management and public administration are used as meaning the same.
remaining for it two roles: (1) setting goals and priorities and (2) achieving some degree of coordination of resources either from public or private sources to support the pursuit of these goals (Osborne and Gaebler 1992, p. 76). They distinguish between policy decisions (steering) and service delivery (rowing), arguing that bureaucracy is incapable of rowing. Therefore, it should be replaced by entrepreneurial government, which will stress competition, markets, outcomes and costumers. The transformation of the public sector should involve less government and more governance, or, less rowing and more steering.

Based on this fundamental point of view, the authors preach the success of entrepreneurial government. The reforms Osborne and Gaebler argue for have largely influenced the organisation of public administration and the concepts advocated by them became part of the vocabulary of governments world-wide: “reinvented” government, “market oriented”, “enterprising”, “result-oriented”, “customer-driven”, “competitive” government, which should privatize and de-regulate and encourage organisations of civil society/local groups to “solve their own problems” and thus keep a minimal state that treat citizens as costumers and earn their own revenues instead of “just spending tax resources” (Osborne and Gaebler 1992).

Before the advent of the Reinventing Government book, New Public Management (NPM) was applied by Australian, New Zealand, USA and UK governments since the beginning of 1980s, when neo-liberal reforms gained momentum (Rondinelli 2007, p. 5-6). After Osborne and Gaebler’s book, countries as Portugal, and Mexico, in addition to the first ones above, adopted its principles for reinventing their governments. Gradually more countries adopted its principles, for they were instrumental for neoliberalism.

These NPM measures, nevertheless, did not entirely prove to be the saviour of governments, nor to solve the issue of the growing dissatisfaction or lack of trust in governments (Rondinelli 2007, p. 2-3). Rondinelli’s study (2007) illustrates with numerous surveys how governments are being seen as inefficient, bureaucratic, plodding, incompetent, change-resistant, unresponsive or corrupt. It is important to underline that a hard opposition to government reform may entail a denial of the need for efficient government. Governments indeed must be efficient, but the required measures should differ from those put forward by Osborne and Gaebler, since a result-driven government does not mean a more efficient government, especially regarding issues of equality, social justice and access to public services.
The re-emergence of governance as a response to the disillusion with market forces and undisputed state authority, added to the disappointment with NPM brought old issues of public administration back on stage. Bertelli and Lynn (2001) remind that the earliest conception of public management was as a structure of governance, that is, a formal means for constraining and overseeing the exercise of state authority by public managers. They affirm that from a structural perspective, public management involves two interrelated elements: “lawful delegation of authority and external control over the exercise of delegated authority”. The design of arrangements that balance these elements constitutes the paradigmatic problem of public management viewed as a structure of governance (Bertelli and Lynn 2001).

These two elements turn attention back to the old public management conflict between discretion and control. A degree of discretion is needed to proper function of institutions but a degree of control is needed to avoid abuse. Lynn (2007) shows historically how this controversial aspect of public administration has been central in literature far before the concept of governance gained weight. The state has always been connected to society, as Goodnow affirmed already in 1893 that the role of administrative authorities of governments is to adapt many general rules of law to the wants of people (Goodnow [1893] 2005).

In this sense, although the increased attention to governance can be – and has been – instrumental to the neoliberal discourse of minimal state; governance has also served to renew the debate on public administration, and can, in this sense, catch attention to the importance of the public apparatus to coordinate public policy.

3.4.1 Meta-governance and the centrality of the state for governance analysis

The renowned governance theorist Rhodes believes that “governance is a product of the hollowing-out of the state from above (for example, by international interdependencies), below (for example, by special purpose bodies) and sideways (for example, by agencies). As a result there has been a decline in central capacity” (Rhodes 2000, p. 71). Others understood governance as a mode of coordination without the state: “governance without government” (cf. Peters and Pierre 1998 for an overview).

Yet, although there is no doubt that governance changed the form of exercising state power, there is more evidence of a change in state’s role that an actual hollowing-out
of state. Even in a networked model of society as the modern governance supposes, the state continues playing a central role in organising society, however in a changed form and within a new mode of regulation. Besides, the “decline on central capacity” as pointed by Rhodes (2000) does not necessarily mean hollowing out the state, but a fragmentation of policy areas as indicated in previous sections and a transformation of the role of the national state as a power container.

Bob Jessop, in his studies on the transformations of state, defines the latter as a social relation, an indefinable concept as the changing nature of state and state power makes it an “ongoing project rather than a finished product” that continues to generate theoretical and empirical problems (Jessop 2008, p. 1). He describes changes in national state as uneven movement from the Keynesian Welfare National State – KWNS – to the Schumpeterian Workfare Post-National Regime – SWPR (Jessop 2002a), with four general trends in state restructuring: (1) from Keynesian to Schumpeterian modes of economic intervention; (2) from a welfarist to a workfarist approach to social policy; (3) from the primacy of the national scale to a post-national framework in which no scale is predominant; and (4) from the primacy of the state in compensating for market failures to networked, partnership-based economic, political and social governance mechanisms. (Jessop 2006, p. 145, cf. Jessop 2002a)

The difference between governance and government, according to Jessop, is that governance is based on reflexive self-organisation rather than imperative coordination. In other words, governance is characterized by networks, negotiation, negative coordination, positive concerted action, while, on the other hand, the sovereign state is the quintessential expression of democratically elected hierarchy (imperative coordination). This is because the state is by definition the political unit that governs but is not itself governed. Governance moreover regards more functional interdependencies than activities in a defined and delimited territory. The inclusion of non-state actors and the focus on functionalities is what distinguishes governance from mere intergovernmentalism (Jessop 2008, p. 203).

13 It is worth noting that ‘no predominant scale’ is a European phenomena that presents different dynamics worldwide.
Meta governance

This raises the question of the overall coordination of these relations of complex interdependency, who governs governance, or how meta-governance is done. “Metagovernance” is the “governance of governance” (Jessop 2002a, p. 240, 2003); the “governing of governing” following Kooiman (2003, p. 170ff.), who prefers naming it “meta governing” although sometimes also using “meta-governance”. Kooiman and Jessop are the main authors dwelling on this concept, however with a central distinction: Jessop attributes the role of meta-governance to the state, while Kooiman centres it on attribution of normative guidance.

For Kooiman, meta is “a third order governance” added to other two orders of governing and governance: a “first order governing involved in day-to-day problem-solving and opportunity creation, and second order governing dealing institutional governance conditions” (Kooiman 2003, p. 170). This third order governing, namely meta governing, is a “norm oriented framework” dealing with “normative governance issues”. His conception of “meta governing is like an imaginary governor, teleported to a point ‘outside’ and holding the whole governance experience against a normative light” and this meta governor is “wanting to formulate a set of norms or criteria to judge governance with” (p. 171).

In this conceptualization, “meta” is associated with evaluating how to. Its essence is “governing change and re-design of processes from a normative point of view”. “Meta governing activities focus in particular on the continuous dynamic (re) construction of societal elements (diversity) in their interrelations (complexity).” This meta governor is not an institution or actor, but the invisible hand. Three “meta standards” are his choice of meta-governor: rationality, responsiveness and performance (Kooiman 2003, p. 171-172).

Conversely, according to Jessop, although the state is unable to control society from above, the role of meta-governance tends to fall to the state because it is normatively charged with securing the institutional integration and social cohesion of a society (Jessop 1998, 2002a, 2003, 2008). “In line with the tendential shift from government to governance, there has been a tendential shift from government to meta-governance” (Jessop 2002a, p. 217). Corresponding to his definition of state (see above), government
adapts itself to the context. Metagovernance is how it is adapting to an increasingly networked society and its new trends in governance.

But this does not imply that states are imposing a monolithic mode of governance, but rather shaping the context. Jessop contends that states have a major role here as the primary organizer of the dialogue among policy communities, as an institutional ensemble charged with ensuring some coherence among all subsystems (Jessop 1998).

“States provide the ground rules for governance and the regulatory order in and through which governance partners can pursue their aims; ensure the compatibility or coherence of different governance mechanisms and regimes; act as the primary organizer of the dialogue among policy communities; deploy a relative monopoly of organizational intelligence and information with which to shape cognitive expectations; serve as a 'court of appeal' for disputes arising within and over governance; seek to re-balance power differentials by strengthening weaker forces or systems in the interests of system integration and/or social cohesion; try to modify the self-understanding of identities, strategic capacities, and interests of individual and collective actors in different strategic contexts and hence alter their implications for preferred strategies and tactics; and also assume political responsibility in the event of governance failure” (Swyngedouw and Jessop 2006, p. 22)

The need for such a role of state is especially acute in the light of the wide dispersion of governance mechanisms and the corresponding need to build appropriate macro-organizational capacities to address far-reaching inter-organizational changes without undermining the basic coherence and integrity of the (national) state.

Mark Whitehead (2003) and Josie Kelly (2006) also utilize the concept of meta-governance, allegedly based on Jessop’s view. However, both authors oversimplify the matter by tending to use meta-governance as the same of state governing governance; and Kelly mistakes it as “scale governance” in which British central state coordinates local governments. Jessop on the other hand affirms that meta-governance does not mean hierarchical governance on different scales as “no scale can be the proper to manage meta-governance” (Jessop 1998) (see section on European governance below). Kooiman have the same opinion when saying that “meta governing is not simply governance at a higher level” (Kooiman 2003, p. 170).
The approach to governance in the chief work of Jon Pierre and Guy Peters (2000) is also centred on government, analogously granting a central role to government in governance not only because of its steering role, but also due to its analytical capacity. They argue that departing from a conventional view on government is necessary because of conceptual and empirical reasons. Conceptually, they argue “the standard, idealized image of government is the only reasonably useful benchmark against which we can observe what differences the emergence of governance makes to the state capacity to steer society”. Empirically, as they believe “conventional techniques and processes of state steering are still extremely important” and “governance strategies which we see emerging are not alternative but complementary strategies to the previous models of governance”. Contrasting the new governance with the traditional view of government and uncovering differences, they affirm, is the way to analyse governance changes (Pierre and Peters 2000, p. 79-81). In this view, the state is the centre of governance network. It is the arena for competition between different elites and few indigenous interests.

Thus, although the degree varies in different approaches, governance refers to changes in the structure of state. In policy, this centrality of government for governance is more accentuated, notably when the normative concept of good-governance is involved (see section below on this concept). Policy papers and reports on governance of the United Nations, OECD, and WB insist on the capacity building of governments for governance (UNDP 1997a, 1995, 1997b, OECD 2001a).

3.4.2 Good governance

Good governance is a normative concept which centres directly on government’s role on governance. The main use and dissemination comes from international organisations as the World Bank (WB), OECD, European Union (EU) and United Nations, mainly the UNDP (United Nations Development Programme).

The concept of good governance is directly related to public administration, as it concerns an administrative use referring to a kind of public organisation which is efficient, accountable and audited. The concept of good governance and its successfully spreading world-wide catches attention to the centrality of government in governance, despite being an instrument to neo-liberal discourses. Good governance has been pledged as the model to be followed, therefore paving the way to liberal government reforms. “In short, ‘good
governance’ marries the new public management to the advocacy of liberal democracy” (Rhodes 2000, p. 57).

The World Bank’s normative concept of governance is a token of the liberal view in line with the Washington Consensus and privatization (Leubolt 2007). The conceptualization of the WB is done basically within the frame of the “Worldwide governance indicators” annually produced by the WB under the coordination of Daniel Kaufmann in partnership with Aart Kraay and Massimo Mastruzzi (cf. Kaufmann et al. 2008 for the latest version of the series). The approach has one of the six dimensions directly connected to “government effectiveness”. However a closer analysis can tell that all six dimensions are directly related with the quality of government and its relation with society. Kaufman and Kraay (2002) have long determined in their article “Growth without governance” the “absence of ‘virtuous circles’ in which higher incomes lead to further improvements in governance”, but nevertheless, improvement in governance enhances per capita income.

The concept of good governance was put forward mainly by international agencies that have considerable influence over governments around the world. The United Nations explains that “its characteristics include widespread participation by all citizens, decision making by rule of law, transparency in the actions of governance institutions, responsiveness to the needs and desires of citizens, equity in the treatment of citizens, effectiveness and efficiency in the use of public resources, public accountability, and the exercise of strategic vision in planning for development” (UNDP 1997a).

The notion of good governance in the EU context first became prominent through the release of the Commission’s White Paper on ‘European Governance’ (CEC 2001) which lists the five principles underpinning good governance: openness, participation, accountability, effectiveness and coherence.

The emergence of the good governance concept was intertwined with the search of how to impose a liberal economic and political order by preaching more effective development strategies in countries recipient of international aid, fostered by international agencies above cited. According to Satterwaite et al, the growing interest in governance within discussions of development date “back at least to the 1950’s and 60’s, when building the capacity of public administrations received considerable international support
– although this was conceived of as support for ‘good government’ rather than ‘good governance’” (Satterwaite et al. 2007, p. 316). The ‘good governance’ discourse in the context of development, however, was formerly quite detached from critical reflections on the state of EU institutions (Kohler-Koch and Rittberger 2006, p. 29).

The rule of law, public sector management, controlling corruption and reducing excessive military expenditures are important dimensions of governance (idem, p. 14). It is often useful to distinguish between three aspects of governance: the form of political regime; the processes by which authority is exercised in the management of a country's economic and social resources; and the capacity of government to formulate and implement policies and discharge government functions (OECD 1995, p. 14).

Good governance according to the UNDP should entail the following characteristics: a) participatory; b) sustainable; c) legitimate and acceptable to the people; d) transparent; e) promotes equity and equality; f) able to develop the resources and methods of governance; g) promotes gender balance; h) tolerates and accepts diverse perspectives; i) able to mobilise resources for social purposes; j) strengthens indigenous mechanisms; k) operates by rule of law; l) efficient and effective in the use of resources; m) engenders and commands respect and trust; n) accountable; o) able to define and take ownership of national solutions; p) enabling and facilitative; q) regulatory rather than controlling; r) able to deal with temporal issues; s) service-oriented. These are taken as the “foundation of legitimacy in democratic systems” (UNDP 1997b, p. 19-20).

One reason explaining why good governance got so widespread is the public policy concept of “policy transfer”. It “implies that political actors or decision makers in one country draw lessons from one or more other countries, which they then apply to their own political system” (Dolowitz and Marsh 1996, p. 344). This transfer can be voluntary or coercive. The first “occurs as a result of the free choices of political actors; yet (...) an important category of policy transfer involves one government or supra-national institution pushing, or even forcing, another government to adopt a particular policy”, this last characterizes ‘coercive’ transfer (Dolowitz and Marsh 1996, p. 344ff.). When describing the actors involved in policy transfer, the authors list elected officials; political parties; bureaucrats/civil servants; pressure groups; policy entrepreneurs/experts; and supra-national institutions.
Therefore, international organisations have the power to provoke policy transfer in both ways: as the hegemonic discourse of knowledge; since these organisations have unique expertise in the area, which is recognised by governments, which is in line with the argument of expert-based governance. And secondly in a coercive form as the implementation of reforms and observance of norms are requirements for the concession of funds or integration in international programmes.

As presented by Sum (2005) discursive chains of members of elites and actors in dominant organisations have the power to privilege certain economic imaginaries and their corresponding object of governance and to mobilize the resources to their institutionalization. This shows the connection of good governance and the above mentioned expert-based governance, especially due to the form of dissemination of hegemonic discourses by experts and “gurus”. The form of incorporation of non-state actors in governance, alerts Sum, aims at getting actors identified with norms and symbols of the hegemonic discourse, as, for example, “transparency”, “partnership”, “stakeholdering”, “rule of law”, “good governance” (Sum 2005, p. 16). The role played by international organisations above all as donors for developing countries is the one of experts, guiding policy making.

Policy transfer, however, did not necessarily provoke the desired effects worldwide due to the importance of path dependency in public sector reform: reform strategies are embedded in systems of norms and administrative practices and therefore reform strategies are shaped more by what already exists than by the desired model of public administration (Peters and Pierre 1998, p. 224).

3.4.3 Decentralized governance and local governance

Traditionally, the concept of decentralization refers to the transfer of political, financial, administrative and legal authority from central government to regional, sub-national and local governments. However the literature has been bringing up the concept of decentralized governance in which decentralization has a different meaning. “Decentralization now encompasses not only the transfer of power, authority, and responsibility within government but also the sharing of authority and resources for shaping public policy within society” (Cheema and Rondinelli 2007, p. 6). The view on
decentralization as a transfer of authority to local civil society, rather than only for governments, is in the heart of the meaning of decentralized governance.

Decentralization has gained weight in studies on political science and public administration for more than 30 years (Abrucio 2005, p. 43). Central in studies of federalism, decentralization in these analyses comes from a pact between sovereign governments in a given territory on different levels, constituting an organization of a territory’s political power in a form of a matrix rather than a pyramid. The principle of shared sovereignty is supposed to guarantee sovereignty and interdependency among the involved parts; it consequently claims for coordination mechanisms (Abrucio 2005, Abrucio and Ferreira Costa 1999). However, too much decentralization presents the risk of losing coherence; therefore there is an enhanced need for coordination to avoid excessive competition, free-riders, and to foster cooperation.

A study shows that in the early 1990’s, all but twelve of the seventy-five countries in the world with population over 5 million were undertaking or had undertaken some kind of decentralization program (Dillinger 1994). Even so, it has not been such a consensus. In 2007, UN-Habitat finally launched its “Guidelines on decentralisation and the strengthening of local authorities” (UN-Habitat 2007b), supported and even celebrated by different organisations. It was, nevertheless, the “Phase III” in the Habitat’s project of fostering decentralization. The first draft of such guidelines was conceived after the Habitat Conference in 1996 and presented to the public in 1998, but the organization had to withdraw from it, after rejection of Members States (UN-Habitat 2007a).

This may be explained as a reaction for the use of decentralization analogously to “good governance” to press countries to adopt a series of measures in government reform serving selected ideologies. “Packing” up together decentralization with governance fits the neo-liberal discursive strategy for dismantling the state, promoted by international agencies since the Cold War, a period in which combating central state planning was a strong aim. Decentralization in this sense would support the battle against centralized nation states such as the communist state. But it also aimed at hitting the welfare state, as this was centralized on the national level (Eberlein and Newman 2008). In the UK, a pattern of governing in the kind of ‘governance without government’ was a direct challenge to the Whitehall model of strong, centralized government (Peters and Pierre 1998, p. 224).
The liberal view of decentralization has at least four main forms, according to Cheema and Rondinelli: (a) administrative decentralization (delegation, deconcentration of government structures and bureaucracies); (b) political decentralization (procedures to include society in policy making and devolution of power to lower levels of government – regional or local); (c) fiscal decentralization (sharing public revenues among levels of government and giving them fiscal autonomy); (d) economic decentralization (market liberalization, public-private partnerships, privatization of state enterprises) (Cheema and Rondinelli 2007, p. 6-7).

In the governance discourse, decentralization is thus associated with participation and good governance and apt to promote government efficiency and accountability by means of improving “the front-line role of local authorities” (UN-Habitat 2007b). The inclusion of local governments in national policies is seen as improved participation. It would make policies more permeable to new actors and provide models for broader participation in changing the economy and society (OECD 2001b, p. 16).

Advocates say decentralization would increase economic development (CEC 2008b), participation, social capital. It can even contribute to a reduction on poverty (Singh 2007). However “it is not a panacea” (Cheema and Rondinelli 2007, p. 8). Cheema and Rondinelli (2007) use surveys and studies to affirm there is no evidence that decentralization brings economic development and evidence is mixed in respect to participation. The authors state that decentralization varies immensely according to the context; and although it offers the potential for development, such development cannot be achieved without other accompanying conditions. Although decentralization is used as a synonym of democratization by some, these are not the same. Even the OECD when highlighting the potential of both decentralisation and partnerships in promoting development, asserts that none of these was considered a sufficient condition (OECD 2001b, p. 17).

One of the reasons for this frisson is that the principle of subsidiarity – adopted as guideline by organisations as the EU for instance – constitutes the rationale underlying the process of decentralization. According to the principle of subsidiarity, “power should devolve on the lowest, most local level at which decisions can reasonably be made, with the function of the larger unit being to support and assist the local body in carrying out its tasks” (Paquet 2001, p. 194-195), or “public responsibilities should be exercised by those
elected authorities, which are closest to the citizens (UN-Habitat 2007b, p. 5). Subsidiarity would increase participation. Paquet (2001) believes that application of subsidiarity and decentralization result in empowerment of local governments and a bottom-up kind of governance that eliminate coordination failures. This “new bottom-up and distributed governance elevates the citizen to the inescapable role of producer of governance” (Paquet 2001, p. 207).

The UNDP declares that decentralising government - from the national level to regions, districts, towns, municipalities, rural areas, settlements and communities - enables people to participate more directly in governance processes and can help empower people previously excluded from decision-making. In this way a country can create and sustain equitable opportunities for its entire people. “Closer contact between government officials and local communities and organisations also encourages the exchange of information that can be used to formulate development programmes that are tailored to local needs and priorities, and thus are more effective and sustainable” (UNDP 1997a, chapter 2). On the other hand, curiously the same document argues that development should be subject to interpretation according to different national circumstances, and good governance normative claims apply mostly to the national container.

Local governance

The local level is sometimes taken as the proper sphere for participation. Decentralization and the new politics of scale deriving from the emergence of governance represent a new role for local governments. Local governments have become increasingly engaged in fostering and encouraging new ways of local development and employment growth and have been involved in economic development activities related to production and investment. This occurs in a context of “glocalization” (Swyngedouw 1992) and “global-local disorder” that implies a host of institutional changes within the local and regional state apparatuses (Brenner et al. 2005) and a “re-scaling” that differs from the previous state development model – the “National Keynesian Welfare State” (Jessop 2002a) which emphasized the national scale. In this sense, local governments strive to respond to an enhanced scope due to the emergence of important new problems.

Following Moulaert et al. (1988, 2003) and Harvey (Harvey 1989b), these changes affecting local governments have converged in an entrepreneurialist form of state that
develops a new type of growth coalition, involving local chambers of commerce, local financiers, industrialists, property developers, etc., resulting, therefore, in 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 government and a new form of multi-scalar liberal governance is emerging.

3.4.4 Governance and public management

Approaches to governance as ‘good governance’ and ‘decentralized governance’ are flagships claiming for changes in the organization of public administration. As recently put forward by the European Commission:

“Whether local and decentralised authorities are effective or not – whether they are capable of preventing violent conflict, fulfilling human rights obligations, helping business grow, and delivering essential public services to their citizens – is the single most important factor that determines whether or not successful development takes place” (CEC 2008e, p. 6).

The hegemonic liberal discourse spread mainly by international agencies and advocates of NPM (New Public Management) have influenced administrative arrangements deeply, provoking adaptation in governmental structures. In this sense, the emergence of governance raises the question of what is the ability of government to govern, addressing the need of governments to be capable to govern and putting forward a normative model of how this should be done.

Therefore, governance comes across in public management together with a whole bunch of normative concepts: democratic participation, accountability, capacity development, capacity building. These concepts did not appear because of governance nor are concomitant with governance; rather it is a revival of old concepts in a new fashion for spreading a kind of public practice or organizational arrangements. This is the result of changes in the discourse that accompanied the re-emergence of the concept of governance, regarding especially the emphasis on ‘good governance’. Concepts are revived by hegemonic actors when there is a purpose. “Capacity-building”, for instance, can be an instrument of interference in the organisation of states world-wide by international agencies.
The ‘efficient government’ is normatively advocated by many institutions. As posed by the Council of European Municipalities and Regions, “to achieve democratic local governance, local governments must be capable, accountable and responsive to the needs and rights of citizens. Responsiveness and accountability are essential attributes for a local authority which is able to engage successfully with citizens and partners” (CEMR 2008).

Parallels to the (quasi) undisputed normative concept of democracy were made, as shown by studies such as by Bäck and Hadenius, who conclude that “the effect of democracy on state capacity is negative at low values of democracy, nonexistent at median values, and strongly positive at high democracy levels”. Press circulation and electoral participation combined with democracy, enhance state administrative capacity (Bäck and Hadenius 2008, p. 1 and 21-22).

Capacity building and capacity development have become catch words: “The aim of capacity development and capacity building is to help governments, organisations and people attain a level of self-sufficiency that enables them to effectively manage their own affairs” (UNDP n.d.). Capable and efficient governments are highly desirable; the disputed issue at stake refers to the means of making efficient government. The main form to promote such desirable effect was by fostering the application of private sector’s management techniques indiscriminately to public sector (NPM).

The advocating of capacity building by international agencies is contradictory. Rhodes (1996) remembers that governance refers to “self-organizing interorganizational networks” generally characterized by trust and mutual adjustment, which undermines management reforms rooted in competition. However, NPM stipulates that state organization must be based on competition, for it would stimulate organizational efficiency.

“[Initially] New Public Management had two meanings: corporate management and marketization. Corporate management refers to introducing private sector management methods to the public sector through performance measures, managing by results, values for money and closeness to the customer. Marketization refers to

14 “Capacity building differs from capacity development in that the latter builds on a pre-existing capacity base” (UNDP n.d.)
introducing incentive structures into public service provision through contracting-out, quasi-markets, and customers choice” (Rhodes 2000, p. 56).

However, the supposition that public and private sectors should be subject to the same management techniques is highly contested. The basic elements of the argument that public and private management are fundamentally unlike in all important respects, according to Lynn (2007, p. 16) are: (1) that the public interest differs from private interests, (2) that public officials, because they exercise the sovereign power of the state, are necessarily accountable to democratic values rather than to any particular group or material interest, and (3) that the constitution requires equal treatment of persons and rules out the kind of selectivity that is essential to sustaining profitability. There have been several studies documenting empirically the extent of the differences between the two sectors (cf. Rainey and Bozeman 2000 for an overview).

This brings about a debate on the borders between public and private organisations and on the organisation of governance: all organisations are somehow public because they are all subject to a degree of public authority and “publicness” and the converse, “that all organizations are ‘private’ to the extent that they are responsible for tasks that are performed by experts who are governed by professional or technocratic authority rather than by stakeholder interests” (Lynn 2007, p. 16-17). The problem, according to Lynn (2007, p.16 quoting Don Price 1959, p. 492) is when the “expert may come to believe that his science justifies exceeding his authority”.

As a result of liberal discourses and NPM, there is confusion about the borders of public and private as many governmental agencies are regulated by private law, and above all, implement private management techniques.

“In some instances the public and private sectors may be blended in a single organisation. An increasing number of non-governmental organizations, quangos, and a host of other hybrid organizational formats appear to have materialized as components of the governance framework. These formats permit the mutual leveraging of resources and the blending of public and private attributes in ways that might not be possible in more conventional structures arrangements” (Peters and Pierre 1998, p. 226).

This new model is not necessarily superior to the previous, especially in what concerns the public interest, towards which public and publicly funded organisations must focus. As Lynn (2001) stated, for a decade, public administration and management
literature has featured a riveting story: the transformation of the field's orientation from an old paradigm to a new one, but there is a need to scrutinise the values behind paradigms.

“While many doubt claims concerning a new paradigm – a New Public Management – few question that there was an old one. An ingrained and narrowly focused pattern of thought, a ‘bureaucratic paradigm’, is routinely attributed to public administration's traditional literature. A careful reading of that literature reveals, however, that the bureaucratic paradigm is, at best, a caricature and, at worst, a demonstrable distortion of traditional thought that exhibited far more respect for law, politics, citizens, and values than the new, customer-oriented managerialism and its variants. Public administration as a profession, having let lapse the moral and intellectual authority conferred by its own traditions, mounts an unduly weak challenge to the superficial thinking and easy answers of the many new paradigms of governance and public service. As a result, literature and discourse too often lack the recognition that reformers of institutions and civic philosophies must show how the capacity to effect public purposes and accountability to the polity will be enhanced in a manner that comports with our Constitution and our [USA] republican institutions” (Lynn 2001, p. 144).

3.5 Multi-level and European Governance

The term “multi-level governance” (MLG) started to be used in the study of governance in the European Community and Union (Bache and Flinders 2004, p. 1ff.). Gary Marks developed the concept of ‘multi-level governance’ in 1993 as a “system of continuous negotiation among nested governments at several territorial tiers” (Kohler-Koch and Rittberger 2006). It generally denotes the “complex, multilayered, decision making process stretching beneath the [nation] state as well as above it” (George 2004, p. 107).

Studies on MLG are mostly centred in the process of decision making within the European Union that involves actors in different scales. They focus on intergovernmental relations in different levels, in especial those regarding relations of EU institutions and national governments of the Member States, and – with less importance – regions and municipalities.

MLG is a ‘third way’ between supranational coordination and standardization and a fragmented pursuit of common economic, social and political objectives (Jessop 2006, p.
In his opinion, MLG would become more significant if termed multi-scalar meta-governance, as follows:

“The notion of MLG could prove misleading on four grounds: (1) it focuses on levels of political organization in a nested territorial hierarchy and, in this sense, reflects the period when the main axis of theoretical and political debate concerned the respective merits of supranationalism and intergovernmentalism; (2) it directs attention to relations of vertical interdependence, communication and joint decision making without emphasizing the tangled and shifting nature of dominant, nodal and marginal levels of government in different areas; (3) it tends to focus on specific policy and issue areas rather than coordination problems across different areas; and (4) despite reference to governance, it is often more concerned with government and, when it does deal with governance, it neglects problems of ‘meta-governance’. In practice, however, many studies of MLG have escaped these potential traps in their theoretical and/or empirical analyses” (Jessop 2006, p. 151).

Thus, as Jessop presents, an excessive concern of MLG with functional vertical coordination of governments limits considerably the focus of governance. Thus he asserts that it would be more “precise and productive to discuss the new or expanded institutional patterns, political practices and policy processes in terms of multi-scalar meta-governance”. Important horizontal and transversal linkages must be included, which are indicated in notions such as ‘network state’ or ‘network polity’ – as well as the vertical linkages implied in multi-level governance (Jessop 2006, p. 151).

Cooperation among different governments has always been a recurrent problem in literature and practice of public administration, namely as intra and inter-governmental coordination. For instance, most cases of partnerships in the OECD report “Local Partnerships for Better Governance” do not go beyond an example of successful governmental cooperation (OECD 2001b). The Austrian case in the report is centred on the cooperation of national and Länder governments for the implementation of employment strategies (Campbell 2001). Therefore, intergovernmental coordination is a relevant issue in MLG, but should not limit the scope of MLG.

The literature on territorial governance also emphasises MLG as it brings about the revival of space, especially in planning systems (Madanipour et al. 2001, Healey 1997). Hence, governance has become the key concern of urban politics, in the search for an
answer to the question of how the state in different levels meets the challenge posed by key decision making capacity and resources being held in private hands (Stoker 2000, p. 106-108). Therefore, discovering and studying local governance and local growth coalitions (Moulaert et al. 2003, Brenner et al. 2005) is important to understand MLG.

MLG, as a concept, is virtually circumscribed to European governance, where intergovernmental coordination is crucial. The literature focusing on European governance and MLG deals with the coordination of policy, decision-making and actors interdependencies and relationships in Europe. A large bulk of literature focuses on EU coordination mechanisms, such as the OMC (Open Method of Coordination, also called Open Community Method by some). More specifically, MLG in Europe is concerned to reconcile key European aims and objectives with persisting national diversity in terms of institutions and performance, with the EU commitment to subsidiarity, and with recognition of the desirability to involve an increasing array of stakeholders in EU policy formulation, decision making and policy implementation (Jessop 2006, p. 151).

European governance in literature refers generally to the “EU governing”, or governance of its complex multilevel architecture. It also regards its

“original institutional setting, often referred to as the ‘Community Method’. The basic elements of the model are well-known: the transfer of legislative powers to the EU, the creation of a ‘supranational’ executive, the European Commission, the possibility of voting in order to adopt binding legislation, and the enforcement powers vested in the European Court of Justice” (Dehousse 2008, p. 86).

Three key features of the EU give it special capacities to engage in such multi-level governance across different tiers of government, different functional systems and different stakeholders (Sbragia 2000). First, the role of judges and litigation enables the EU to override national laws and to ‘constitutionalize’ the treaties. Second, EU institutions are located at the heart of information flows that give them a relative monopoly in organizational intelligence and provide a means to steer conduct. Third, the EU’s fiscal poverty limits its vulnerability to claims on public spending and thereby circumscribes the political agenda.

The Open Method of Coordination (OMC) “is a ‘soft’ form of governance that differs from traditional top-down ‘positive government’ and the previous trend towards a
European ‘regulatory state’ based on a neo-liberal *Ordnungspolitik*” (Jessop 2008, p. 226). As such, it involves concerted, centralized formulation of objectives, quantification of indicators for measuring progress towards such objectives, decentralized implementation, and systematic monitoring of different member states’ progress. It thereby enables member states to address problems at the European level without ceding new juridical competencies to the European Commission. “In this sense (…) the OMC reflects advanced liberal forms of governance. These embody a notion of structured and conditioned freedom: they are ‘practices of liberty’ that establish and facilitate liberty but also discipline it and constrain its exercise” (Jessop 2008, p. 226).

“Most scholars agree that a simple transfer of institutions developed during the process of democratization in Western nation states could hardly solve the problem of legitimacy in multilevel governance” (Benz 2006, p. 100). Benz affirms that the structure of the EU does not correspond to that of a parliamentary democracy. It has more in common with a system of government, which, like that of the USA, separates power between the executive and the legislature and between different levels. EU MLG “has thus evolved into a complicated mixed polity” (Benz 2006, p. 100).

MLG displays a considerable degree of ambivalence concerning its potential to enhance the democratic quality in the EU (Bache and Flinders 2004) or to undermine it (Peters and Pierre 2004). The MLG system of the EU is characterised by a structural dynamic that increases the number of actors participating in policy-making. This “multilevel structure of the EU has the advantage of providing organised interests with a multitude of points of access” (Benz 2006, p. 110).

The policy process in this structure includes a variety of actors and institutions at the EU and national level. Policies are initiated in and by the Commission, and responsible DG subsequently makes a consultation with representatives of the national and regional governments, public administrators and associations.

> “The Commission, in order to be able to set an agenda for the EU, is compelled to establish good relations with experts from these organisations (…) in the basis of these external relations is the Commission able to define policies negotiable among national governments. (…) these consultations in both formal and informal committees contribute quite substantially to the output-legitimacy by accumulating knowledge of a great variety of experts” (Benz 2006, p. 102).
Decisions are made by the European Parliament (EP) and European Council, but the Commission also plays an important role, due to its soft power, influence, and experts. “Although designed as an administrative body, and not as a democratic institution or European government, it sets the agenda for negotiations, organises a considerable part of the participation of interests, and most important, acts as mediator in the case of conflicts between the EP and the Council” (Benz 2006, p. 108).

The other side of the coin refers to the accountability and qualification of the participation resulting from this MLG structure. Firstly, one could argue if a “European civil society” exists (Finke 2007). Secondly, ‘the intermediation of interests is biased in the same way as it is in the case of national governments”, says Arthur Benz. He further argues:

“Moreover, experts from individual associations establish informal relationships with members of EP and of the Commission. (...) Pressure groups lobby at national level for influence the formation of national preferences of the member state. Regional governments use the arena of the CoR [Council of Regions] as well more informal channels to for advancing the interests of the regions they represent. (...) Non-economic interest has more limited influence”(Benz 2006, p. 102ff.).

According to Rainer Eising, economic (corporate/capital) interests are better represented not only on the national but also on the European level. In his studies on interests groups in EU policy making (Eising 2004, 2008), he argues that multi-level players have greater capacity to gain access and influence in the EU polity than other organizations in his sample. Moreover, “as long as European policies are rarely debated in public, the citizens will be in no position to use their voting behaviour to influence matters” (Benz 2006, p. 109). Citizens’ representation in Europe takes place in different levels and in parliaments; and citizens generally do not control their MPs.

This raises the question of accountability in the EU. For Benz (2006), because there is no single centre of power or policy-making, it has caused the “problem of many hands” (Bovens 1998 in Benz 2006, p. 107). The Commission is accountable to the EP, which has the power to force the Commission to resign. Nevertheless, members of the Commission are related to national governments, since the latter nominate the Commissioners. The members of the Council are accountable to their parliaments, but on several occasions, conflicts between national governments and parliament tend to be
covert by coalitions and their elections interests (Benz 2006, p. 109). Arthur Benz argues against the veto-player theory affirming that powerful veto players in European MLG tend to renounce the use of veto. They avoid an obstruction of decision-making, because stalemate is usually considered to be a failure, hence they shift to post-decision scrutiny and informal influence, for those that face up, use veto and put conflicts public are taken as not playing the game correctly (Benz 2006, p. 99ff.)

Yannis Papadopoulos (2007) maintains that most studies on the often combined trends towards supranationalism and regionalism on MLG usually analyse their efficiency, while their impact on the quality of democracy is neglected. He concludes that MLG generates novel forms of accountability, but undermines its democratic dimension due to the weak visibility of MLG networks, their selective composition and the prevalence of peer over public forms of accountability.

Other forms of approaching multilevel governance in the EU include views on the Europeanization process and on a hierarchical domination of a level over another. On the latter, Jessop explains that the EU is not the level for meta-governance, as meta-governance should not be confused with a super-ordinate level of government to which all governance arrangements are subordinated (Jessop 1998). Metagovernance would involve the design of institutions and generation of visions which can facilitate not only self-organization in different fields but also the relative coherence of the diverse objectives, spatial and temporal horizons, actions, and outcomes of various self-organizing arrangements.

This gives rise to naïve views that MLG in the EU is a network with no hierarchy: “EU system of governance: a unique set of multi-level and regulatory institutions, as well as a hybrid mix of state and non-state actors in a non-hierarchical system of network governance” (Kohler-Koch and Rittberger 2006, p. 42). MLG understood as Europeanization regards the influence of the EU in policy making at the national level. Bache and Flinders see Europeanization as a process that pushes countries toward a European frame; those countries on the edges of the continuum suffer higher pressure to converge in a centre (Bache and Flinders 2004), which yet is dominated by a liberal discourse of Europeanization.
European Governance refers likewise to the EU standards for governance. These were set out mainly by EU White Paper on European Governance (CEC 2001) in two main areas: (1) defining European governance for use in EU policy and (2) setting standards for global governance (including its normative discourse for providing aid to the global south), this last complemented by the report Governance and Development (CEC 2003a) and the European Consensus on Development (CEC 2005). The White Paper was celebrated by some authors as sealing the openness of the EU to citizens’ participation. In the words of Barbara Finke:

“Among EU institutions, it was the Commission which particularly focused on civil society and participation as a remedy for the perceived legitimacy crisis. This trend culminated in the White Paper on European Governance published by the European Commission in 2001. The document assigned a key function to civil society for the implementation of good governance by openness, participation, accountability, effectiveness, and coherence. The White Paper, and particularly its focus on participatory democracy and civil society, was widely perceived and intensely debated in academia. Practical steps the Commission has taken since to implement the principles and suggestions of the White Paper have further inspired the scientific debate of civil society involvement in the EU. An intense discussion on civil society and participatory democracy in EU governance has unfolded in the meantime” (Finke 2007, p. 4).

However, discourse is from time to time disclosed from practice. In 2008 the European Commission, by means of the DG-Development, launched a public consultation for the communication and policy-guide document “Towards an EU approach to democratic local governance, decentralisation and territorial development”. Public consultations may seem the real application of the normative character of governance regarding public participation; nevertheless, there is no guarantee that inputs will be taken into account. Above all, the process of consultation is circumscribed to those with information, as the consultation happens by means of the website and the period is normally short. In this case it was less than 2 months, from 22/04/2008 - 16/06/2008 (CEC 2008c). There is little time to reflect and debate, unless participants have already previous knowledge resources on the matter. Additionally, those who can get access to the information of open consultations must visit the website often enough or have connections with well informed or insiders. The Consultation Report (CEC 2008d) considered the thirty-nine received answers (from organisations as councils, universities, NGO,

While participation and consultation should be fostered, this kind of action, nevertheless, has received strong criticism from social movements. CONCORD, the European NGO Confederation for Relief and Development, launched a document in reaction to EU Consultation on “Governance in Development Cooperation” in 2006. Concor’s document named “Whose governance?” (CONCORD 2006) complains of “a blatant disregard for consultation” from the EU and characterises it as “a flawed consultation process”: “the consultation process on Governance launched by the European Commission contradicts its own basic standards on governance.” The main point of criticism was that “many instruments were already decided before the consultation”. “The timeframe given for consultation with civil society is much too short for meaningful input coming from partners in the respective countries.” An additional issue for protest was that the debate/mechanisms were not enough publicised, what is claimed to be against the good governance principle of transparency. “Will the EU raise its own governance issues within the framework of this debate, especially today when its citizens feel increasingly disconnected with the European political world?” (CONCORD 2006, p. 1-5)

The same consultation was criticized by CIDSE (International Cooperation for Development and Solidarity), which says the EC consultation process on governance was flawed in two ways: (1) regarding the timeline and the process followed by the European Commission, “it did not truly provide space for a meaningful debate with Civil Society”; (2) “the Commission has already finalised its criteria for governance within the 10th EDF programming exercise. The EC already unilaterally defined its governance profiles, without providing the opportunity for countries concerned to discuss its conception of good governance” (CIDSE 2006, p. 2). CIDSE affirms that “this indicates that the EU wants to use the topic of “Good governance” to push its own agenda. (…) In contradiction to rhetoric on ownership and partnership this creates a situation of very unequal power relations through which the EU could abuse the ‘Good governance’ agenda to coerce countries in the South to fulfil its interests (CIDSE 2006, p. 10).
3.6 Assessing governance

Governance presents the characteristic of what Bernard (1999) calls a ‘quasi-concept’.

“quasi-concept, that is, one of those hybrid mental constructions that politics proposes to us more and more often in order to simultaneously detect possible consensuses on a reading of reality, and to forge them (...) hybrid because these constructions have two faces: they are, on the one hand, based, in part and selectively, on an analysis of the data of the situation, which allows them to be relatively realistic and to benefit from the aura of legitimacy conferred by the scientific method; and they maintain, on the other hand, a vagueness that makes them adaptable to various situations, flexible enough to follow the meanderings and necessities of political action from day to day” (Bernard 1999, p. 2).

Swyngedouw (2005) warns about the “Janus Face of Governance-beyond-the-state”. This is because governance, on the one hand enables new forms of participation and organising state–civil society relationships in potentially democratising ways; but there is also a flip side to the process, as it created new institutions that empowered some actors while disempowering others. This profound restructuring of the parameters of political democracy on the other, has led to a substantial democratic deficit and the incapacity of public actors to achieve the common well-being (Swyngedouw 2005).

Governance as representing a state with strong involvement of all citizens caused a frisson upon the concept but hasn’t shed much light on how to put this into practice. A series of issues are at stake, as the concept of citizenship is also highly disputed and polemic. And the path to a citizens-ruled-state is changed by the power groups, which are unevenly competing at the arena with their conflicting interests.

There is still a naïve conception of power within governance and networks approaches (Moulaert and Cabaret 2006). Governance discourse furthermore entails power imbalances, for instance, on gender as recognised by the UN: “Governance is presumed to be gender neutral, but the discourse, procedures, structures and functions of governance remain heavily skewed in favour of men. This unequal sharing of power leads to an unequal sharing of resources—time, incomes and property—between men and women” (UNDP 1997b). Some old imbalances are perpetuated with governance inequalities.
The contradictory uses of the concept of governance are exemplified by international agencies. On the one hand, they reproduce hegemonic discourse of neoliberalism. On the other hand, they recognize some unbalances emerged and reinforced with the concept of governance, for instance, governance as means for empowerment of people as condition for poverty eradication (UNDP 1997b); or the need of intra-organisational new distribution of power to adapt to new forms of governance, or empowerment through popular participation (OECD 2001a). The elusive concept of governance can be used for different objectives and attend various purposes.

Peter Spink (2008) claimed that governance represents a possibility for the expansion of the public sphere and in consequence to the dismantling of neo-liberal discourse, as it enables innovative initiatives of the society to be incorporated as mainstream policies. A similar notion is presented by Benz and Papadopoulos:

“Governance aims to enhance public resources in terms of knowledge (learning about complex and uncertain causal relations), organisation (ensuring adequate expertise and capacity to implement policy choices), and authority (avoiding blackmailing by veto groups and inducing compliance by policy takers) in policy making” (Benz and Papadopoulos 2006b, p. 2).

Jessop adopts an opposing view, arguing that – “given the growing structural complexity and opacity of the social world” – governance is deemed to failure: “failure is the most likely outcome of most attempts to govern it [governance] in terms of multiple objectives over extended spatial and temporal horizons – whatever co-ordination mechanism is adopted” (Jessop 2003, p. 112).

In an analysis of multilevel governance, that nevertheless can be extended to governance in general, Peters and Pierre (2004) contend that governance became popular partly as it draws on informal and inclusive ideas and partly because “it appears to be a cosy, consensual and accommodative process”. For them,

“The absence of distinct legal frameworks and the reliance sometimes on quite informal negotiations between different institutional levels could be a ‘Faustian bargain’ where actors only see the apparent and short-sighted attractions of the deal and choose to ignore the long-term consequences of the arrangement” (Peters and Pierre 2004, p. 76).
They argue that the Faustian bargain can be to some extent avoided escaped if governance is not seen as an alternative but rather as a complement to intergovernmental relations defined in a regulatory framework.

Governance, as we could understand with the review of this chapter, is deeply coupled with the state, which is also a complex concept, with contested definitions (Jessop 2008). Thus, conceptualizing governance in a definitive form seems impossible. The wide array of notions of governance can easily be related to various views of planning or political theories (Moulaert and Sekia 2003) or interests. In this sense, it is

“a concept of convenience that attracts attention “to the perils of neoliberalism, but in most cases they implicitly prescribe a dose of compassion and a return to values rather than a correction of social inequalities and an institutional mediation of interests. (…) They are in part useful conceptual focal points, intellectual instruments that cannot be ignored because they contribute to the analysis of public policies and because they provide a partially correct reading of reality; at the same time, however, they must be analysed as data, as indicators of what this political discourse wants to say and of what it doesn't” (Bernard 1999, p. 3).

Considering the approaches to governance here stated, it is noticed that, although fluid, the notion of governance permits a conceptualisation of our case study, where features like power, social inclusion and participation can be included. This dissertation aims at contributing in this direction by unravelling the actual governance materialised in Centrope.
4 Regional development in the context of socio-spatial transformations

4.1 Regional development, a framework for analysing regional governance

Understanding governance in space is the focus of this chapter, which aims at setting the conceptual and epistemological basis for constructing a model to analyse governance and regional development in the Centrope case.

For this purpose, and considering that space is produced (Lefebvre 1991), the chapter will show the main aspects of the process of constructing space. The focus is on socio-spatial transformations, bringing in conceptual clarifications to unravel, among other issues, the ways in which social alliances are formed and mobilized and defend and promote particular interests grounded within already established, emerging, or potential state spaces.

Space is a product of practices, trajectories, interrelations. We produce space through interactions at all levels, from the (so-called) local to the (so-called) global, where subsequently all of these spatial identities such as places, regions, nations, as well as the local and the global are forged in a relational way as internally complex, essentially unboundable in any absolute sense and inevitably historically changing (Massey 2004, p. 5).

Regions, nations, territories are not as fixed as they seem in a map; spatial boundaries are more fluid than they appear in cartographic representations. The weakening of the state as the power container dealt with in Chapter 3 impacts on the formation of regional spaces. The production and transformation of state space “highlights the differential effects of newly emergent political and state space on the structural and strategic capacities of the state, the mobilization of social forces, and the dynamics and effectivity of political struggles” (Brenner et al. 2003, p. 1).

In this sense, the chapter begins to contextualize the process of space production by clarifying the ‘altered geographies of social relations and state power’. The political/
state transformation, the interplay of scales and the main aspects of social production of space in a time of the change from government to governance are explained. The focus is on state transformations and on how new social forces become political actors in reconfiguring inherited forms of state power or pursuing new socio-economic objectives in space. To this extent, the connection of state transformations and the emergence of new (regional) state spaces more specifically in Europe are examined within a polymorphic and relational approach to space.

Next the various notions of regions will be scrutinized, since it is also a vague and contested concept. This is conducted together with an analysis of a few – but nevertheless crucial for grasping our case study – theorizations of the forms with which social alliances are formed and mobilized and act in regional space. Section 4.4 goes deeper into the latter, unravelling the dynamics of networks in the production of space, more specifically policy networks and the forms of articulation and territorialization of actors’ interests within these networks. Special attention is given to a concept brought from the literature on public administration, namely, Paul Sabatier’s model of “Advocacy Coalitions Framework”. This gives us a frame to understand actors and interests in sub-systems of public policy, and the forms these actors seek to manipulate the rules, budgets, and personnel of institutions in order to achieve their goals over time.

Section 4.5 shifts the focus to models of regional development. By focusing on the literature on ‘New Regionalism’, the emergence of regional space as the privileged sphere for development policies is examined. It is done by means of an analysis of Territorial Innovation Models (TIMs), named after the work of Moulaert (Moulaert and Mehmood 2010, 2008, Moulaert 2006, Moulaert and Nussbaumer 2005, Moulaert and Sekia 2003) which currently are the centre of the dominant form of thought in regional studies, the so called New Regionalism. TIMs are analysed in a contextualized form, in which their features are discussed in the light of the previous developments in regional studies, in particular the work of Myrdal and his cumulative causation framework.

The re-emergence of regions as the locus for development strategies is then approached concentrating on European Union dynamics. Section 4.6 provides an account on how the interplay of scales took place in the EU, showing the dynamics of regionalization and the influence and instruments of the European Commission in this process and the resulting stimulus to the formation of cross-border regions.
Finally, the last section contains an analysis of the characteristics of the production of space leading to regionalization over the last two decades, whose major consequence is the positioning of the region as the locus of competitiveness.

4.2 Altered geographies of social relations and state power

Altered geographies of social relations and state power emerge with the production of space and the evolvement of social forces. This section attempts to shed some light in this process, by employing a relational and polymorphic approach to space.

4.2.1 Social production of space in capitalism

The production of space is a political process, in which social actors and their relations reconfigure existing forms of space and state power according to their socio-economic interests. For Henri Lefebvre (1991), this politically charged production of space is related to developing systems of production within capitalism. Stuart Elden (2006) in his studies on Lefebvre maintains: “space is not just the place of conflict, but an object of struggle itself”. Space is the ultimate locus and medium of struggle and therefore a crucial political issue. “There is a politics of space because space is political” (Elden 2006, p. 183-4).

Elden (2006, p. 184) acknowledges that Lefebvre recognizes the importance of forces and relations of production in addition to his attention to the role of ideas. Social space is part of a superstructure, according to the Marxist tradition followed by Lefebvre, but it also enters the realm of forces of production, the division of labour and property relations. Social space with its altered geographies of social relations is a social product also of capitalist development. As posed by David Harvey, “the whole history of territorial organization, colonialism and imperialism, of uneven development, of urban and rural contradictions, as well as of geographical conflict testifies to the importance of such struggles within the history of capitalism” (Harvey 1989a, p. 237). One of the reasons why capitalism has survived into the twentieth century is due to its flexibility in constructing and reconstructing the relations of space and the global spatial economy.

Keating (1998, p. 14) goes on to argue that ‘as the state is penetrated by the market and by international regimes, territories are remoulded and regional actors are forced into a more direct relationship with the external world’. Allen Scott (1998) raises comparable
themes when discussing a ‘spatial mismatch’ between the sovereign state and the organizational features of modern capitalism, giving rise to a fourfold spatial hierarchy: the global level, multinational blocks like the European Union, sovereign states and regions.

Space involves “the contradictory, dynamic and constantly changing character of socio-spatial relationships in capitalism, the relative rigidity and distinctive logic of territorial processes and the fluid dynamics of capital accumulation, as depicted early by Nicos Poulantzas (2001 [1978]) as de-territorialization and re-territorialization and further analyzed by Harvey in various works” (Hadjimichalis 2006, p. 698, original emphasis).

Territoriality is only one dimension within the complex geographical architectures of modern state spatiality (with its socio-political struggles) according to Brenner et al (2003, p. 9). They quote Lefebvre’s reflection: “The mobilization of state spatial strategies involves attempts to influence the geographies of socioeconomic activities such as industrial agglomeration, infrastructure investments and demographic movements within a state territory” (Lefebvre 1978, in Brenner et al. 2003, p. 10). In this sense, say the authors, state spatial strategies must be viewed as historically specific practices through which state institutions attempt to adjust to the constantly changing geoeconomic and geopolitical conditions in which they operate: their modalities, targets and effects evolve qualitatively during the history of capitalist development. This is the reason why patterns of state spatial regulation are reworked (esp. during crises) in part as means to reconfigure established geographies of capital accumulation and uneven spatial development.

In these new geographies, the territorial state defined by physical geographical space is not so much withering away as being increasingly enmeshed in a denser and more complex set of virtual political spaces that cut across traditional distinctions between inside and outside, public and private (Cerny 2009). Boundaries are less and less about distinctions between territorial units and constituencies and more and more about those between economic sectors with different asset structures, cross-cutting socio-cultural networks that span the local and the transnational, state agencies and public-private organisations with competing clientele enmeshed in ‘transgovernmental networks’ and new groups of social and economic ‘winners’ and ‘losers’. Thus, says Cerny, political action today involves a range of attempts to politicise what has previously been seen as a
predominantly economic image of globalisation and to reinvent the social dimension of politics through new policy and coalition ‘spaces’.

4.2.2 A polymorphic and relational approach to space

This relative fixity and constantly changing character of socio-spatial relations in capitalism is dealt with in a leading field of space in literature, the relational approach (cf. Geografiska Annaler 2004). This relational reading of space works with the ontology of flow, connectivity and multiple geographical expression, to imagine the geographies of cities and regions through their plural spatial connections, according to Ash Amin (2004, p. 34). He affirms it provides a new reading of cities and regions, recasting them as nodes that gather flow and juxtapose diversity, places of overlapping relational networks which are not necessarily locally connected. They are now perforated entities with connections that stretch back far in time and space (Amin 2004, p. 34-5).

Doreen Massey advocates a relational approach to space since the geography of social relations is constantly changing. She expresses “what Marx once called ‘the annihilation of space by time’. The process is argued, or - more usually - asserted, to have gained a new momentum, to have reached a new stage. It is a phenomenon which has been termed ‘time-space compression”'(Massey 1994, p. 146). According to her thoughts, such spatial relations are increasingly stretched out over space. Economic, political and cultural social relations, each full of power and with internal structures of domination and subordination, stretched out over the planet on every different level, from the household to the local area to the international.

It is from that perspective that Massey envisages an alternative interpretation of place. What gives a place its specificity is not some long internalized history but the fact that it is constructed out of a particular constellation of social relations, meeting and weaving together at a particular locus. Instead of thinking of places as areas with boundaries around them, they can be imagined to be articulated moments in networks of social relations and understandings, where a larger proportion of those relations, experiences and understandings are constructed on a far larger scale than that which we happen to define for that moment as the place itself, whether that be a street, or a region or even a continent (Massey 1994).
Space and place are thus not understood as opposites in relational terms. The preached meaningfulness of place as a ‘lived reality of everyday life’ and the abstraction of space are rejected by the relational approach. In the relational mutual constitution of local and global, both place and space are real, lived and grounded, but unboundable (Amin 2004, Massey 2004). “Where would you draw the line around the ‘grounded reality of your daily life’?” asks Massey (2004, p. 7). The global and the local are mutually constitutive since global phenomena need local groundedness, emplacement and embodiedness. “Capital operates at the local level, but cannot have a sense of place – certainly not in the phenomenological sense’ (Escobar 2001, p. 165).

In their article “Theorizing sociospatial relations”, Jessop, Brenner and Jones (2008) argue in favour of a polymorphous, strategic-relational analysis of sociospatial processes instead of one-dimensionalism. This polymorphy – i.e. the organisation of sociospatial relations in multiple forms – recognises the most important (which however are not the only ones) spatial dimensions of social relations, which are: territory (T), place (P), scale (S) and networks (N), upon which the authors build the TPSN framework. In this sense, although the authors admit they have given preference to one dimension (e.g. Brenner’s work on state-spatialities which focused mainly on territory), “analyses should involve the dynamic articulation of at least two or more among the four dimensions as one moves towards increasingly ‘thick description’ and/or tries to provide spatially sensitive explanations of more concrete-complex phenomena” (Jessop et al. 2008, p. 390-392).

The proposed TPSN research agenda constructs analyses with territory, place, scale or network as a structuring principle or as a structured field and integrates the resulting input implications with the other dimensions. Although this is not systematically pursued in this dissertation, insights of the article are employed to produce “a more systematic investigation of how sociospatial relations, understood as strategically selective TPSN ensembles, interact in specific historical-geographical contexts to produce distinctive orderings and re-orderings of the sociospatial landscape, including new geographies of accumulation, state power, and hegemony” (Jessop et al. 2008, p. 395).

Within a polymorphic, relational approach, the remainder of this section and the following section (on regions and the formation of regional alliances) set the basis for a conceptual understanding of the altered geographies and the formation of regional spaces in the context of socio-spatial transformations.
4.2.3 State-space transformations, territory, place, networks, borders and scales

In the context of socio-spatial transformations, new meanings are assigned to territory, place, networks, borders and scales, which will be discussed\textsuperscript{15}. These new meanings are related to changes in state power and its territoriality. The nation state as a power container as in the Fordist fix has changed. Since the Westphalia Treaty in 1648, the state has deployed various politico-regulatory strategies and attempted to use the principle of territoriality to “contain” different types of socio-economic activities within its borders. The state as a power container has acted in social relations seeking to mould them into its territoriality (Taylor 1994), however a “once and for all” territorialization has never been and will never be accomplished (Jessop 1990).

A common interpretation has been proposed by Borja and Castells (1997, p. 5) who 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, an opinion shared by the literature on global cities (Taylor 2004). A more realistic account is given through the concept of an analysis of scales which insists that these dynamics – captured as “glocalization” by Swyngedouw (1997b).

In the early 1990’s, Agnew (1994) challenged social scientists to transcend the “territorial trap”—a set of intellectually constraining notions regarding the role of territory in political-economic life. According to Agnew, the territorial trap entailed three uninterrogated geographical assumptions: (1) that the state commands sovereignty over its entire territorial jurisdiction, including the economic processes that unfold ‘within’ it; (2) that political-economic life is neatly separated into ‘domestic’ and ‘foreign’ (or ‘international’) realms; and (3) that the state ‘contains’ economy and society (or that economy and society are defined by state boundaries) (Brenner and Elden 2009, p. 354). Agnew argued that such assumptions are problematic because they underpin a pervasive tendency in international political economy to naturalize – that is, to take for granted – the

\textsuperscript{15} Although the TPSN framework does not include ‘borders’ as an important analytical dimension, this has been added here for it is crucial in the study of a cross-border space.
terrestrial extension, constitution and boundedness of state power and political-economic life more generally.

State interventions in society and economy can either be territorially defined or not. National territorial states continue to play key roles in the regulation of space, but they are no longer exclusive loci of power and political authority. Territory remains fundamental, but is being qualitatively transformed in ways that cannot be grasped on the basis of inherited geographical assumptions (Agnew 1994).

Joe Painter (2010) has a ‘networked’ view of territory. He claims that the state should be understood as the effect of social practices and the phenomenon that we call territory is not an irreducible foundation of state power. For him, instead, territory must be interpreted principally as an effect. This “territory-effect” can be best understood as the outcome of networked socio-technical practices. Thus, he affirms, “far from refuting or falsifying network theories of spatiality, the current resurgence of territory can be seen itself as a product of relational networks” (Painter 2010, p. 116). This view, although partially in line with a relational view of space, can be contested, since it is an oversimplification to understand territory as an effect or product, while it is also a cause. Painter affirms that “territory is not the timeless and solid geographical foundation of state power it sometimes seems, but a porous, provisional, labour-intensive and ultimately perishable and non-material product of networked socio-technical practices” (idem).

This resembles Jessop’s analysis of the state. “State power can only be assessed relationally. The state as such has no power – it is merely an institutional ensemble; it has only a set of institutional capacities and liabilities which mediate that power; the power of the state is the power of the forces acting in and through the state” (Jessop 1990).

The “new literature on state space is still in its relative infancy”, say Brenner and Elden (2009, p. 355); “but, oddly enough, such research initiatives have not always been grounded upon a clear sense of what precisely ‘territory’ means, either in conceptual or in practical terms”. The “taken-for-grantedness” of national space as the necessary arena for political life is being questioned. There are ongoing struggles to establish new scales as sites of regulatory state activity. As Brenner et al (2003, p. 11) emphasize:

“States are not simply located ‘upon’ or ‘within’ a space. Rather, they are dynamically evolving spatial entities that continually mold and reshape the geographies of
the very social relations they aspire to regulate, control, and/or restructure. This continual production and transformation of state space occurs not only through material-institutional practices of state spatial regulation but also through a range of representational and discursive strategies through which the terrain of socio-political struggle is mapped and remapped by actors who are directly involved in such struggles.”

Analogously Swyngedouw (1997b, p. 140) defines scale as “the arena and moment, both discursively and materially, where socio-spatial power relations are contested and compromises are negotiated and regulated”. Spaces are not merely an arena in which political-economic struggles occur; they also constitute a key weapon in such struggles (van Apeldoorn 2003).

There is a new “political economy of scale”, as economic activity and regulation is not confined to national space and state anymore. This “refers to the ways in which the scalar organisation of political-economic life under capitalism is socially produced and periodically transformed”; thus, the scalar organization of state space in any level “is never fixed forever” (Brenner et al. 2003, p. 5). The scalar organisation of state space is liable to recurrent redesign, restructuring and reorientation in conjunction with broader socio-economic pressures, constraints and transformations. In this sense, scales do not exist in mutual isolation, but are always interconnected in a broader, often-changing inter-scalar ensemble, in a so called processual notion of scale (Brenner 2001, p. 592).

Jumping scales and re-bordering territories are strategies, attempts to reconfigure state space. Neil Smith (2003) acknowledges two main scalar trends in Europe. First capitalist enterprises “jump scales” to the supranational level of the European Union to escape inherited national constraints on accumulation. Second, the emergence of new types of regional movements that open up new scales for the articulation of socio-political claims, both by capital and by diverse subnational socio-political forces. Even though scales are massively reworked, Smith suggests that national states remain key actors both in promoting rescaling processes and in managing inter-scalar relationships within a multilevel institutional hierarchy. In his sense, European integration is a highly contested and politically charged political-economic project, in which the key protagonists remain nation-states (Smith 2003).

Spaces are socially produced by social and political struggles. The “continuous reshuffling and re-organisation of spatial scales are an integral part of social strategies and
struggles for control and empowerment” (Lipietz 1994, p. 41). There are twin dimensions of scales as sites of regulation and arenas for social formations and struggles. Hence, scale solidifies existing power relationships, regulates forms of cooperation, and defines power strategies. Scale becomes relevant, both as a site for control and domination as well as an arena for conflicts and cooperation (Perkmann 2007a).

Brenner et al. (2003, p20) contend that popular social struggles generate, contest and overturn established inter-scalar orders – thereby it is affirmed that spatial, territorial and scalar relations are neither automatic nor necessary features of statehood but rather deeply processual and practical outcomes of strategic initiatives undertaken by a wide range of social forces. The authors affirm that it is necessary to study the opportunities given by forms of state spatial organisation to social forces to pursue their interests, once ongoing struggles to transform state space emerge in the institutional interstices between public/private, state/civil society, legal/illegal, leading in turn to new articulations among these dualities. Processes of state spatial transformation are uneven, contested, incomplete, and unpredictable fissures within established geographies of state regulation. This is in line with Van Apeldoorn (2003), for whom new state spaces are contingent, politically charged and often highly unstable institutional creations rather than necessary and automatic responses to globally induced pressures or emergent governance problems.

In this scalar reshuffling, borders have a dual meaning, as posed by David Newman (2006), borders in our ‘borderless’ world are the lines that continue to separate us. On the one hand, borders are constructions attempting to ‘contain’ identities, which is often counterproductive regarding social cohesion (Novy et al. 2012b). Neil Smith (1992) argues that ‘by setting boundaries, scale can be constructed as a means of constraint and exclusion, a means of imposing identity, but politics of scale can also become a weapon of expansion and inclusion, a means of enlarging identities. Scale offers guideposts in the recovery of space from annihilation’ (cited in Perkmann 2007a, p. 255-256).

Massey (1994, p. 152) has argued that “geographers have long been exercised by the problem of defining regions, and this question of ‘definition’ has almost always been reduced to the issue of drawing lines around a place”. For her, this kind of boundary around an area precisely distinguishes between an ‘inside’ and an ‘outside’. It can therefore easily be yet another way of constructing a counterposition between ‘us’ and ‘them’”. The ‘outside’ is also part of what constitutes a place.
On the other hand, borders are losing their meaning when capital and markets crosscut territories (Coimbra de Souza and Novy 2007a). We have traditionally understood borders (or boundaries) as constituting the physical and highly visible lines of separation between political, social and economic spaces (Newman and Paasi 1998). The authors argue that it is the bordering process rather than the border per se, which affects our lives on a daily basis, from the global to the national and, most significantly, on the local and micro scales of sociospatial activity. They argue that territorial borders are best viewed as a medium and an outcome of historically specific strategies and ceaselessly renewed attempts to shape the geographies of political-economic activities both within and between states.

David Newman (2006), who contends the study of borders has undergone a major renaissance over the past 15 years, proposes that “borders should be studied not only from a top-down perspective, but also from the bottom up, with a focus on the individual border narratives and experiences, reflecting the ways in which borders impact upon the daily life practices of people living in and around the borderland and transboundary transition zones”. In proposing an agenda for the next generation of border-related research, borders should be seen for their potential to constitute bridges and points of contact, as much as they have traditionally constituted barriers to movement and communication”.

Summing up, space is political and contested, since social relations are not territorially ‘contained’, and neither is state power. Scales are massively reworked through social and political struggles. Territory, place and boundaries are re-shaped; new scales emerge as the altered geographies of power evolve.

4.3 Regional space

In the context of rescaling and altered geographies, the regional space has gained importance. Claims of such increased significance have flourished: “much of economic policy should be decentralized to the regional level” (Porter 2003, p. 571) or “the region is [...] the most appropriate scale to govern” (Jones 2001, p. 1188).

by national states or international intergovernmental or non-governmental bodies (Jones 2001). There is a protracted struggle to re-configure a post-fordist regime (MacLeod 2001). There are different logics of the resurgence of regions. In a traditional view (Scott and Storper 2007), regions are an essential dimension of the development process and globalization has intensified this. A networked approach (Castells 1996) regards regional economies and urban metropolises as surging leading motors of wealth creation.

Michael Keating (Keating 1997, 1998) traces the rise of the region back to three interdependent political economic tensions. The first concerns functional restructuring. Here, under conditions of intensified economic globalization – not least the ‘threat to exit’ exercised by capital – nation-states are no longer perceived to be capable of managing their economies through redistributive policies and the strategic placement of public investments. The second refers to institutional restructuring, where a decentralization of governance might be conducted: (1) in the name of modernization; (2) as a response to pressure from regional political movements; or (3) as a means to enhance national political power by devolving the responsibility to regional stakeholders. Finally, the third identifies political mobilizations enacted by strategically significant communities of interest, whether in the name of nationalism or regionalism.

The term ‘regionalization’ is used to describe processes of institutional or political development, during which the regions gain importance in policy-making – be it by greater autonomy or by participation in centralized politics (Benz and Eberlein 1999, p. 345). Regionalism as a political or social movement may contribute to regionalization ‘from below’, argue Benz and Eberlein, but often pressures from the regional level come from politicians and civil servants interested in extending their power in policy-making. The ‘ideas’ of regionalism are then only one factor explaining regionalization. They understand that there is a two-fold pressure for regionalization, a) from below, i.e. from the regional level seeking more autonomy and participation in European policy games; and b) from above, i.e. from the European Commission looking for partners and support for territorial and other policies. While the latter can be explained by functional requirements of policies differing between territories, the former corresponds to the interests of regional actors to maintain or extend their power in the process of Europeanization (Benz and Eberlein 1999, p. 331).
Brenner (2009) argues that the subnational scales of major urban regions represent strategic institutional arenas in which far-reaching transformations of state spatiality are unfolding. He suggests in particular, that processes of urban governance represent a key mechanism for the rescaling of (western European) state space. First, managerial-welfarist forms of urban governance are shown to have played a major role in the consolidation and eventual crisis of nationalized state spaces between the 1950s and the mid-1970s. Second, the entrepreneurial, growth-oriented approaches to urban governance that have proliferated during the post-1970s period are interpreted as significant expressions and catalysts of a fundamental rescaling of inherited national state spaces. In contrast to the project of national territorial equalization associated with Keynesian welfare national states, contemporary “urban locational policies” promote the formation of Rescaled Competition State Regimes (RCSRs) in which (a) significant aspects of economic regulation are devolved to subnational institutional levels; and (b) major socio-economic assets are reconcentrated within the most globally competitive urban regions and industrial districts (Brenner 2009).

These main issues regarding regions are approached in the following sections. The pressures to form new regional spaces from below and above are focused both in the subsection below on regional alliances and in the section of European regionalization. Policies of devolution and fostering competitiveness are dealt with in the subsections below, but principally in the concluding section. Initially, there is nevertheless the need to go through the fluid concept of region.

It is worth noting, nevertheless, that the debate of the resurgence of subnational regionalism as observed here is most based on Anglo-Saxon literature, mainly British. This literature has been influenced by the process of regionalisation and creation of the regional development agencies (RDAs) in the United Kingdom in 1999. It is not the scope of this thesis to include non-European work, such as the debate in Brazil in the late 1980’s on localism and local devolution. Nor is it possible to address any of the possible consequences of the recently announced abolishment of the RDAs in the UK planned to be implemented on March 2012.
4.3.1 Region, the elusive concept

Region, “the elusive space” as called by Keating (1998, p. 9), can be recognised in many different forms. Broadly as an intermediate territorial level between state and locality, as physical spaces by geographical criteria; an economic definition of region would focus on common production patterns, interdependencies and market linkages and labour market. A broader functional definition would add patterns of social interaction as leisure and travel patterns. However drawn, they are often unstable changing their contours according to economics or social trends. Regions can also be described by cultural criteria, according to language, dialect or patterns of social communication, or delineated according to the sense of identity felt by citizens and political actors. Regions may be seen as institutional divisions, historically constituted, or created more recently, and varying from bodies established for the convenience of state administrators, to political institutions built by political action on the ground. Regions, like other territorial units, are a construction of various elements with greater or lesser cohesion. Where the elements of geography, cultural identity, administrative apparatus, economic cohesion, popular identity and territorial mobilization coincide in space, we have a strong regionalism. In other cases, the definition of regional space is contested or regionalism is expressed in different forms across the economic, cultural and political dimensions (Keating 1998, p. 9-10).

Anssi Paasi (1996) identifies three main typologies of the regional concept. First, it can be considered as a practical taken-as-read or ‘unreflected choice’ by the researcher, as in the case of a legitimate or aspirant political unit. Second, there are discipline-centred interpretations where the region represents an instrument of formal or functional classification or a ‘perceptual unit’ constructed by the researcher. And third, Paasi points to critical approaches associated with a ‘new regional geography’, where the region is variously understood as: (1) an integral feature of capital accumulation; (2) collective interpretations in identity-formation; or (3) a setting for social interaction and practice.

“Regions only exist in relation to particular criteria. They are not ‘out there’ waiting to be discovered; they are our (and others’) constructions” (Allen et al. 1998, p. 2). Therefore, there are uncountable possible meanings of ‘region’. Regions are not simply the unintended outcomes of economic, social and political processes but are often the deliberate product of actions by those with power in society, who use space and create
places in the pursuit of their goals (Macleod and Jones 2007). This raises the critical questions of who acquires the power to represent a region in this way and speak on its behalf as it performs as a political subject in policy debates (Hudson 2006).

The region as a political actor as well as a site of political activity is a focus of the ‘relational turn’ (Amin 2004, Allen et al. 1998). Regions are seen as constituted from spatialized social relations, stretched out over space and materialized in various forms, and representational narratives about them. Regions can be seen as products of complex condensations of social relationships, of varying density and variety, which combine contingently in specific time/space couplings to produce what are, in the last analysis, unique regions.

This relational approach provides a way of thinking that discloses a region which is by no means necessarily a whole, with the characteristics of coherence which that term implies; nor is it necessarily a bounded and closed entity. However, it is also the case that there is a wealth of evidence of people seeking to construct regions as if they were closed, bounded and coherent, with shared and unified regional interests (Hudson 2001, p. 255-85). A relational approach emphasizes that regions are defined for specific purposes, socially constructed, both discursively and materially, in relation to specific criteria.

Regions can be conceptualized as spaces, but extending the notion of space beyond the pure territorial to include functional space, political space and social space (Keating 1998, p. 79). He affirms “a region is constituted from a territory, whose significance is given by the functional and political content (...) finally, it may have constituted itself as an actor, able to articulate and pursue a common interest in the state and global systems” (idem, p. 80). The extent and shape of a region will depend on what functions are to be fulfilled and on the patterns of political mobilization which give them a political meaning. Territorial delineation thus becomes a political issue in itself, since the drawing of the boundaries can alter not only the social content of regionalism, but the political power balance in regional institutions.

Regional identity, an idea at least implicitly indicating some cohesiveness or social integration in a region, has become a major buzzword, according to Paasi (2009). It has been particularly identified in the EU cohesion policy as an important element for regional development. Regions, borders and identities have increasing importance in social life and
academic debates, but are often studied separately. Regions are processes that gain their boundaries, symbolisms and institutions through institutionalisation. Through this process a region becomes established, gains its status in the broader regional structure and may become a significant unit for regional identification or for a purported regional identity. This process is based on a division of labour, which accentuates the power of regional elites in institutionalisation (Paasi 2009).

A strong culture is assumed to help cement a strong regional public sphere composed of common interests, local orientation and active deliberation over a local way of life. This regional culture is formed by narratives of a coherent regional community with stories of colonization, a common external enemy, stories of heroism and resistance, as well as the scripting of a regional folk culture (Paasi 1996). An imaginary of region as a space of shared history or shared identity. Regional identification, the presence of a public sphere and regional autonomy go hand in hand and mutually reinforce each other (Amin 2004).

4.3.2 Forms of spatial regional organization

Since regions are unique products of social, economic and political relations and actions in space, it is imperative to understand how such relations and alliances are formed and how they shape the regional space. This is the focus of this subsection, which discloses concepts as growth coalitions and machines, regimes, regional alliances, armatures, assemblages of state power, and spatial fixes in an attempt to grasp regional governance. There is an immensely vast literature on the subject, labelled or not as regional governance, involving processes ranging from changes in central–regional/local relations to the growing influence of public–private partnerships in urban and regional economies, and including the proliferation of interagency networking in local and regional governance, and the rise of the ‘entrepreneurial’ city-region, and the ‘learning’ or ‘institutionally thick’ region. It is by no means the aim of this thesis to exhaustively approach these works, but mainly give a conceptual overview to allow grasping the case-study and answering the respective research questions.

An integral component of the ‘new gestalt of scale’ (Swyngedouw 1997a, p. 168) was identified as the growing economic and political salience of sub-national levels of governance (Stoker 1990). For example, the growing role of business representatives in
local structures of political regulation was presented as being necessary in order to secure for localities of all sizes public and private investment via ever more competitive inter-urban rivalry (Peck 1995). Through the concepts of urban regimes and growth coalitions, and the more general lens of local governance, theoretical endeavour turned to explaining the rise of ‘new localism’ in terms of state restructuring (Deas and Ward 2000, p. 277).

Cox and Mair (1991) attempt to clarify the concept of locality by investigating two common meanings of it: locality as localised social structure and locality as agent. The first is developed through linking local dependence to territorial forms of the division of labour; to enable this new concept, the scale division of labour is used. This concept describes what roles in the social division or labour exist at different scales, and hence of what social relations the localised social structure consists. The locality as agent concept has been developed from the idea of locally dependent actors with interests in the same locality forming an alliance, acting together to develop and implement strategies to further their interests. This, say the authors, avoids spatial fetishism because locality was first defined not in physical terms, but as a localised social structure. It is therefore a theorization of a locality operating as an agent courtesy of an alliance formed out of the interest mediation of locally ‘dependent’ actors (Macleod and Goodwin 1999, p. 512).

We can transpose the approach, understanding the locality as the region. Regional growth coalitions emerged in the transition from Fordism to post-Fordism, gathering regional dependent actors who made a new political geography of regional development to pursue their interests (Moulaert et al. 1988). Growth coalitions “simply put, these are groups of individuals and/or organizations that encourage, enable or maintain local economic development” (Johnston et al. 2000, p. 326). The role of the state was reworked by these regional growth coalitions, resulting in a post-Fordist entrepreneurialist form of state (Moulaert et al. 1988, Harvey 1989b)

In analysing regional actor’s alliances, one interesting entry point is the work of Alain Lipietz (1994, republished 2003) on regional armatures. Lipietz examined the conditions under which regionally based dominant classes can mobilize state institutions to promote territorial development within a subnational territorial economy such as a city or city-region. He also argues that the “managerial state” has led to the formation of regional coalitions.
In this context, he introduces the concept of ‘regional armature’ to describe newly emergent regional power blocks that are anchored in specific regional state apparatuses and armoured with relatively autonomous political capacities to pursue regional development projects – even in the face of opposition from the central state. On this basis, Lipietz emphasises that the rise of such regional blocs requires the concerted mobilization of diverse socio-political forces oriented toward specific regional identities and political projects. The relatively autonomous political capacity comes from outsourced agency, which gives autonomy and political power for non-state actors.

Regime theory and growth machine approach both emphasize “partnerships, networks and coalitions, meaning that the stress is placed on destatization at the expense of denationalization or internationalization” (Macleod and Goodwin 1999, p. 507).

The regime theorist Clarence Stone said: “what makes governance (…) effective is not the formal machinery of government, but rather the informal partnership between city hall and the downtown business elite. This informal partnership and the way it operates constitute the city’s regime; it is the means through which major policy decisions are made (Stone 1989, p. 3).

Clarence Stone used the word *regime* to indicate that the relevant actors go well beyond those who wear the official badges of authority. Those who do hold office, says Stone, negotiate a viable coalition that gets things done (Stone 1989, Logan and Molotch 2007). Regime theorists emphasize the structural power of business vis-à-vis the tendency for local public officials to be strongly predisposed to both support and enter into agreements with elements of business elites, say Macleod and Goodwin (1999). They add that regime analysis moves away from the question of ‘who rules’ to develop a ‘social production perspective’ more concerned to analyse the ‘capacity to act’ or ‘govern’ (idem, p. 507).

For the ‘fathers’ of the growth machine approach, Logan and Molotch (2007, p. ix), those who most influence what goes on in cities are neither the public at large nor the elected officials supposedly representing its interests. In their conception, the *urban growth machine* is based on a coalition of local interests led by property renters acting out of partisan motivations. The coalition itself is united through a commitment to economic growth – based on the benign discourse of the alleged tangible benefits this will bring.
(Logan and Molotch 2007). The latter provides political and ideological cement for the machine, whose hegemony is further achieved through the co-operation with ‘auxiliary players’, such as cultural institutions, media, universities and professional sports clubs and, crucially, local governments.

The critics of the growth machine approach argue that it overemphasizes the role of property in economic development (Cox and Mair 1989). Macleod and Goodwin (1999), among other critics, point out that both regime and coalition approaches display insufficient sensitivity to spatial scales above the local/urban. They also contend that these approaches originated in and focused on the US reality, while in Europe the role of the national state and the weight of the European Commission in orchestrating urban partnerships must be explicitly considered. Logan and Molotch, on the other hand, warn against an idealization of the growth model.

“Growth machines can’t all be winners. Even in a narrow sense of attracting investment. When they do prevail against their competitors, they are unlikely to deliver stronger economy or higher wages for their populations – particularly if they do not build in such benefits as a condition for development, which they rarely do. We suspect that the zero-sum game of competing for development weakens each place and enervates the urban system overall” (Logan and Molotch 2007, p. xi)

Another way of analysing socio-spatial organization is by means of the concept of spatial temporal fixes. In the mid 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, p. 146) which might result in “islands of privilege within a sea of exploitation”; “an efficiently organised regional economy […] replete with adequate social and physical infrastructure, can be beneficial to most” (Harvey 1985, p. 151). Regional class alliances are less unstable if supported by the state. In this sense, Harvey described the inherent drive in capitalism to accommodate the tendency of over accumulation by creating spatio-temporal fixes (Harvey 2004, p. 186).

In advancing Harvey’s concept, Bob Jessop sets up a theory of the state and consistent concept of territorial power (Jessop 2004, p. 9), to highlight the importance of extra-economic elements to reproduce capital and on the “political character of the capital relation” (Jessop 2004, p. 13). For Jessop, 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, p. 48). As Swyngedouw and Jessop clarify, “one aspect of production-reproduction-regulation is the emergence of relatively coherent and durable spatio-temporal matrices and fixes that are historically dynamic and geographically variable but, within limits, correspond to the prevailing forms and structures of the capital relation” (Swyngedouw and Jessop 2006, p. 11).

Later on, Moularct and Jessop (2006) advanced the conceptualization showing the mediating role of institutions in structure-agency interactions in specific spatio-temporal contexts and with regard to specific spatio-temporal horizons of action. The Keynesian National Welfare State of the 20th century was a spatio-temporal fix that accommodated the interests of labour and capital at the national level. The national Fordist institutionalisation was a spatio-temporal fix of an institutionalised class compromise, which delimited 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, p. 157f.), Jessop stresses the possibility of coherence achieved via spatially and temporarily fixed modes of regulation (Jessop 2002a, p. 49). For both, however, successful regional class alliances assure structural coherence by externalising the costs beyond its boundaries and marginalizing and excluding other classes, class fractions or social forces located inside these spatio-temporal boundaries. The Fordist fix, based on a national compromise between labour and capital, excluded migrants and women and transferred ecological problems to the future and externalised 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 1970). Moreover it was based on a territory with universally valid rules and public law. Therefore, it achieved a decade-long stability that was gradually eroded by neoliberalism. The neoliberal counterrevolution undermined this consensus and shifted power to capital (Harvey 2005a).

Upon the ruins of the Fordist fix, new compromises emerged which are based on powerful actors and excludes whole fractions of society. It characterises the new glocal mode of governance, which builds institutions at the local, regional, national as well as the supra-national level (cf. Leubolt 2007, Coimbra de Souza and Novy 2007b). 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, it raises doubts about the sustainability of regional modes of governance.

An interesting approach is the “assemblages of state power” of John Allen and Allan Cochrane (2010, 2007). They borrow from Saskia Sassen’s (2006) work on spatio-temporal assemblages a vocabulary to show “how the state’s hierarchical powers have not so much been rescaled or redistributed as reassembled in terms of spatial reach” (Allen and Cochrane 2010, p. 1073).

State hierarchies, together with private agencies, partnerships and supranational institutions, are part of a geographical assemblage of distributed authority in which power is continually negotiated and renegotiated. The authors argue that the apparatus of state authority is part of a spatial power arrangement within which different elements of government and private agencies exercise powers of reach that enable them to be more or less present within and across urban and regional political structures.

The different forces at work, say Allen and Cochrane, are not “national”, “global”, or “regional” for that matter, but are assembled in place from of a mix of spatial and temporal orders. These emergent spatio-temporal assemblages perform a key role in effectively unbundling what were formerly seen as exclusive territories such as the nation state, but in ways that produce partial formations of private and public authority operating according to their own distinctive rhythms and spatial practices. Actors distant in space and time are part of the equation, since the mediated relationships of power multiply the possibilities for political engagement, drawing political actors closer through real-time technologies or reaching out to them through a succession of enrolling strategies.

As they put it: “in short, a mix of time-spaces embedded in the practices of the different actors involved – from state agencies and jurisdictional authorities to global firms and supranational institutions – may work to disassemble and reassemble “national regional” or “global regional” political spaces” (Allen and Cochrane 2010, p. 1078).

Among the different actors involved, the consultant agencies, and other policy groups and independent think tanks external to the region play a role as part of an extended circuit of institutional actors brought into the regional assemblage to gain leverage. “The inclusion of a wider range of ‘regional’ actors opens up the prospect of a more fluid institutional setting which has the potential to cut across hierarchies of
government decision-making, with the possibility to skew agendas and steer targets in
directions that may not have been fully anticipated by central government actors” (Allen
and Cochrane 2010, p. 1081).

“The use of consultancies or independent think tanks, for example, to legitimate a
particular policy agenda or attempt to displace one in circulation by central government is a
form of reach which cuts across any simple notion of spatial hierarchies of authority and
control. The cross-cutting nature of governing relationships as different bodies, agencies
and organizations mediate the decision-making process, often mobilizing resources
independently of any central authority, reflects, as we will go on to show, a mix of time-
spaces embedded in the regions” (Allen and Cochrane 2010, p. 1075).

In the context of this “politically serious game of regionalism” (idem, p. 1084), the
same region can be seen to mesh with different economic and political agendas, which
represent ways of mediating different political and policy audiences. Regional players
draw on a series of geographical imaginaries, often simultaneously, to meet the demands
of different sets of dynamics working themselves out within a variety of governing
agencies on the national level, Europe and beyond. This is a regional politics, but it is a
regional politics which can also be read as a national politics, in the same way as there is a
national regional politics. And it can also be understood as a continental, international or
global politics in which the key players against which the regional actors define
themselves are located on the far side of the globe, perhaps even in China or India. But, at
the same time, the polyvalent nature of the politics involved means that it is also a local
politics focused on localized issues of deprivation and disadvantage which seeks to
position them as regional issues (idem, p. 1085).

Exemplifying these ‘politics of reach’ within a relational approach, Allen and
Cochrane use Massey’s (2007) argument of a local politics that is also a global politics,
and which reflects the existing linkages of power and inequality. Massey identified the
agreement negotiated while Ken Livingstone was mayor of London which brought
Venezuelan oil to London, while transport planning expertise was made available to
Caracas as a good example of this process. Allen and Cochrane argue that it is also
possible to find more modest examples of local politics that go beyond the locality,
regional politics that seek to redefine the region in a different context.
It is worth noting, that in this section the focus is on governance, but nevertheless approaching a literature which ‘spatialises’ governance relations. Regional governance literature goes hand in hand and is also meshed with that on urban and city governance. As seen in the previous section, the region is a fluid concept, varying with the use and approach not only of the researcher but also of the regional political forces shaping the space. Locality and region are also mixed concepts. Nevertheless since a relational approach is adopted, place and space aren’t seen as opposed; thus concepts of urban and city governance can be transposed to understand spatial organization of social forces on the regional level.

4.4 Space and networks

In the emerging new order, spatial configurations and spatial boundaries are no longer necessarily territorial or scalar, since the social, economic, political and cultural inside and outside are constituted through the topologies of actor networks which are becoming increasingly dynamic and varied in spatial constitution (Amin 2002). Network-inspired approaches have rejected the notion of hierarchically ordered scales in favour of exploring the more horizontal sets of relations between actors across different sites (Bulkeley 2005). For Amin (2004, p. 36), “in a relational world, local advocacy should centre on exercising nodal power and aligning networks at large with their own interests, instead of exercising territorial power” (which comes from devolution and enhanced regional autonomy).

In line with Amin, Benz and Eberlein (1999, p. 333) argue that “actors in internal policy-making of related arenas avoid using power to control their agent’s behaviour in external relations, even if they are able to do so”. Instead, they seek to influence their representatives by way of negotiation and to advance their interests by forming advocacy coalitions or informal networks, which often cut across the boundaries of institutionalized arenas (Benz and Eberlein 1999, p. 333).

As mentioned in Chapter 3, there is a tendency in literature to understand networks as an ideal to pursue due to their claimed flexibility and an imagined equality of power, information and capability of all participant actors. However, this ideal and the real life situation differ (cf. Moulaert and Cabaret 2006).
Such network approaches to regional policy and developments often ignore the point that networks are constructed within the context of existing networks of social relations characterized by sharp power asymmetries. Instead, particular emphasis is devoted to all kinds of networks, again ignoring the asymmetrical relations among network members and the question of inclusion in and exclusion from networks (Hadjimichalis and Hudson 2006).

Strategies of capital as mobilised by a myriad of actors produce geographical mappings marked by complex combinations and layers of nodes and linkages, which are interconnected in proliferating networks and flows of money, information, commodities, and people (Harvey 2005b). For Swyngedouw and Jessop (2006, p. 15) this results in rhizomatic network arrangements (such as, for example, commodity chains, corporate organisation, supply relations, personal networks) which define a geographical or spatial horizon that is incongruous, liminal, and has continuously changing boundaries and tentacles. The tensions, conflicts and socio-spatial power geometries that infuse the networks render them inherently unstable, permeable, and prone to conflict. All manners of formal and informal regulatory and governance procedures infuse and support these rhizomatic bindings and they change as the network-configurations change. The authors contend these are the sort of ‘space of flows’ that Castells (1996, 1997) talks about.

Despite this networked space of flows, Swyngedouw and Jessop (2006, p. 15) understand that the flows that shape and define these networks are local at every moment. For them, these economic (and partially cultural and social) networks cannot operate independently from or outside a parallel political or institutional organisation, i.e. a set of territorially constructed institutional arrangements that simultaneously provide some social coherence while permitting and encouraging the extended re-arrangement of these economic networks (Jessop 2002a).

In other words, a relational approach to space involves a variety of institutionalised actors – either linked or not to the local. These institutions act within networks, and require territorially organised political arrangements (like the local, national, or trans-national state or other forms of governing) to regulate markets, money, ownership, and organise (parts of) service delivery and other collective consumption and production goods, otherwise the economic order would break down.
4.4.1 Policy Networks

Policy implementation generally observes a territorial dimension, even if the actors involved are beyond the territory in question. It is therefore required to grasp the dynamics with which actors shape space. A form of analysing this is by the concept of policy networks. “Network analysis is no theory in *stricto sensu*, but rather a tool box for describing and measuring regional configurations and their structural characteristics” (Kenis and Schneider 1991).

According to Rod Rhodes, a main scholar of the field, policy networks are sets of formal institutions and informal linkages between governments and other actors structured around shared if endlessly negotiated beliefs and interests in public policy making and implementation. These actors are independent, and policy emerges from the interactions among them (Rhodes 2006, p. 426).

Nevertheless, ‘policy networks’ has no universally agreed meaning in literature. “There is no synthesis for the findings of this diverse literature. Indeed, a synthesis may not be possible”, says Rhodes (2006, p. 435). The key question would be ‘what type of network emerges in what conditions and with what policy outcomes?’ (idem).

Tanja Börzel (1998), in a classic article on the subject, attempts to “organize Babylon” by a comprehensive analysis of the various meanings assigned to the concept. She identifies two main schools: one conceives policy networks as a model of state/society relations in a given issue area, namely the ‘interest mediation school’. This is an approach basically of the Anglo-Saxon literature. The second school is basically centred on German literature, mainly from the scholars of the Max-Planck-School, located in Cologne, Germany, and understands policy networks as an alternative form of governance to hierarchy and market. Considering that governance is a model of interaction of state/society, one may wonder about the difference between the two approaches. The first school interprets policy networks as a generic term, while the governance school takes them as a specific form of governance, namely one based on non-hierarchical coordination.

For the ‘interest-mediating school’, policy networks are generally regarded as an analytical tool for examining institutionalized exchange relations between the state and organizations of civil society, allowing a more ‘fine grain’ analysis by taking into account...
sectoral and sub-sectoral differences, the role played by private and public actors, and formal as well as informal relationships between them. The basic assumption is that the existence of policy networks, which reflect the relative status or power of particular interests in a policy area, influences (though does not determine) policy outcomes.

Policy networks are understood as an umbrella concept which integrates the different forms of pluralism and corporatism as specific versions of networks. Yet, the governance school in fact conceives of networks as an alternative form of state-society relations different from pluralism and corporatism. Others, as Le Gales, assume that policy networks have been developed above all as an alternative to structural approaches such as neo-Marxism (Börzel 1998, p. 267).

The ‘governance school’ of policy networks goes beyond the use of networks as an analytical concept and argues that it is not enough to understand the behaviour of a given individual unit as a product of interorganizational relations, i.e. networks. The underlying assumption is that social structures have a greater explanatory power than the personal attributes of individual actors. In short, these authors shift the unit of analysis from the individual actor to the set of interrelationships that constitute interorganizational networks. While the analytical network concept describes the context of, and factors leading to, joint policy-making, the concept of networks as interorganizational relationships focuses on the structure and processes through which joint policy-making is organized, i.e. on governance.

From the Anglo-Saxon group, Rod Rhodes, however, understands policy networks as a form of interorganizational relations and also excludes interpersonal relations of the network dynamics (Rhodes 1986, 1997). For him, the term has been used to describe governments at work, as a theory to analyse policy making and as prescription for reforming public management.

Rhodes contends ‘policy communities’ and ‘issue networks’ as two extremes of a continuum on the degree of closeness of relationships among participant actors in a policy network, in which ‘policy communities’ represent the closest relations and ‘issue networks’ are characterized by loose relations. Any network can be located at some point of this continuum.
The concept of issue network is based on the classical work of Hugh Heclo (1978), for whom issue network is “a communications network of those interested in policy in some area, including government authorities, legislators, businessmen, lobbyists and even academics and journalists (…) [that] constantly communicates criticisms of policy and generates ideas for new policy initiatives”. Issue networks are characterised by many participants, fluctuating interaction and access for the various members, the absence of consensus and presence of conflict, interaction based on consultation rather than negotiation or bargaining, an unequal power relationship in which many participants have few resources, little access and no alternative (Rhodes 2006, p. 428).

The characteristics of a policy community are: “a limited number of participants with some groups consciously excluded; frequent and high-quality interaction between all members of the community on all matters related to the policy issues; consistency in values, membership, and policy outcomes which persist over time; consensus, with the ideology, values, and broad policy preferences shared by all participants; and exchange relationships based on all members of the policy community controlling some resources. Thus the basic interaction involves bargaining between members with resources. The balance of power is not necessarily one in which all members equally benefit, but one from which all members see themselves as in a positive-sum game. The structures are hierarchical so leaders can guarantee compliant members. Rhodes warns that nevertheless this is an ideal type and no policy area is likely to conform exactly to it (Rhodes 2006, p. 427-8).

Based on her literature review, Börzel acknowledges that networks are no final solution to decision-making problems in bargaining systems. Summarising, the problems are: Because of their self-dynamic nature, networks become very often 'quasi-institutional' arenas with their own structures of conflict and problems of co-ordination. Besides, policy networks tend to be very resistant to change. Finally, policy networks are often not exposed to democratic control and therefore suffer from a lack of legitimacy. Hence, networks themselves create a dilemma: on the one hand, they perform functions necessary to overcome the deficiencies of bargaining systems; on the other, however, they cannot fully take the place of formal institutions because of their own deficiencies (Börzel 1998, p. 263). Moreover, networks do not directly serve for decision-making but for...
information, communication and exercise of influence in the preparation of decisions (Börzel 1998, p. 262).

The literature on public administration offers an interesting analytical frame for policy networks, the ‘Advocacy Coalition Framework’ (Sabatier 1988, 1998). Sabatier maintains that to understand policy processes, for example, most institutionalist rational choice approaches tell the analyst (1) to focus on the leaders of a few critical institutions with formal decision making authority; (2) to assume that these actors are pursuing their material self-interest (e.g. income, power, security); and (3) to group actors into a few institutional categories, for example, legislatures, administrative agencies, and interest groups. In contrast, the advocacy coalition framework tells the analyst to assume (1) that belief systems are more important than institutional affiliation; (2) that actors may be pursuing a wide variety of objectives, which must be measured empirically; and (3) that one must add researchers and journalists to the set of potentially important policy actors.

The Advocacy Coalition Framework (hereafter ACF) focuses on the interaction of advocacy coalitions – each consisting of actors from a variety of institutions who share a set of policy beliefs – within a policy subsystem. It resembles the complexity of the policy process, which involve hundreds of actors from different interest groups. Each actor, individual or corporate, has potentially different values/beliefs, interests, perceptions of the situation and policy preferences. Therefore, such processes involve technical and legal disputes over the severity of a problem, its causes, probable impacts and alternative policy solutions regarding deep held values and interests, authoritative coercion and commonly large amount of money. “Most actors face enormous temptation to present evidence selectively, to misrepresent the position of their opponents, to coerce and discredit opponents, and generally to distort the situation to their advantage” (Sabatier 2007, p. 4). They seek to manipulate the rules, budgets, and personnel of institutions in order to achieve their goals over time.

Policy change is a function of both competition within the policy subsystem and events outside the subsystem. The ACF suggests spending a lot of time mapping the belief systems of policy elites and analysing the conditions under which policy-oriented learning across coalitions can occur.
Sabatier’s ACF is also deeply inspired in Hugh Heclo’s (1978) analysis of issue networks. In essence Heclo saw policy change as being a product of both (1) large scale social, economic, and political changes and (2) the strategic interaction of people within a policy community involving both competition for power and efforts to develop more knowledgeable means of addressing the policy problem (Sabatier 1988). ACF is based on Heclo’s focus on the interaction of political elites within a policy community/subsystem attempting to respond to changing socioeconomic and political conditions. And it expands his interest into the effects of policy-oriented learning on the broader process of policy change by analyzing the manner in which elites from different advocacy coalitions gradually alter their belief systems over time, partially as a result of formal policy analyses and trial and error learning.

There are three premises of ACF. First, understanding the process of policy change – and the role of policy-oriented learning therein – requires a time perspective of a decade or more. Second, that the most useful way to think about policy change over such a time span is through a focus on ‘policy subsystems’, i.e. the interaction of actors from different institutions interested in a policy area. Third, that public policies (or programs) can be conceptualized in the same manner as belief systems, i.e. as sets of value priorities and causal assumptions about how to realize them (Sabatier 1988).

As to the second premise, the ACF argues that the conception of policy subsystems should be broadened from traditional notions of ‘iron triangles’ – limited to administrative agencies, legislative committees, and interest groups at a single level of government – to include actors at various levels who are active in policy formulation and implementation, as well as journalists, researchers, and policy analysts who play important roles in the generation, dissemination, and evaluation of policy ideas.

4.5 Regional Development Models: from redistribution to competitiveness

The field of regional studies is characterized by an intense flow of ideas and concepts, accompanying what can be described as a restless shifting of perspectives and approaches, says Arnoud Lagendijk (2006). The currently dominant line of thinking in the field, according to Lagendijk, are the so called ‘Territorial Innovation Models’, a term created by Moulaert and Sekia (2003), as Lagendijk acknowledges, to describe models of
regional innovation in which local institutional dynamics are significantly important as positive catalysts in innovative development strategies. Territorial Innovation Models (TIMs hereafter) are the flagship of New Regionalism, the most influential contemporary school of thought in regional studies (Moulaert and Mehmood 2010, Yeung 2009, Rogerson 2009, Lagendijk 2006, Moulaert and Sekia 2003, MacLeod 2001, Lovering 1999).

Moulaert and Mehmood give a summarized account of TIMs, quoted below. It is not within the scope of this work to give an exhaustive explanation of TIMs, which are already well covered in the work of Moulaert and others. A detailed description of these models can be found in Moulaert and Sekia (2003) and alternative analyses with different emphasis in Moulaert and Nussbaumer (2005), Moulaert (2006) and Lagendijk (2006).

“Mainly three families of TIM can be identified. The first contains the Milieu Innovateur and the Industrial District model. The French model Milieu Innovateur, which was the basis for the synthesis produced by the Groupe de Recherche Europe’en sur les Milieux Innovateurs (GREMI) (Aydalot, 1986), stresses the role of endogenous institutional potential in producing innovative dynamic firms. The same basic idea is found in the Industrial District model, which focuses even more on the role of cooperation and partnership within the innovation process (Becattini, 1987). The second TIM family contains models belonging to the tradition of the Systems of Innovation: a translation of institutional coordination principles found in sectoral and national innovation systems onto the regional level (Edquist, 1997) or, more properly, an evolutionist interpretation of the regional learning economy within the regional space (Cooke, 1996; Cooke and Morgan, 1998). The third TIM tradition stems from the Californian School of Economic Geography: the New Industrial Spaces (Storper and Scott, 1988; Saxenian, 1994). In addition, there is a residual category encompassing ‘spatial clusters of innovation’ that is not really another TIM family as it has little affinity to regional analysis but lies close to Michael Porter’s clusters of innovation (Porter, 1996). All these models share a large number of key concepts that have been used in regional economics or analysis for a long time, or that have been borrowed from other disciplines” (Moulaert and Mehmood 2010, p. 105).

TIMs embody an institutional turn in regional development analysis, a significant step forward when compared with neo-classical regional growth analysis because they enabled the filling of the ‘black box’ – the institutional dynamics of development –
traditionally left untouched by neo-classical economics (Moulaert and Sekia 2003). Nevertheless, TIMs “epistemological reductionism” means a “backward step compared with previous regional development theories” (Moulaert and Mehmood 2010, p. 105). As Moulaert and Mehmood (2010) point out:

“Most TIM models stress the instrumentality of institutions in the economic restructuring and enhanced competitiveness of regions and localities. But in none of these models is reference made to improving non-economic dimensions and non-market-led sections of regional and local communities, unless such improvements could contribute in some way to the competitiveness of the territory. According to the TIM, quality of life in local and regional communities depends on the growth of prosperity and will appear as a positive externality of higher economic growth; no distinction is made between well-being and growth, between community culture and business climate” (p. 105).

The inclusion of institutional, cultural and social features in regional development analysis was not an innovation of TIMs. Moulaert and Mehmood (2010, 2008) emphasise that older models have highlighted such features much earlier. Gunnar Myrdal wrote as early as 1957:

Economic theory has disregarded . . . non-economic factors and kept them outside the analysis. As they are among the main vehicles for the circular causation in the cumulative processes of economic change, this represents one of the principal shortcomings of economic theory (Myrdal 1957, p. 30).

In his ‘Economic Theory and Under-Developed Regions’, Myrdal (1957) argues against the neo-classical mainstream that economic processes generally tend to develop toward an equilibrium outcome. Myrdal maintained that such assumption would break down development analysis because it disregards non-economic factors which often react to changes in economic factors in a disequilibrating way. Myrdal realized that “the essence of a social problem is that it concerns a complex of interlocking, circular and cumulative changes” (Myrdal 1957, p. 16). Circular causation is a process in which “a change in any one [variable] induces the others to change in such a way that these secondary changes support the first change, with similar tertiary effects upon the variables first affected and so on” (p. 17). This results in cumulative development, since a change in a single factor tends to change all the other factors in the same direction, in a process that can either be negative or positive. A circular causation of a negative cumulative process is
described as the vicious circle of poverty. While, in the same way, a particular exogenous influence can also set in motion a process in which circular forces cumulate in an upward spiral of development. Myrdal (1957) stated that spatial development is characterized by ‘cumulative causation’ with associated ‘spread’ and ‘backwash’ effects.

Differently from the market-led focus on competitiveness of current regional development approaches in research and policy, Myrdal believed – like many economists of his time – that an external push towards an upward spiral of development could come from public policies and plans executed by the government. Specifically, he required the government to “prepare and enforce a general economic plan, containing a system of purposefully applied controls and impulses to get development started and keep it going” (idem, p. 80). Moreover this plan had to “increase the strength of the spread effects of the development impulses as between regions and between occupations” (p. 81) in order to lower economic inequalities.

Although TIMs acknowledge the existence of institutional dynamics, these are perceived as improving the market competitiveness of the local economy. The view of development within TIMs approach is instrumental, in which economic measures and growth bring about well-being and quality of life. Social development is functional to growth. Besides, TIMs are excessively focused on local resources, a “localist trap”, since they regard regional and local development strategies using endogenous resources as the appropriate answer to the uneven and unequal consequences of globalization and power strategies of global players (Moulaert and Sekia 2003, Moulaert and Mehmood 2008, 2010).

Hadjimichalis (2006, p. 693) acknowledges the advantages of including non-economic factors in TIMs, saying that “in a context of sterile and economistic analysis, they have contributed considerably to opening new windows of research in critical geography and regional analysis and many of their arguments are well founded. Although these approaches may not deny the forces of the capitalist space economy (the drive to accumulate, technology and labour power, prices and profits), they don’t explicitly acknowledge them or take them on board and so they tend to discuss non-economic factors and institutions as autonomous forces shaping development” (Hadjimichalis 2006, p. 693).
In this sense, regional development models have been refocused from redistribution to competitiveness. Since the dominant line of thinking is that of TIMs, in regional development we moved from Myrdal to TIM.

4.5.1 New regionalism and Territorial Innovation Models

Scholarship on ‘new regionalism’ has dominated regional studies since the mid-1980s (Yeung 2009). The New Regionalism, according to Gordon MacLeod (2001, p. 807), “has rapidly gained currency as a shorthand to describe the work of various scholars, mainly but not exclusively based in North America and Western Europe, who have highlighted the significance of the region as an effective arena for situating the institutions of post-Fordist economic governance”. Pike, Rodrígues and Tomaney regard new regionalism as connecting to “the renewed emphasis upon the region as the locus for economic, social and political action and the roles of institutions in local and regional development” (Pike et al. 2006, p. 130).

Paasi (2009) contrasts the ‘new’ with the ‘old’ regionalism, i.e. ‘new’ initiatives of integration that took place after World War II in Western Europe, which in his opinion, do not refer to the ‘old’ traditional cultural and literary regionalism of the nineteenth century to the 1930’s (Paasi 2009, p. 127). Paasi affirms that while the old regionalism emerged along with the rise of European integration, the new regionalism has gained space in the context of globalising region systems. Keating (1998) argues that the rise of regionalist politics in the second part of the 1970s was not an expression of any return to anti-modern old provincialism or to the cultural roots of regionalism. Rather new regionalism was seen as an instrument in an emerging territorial economic policy.

New Regionalism considered the re-emergence of the region as a unit of economic analysis and the territorial sphere most suited to the interaction of political, social and economic processes in an era of globalization (Tomaney and Ward 2000). New Regionalism reintroduced institutional dynamics and non-economic factors in regional development analysis, nevertheless, in a rather naïve form (Lovering 1999); as exemplified by Wheeler’s thought “the implementation of new regionalist concepts is likely to come not through top-down regional government, but through incremental development of social capital, institutions, ad hoc partnerships, and frameworks of incentives and mandates between existing levels of government” (Wheeler 2002).
“Some obvious candidates” of the ‘label’ New Regionalism according to MacLeod (2001) are the following authors and their respective main subjects: Scott’s (1996; 1998) assessment of regions as indispensable ‘motors’ in the emerging global economic order; Storper’s (1995; 1997) decoding of the region as ‘a nexus of untraded interdependencies’; Cooke and Morgan’s (1998) examination of a networked, ‘associational economy’ within certain European regions (Cooke, 1997; Morgan, 1997); Saxenian’s (1994) comparison of regional advantage in the Massachusetts Route 128 district and California’s Silicon Valley; Florida’s (1995a; 1995b; 1996) US-based arguments about innovation-mediated foreign direct investment, technology transfer and a concomitant rise of ‘learning regions’; Scandinavian analyses of ‘proximity’ in the enactment of learning within firms (Malmberg and Maskell, 1999); and Amin and Thrift’s (1994) broadly encompassing framework for assessing the ‘institutional thickness’ of cities and regions (MacLeod 2001, p. 807). While Lagendijk understands that the history of conceptual flow in regional thinking as starting from Massey (1984) who pioneered the understanding regional development in relation to extra-regional processes (Lagendijk 2006). Massey argued that regional development needs to be examined in the light of changes in the organization of production and the overall economic system.

New Regionalism’s departing point is an instrumental view of development that privileges economic measures. Its interest focuses on success and how it is reproduced in paradigmatic regions. References are made to the dynamic performance of ‘new industrialized spaces’ and to the ‘resurgent regional economies’ of ‘Third Italy’, Southern Bavaria and South Wales, of places in Denmark and Norway, of Silicon Valley, of Los Angeles and Paris and of many others. Despite important differences among these places, they have been used as paradigmatic examples for the introduction of analytical and policy oriented concepts such as ‘networked firms and regions’, ‘industrial clusters’, ‘learning firms and regions’, ‘innovative firms and regions’ and ‘endogenous or local development’.

Costis Hadjimichalis (2006) in his “sympathetic critic” of New Regionalism gives a good summary of the ideas underpinning it. He affirms that despite major differences in approaching success regions, they seem to agree that a distinctive feature of these places and regions is the embeddedness of certain non-economic factors such as social capital, trust and reciprocity based on familiarity, face-to-face exchange, cooperation, embedded routines, habits and norms, and local conventions of communication and interaction, all of
which, in turn, have a key role to play in successful endogenous regional development. It is argued that these social and cultural relations serve to reduce uncertainty among local economic actors by providing tacit or collective knowledge, and by sharing risks. These approaches conclude that these relations are ‘relational assets’ which are not tradable, nor are they easily substitutable, since they draw on the social properties of local networks in which economic agents are implicated (Hadjimichalis 2006, p. 692-3). The origins of these arguments can be traced in Putnam’s work on Italy (1993) that conceptualizes non-economic characteristics under the term social capital, in Porter’s work on clusters (1998) and Amin and Thrift’s (1992) concept of ‘institutional thickness’.

Moulaert (2006) finds that the conceptual superficiality of the TIM literature is a consequence of several factors such as the immediate links with regional economic competition policy (many TIMs were written to legitimize it), the general trend in today’s scientific practice of ‘fast theory building’ and the confusion of analytical theory with normative modelling. In fact, as already Myrdal wrote about mainstream economics, in TIMs idealized categories are used to analyse development that tend to “turn all too easily into political ideals” (Moulaert 2006, p. 21). Besides the advantages of including non-economic factors, there is a risk in New Regionalism: “the interest behind this awareness is highly contested in that it uses a new language which often results in de-politicizing critical concepts and de-economizing economics” (Hadjimichalis 2006, p. 693).

This New Regionalist cross-cultural perspective on the value of social capital, trust and reciprocity is fine to communicate the ‘social’ aspect to “the world of development experts”, who are usually economists. But this way of admitting the social idea into development, as Arce (2003) argues, appears to be a powerful means of justifying economic neoliberalism. He affirms it is needed to re-approach the social as a conceptual category in order to consider the social not simply as an epiphenomenon of economic development, but as a social sphere in its own right (Arce 2003). The main assumption, central to the conceptualization of New Regionalism, is that social interactions are conflict-free and can mobilize resources for the benefit of the entire community. In this respect, the context is depoliticized, liberating us from politics but not from economics.

Furthermore, the new regionalism appears to leave out a lot in terms of what actually drives regional economies in any given context, not the least of which is the continuing role of the national state in many countries as employer and de facto animator
of regional development through, for example, expenditures on defence activities and investments in infrastructure, healthcare, education, and the like (Ward and Jonas 2004, p. 2119-2120).

4.6 Regionalization in the European Union

Theory is not detached from practice; the process of regions gaining importance as observed in the new regionalist literature had its counterpart in policy. Regionalization was also fostered by social and political actors, notably at the European level. This section aims at showing that the institutions of the EU actively interfere in the process of regionalization and emergence of regional spaces in Europe, thus changing and shaping European geography. The European Commission deliberately promoted the regions as stronger and more influential scales. It promoted regionalization with soft measures; and the Structural Funds have been a crucial tool for this purpose. This is the view of the notable German scholar Ingeborg Tömmel, whose work is extensively used in this section, due to her vast work on the history of EU funds and intergovernmental relations on the EU multi-level governance (Tömmel 1994, 1997, 1998, 2002, 2008). On the regionalization process in the EU, Tömmel states:

“*The new role assumed by regional governments and authorities in the European Union (EU) system has emerged neither by itself nor by global moves towards decentralization, but has been actively triggered by the European Commission (…) because of the constraints at European as well as at regional levels on extending formal powers for implementing structural or other new EU policies, these developments could only emerge and proliferate through enhancing informal or under-formalized processes and procedures of decision making and policy implementation*” (Tömmel 1997, p. 414).

European regional policy, especially Cohesion Policy, gained in importance over time. The successive EU enlargements helped not only to advocate Lisbon competitiveness but also to improve the possibilities of action of the Commission, which got more member states as allies due to their interest in receiving Structural Funds. The regional cohesion policy has helped to reduce the socio-economic disparities between core and peripheral areas, says Leonardi (2006), for the less-developed countries that have recently joined the Union; the real attraction for entering the EU is not limited to full
access to the Single Market, but is also tied to participating in the Cohesion policy as a means of spurring a sustainable pattern of economic growth in the medium- to long-term.

This contributed to give power to the European Commission, however by means of soft measures. As Tömmel puts it:

“The structure of the political system will not be altered by implementing incisive reforms; but rather by making use, on the basis of existing power relations, of new forms and strategies of pooling the highly dispersed power resources of many divergent actors in order to achieve certain policy goals. With regard to the dominant mode of regulation in the EU system, new policy instruments will be ‘invented’ and further improved by the use of ‘soft’ and indirect mechanisms of exerting power and influence, instead of relying on ‘classical’ authoritative state intervention. In other words, the political system of the EU will be transformed through flexibility in the behaviour of, and the relationships between, governmental levels; the mode of regulation will be transformed through an increased use of market- led or market-like policy instruments” (Tömmel 1997, p. 414-5).

In this sense, the European Commission advocates flexibility in policy making and implementing, thus identifying with the stereotyped ‘market-like policy instruments’ as being flexible and efficient and promoting this type of policy as the best to be adopted. For achieving this purpose, it is aimed at the regional level, which presents less conflict potential, since the costs of altering formal mechanisms with member states would be too high. Therefore the Commission acts in the ‘shadows of power’ (Hillier 2002). It is a system with “weak institutions”, but “strong actors” (Tömmel 2008, p. 57)

Nevertheless, besides all the efforts to promote a new role in the European scenario to the regional subnational governments, there is a contradiction in the interpretation of the political weight of regions. Despite the strengthening of their role, however, in terms of formal powers, the position of the regions remains weak. This is, according to Tömmel, because regions have at best acquired advisory functions which are limited to well-defined issues with regard to EU decision making. Formally, regions remain with limited power, since the regions’ interaction with the Commission is more silently tolerated by national governments than formally acknowledged (Tömmel 1997, 2008). Regional offices in Brussels are not an active part in policy making, although they have growing influence, they are rather private lobbyists than official public representatives (Moore 2008, Tatham 2008).
Focusing on these dynamics, this section first presents a historical contextualization of the relations of regions and the European Commission, analysing the main policy measures of the transformation of this relation. A historical approach of the process of regionalization in Europe with an examination of actors, power relations and its impact on the map of uneven development is required for the analysis of cross-border regions.

### 4.6.1 EU-regions relations: Cohesion Policy and soft policy measures

The role of cohesion policy in the intergovernmental relations at the European level is unarguable. “EU cohesion policy is ‘own ground’ of the multi-level governance of EU” (Bache and Flinders 2004, p. 10). Michael Keating (1998, p. 47) sets the context of the emergence of cohesion policy in Europe (referring mainly to western Europe), in which a redistribution mechanism was central.

“Regional questions came back onto the political agenda from the late 1950’s in the form of regional development policies, largely managed by central governments. In an economic context of generally full employment and growth, regional economic problems were seen as a marginal issue which would be addressed by specific policies aimed at integrating depressed regions fully into national economies. (...) [Regional economic development policies] tended to be rather centralized in conception and administration and conceived of as an integral part of national policy in search of balanced development” (Keating 1998, p. 47-9).

Regional policy was essentially “firm-centred, standardized, incentive-based and state-driven” (Amin 1999, p. 365). Old declining spaces of heavy manufacturing were to be revived through the diversion of industrial activities from other regions (Pike et al. 2006). These policies sought to address spatial disparities by guiding investment from developed areas to lagging regions with underused resources.

However, in a time of Fordism and Keynesian policies, state coordination was fighting against uneven development; at least this was aimed at. In the words of Armstrong (2001, p. 23), “regional policy was created because of the fear that in the absence of appropriate accompanying policies, market forces will not of themselves be sufficient to eliminate regional divergences, but rather the reverse”. For Liesbet Hooghe, (1996, p. 89), Jacques Delors, at the time president of the European Commission,
“launched the cohesion concept in 1986\textsuperscript{16} as the counterpart of the free market”. In Delors’ conception, cohesion had a double loading. It represented “a novel policy rationale to deal more effectively with the old problem of regional economic disparities, but also held a promise to involve subnational actors more openly in European decision making. […] Hence, subnational mobilization was crucial to its success” (Hooghe 1996, p. 90).

In this sense, although the objectives of regional policy can be traced back to the Treaty of Rome in 1957 (Bachtler and Méndez 2007), and the Directorate-General for Regional Policy of the European Commission was created in 1968 (CEC 2008f), only in 1975 the European Regional Development Fund (the main structural funds policy instrument) was launched. Nevertheless, it remained to all intents and purposes a ‘national’ policy, financing pre-determined projects in the Member States with little supranational or subnational influence (Bachtler and Méndez 2007, Tömmel 1998, 1997), since Member States were reticent about a Community role in the recognised need of regional policy to counteract imbalances of integrating markets (Faludi 2009). In this sense, the main aim of the policies introduced at the European level with the establishment of the Regional Fund in 1975 was improving regional economic development (Armstrong 1978).

The policy framework started when the regional fund conceived a set of mechanisms directing the process of policy formulation and implementation in and through the member states. The introduction of the policy reflects, on the one hand, the weak position of the European Commission in terms of formal powers \textit{vis-à-vis} the member states; and, on the other, its capacity to initiate policy processes and to mobilize a wide variety of decentralized actors and agents for policy implementation without any concrete interference in what is termed ‘domestic affairs’ (Tömmel 1997, 1998, 2008).

Funds started as simple redistribution from ‘richer’ to ‘poorer’ regions. At that time, “Spain [has] emerged as the leader of the poorer states pushing for a Community anti-disparity policy” (Keating 2001, p. 6). “While Spain and member states would

\textsuperscript{16} On 24 June 1988, the Council agreed on a regulation which put existing EU funds into the context of ‘economic and social cohesion’, a term which the Single European Act had introduced two years earlier. Since then, Cohesion Policy has become one of the most important, influential and debated EU policies”, according to the DG Regio journal \textit{Inforegio Panorama} in the commemorative edition of 20 years of cohesion policy: (CEC 2008f, p. 40).
generally prefer simple intergovernmental transfers, the Commission has insisted so far that this would not be *communautaire* (in the spirit of European Unification) and that transfers must take the form of Community policy measures” (idem).

At the beginning – i.e. before and right after the 1989 reform – programmes elaborated by the regions were traditional, with the biggest part focusing on infrastructure investment, and the rest on business support and human resources development (CEC 2008f, p. 29). But the policy evolved, and a series of changes was implemented, mainly by initiative of the EU Commission. From the landmark reform of the Structural Funds in 1988, which marks the start of cohesion policy under such denomination, to the one of 2006 (for the programming period of 2007-13) there were four rounds of EU cohesion policy reform, involving four programming periods (1989–93, 1994–99, 2000–06 and 2007–13).

Throughout the reforms the Commission used mechanisms to gain influence. It started with the introduction of “innovative policy concepts” (Tömmel 1997, p. 417), but a landmark change was the introduction of ‘programmes’ instead of approval of single projects. The beginning of multi-annual programming, gave the Commission leverage for reversing traditional regional policies in the member states and for increasingly involving regional governments and authorities in policy formulation and implementation. “At the beginning of the 1980s ‘efficiency’ of Community instruments became an issue and their integration was sought for in a number of pilot programmes” (CEC 2008f, p. 8).

Moreover, a precise procedure for elaborating programmes was introduced, which gave the regions a role in formulating the basic lines of complex, multi-sectoral, and, hence, multi-fund programmes and the responsibility for implementing the final ‘Operational Programmes’. This stimulated the regions to actively work as policy makers.

Because the Operational Programmes were to be implemented by the regions, this has been interpreted as provoking a need of decentralization in Member States. The role of national governments in the Structural Policy was reduced, being primarily performing a coordinative task in that they had to prepare, on the basis of the proposals of the regions, a single programme document, the “global plan’, and to negotiate funding with the Commission (Tömmel 1998). The Commission, on the other hand, directly negotiated the Operational Programmes with the regions, and negotiations opened up many opportunities
for influencing their elaboration and implementation. The Commission began taking part in planning and controlling. “In the long run, regions (and other decentralized agents) are forced to alter fundamentally their functions and performance in order to be able to fulfil the Commission’s demands and expectations” (Tömmel 1997, p. 419).

Therefore, the Commission was able to exert pressure on the regional governments and to command the agenda. It used this power to insert new measures into the programmes. For example while funded projects primarily focused on infrastructure, they began to include subsidy schemes for fostering SME and tourism development; the provision of advanced business services or of financial incentives for the use of such services; the creation of conditions for fostering financial engineering; and the creation of provisions for attributing Global Grants to non-state actors (Tömmel 1998).

The context of the 1988 reform involved the debate of the Europe of Regions. The objective of the reform was to empower subnational authorities in the European arena, including those from member states where they are extremely weak, says Hooghe. “By specifying how this empowerment should be organized, to achieve a uniform pattern of subnational involvement. It was an ambitious attempt to transform, in this policy area [cohesion], the Europe without regions into a Europe with all regions” (Hooghe 1996, p. 89-90).

The idea of a ‘Europe of the Regions’ came to the fore in the 1980s and early 1990s. According to Elias (2008), it was in response to innovative policy and institutional developments in European integration. Different subnational actors saw in these developments the potential for creating an alternative supranational framework for meeting their territorial and other policy goals. “Scholars of the European Union were also inspired to develop new theories and concepts for explaining decision making within a multi-level European polity” (Elias 2008, p. 483).

Many mechanisms introduced by the reform of 1988 remain active up to the current programming period (2007-13). One of those is the ‘partnership principle’, a mechanism for shaping the relationship between European, national and regional governments. Partnership, in the Council Regulation, means “close consultations between the Commission, the member states concerned and the competent authorities and bodies at national, regional, local or other level with all parties acting, as partners, in pursuit of a
common goal” (CEC 1988). It gave official voice to the Commission and sub-national governments in the policy process, institutionalizing their role. Moreover, the Commission improves its own position as the only additional source of funding and because of its growing roles in directing negotiations and bargains through informal procedures and indirect means.

For Tömmel, the formulation of the Council Regulation, which not only determine the participants in multilateral consultations, but also shape their behaviour by saying that “all parties acting, as partners, in pursuit of a common goal”, clearly neglects the fact that the parties often pursue very divergent and conflicting goals, and it also suggests that all parties are in more or less equal positions. “Real power relations – that is, the fact that national governments have at their disposal the strongest resources (authoritative and financial), whereas the regions, particularly those without governmental status, only possess a capacity to implement policies—are disguised behind the image of equal cooperating partners” (Tömmel 1997, p. 419).

Another measure that changes the relative power in multi-scalar relations within cohesion policy was the creation of monitoring committees for each programme.

“Through these committees, the power relations between governmental levels in policymaking are silently altered. First, the Commission gains a say in the process of policy implementation, which is normally the exclusive task of the member states. Second, a great deal of the monitoring and control functions is delegated to the regions themselves; thus their capacity for self-regulation and control is enhanced. Third, national government’s overall control is significantly reduced, it only having a role in joint decision making among partners. Fourth, responsibility for programme implementation is partly devolved to independent experts in the field and, therefore, to nongovernmental actors” (Tömmel 1997, p. 419).

This opened the door for the participation of ‘experts’ in policy implementation. This tendency was reinforced by the 1994 reform of the Structural Funds, in which the principle of partnership was extended to the economic and social partners in all decision making procedures at European, national, and regional or local levels and in all phases of policy implementation (CEC 1993, Article 4). With this reform, other implementing institutions, especially business agencies participate in policy implementation, and later on, in the planning process of operational programmes. Regions also increasingly relied
on external consultants to cope with their lack of capacity in designing and implementing programmes (Tömmel 1994).

The strategy of devolving public decisions and tasks to private or non-governmental actors and agents further enhanced the role of regional governments and authorities. The envisaged public-private partnership has to be organized primarily at the local level, that is, at the level of implementation. Although it is a contested strategy, for the risk of enhanced possibility of co-optation of local governments by political elites, it follows the already consolidated “principle of ‘subsidiarity’, which states that matters should be decided at the lowest level possible. This principle is often invoked in discussions about the EC. For Keating (2001, p. 12) its application would “require a substantial devolution to the regions of both national and Community power. This is, by and large, the position taken by the Commission”. It is worth noting that “in centralized states, without regional institutions, it is extremely difficult for regional interests to articulate their demands” (idem).

Another long lasting innovation of the 1988 reform was the establishment of ‘Community Initiatives’, which includes the cross-border cooperation INTERREG Community Initiative, furthered in the reform of 1994 and transformed into the objective “Territorial Cooperation” for the period of 20076 onwards (CEC 2008f). This allowed the Commission to influence policy making, altering both the content and procedures of regional development policy (Tömmel 1998).

As a consequence of the new Community Initiative, policies such as fostering technological innovation; tourism development; improving environment, transport and energy infrastructures; and stimulating small and medium-sized enterprises (SMEs) are regarded as indispensable pillars of a comprehensive regional-development strategy. In 1994, the Cohesion Fund was created (CEC 2008f). Because of the integration of the Structural Funds, various forms of vocational training, including job creation, as well as a broad range of measures aimed at innovations in the agricultural sector also figured under the ‘regional development’ label. At the level of policy measures, new ways of providing facilities to SMEs of all sectors in the respective regions, particularly in the field of advanced business and financial services, are being launched in order to improve their competitive position (Tömmel 1997, p. 421).
These initiatives were successful because the Commission ensured particularly favourable conditions compared with those of the ‘regular’ procedures within the framework of Structural Funds, as no prerequisite of co-financing and extension of the covered area to regions on the outer border of the EU (which at the time allowed the inclusion of regions of Eastern European countries bordering EU members such as Austria and Germany), and the possibility of nongovernmental agencies to submit proposals directly to the EU for the so called ‘Pilot Projects’.

“On the whole, the innovative policy concepts of the Commission as manifested in Community Initiatives and Pilot Actions have strong mobilizing effects on regions and other non-governmental actors. First, regional actors and agents are encouraged to embark upon innovative policy concepts; second, they are forced to alter procedures of implementation; third, they are encouraged to engage in cross-border or in trans-national cooperation. The implications of this strategy are that regions and other actors increasingly act independently of national policies, national regulations, and administrative practices. Their perception of problems and possible solutions is being transformed by learning from partners in other countries. They tend to create structures of implementation outside of or alongside traditional hierarchies within national political systems. In addition, they jointly formulate and elaborate European-wide perspectives and strategies for development.” (Tömmel 1997, p. 423)

**Regional representation at the EU level**

Summing up, to enhance its own power, the Commission set out a policy-framework-and-implementation strategy of valorising the regional scale and involving the regional governments with soft mechanisms. Bachtler and Méndez (2007) contend that some scholars are highlighting a continuous trend towards policy ‘renationalization’ since the landmark reforms of 1988; however, they conclude “that the role of national governments (relative to the European Commission) in key decisions on the implementation of cohesion policy has been exaggerated in the literature and that important arguments underpinning the ‘renationalization thesis’ are flawed” (Bachtler and Méndez 2007, p. 536)

Regions responded to the changes promoted by the Commission, showing they are sensitive to financial incentives provided by the EU to the extent of willing to adapt and change their procedures, strategies and relationships to EU criteria and are increasingly
engaging in horizontal cooperation, mainly cross-border transnational. Moreover, regions increasingly engage in interest articulation and representation, particularly at the national and European levels.

Regions started to represent themselves in the EU. Tatham (2008) identifies six main opportunity structures available to regions: the Committee of the Regions, the Council of Ministers, the Commission, the European Parliament, regional Brussels offices and European networks and associations. Although the first official channel of representation was with the establishment of the Consultative Council of Regional and Local Authorities in 1989, which evolved into the Committee of the Regions in 1993 (Tömmel 2008), the most striking response of regions to their increasing role in European decision making was the establishment of regional offices in Brussels (Hooghe and Marks 1996, Jeffery 2000).

In their comprehensive study, Marks, Haesly and Mbaye clarify that:

“The first such offices were set up by English local authorities and German Länder in 1984, and for several years they went virtually unnoticed. In 1988 there were 15 such offices. By the end of 1993, the time of the first systematic survey of such offices, there were 54. Today [2002] there are over 160. Such offices serve no official EU function. They are not mentioned in the treaties; they play no formal role in the policy process. They are part of the subterranean political world of multi-level governance that lies beneath and beyond EU treaties” (Marks et al. 2002, p. 1).

The primary functions of these offices are twofold: first, they transfer information from Brussels (and particularly from the Commission) to their home regions; second, they articulate the specific interests and formulate the policy proposals of the regions at the European level (Marks et al. 2002, Moore 2008, Tömmel 1997, Hooghe 1996). Nevertheless, they all try to ‘sell’ their region at the European level and also provide information and know-how to private companies in their home region.

The question of regional inequalities

A recurrent issue throughout Cohesion Policy since the Treaty of Rome in 1957 is its function to reduce spatial inequalities. The special thing about the Structural Regional Policy of the EU is that it consists of a new type of redistributive policy on the supranational level to more direct and deeper regulation policies, which were dominated before
by the member states; therefore it can have intensified systemic results (Tömmel 2002, p. 40).

European regional support has grown parallel with European integration. Rodríguez-Pose and Fratesi (2004) in a deep study of the impact of the Structural Funds found that the EU funds targeted at achieving greater economic and social cohesion and reducing the disparities within the European Union have more than doubled in relative terms since the end of the 1980’s, making development policies the second most important policy area in the EU (behind the Common Agricultural Policy). They say:

“In budgetary terms, development policies have grown from representing a mere 10% of the European Communities budget and 0.09% of the EU-15 GDP in 1980 to more than one third of the budget and 0.37% of EU GDP, as average of the period 1998-2001 (...). there was a failure so far of development policies to fulfil their objective of delivering greater economic and social cohesion on Objective 1 regions” (Rodríguez-Pose and Fratesi 2004, p. 98).

The redistributive character was a motto in the reform of 1994, consolidated by the Treaty of Amsterdam and the creation of the Cohesion Fund by this Treaty. Article 158 of the Treaty states “The Community shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions and islands, including rural areas” (CEC 1997). However, the result of the reform in actually promoting convergence is contested. Martin (2009) says it is partly because the Treaty of Amsterdam is vague. Martin says it is “broad because it could be interpreted as reducing inequalities between countries or between regions inside countries” (Martin 2009, p. 239). In his opinion, regional policies in Europe have led to a process of convergence between countries, but not between regions inside countries. He uses evidence from France to show that transfers aiming at cohesion may have produced convergence in income, but have enhanced the regional inequalities in production (idem).

This is confirmed by Becker, Egger and von Ehrlich (2010), who affirm that intra-regional disparities within NUTS 2 regions are not tackled by the Structural Funds. “Whereas some relatively rich NUTS3 regions may receive EU funds because their NUTS2 mother region qualifies, other relatively poor NUTS3 regions may not receive EU

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17 Objective 1 Regions are the poorest regions in EU, i.e. those regions in which the GDP per capita is below than 75% threshold of EU average.
funds because their NUTS2 mother region does not qualify. We find positive growth effects of Objective 1 funds, but no employment effects” (Becker et al. 2010, p. 580). This is partially because “even at the European level there is no consistent territorial definition of a region. The EU Commission uses the NUTS system, with three levels, but these are mere aggregations of national units and in the implementation of its own regional policies it uses a whole range of territorial units according to the tasks at hand” (Keating 1998, p. 80). For Paasi (2009, p. 130), statistical NUTS regions are crucial in creating the vision of ‘the Europe of regions’ and far from being meaningless, the location of regional boundaries can prove of huge economic importance in regional policy. Therefore, inequalities among regions can be understood in different ways, and manipulated according to different interests.

Community policies have an uneven regional impact, says Keating (2001). “The neo-liberal bias of many Community policies may serve to exacerbate regional disparities (…) Regionalisms in fact differ in their character as well their strength, depending on the conditions in particular local societies and the impact of them of national and international forces” (Keating 2001, p. 6 and 9).

Even the greater role of the regions conferred by EU soft policy mechanisms reached the regions unequally. “Subnational authorities have been empowered, but there are significant differences among member states” (Hooghe 1996, p. 90). In their study on the regional representation offices maintained in Brussels by the regional governments, Marks et al. (2002) concluded: “We find that larger and better funded offices are most likely to assert political pressure as a goal, as are offices representing regions that are entrenched in their respective national polities. We also find that offices representing associations of local governments aim for political influence in the EU”. Despite over 20 years of cohesion policy, the map of uneven development in Europe continues to be striking.

**Recent developments**

At the end of the 1990’s the debate of the ‘Europe of regions’ was again effervescent due to the launch of the European Spatial Development Perspective – ESDP (Committee on Spatial Development 1999), an informal document approved by the Informal Council of Ministers of Spatial Planning of European Commission in 1999,
which aimed at promoting an European sustainable spatial development strategy. However, after that the Commission ceased supporting intergovernmental spatial planning (Faludi 2009).

Some scholars called this dynamic ‘the rise and fall of the Europe of Regions”\(^{18}\). In recent years, however, as the limitations for regional mobilization within the EU have become more apparent, the notion of a ‘Europe of the Regions’ has fallen out of favour. One unfortunate consequence of this has been that the regional dimension of European politics has become increasingly neglected (Elias 2008).

Eve Hepburn (2008) maintains that whilst many parties were cautious about Europe in the late 1970s, by the early 1990s there was a convergence of regional party support for a ‘Europe of the Regions’. This goal was advocated by minority nationalist and state-wide parties alike, causing the former to moderate their claims and the latter to strengthen their territorial demands. However, growing frustration with the apparent neglect of regional interests in the European project caused parties to revert back to earlier or more Euro-sceptical positions in the late 1990s, heralding the decline and fall of a Europe of the Regions.

Keating (2008) argued that whilst the EU has not turned into a Europe of the Regions, spatial restructuring continues apace, as part of attempts to deepen and widen the European polity. Territorial politics will continue to be a salient feature of European politics for the next quarter of a century.

The reforms of the Cohesion Funds setting the regulations for the period of 2000-6 and 2007-13 were marked respectively by the EU enlargement of 2004 and by the focus on jobs and growth commanded by the Lisbon Strategy. Both nevertheless kept and further enhanced the principles of partnership (including social and economic actors, with increasing role for the latter) and the multi-annual programming controlled by the EU Commission.

Possibly favoured by the inclusion of social partners in cohesion policy by the principle of partnership, the EU enlargements of 2004 and 2007 and the growing number of regions taking up the Structural Funds, the more recent reforms of the policy involved a broader debate. The ‘future of cohesion policy’ has been a central issue in the realm of the

DG Regio notably during the period of Danuta Hübner as EU Commissioner for Regional Policy (November 2004 to July 2009). Two issues launched by Hübner were much discussed: the consultations and publication of a Green Paper on Territorial Cohesion, and an independent report requested to Fabrizio Barca, known as the “Barca Report”. More recently, the “EU 2020” strategy is at the centre of the aims put forward by the new head of DG Regio, the Austrian Commissioner Johannes Hahn.

In 2007 the Commission launched a public debate on territorial cohesion when issuing the Green Paper on Territorial Cohesion (CEC 2008g). The debate showed territorial cohesion depends on improved multi-level governance and partnership, besides being largely associated with an integrated approach to development, which entails a better coordination of public policies and better account of territorial impacts. Above all, cooperation is required to overcome development gaps and to promote a territorial perspective on social and economic cohesion (CEC 2008a).

The central idea in the well known Barca Report is a move to ‘place-based’ policy. Bachtler (2010) clarifies that over the past two decades the concept of place-based policy acquired a new resonance in several policy fields, particularly in North America and Australia. When it got adopted by the OECD, it has also become more familiar to European policy makers, where the preferred spatial term has tended to be “region” rather than “place.” The concept has been used to describe not just a spatial focus within policy making but a strategic and integrated approach to governance with different institutional relationships. Fabrizio Barca summarises the approach:

“The policy concept singled out in the Report is the place-based development approach, what the OECD calls the “new paradigm of regional policy”, which has been experimented with in various parts of the world in the past two decades. Its objective is to reduce persistent inefficiency (underutilisation of resources resulting in income below potential in both the short and long-run) and persistent social exclusion (primarily, an excessive number of people below a given standard in terms of income and other features of well-being) in specific places. Places are defined through the policy process from a functional perspective as regions in which a set of conditions conducive to development apply more than they do in larger or smaller areas. This is, in the Report’s view, the appropriate and modern way to interpret the task set by the EU Treaty to promote “harmonious development” and to tackle “disparities” of regions and “regional backwardness” by means of cohesion (Barca 2009, p. XI).
The “EU 2020” (CEC 2010), launched March 2010, sets the EU’s growth strategy for a decade. It is structured around three axes: “smart growth”; “sustainable growth” and “inclusive growth” (CEC n.d.-a); having thus a strong emphasis on growth and, thereby, giving continuity to the Lisbon Strategy. “These three mutually reinforcing priorities should help the EU and the Member States deliver high levels of employment, productivity and social cohesion” (CEC n.d.-a). The five objectives to be reached by 2020 focus on employment, innovation, education, social inclusion and climate/energy, for which each Member State must adopt its own national targets.

### 4.6.2 New regional cross-border state spaces in Europe

The fundamental reshaping of the territorial organization of the state and the changes in governance, and above all the regionalisation put forward by the European Commission, contributed to the emergence of new cross-border regional spaces in Europe. Cross-border regions are territorial units that comprise contiguous sub-national units from two or more nation states, collaborations involving contiguous regions belonging to different nation states (Perkmann and Sum 2002). Deas and Lord (2006) call them ‘unusual spaces’ – not institutionalized, cross-border regions that are part of the socio-political construction of scales.

Yet “cross-border cooperation is the voluntary action of a selected group of regions rather than a characteristic of the EU system as a whole” (Tömmel 1997, p. 414). However, while Deas and Lord (2006) have mapped 146 cross-border regions in their study, the Association of European Border Regions counts at the beginning of 2011 over two hundred cross-border regions in Europe (AEBR n.d.).

The big – and growing – interest in cross-border regions is a consequence of the regionalization process fostered by the EU, clarified above. In fact, the most successful and effective initiatives and actions in terms of mobilization of lower level tiers were those directed at cross-border and transnational cooperation, says Tömmel (Tömmel 1997, 1998, 2002). The first Community Initiative in this field (the Interreg, launched in 1989) produced a wide response from regions and other nongovernmental actors. This happened since Community Initiatives and Pilot Projects were ‘experiments’ of the Commission and enjoyed more flexible procedures. Such initiatives benefited from favourable conditions compared to the regular programmes funded by the Structural Funds, having no need of
co-funding and an enlarged geographical scope (because regions on the external borders of the EU could participate).

A special programme was financing such external cross-border cooperation. The ‘PHARE CBC Programme’\(^{19}\) financed cross-border programmes with the candidate Countries of Central and Eastern Europe. A series of cooperation programmes was then initiated, covering the German border with Poland and the Czech Republic; Greece’s border with Bulgaria; as well as Denmark, Poland, and the Baltic countries. Austrian programmes with the neighbour countries started after its accession to the EU in 1995. Whereas the Interreg stimulated cross-border cooperation, the pilot projects stimulated trans-national networks. Because non-governmental actors operating at regional levels could apply, they have also engaged in creating cooperation networks: Chambers of Commerce, regional development agencies, Business and Investment Centres and others got involved in European structural policy.

Deas and Lord agree that the EU played an “orchestration of new European regions”, and identify three principal and interrelated drivers giving origin to the impetus for the creation of new regional territories in Europe (Deas and Lord 2006, p. 1848-9):

1. The first relates to efforts to reconceptualise European economic and political space, linked to the desire to make national boundaries more permeable and thereby improve the functioning of the single European market and help extend the process of the European economic and monetary union.

2. The Commission has sought to promote competitiveness across the EU as a whole, partly by encouraging policy-makers to turn their attention towards the creation of new internationally significant territories of economic dynamism which could complement existing areas in and around, \textit{inter alia}, London, Paris and, to a lesser extent, the \textit{Ruhrgebiet}.

3. Thirdly, there has also been a policy emphasis on the promotion of territorial cohesion, the diminution of interregional disparities and the reduction of peripherality.

\(^{19}\) PHARE was originally created in 1989 to help Poland and Hungary, which explains the name “PHARE” - “Poland and Hungary Assistance for the Reconstruction of the Economy”. However, the PHARE programme soon after became a ‘pre-accession’ programme supporting the Candidate Countries of Central and Eastern Europe (CEC 2003b).
partly in order to assist in harmonising economic space, but also linked to a worldview that sees the maintenance of social cohesion as a prerequisite for competitiveness.

The proliferation of “cross-border regions” stimulated border studies. For Anderson et al. (2003), the institutionalization of social sciences as academic disciplines was mainly accomplished in the same middle half of the twentieth century up to the mid-1970s which saw the world dominated by bordered nation states and their respective societies. Politics and society were contained within borders; the latter were not even regarded or negatively considered as a barrier to economic interaction.

However, despite the recent emergence and more studies, some integration across borders always existed. For Perkmann (2007b, p. 254), what is new is that the construction of cross-border regions (CBRs) has become a more or less explicit strategic objective pursued by social forces within and beyond border regions. In Europe, CBRs tend to be groupings of local or regional authorities integrated into or attached to the multilevel policy implementation networks constituted by European Union regional policy (Anderson et al. 2003). In North America, the building of CBRs is more closely associated with particular and issue-driven interests, and they appear more loosely organized with a variety of private and public actors involved (Blatter 2004). The first ‘official’ CBR, the EUREGIO, was established in 1958 on the Dutch–German border, in the area of Enschede (NL) and Gronau (DE) (CoE 2006, p. 9). In Europe, the first cross-border regions are also known as ‘Euroregions’, although many Euregios were established more recently in the wake of EU regional policy measures.

Perkmann argues that CBC (Cross-border Cooperation) is different of CBR (Cross-border Region), the latter means an outcome as institutional arrangement (Perkmann 2003, p. 168). CBC is defined according to four criteria: first, as its main protagonists are always public authorities, CBC must be located in the realm of public agency. Second, CBC refers to the collaboration between subnational authorities in different countries whereby these actors are normally not legal subjects according to international law\textsuperscript{20}. They are therefore not allowed to conclude international treaties with foreign authorities, and, consequently, CBC involves so-called ‘low politics’. This is why

\textsuperscript{20}This does not apply to the German and Austrian Länder or the Swiss cantons which have some rights to conclude international treaties with foreign authorities. In practice, this is of limited relevance, mainly because the main protagonists tend to be local authorities as CBC rarely involves areas with more than a few million inhabitants (Perkmann 2003).
CBC is often based on informal or ‘quasi-juridical’ arrangements among the participating authorities. Third, in substantive terms, CBC is foremost concerned with practical problem-solving in a broad range of fields of everyday administrative life. Fourth, CBC involves a certain stabilization of cross-border contacts, i.e. institution-building, over time (Perkmann 2003, p. 156-7).

The definition adopted by the Council of Europe\textsuperscript{21} states that cross-border regions are ‘characterised by homogenous features and functional interdependencies because otherwise there is no need for cross-border co-operation’ (CoE 2006). Perkmann criticises comprehensive definitions, and completes:

“To know whether a given object is a region or not according to a nominalist definition provides no insight into the regularities governing it. The point here is that the ‘regionness’ of a CBR cannot be taken for granted but has to be understood as the outcome of a process of social construction. Accordingly, a cross-border region can be defined as a bounded territorial unit composed of the territories of authorities participating in a CBC initiative as defined above. This implies that a CBR is not only understood as a functional space, but as a socio-territorial unit equipped with a certain degree of strategic capacity on the basis of certain organizational arrangements. (…) the existence of ‘commonalities’ is not a necessary element of a CBR” (Perkmann 2003, p. 157).

Anderson and O’Dowd define “regions that straddle state borders” as territorial units for which “regional unity may derive from the use of the border to exploit, legally and illegally, funding opportunities or differentials in wages, prices and institutional norms on either side of the border” (Anderson and O’Dowd 1999, p. 595). In line with this, Armstrong (2001, p. 30) argues “regions lying along the internal frontiers of the EC, or along the external border with non-members, face particular serious structural adjustment problems. Border regions frequently develop distinctive types of industry exploiting differences in tariffs, legal regulations, and break-of-bulk opportunities arising from the presence of a border. These industries are threatened by integration. External border regions face even more severe problems. Their trade is usually oriented towards non-members countries and must be slowly reoriented towards the EC”.

\textsuperscript{21} The Council of Europe (CoE) adopts the denomination “transfrontier co-operation”, which is derived from the French term for cross-border cooperation.
The Council of Europe understands that the substance of the undertakings entered into will consequently vary considerably depending on the type of territory and players involved, how long the co-operation arrangement has been in place and the resources available. “Such undertakings can range from political declarations without operational effect to the drafting of white papers or transfrontier charters setting out objectives and key projects to be implemented jointly over a 20-year period” (CoE 2006, p. 13).

For local and regional authorities, engaging in CBC means they enter a field long reserved for central state actors. For dealing with issues such as local cross-border spatial planning or transport policy, in the 1960s and 1970s various bi-lateral and multilateral governmental commissions were established without granting access to local authorities; the policy was top-down (Keating 1998). For Blatter (2004) this changed with cross border regions, which he understood as a bottom-up new statehood, instead of a top-down one.

Admittedly, CBRs allowed a rather minimal local foreign policy to develop, with the main emphasis being on tourism and on finding ways to access EU funding under the Interreg scheme (Allen and Cochrane 2010, p. 1086). The position of the CoE, on the other hand, strongly emphasizes the dependency of the national state, be it on devolution or legal framework as competences and international agreements. “The combined effects of their domestic law and, subsidiarily, international agreements on transfrontier co-operation concluded by the states to which they belong will determine their “room for manoeuvre” in respect of transfrontier co-operation”(CoE 2006, p. 14). They stress that Article 2 of the Madrid Outline Convention states that “transfrontier cooperation shall take place in the framework of territorial ‘communities’ or ‘authorities’ powers as defined in domestic law” (CoE 1980).

The principles of CBC, according to the CoE, involve assuring that CBC does not constitute an additional power; authorities must enter into co-operation solely within their common areas of competence. “Enforcement and regulatory powers – in town planning, for example – are excluded from the scope of transfrontier co-operation. Local communities and authorities may, however, agree to coordinate their policies and strategies in these areas in accordance with the domestic law applicable to each co-operation partner” (CoE 2006, p. 15-6). Local and regional authorities formalize the cooperation or not, depending on the legal framework of the nation states.
Challenges

Tömmel (1997, 2002) recognises that cross-border cooperation poses particular challenges at the stage of implementation because the participating regions have highly divergent political and administrative systems. Therefore, such cooperation programmes force the partner regions to create new and specific structures for joint decision-making and policy implementation. For these programmes the Commission has proposed joint management of funds. This far-reaching concept has, however, only been realized in a few cases. Furthermore, there is still some distrust between partners from different countries.

Moreover, since many cross-border cooperation are stimulated by the availability of Structural Funds to projects, the degree to which new regional forms take any concrete form beyond loosely articulated planning ‘visions’ must be examined (Nadin 2002).

A main challenge to CBRs regards the admitted absence of a ‘satisfying’ legal solution (CoE 2006, Perkmann 2003, 2007a). Therefore, local and regional authorities ‘have used all the existing legal structures available under domestic law, including some private-law ones such as associations, foundations or –in the European Union – European economic interest groupings (EEIGs)” (CoE 2006, p. 16). These are therefore “de facto” tools for transfrontier co-operation, but not ‘de jure’.

There are two existing kinds of private-law structures: (1) associations/foundations without links to the local/regional communities taken as operators or project managers on behalf of the cooperating authorities; or (2) institutions especially made up by the cooperating authorities which act as bodies for dealing with the cooperation arrangements. Establishing a joint independent transfrontier structure such as an association, foundation or EEIG is prompted by both practical considerations (outsourcing the management of transfrontier cooperation by entrusting it to a separate structure under their supervision) and symbolic ones (setting up a co-ordination body and representing the transfrontier area to the outside world) (CoE 2006, p. 18)

Cross-border problems are part of the daily life of border populations and should be tackled by local and regional authorities. However, the alleged ‘practical needs’ in a context of absence of proper legal instruments leads to the creation of outsourced agencies that are not subject to public control.
The result so far, regarding the legal arrangements of CBR, is in line with the soft policy measures employed by the EU described above. As Perkmann maintains:

“As Interreg is by far the most important source of funding for most CBC initiatives, they [regional authorities] must comply with the modalities set out in the EU regulations. Therefore, effectively, many CBRs function as implementation agencies for this specific type of transnational regional policy. […] It is symptomatic of European integration in the post-war period that the more legalistic approach favoured by the Council of Europe – proposing CBRs as formal politico-administrative entities – was later abandoned in favour of a more pragmatic and economically oriented approach within the context of EU regional policy” (Perkmann 2003, p. 155, emphasis added).

4.7 The Region as the locus of competitiveness

New Regionalism not only highlighted the significance of the regions as the arena for development, but it also turned the regions into the main locus for strategies of competitiveness. Scholars have contested this assumption criticising competitiveness as a modus of developing regions, affirming that this is a result of a neoliberalization of the state, and with studies that show that the simple devolution to regional level by itself is not enough for producing sustainable social development. This is the focus of this final section.

European politics and planning have witnessed a shift to economic ‘entrepreneurialism’ on the sub-state regional level in pursuit of “global” competitiveness, which has enabled the ‘recruitment of locally defined identities to strategies for competitiveness (Lovering 2006). Novy et al. (2009b, 2012b) have analysed the problem of competitiveness-focused development strategies in the urban local/regional space:

“Aaccording to this line of thought, cities are seen as competing peacefully, a competition with a human face, paradigmatic for inclusive liberalism, however without definition of who competes with whom – cities, city governments, or companies. The state is subordinate to business interests and must enhance the competitiveness of business and guarantee social cohesion. Social conflicts are dislocated from the antagonisms of capital and labour towards the cultural field” (Novy et al. 2009b, p. 3).

These dynamics are seen by Jessop as the rise of the ‘competition state’, which he describes as Schumpeterian: “First, regarding its functions for private capital, it is
Schumpeterian insofar as it tries to promote permanent innovation, enterprise and flexibility in relatively open economies by intervening on the supply-side and strengthening as far as possible their structural and/or systemic competitiveness” (Jessop 2006, p. 145).

This has been associated with an historical wave of creative destruction in institutional and regulatory structures (Brenner and Theodore 2002), and the respective adaptations in the state apparatus on all levels, together with a radical re-envisioning of the spatialities of both state and market. The new envisioning, according to Peck (2004) changed the ideological shape of the state:

“Beyond the clichés of more market/less state, the neoliberal script suggestively encompasses a wide range of proactive state strategies designed to refashion state economy relations around a new constellation of elite, managerial and financial interests. The outcome is not one of simple convergence towards a neoliberal monoculture, comprising a series of unified and fully integrated market orientated polities, but rather a range of institutionally mediated local, national and glocal ‘neoliberalizations’, between which there are telling interconnections and family resemblances. (...) During this period, the ideological shape of the state has changed dramatically, even if its size has not changed as much as neoliberal reformers would have us believe” (Peck 2004, p. 396-7).

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, p. 468f.). Capitalist market societies are the sole possible world order, markets and private property natural institutions. As Neil Smith put it: “as much as the neoliberal state becomes a consummate agent of – rather than a regulator of – the market, (...) [public policy] expresses the impulses of capitalist production rather than social reproduction” (Smith 2002, p. 427).

The relation between national state and subnational governments is constantly re-imagined. Part of this has involved a renewed interest in the regions as a scale for regulation and intervention, most notably as a means of exploring a set of issues around competitiveness, innovation and institution building (Jones and MacLeod 1999) but also sustainability and ecology. The result of this is that subnational scales are becoming increasingly important sites for a variety of neoliberal and social democratic regulatory experiments that attempt to rejuvenate capitalist growth (Lipietz 2003).
The thought underlining this is illustrated by Hudson: “Political power was – allegedly – to be devolved to regions to enable them to compete actively for capital investment as the route to economic prosperity. As all regions could successfully compete, all could be ‘winners’, and as a result regional economic inequalities could be evened out” (Hudson 2005, p. 619). This raised political actors’ expectations that regional devolution would lead to more even economic development.

Such claims, however, says Hudson, rest on a ‘surprising’ paucity of supportive empirical evidence as to the links between devolution, regional economic success and regional inequality. Rodríguez–Pose and Gill confirm this thesis with a study conducted on the effects of the structural funds in European regions entitled to receive Objective 1 Funds (Rodríguez-Pose and Gill 2004). Giordano and Roller (2004, p. 2165) reflecting on the evidence from a range of studies affirmed that “the common assumption (…) that greater regional autonomy has led to positive impacts upon economic well-being is a ‘somewhat bold claim’. Not least, this is because of the persistence of regional inequalities and uneven development despite regional devolution”. Giordano and Roller point out in relation to Spain, “creating regional government has done very little to narrow deeply entrenched and long-standing disparities between the relatively wealthier and poorer Spanish regions. Although it is fair to say that greater autonomy has helped to improve the economic fortunes of some of the poorer regions, at the same time it is the wealthier regions that have benefited relatively more from having greater autonomy” (Giordano and Roller 2004, p. 2179).

The run of regions pressing for autonomy and fostering competitiveness has led to “a ‘race to the bottom’ based on seeking to undercut competitor regions on cost as concerns with regional plans were replaced with regional strategies, premised on the assumption that there was no choice but to adapt to the external forces of globalization processes” (Hudson 2005, p. 619). For him, the social basis of economy being considered to take place at the regional scale is problematic; a multi-scalar focus would be more suitable, not least because of the legacy of the map of uneven development as a result of previous phases of capitalist development (idem, p. 621).

Regional devolution is part of the new multiscalar architecture of governance (Jessop 2002a). Jessop refers to three main shifts: (1) the internationalization of policy regimes; (2) the ‘hollowing out’ of the political system by the devolution of state power to
cities and regions; and (3) a selective shift of power and influence out of the state into organizations in civil society via a process of destatization. These shifts are linked to the emergence of new network concepts and networked forms of regional governance, policy formation and delivery, crossing the state/civil society boundary (Jessop 2002a, 2003, Jessop and Sum 2006).

Regional competition and the role of development agencies therein are the centre of an interesting study by Iain Deas and Kevin Ward (2000), which gives concrete empirical evidence of the ‘regional as site for competitiveness’ and its consequences. The authors say that instances of ‘successful’ economic transformation in economically ‘mature’ areas have been organised around regional networks of institutions, where the perpetual development of skills, technology and innovative working practices were held to develop most effectively around regionally-based networks of public and private institutions (Deas and Ward 2000, p. 277).

These arguments led to the empowerment of regional development agencies as single agencies with the capacity and legitimacy to orchestrate economic development, say Deas and Ward based on UK experience. These agencies would promote competitiveness.

“The emerging consensus — that competitiveness required the development of coherent regional structures — was also expressed through the development of ‘bottom-up’ regionally-based economic development partnerships, some in regions which had hitherto lacked any well-developed sense of regional consciousness. (...) The ‘incipient regionalism’ in England in the run-up to the establishment of Regional Development Agencies (RDAs) showed that competitiveness, not social exclusion or more broadly conceived economic development, must be the central element in the RDAs’ strategies; the design, formulation and introduction of policies must be non-bureaucratic and fluid; and the success of the agencies would in some way be linked to the ‘quality’ of their boards” (Deas and Ward 2000, p. 278-80).

The dynamics of the conflict in their UK case study was centred upon “attempts by local actors – local authorities, businesses, TECs, regeneration partnerships – to retain power and to express what are perceived to be distinctively local priorities under threat from absorption in broader regional agendas” (p. 281). Illustrating how business actors resisted the formation of “bureaucratic bodies”, they present how in the UK business
wished to restrict the extent of regional institution building to specialist executive agencies and resisted the formation of an elected chamber. They conclude that, although members of alliances at both levels [local/city and regional] often overlap, profound tensions exist between locally-based coalitions, on the one hand, and those based around regions, on the other (Deas and Ward 2000, p. 288).

In this sense, the process of production of space as shown in the various sections of this chapter points out that the mode of regionalization observed in Europe over the last two decades is increasingly neoliberal for it puts social issues as instrumental of economic ones.
5 Governance and Regional Spaces: a model to analyse Centrope

5.1 Introduction: a theoretical and methodological synthesis

The Centrope initiative is an attempt to establish, at the same time, a region and a mode of governance. It is a spatial as well as a political creation, whose study allows the understanding of socio-political-spatial transformations in Europe.

Because “very often similar labels describe different phenomena, or different labels refer to similar phenomena, which often leads to confusion and misunderstanding” (Börzel 1998, p. 256), this dissertation dedicated two chapters to explain the concepts which are important to the case-study comprehension. Notably, it aimed at clarifying the conceptualization of ambiguous and slippery concepts as ‘governance’, ‘region’, ‘state transformations’ ‘policy networks’ and others.

The previous chapters 3 and 4 contain the theoretical frame to analyse governance and regional development, which are key features of the case-study of Centrope. Chapter 3 explains political transformations, how social actors shape the political with their interests and how these are articulated. It also focuses on the state and its relation with private actors and how the public sphere is contested by actor competing.

Governance representing power struggles of actors willing to make their interest prevail over others has a territorial dimension and produces space. Chapter 4 is centred on how governance happens in space and shapes new geographies. It shows the process of shaping space in Europe, with the interplay of scales (spatialized multi-level governance), the emergence of regions and its conceptualization, types and formation of regional alliances and networks, the dominant style of regional development models. The chapter ended showing the resulting approach and view to regions currently prevailing in Europe, which understands the region as the locus of actors’ articulation and for development policies. However, a kind of policy that fosters innovation, growth and competitiveness usually to the detriment of social aspects and redistribution policies.
The aspects to be observed in the case-study analysis and the form to approach theories and empirical evidence were established in Chapter 2, which brings the methodological basis for this dissertation (which is composed mainly of Critical Realism and the methodology of the DEMOLOGOS research project).

The elaboration of the methodology and the study of governance and of the production of regional spaces together with a preliminary exploration of the case-study gave rise to a number of research questions to reveal the mode of governance and regional spatialization of Centrope. These research questions have been taken up, and therefore Chapter 5 bridges the methodological and theoretical foundations and the empirical story telling of Centrope, exposing the features that popped up from theory and methodology specifically to analyse the case-study.

Before we proceed to the empirical part, a brief synthesis is required of how the theoretical inputs employed can be used to grasp governance in new European spaces. This is the object of the following section. The third section focuses on an analytical model for studying Centrope, based on the research questions that emerged from the theory summarised above and on the methodology described in Chapter 2. The features of the analytical model of this chapter are later concretely taken up in Chapter 9, which contains the actor’s analysis of Centrope, and in the conclusive Chapter 10.

### 5.2 Governance and Regional Development, a rough synthesis

Governance and space are deeply intertwined concepts referring to complex socio-political processes. This dissertation aims at showing how the transformation of the political impacted on regional spaces in Europe. The red thread of this theoretical summary is sketched in Figure 5.1. It follows basically: enhanced societal complexity and the respective altered geography of state power produce transformed spaces with new relations among actors and neoliberal discourses and a new organisation of state apparatus. From this, democratic and accountability challenges emerge. Below is an attempt to (roughly) detail this red thread.

Governance came up with the decentring of some national state activities ‘downwards’ to subnational institutions, ‘upwards’ to international organisations, and ‘outwards’ to non-state organisations (Amin 2002, p. 396). State powers have been
dispersed, decentred and fragmented. At the core of this altered geography of state power are the privatization of authority, the shift from government to governance, and the proliferation of regulatory bodies (in the form of outsourced agencies and pools of ‘experts’). The state is now “said to operate in a multiscalar institutional hierarchy where the geography of state leverage is far more malleable and indeterminate than hitherto” (Allen and Cochrane 2010, p. 1071).

Territorial re-scaling involves the re-establishment of governance functions at a different scale. Each re-scaling process, therefore, can be said to involve the institutionalization of governance institutions at a new scalar level, and a new scale can only be efficacious if it gains a sufficient degree of institutional thickness (Perkmann 2007a, p. 256).

This establishment of governance functions at a scale points to a wholly reorganized state apparatus; one transformed by a reconfiguration of the scales that govern state power, which followed neo-liberal narratives, discourses and imaginaries that transformed the material reality. “In the hands of pro-devolution institutions – governmental and non-governmental – the projects amount to a politics of good management and the inculcation of a local managerialist culture” (Amin 2004, p. 36). 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.

In this evolving institutional landscape, the process of rescaling is thought to hold the key to a new geographical arrangement of powers. Regions are processes that gain their boundaries, symbolisms and institutions in the process of institutionalisation. Through this process a region becomes established, gains its status in the broader regional structure and may become a significant unit for regional identification or for a purported regional identity. This process is based on a division of labour, which accentuates the power of regional elites in the institutionalisation processes (Paasi 2009).
Figure 5.1 – Governance in Regional Spaces, a summary

Societal and State transformations, in the context of strengthening a neo-liberal ideology

Spatial and organizational changes in State apparatuses

Changes in the role and strategies of local governments

New modes of governance/accommodation of actors and their interests

New geographies for the articulation of interests: new scalar mobilization of actors

Neoliberal reformed State (on all scales)

Outsourced State: mushrooming of ‘autonomous’ public (development) agencies

Region as the locus of development policies: governments and capital making it the space of regulation and accumulation

Increased role of experts to the detriment of citizens’ involvement and traditional democratic forms

Regional Development Models that foster competitiveness

Challenge:
How to make these new governance arrangements and spatialities accountable and democratic?

Source: Author’s own elaboration
Regions have become particularly significant in the EU where both the making of the Union itself and the idea of a ‘Europe of regions’ are concrete manifestations of the re-scaling of state spaces and the assignment of new meanings to territory. Such re-scaling has also led to increased competition between regions; a tendency that results from both the neo-liberalisation of the global economy and from a regionalist response (Paasi 2009).

A precondition for this re-scaling is that social support is mobilized to provide resources and legitimacy for such territorial strategies; such support might be indirect, as in the case of formal jurisdictions where it is provided via institutions of representative democracy. The mobilization of social support is likely to go hand in hand with the construction of narratives and discourses interwoven with the material (inter)dependencies involved in rearranging and constructing scales (MacLeod 1999).

The new form of governance may come with government in a more inclusive way, which includes public consultations and civic voice. “The problem is that it is a restricted democracy which is envisioned, and not a politics of extensive empowerment for distributing power and responsibility well beyond the control of an elite entrusted with such work” discusses Amin (2004, p. 36). Many proposals for reform “appear as mini proposals of representative democracy”, in the form of proposals for elected regional assemblies, accountable regional elites and the incorporation of interests of different groups within the assemblies. “Nothing wrong with this”, says Amin, “but what is on offer is an imitative model of democracy, rather than an opportunity for a different and more expanded politics of place” (Amin 2004, p. 37).

Targets, criteria and soft policy measures are part of the way national governments and – above all – the European Commission interfere in the re-scaling process and scalar institutionalisation. EU Commission departments reach out through the circulation of priorities, funding arrangements and solutions, “yet they are encountered as a form of negotiable authority where the manipulation of agendas and the translation of possibilities enter into the play of forces” (Allen and Cochrane 2010, p. 1080).

In this context, the role of external consultants is of particular significance. They play a major part in constructing and shaping regional policy documents, legitimizing the ways in which regional programmes are developed. It is, however, important to recognize that they are engaged in delivering what the “regional” agencies want of them. That is,
they tend to confirm existing policy directions and sometimes give shape to them. The regionally dominant discourses are constructed by consultants but above all by the regional governmental actors. These experts are rarely from global consultancies, but specialize in providing support to organizations embedded in the region that may draw others within close reach to counter the political authority of central government actors. It is crucial to highlight the role of governments in fostering a neoliberal discourse, which ends up dismantling the state itself.

It is important to note that this dissertation is not a manifest against the participation of experts in governance. They are required in learning. The key point is that expert-based governance demands external accountability, and the latter comes from the participation of civil society in governance systems. Accountability also helps bureaucrats to keep focus on public interest, instead of favouring related actors of policy networks.

In this context, cross-border regional governance entails the challenge of democratizing its structures and making them accountable. This is especially complex due to the multifaceted relations in trans-national spaces, which are diverse per excellence, since regulation is not yet disconnected from the national container. Cross-border cooperation, in the words of Allen and Cochrane (2010, p. 1087) “show not only that it is increasingly impossible to disentangle the politics of the local, the regional, the urban, the national and the European, but also that this opens up new political possibilities for those previously apparently trapped at ‘local’ level”.

Centrope is a regional re-scaling attempt from a previous centralization led by urban and local/regional coalitions. Actors and powerful interests are able to act regionally, in a broadened territory, but there are actors from other spaces also involved. Within these considerations, the question emerges of how to analyse these dynamics empirically. Therefore the next section articulates the features to guide the analysis.

5.3 A model for analysing the Centrope case

To grasp governance and regional development in new European regions, an analytically “empowered” structure must be built. It must depict interests and interrelations in an arrangement composed of different scales. Therefore, the analytical model focuses on actors, institutional structures and their interactive power relations.
The basis to understand the mode of governance in regional spaces is to identify the relevant actors and examine: the roles of actors and relations in different networks, the communication strategies, democratic capacity, transparency and power density, especially regarding decision making and planning processes. More specifically, in line with the hypothesis displayed in Chapter 1, the following questions are to guide the empirical examination:

- Who are the actors (institutional and individual) involved in Centrope?
- What are the roles (official and discursive) that they play in Centrope?
- What resources do these actors possess (money, power position, connections to influential actors, relative positions in networks, knowledge, experience, etc.)?
- What are the interests these actors put forward? What do they want from Centrope and what are their strategies to achieve their aims?
- What are the relations and networks of these actors?
- What is the degree of institutionalization? Is it a social construction? By which social forces?
- Is there a Centrope regional identity? What is the kind of attachment to the territory?
- What is the ‘glue’ that keeps actors together in Centrope? What is the motivation behind? Is there a common aim or common enemy?
- Is Centrope a policy community, an issue network? How are the bonds/links/relations among actors, loose, close? Are the groups transnational policy networks?
- Which policies are focused?
- How are regional alliances anchored in specific state apparatuses?
- How do economic forces press the state to amplify its regulation space?
- Are there shared values (beliefs)? By persons or by institutions? What is the nature of this personalisation of institutions?
- Is there a struggle to design the kind of state space institutions?

- Which are the demands or pressures against democratization of regional institutions? Do actors wish to restrict the extent of regional institution building to specialist executive agencies and resist the formation of elected institutions?

- Who presses for expert-based governance? Do businesses prefer the executive agencies that are more flexible and respond faster to demands or is this an initiative of governments?
6 Austria’s and Vienna’s strategies in Central and Eastern Europe

6.1 Collectively contextualizing Centrope

Centrope is a region with no constitutional status, but a long history. This chapter focuses on the regional history to analyse the spatial arrangements of socioeconomic development in Vienna, which has been at the centre of changing territories, belonging to various territorialities and accommodating different types of political-economic regulations. The chapter is an edited reproduction of parts of the first compilation of the study conducted within the Demologos research project, which we internally called “the long version of the case-study”\textsuperscript{22}. It was authored by Andreas Novy, Lukas Lengauer\textsuperscript{23} and myself. The three of us have written the research results of DEMOLOGOS case study of Vienna, which was centred in Centrope. Therefore this chapter of my dissertation is in fact authored by Andreas Novy and Lukas Lengauer as well, notably Andreas Novy for the specific part here reproduced. A shortened version of this ‘long’ compilation was submitted to Demologos partners, management and sponsors in 2007. Extra reviews and further shortening were made over the latter to compose a final publishable short version, which will be a book chapter (Novy et al. 2012a). This dissertation chapter differs from the forthcoming book chapter, since the first was edited by me, while the latter was revised together with Novy and Lengauer and included revisions that were suggested by the book editors.

This chapter brings the historical background of the emergence of Centrope, aiming at illuminating the historically founded relationship between emerging territories and new socioeconomic institutionalisations with a focus on Central Europe. The heart of the analysis is Vienna and its regional context which must not be limited to the Austrian nation-state, a construction of the 20th century, but expanded to a broader region,

\textsuperscript{22} The case study selected as the ‘Vienna case’ was Centrope, which was at that time (2006) already the case-study of my doctoral studies. The empirical work and writing of the results regarding the Centrope case was conducted by me, while Lukas Lengauer worked on the economic contextualization and the research on the historical background was in the hands of Andreas Novy.

\textsuperscript{23} I am very grateful to Andreas Novy and Lukas Lengauer for allowing me to reproduce large part of our collective DEMOLOGOS work in my doctoral dissertation.
constituted through constant transformation and reproduction over centuries. It extends over four countries at the border of Western and Eastern Europe, forming a region that was divided into nation states with hardly any contact during the Cold War. To capture regional dynamics, the analysis must explore the origins of socioeconomic development, exposing the “path dependent linkages between different economic trajectories and broader social development” (Jessop and Sum 2006, p. 313) and reflecting on the theoretical and political implications of the socioeconomic transformations and new institutionalisations.

Initially an opening section (6.2.) analyses Vienna in the interplay of east and west, understanding it as neither east nor west, but rather as a semi-periphery. Sections 6.3, 6.4 and 6.5 are structured chronologically according to a periodisation based on the regulation approach (cf. Jessop 2005a), which has been previously applied to Viennese development by Becker and Novy by linking modes of development to changing territorialities (Becker and Novy 1999). The pre-Fordist socioeconomic development of Vienna took place in a multi-national mode of development with liberal traces, which became increasingly mixed with the visible hand of the state and large corporations. It will be emblematically analysed by focussing on the outward and inward-oriented ideologies and policies of Fin de Siècle Vienna, exposed in section 2.

Section 6.3 and 6.4 analyses the City of Vienna in the short 20th century, starting with World War I and extending until the fall of the Iron Curtain. Section 6.3 covers Red Vienna during the crisis-prone inter war period and the two fascist regimes, while 6.4 covers post war Fordism and Keynesianism with its specific Austrian moulding. Fordist development in Vienna evolved in the short 20th century and was conditioned by a national mode of development which created a national parliamentarian democracy and the national welfare state as main social innovations. This Keynesian National Welfare State accommodated the interests of labour and capital at the national level.

Section 6.5 is dedicated to the reorientation of Vienna towards the East after 1989 and the dynamics of Europeanisation which culminated in the EU-membership in 1995. The neoliberal counterrevolution undermined the national consensus of labour and capital and shifted power to the latter (Harvey 2005a), thereby ending the Fordist national mode of development. There is, however, disagreement as to what concerns the emerging spatio-temporal fix. Post-Fordist development which was boosted in Vienna by the fall of the
Iron Curtain has again led to a trans-nationalisation of the Viennese hinterland and a more complex relationship to its neighbours.

6.2 Neither East nor West: Austria as a semi-periphery

West and East are crucial mind maps in Western thought (Hall 1994). While the West defined itself as the centre and the norm, the East as the rest assumed different meanings depending on specific conjunctures. Europe, the Western part of the Eurasian continent, has been for long characterised by changing West-East cleavages. These have been structured by the relationship to Asia, be it in the Russian or the Turkish-Arabic part. After the defeat of the Roman Empire, the centre of civilisation shifted during the rest of the first millennium to the East with Byzantium as its centre, later on with the Ottoman Empire and Islam (Komlosy 1994, p. 286). The Orient is one form of the East in Europe. Charlemagne institutionalized another East-West divide delimiting a border that follows the rivers Elbe, Saale and Leitha, continuing in the Western part of Pannonia (Szücs 1990, p. 13), separating the Franco-Germanic part of Europe from the Slavic one, the latter representing a second form of the East in Europe, a border similar to the latter erected by the Iron Curtain.

The Carolin Empire created a Christian-feudal order which evolved out of a symbiosis of the Roman slave-holder latifundium and the German communitarian social organisation. Feudalism was an estate-based order of personal dependency resulting from a disintegrating central power (Szücs 1990, p. 27). Suzerainty was a vertically articulated political-economic system based on parcelled sovereignty and scalar, and therefore conditional, property (Anderson 1980, p. 410). This parcelled sovereignty went hand in hand with the constitution of a separate ideological order (Anderson 1978, p. 152), which integrated the region from above by means of the Church, with the Latin language and later on the Roman law.

24 In the western part of Europe, the Agrarian revolution with new techniques took place, overcoming the stagnating agricultural productivity: “the iron-plough for tilling, the stiff-harness for equine traction, the water-mill for mechanical power, marling for soil improvement and the three-field system for crop rotation” (Anderson 1978, p. 183) and the widespread use of oat and rye (Mitterauer 2004). Population in Western Europe more than doubled between 950 and 1348 from 20 to 54 million, life expectancy increased from some 25 years during the Roman Empire to 35 years by the 13th century in feudal England (Anderson 1978, p. 190).
But integration emerged from below as well: from the cities and the local estates. The main characteristic of the West was its unique separation of state and society (Szücs 1990, p. 20) – a separation that is until today at the core of liberal thought, but still in open contrast to actually existing real development characterized by an intimate relationship of socioeconomic and political power. The feudal multi-scalar order had more in common with decentralised governance than with republican sovereignty. The autonomous city emerged in the power vacuum due to the lack of a centralized political authority (Anderson 1978, p. 148), and laid the foundation of a unique form of urbanisation (Szücs 1990, p. 23, Anderson 1978, p. 195), and citizenship, surviving from antique Greek and Roman civilisation (Anderson 1980, p. 423). This permitted the spread of urban commodity production as an autonomous development within a natural-agrarian economy. “Thus a dynamic opposition of town and country was alone possible in the feudal mode of production” (Anderson 1978, p. 150). The mere existence of cities avoided regressive solutions of rural class struggle to the detriment of the peasants (Anderson 1980, p. 21).

Decentralized power permitted a plurality of languages and independent cities and contributed to the emergence of an order from below, which would become a fertile ground for democratisation and citizenship in the 19th century. But from the end of the Middle Ages onwards it led to territorial expansionism that resulted in the crusades, colonisation and Reconquista (Komlosy 1994, p. 281), based on a strong “capacity to conquest” of political unities (Hobsbawm 1990, p. 38). for some time Western Europe turned into the centre of the world economy (Braudel 1986).

Eastern Europe has been a much more heterogeneous region due to its border to the much larger Asian subcontinent (Nolte 2004) where severe battles between Asian nomadic invasions and the resident peasants took place. The region was confronted during centuries with invasions by Monguls, Tartars and other Asian nomadic people. Russia, the sentinel of Europe, had to bear the brunt of the attacks (Anderson 1980, p. 201). Only in 1480, the title “Tsar” or Emperor was arrogated to Ivan III and Russia started to expand, consolidating its centralist power in the Eastern part of Europe (Anderson 1980, p. 201), expanding to Asia in the 17th century (Braudel 1986). This is crucial to understand the

25 The southeast had Byzantine domination and later was the Ottoman Empire that ruled over a Eurasian territory, based on the unity of political and religious power (Anderson 1980, p. 397), the orthodox church was much more subordinated to political power than the Roman-catholic church. In the 10th century, the state of Kiev was founded by Swedish traders as a slave emporium which captured people of the Slav East, giving a new and permanent name to slaves: *sclavus* (Anderson 1978, p. 235).
centralist and authoritarian structure of the Russian state and society. It became the structuring model of state building in the East: militarization, bureaucracy, second serfdom of the peasantry, binding the nobility to the court, and, time and again, attempts at modernisation and enlightenment from above (Szücs 1990, p. 64ff.).

It was only in the 15th and 16th centuries that the East became a manorial economy, inflicting fights and tying peasants to its soil. It was the second – “Eastern” - serfdom in Europe, which lasted until the 18th century, following the first - “Western” - serfdom (9th to 14th centuries) (Anderson 1978, p. 255ff.). Surrounded by Russia and the West, Eastern Central Europe emerged as an “in-between region” (Szücs 1990) with elements from Eastern and Western Europe. It consisted of Poland, Prussia and the Hapsburg Empire which all have oriented themselves for centuries towards the West, but with difficulties to imitate the Western model. The countryside was much more sparsely populated (Anderson 1980, p. 223), the cities were smaller and less independent, nobility was larger and more influential (Szücs 1990, p. 51).

The crisis of feudalism was characterised by a scarcity of money and slumping prices of grains (Anderson 1978, p. 191ff.). The Hundred Years’ War and the Wars of the Roses reduced population dramatically, aggravated by Black Death. Attempts at reinforcing servile conditions, however, met with wild and violent resistance in the West. While revolts were defeated, rural wages increased rapidly (Anderson 1978, p. 202ff.). Abundant land boosted colonisation which was achieved by Western, to an important degree Flemish, peasants that insisted on their freedom from servile dues. “The peasants’ position was far better than it was in the West. Class distinctions in the East were less sharp” (Anderson 1978, p. 243). It was the Czech leaders Zizka and Prokop, Hussites, that founded the city of Tabor in the Bohemian hills near Austria which expresses “perhaps the profoundest cry for an impossible liberation in the whole history of European feudalism” (Anderson 1978, p. 250). After 15 years of resistance this millenarian movement with democratic and egalitarian traces was defeated.

While the absolutist state in the West compensated the nobility for the disappearance of serfdom, the absolutist state in the East erased former communal

26 It lacked “the specific Western synthesis between a disintegrating tribal-communal mode of production based on primitive agriculture and dominated by rudimentary warrior aristocracies, and a dissolving slave mode of production, with an extensive urban civilisation based on commodity exchange, and an imperial State system” (Anderson 1978, p. 213).
freedoms of the peasants and consolidated serfdom. A modern state was created to implement archaic forms of production (Anderson 1980, p. 195ff.). While at the end of the Middle Ages, in France one out of 100 was a noble person, in Hungary it was one out of 20 or 25. While in France one out of 10 was a *citoyen*, in Hungary only one out of 45 or 50 (Szücs 1990, p. 53).

For some time during the 16th century, the Hapsburg Empire (1282-1918) aspired towards a world empire by uniting the Spanish and Austrian territories. But this turned out to be too costly, resulting in its break up (Wallerstein 2004, p. 255). The empire covered large parts of the region between Western Europe and the Ottoman Empire and Russia and was internally structured by centre-periphery relations\(^{27}\). But in its struggle against the Ottoman Empire, military actions gave unity to the Austro-Hungarian Empire (Anderson 1980, p. 214). Hungary became definitively integrated into the Hapsburg Empire to better defend itself militarily against the Turks (Anderson 1980, p. 303). Therefore, the Hapsburg Empire combined elements of the East and the West under one dynasty for more than 600 years. It was a semi-peripheral territory (Wallerstein 2004), a typical case of underdevelopment and – from the second part of the 19th century onwards - strongly dependent on German accumulation dynamics (Cowen and Shenton 1996, p. 387). Politically, Austria ruled over the Western, Hungary gained control over the Eastern part and both over their respective nations. Economically, Austria and Bohemia were industrialized, whereas agriculture dominated in Hungary, and in the Eastern and Southern parts of the Empire.

Austria and Vienna are, therefore, privileged places to study socioeconomic development and its spatial implication, due to its specific form of uneven development at different scales. It allows critically evaluating existing approaches to socioeconomic development. Since the 16th century the East has been transformed into the agrarian periphery to permit Western European industrialisation (Komlosy 1994, p. 296). It was based on uneven socioeconomic development at different scales (Wallerstein 2004, p. 117) which, in Austria, has been strongly influenced by both Eastern and Western European elements (Anderson 1980, p. 299). But Eastern peculiarities are no deformations from a pure liberal model. They existed due to internal factors that inhibit eastern

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\(^{27}\) It was a dynasty, expanding more by intelligent diplomacy and marriages than successful military undertakings (Anderson 1980, p. 39).
modernisation due to a specific Western model that became the liberal paradigm of successful modernisation. The Central and Eastern European socioeconomic development has to be systematically related to the development in the West and to emerging new divisions of labour. The events after 1989, including the formation of Centrope, must be seen as a new round of peripheralisation (Berend 1996).

6.3 Vienna Fin de Siècle: Capital of a multi-national state

In the 19th century, Vienna was the capital city of the Hapsburg dynasty, its uncontested financial centre and an important industrial location which was specialised in the production of luxury goods for Eastern Europe, of transport equipment, and, later, of electro-technical equipment and mechanical engineering industry (Becker and Novy 1999). The Viennese financial bourgeoisie was part of the closely knit international high finance, which reached more or less every important corner of the Empire. Small-scale production was more wide-spread than in many West European industrial centres or in Prague, representing an important part of the electorate (Melinz and Zimmermann 1996, p. 23ff.). This multi-national state of the Hapsburg Empire went hand in hand with the implementation of capitalist social relations. Modernisation was a contradictory process in this large territory with severe cleavages in socioeconomic development, nationality and historical experiences.

6.3.1 The regional context

The multi-national space of the Hapsburg Empire (1282-1918) was constructed by force at a time when uneven development was accentuated by the spread of capitalist social relations. Two of the Hapsburg regions were border regions to the West, the Alp counties, including the Italian part, and Bohemia. But the whole of the Hungarian part of the Empire and large parts of Cisleithania belonged to Central Eastern Europe (Good 1986, p. 23). Austria’s mercantilism fostered development, but it was only in the 19th century that capitalist development gained momentum (Good 1986, p. 41). It was not possible to mobilize sufficient taxes for a strong central state and army (Wallerstein 1998, p. 270)\(^28\). Counter-reformation, by repressing the protestant nobility and merchants, was

\(^{28}\text{Austria aspired to definitively overcome its semi-peripheral position accessing the sea via Triest and Ostende (Wallerstein 1998, p. 272). But it was Prussia and not Austria that would achieve this objective, due to its major effectiveness in organising an integrated unitary state.}\)
an important element in restoring centralist power (Anderson 1980, p. 305), while at the same time resulting in brain-drain and increasing the cleavage to the modernising Western European countries and Prussia. Joseph II, the enlightened reformer who became the paradigmatic Austrian ruler of modernisation from above tried to liberate the peasants and limit the influence of the church and Magyar nobility. But soon after his death in 1790, reforms were cancelled, supported by the ruling class horror of revolutionary insurrections (Vocelka 2002, p. 117).

In Bohemia and Moravia, the Hapsburgs defeated the national movement led by the nobility decisively in the battle of the White Mountain in 1620. The autonomy of the towns was crushed (Anderson 1980, p. 204), most of the indigenous nobility was expelled or exterminated (Anderson 1980, p. 307ff.) – a unique phenomenon in Europe. It was substituted by a new cosmopolitan and Hapsburg-prone nobility (Szücs 1990, p. 81). Alienated from its ruling class, Bohemia became later the most bourgeois and modern nation in Central Eastern Europe. Prague became the second most important finance centre of the Empire (Good 1986, p. 98). In Hungary, Magyar nobility remained in power uncontested until 191829, identifying itself with the nation (Szücs 1990, p. 85), although more than half the population were officially denominated “Magyars not speaking Magyar” (Hobsbawm 1990, p. 97). After the costly military defeat of the Turks and the capture of Belgrade in 1718, Hungary became the centre of the Eastern part of the Empire, although economically subordinated. After 1849, it was nearly totally dependent on foreign, mainly Austrian capital (Good 1986, p. 99). Its rebellious self-image was in contrast to its state structure which aimed at compromise with foreign powers (Szücs 1990, p. 86) and depended on the Hapsburg to halt Ottoman expansionism.

It was in the “age of capital” and Austrian neo-absolutism between 1848 and 1867, when Austrian development fell definitively behind the Western European dynamic (Good 1986, p. 209), one reason being its deflationist fiscal policies that hindered growth (Good 1986, p. 217). Bohemia and Austria became the industrial parts of the Empire, Hungary the agrarian, forming a “marriage of wheat and textiles” (Good 1986, p. 218). Export-orientation was especially strong in the Western part of Austria (Tyrol and Vorarlberg), integrated in transalpine trade between Bavaria and Lombard (Good 1986, p. 36).

29 During the 16th and 17th century, Magyar territory was split in three: A Turkish, an Austrian and a Turkish vassal state (Anderson 1980, p. 315).
The frustrated social revolutions of 1848 were popular revolutions, most of the victims were the labouring poor (Hobsbawm 1975, p. 28). The uprising of the Hungarian population could only be defeated with the help of the Russian army in 1849 (Hobsbawm 1975, p. 32). After 1849, under neo-absolutist rule, a thorough reform of the state from above was initiated. Hungarian special rights remained annulated until the defeat of the Austrian army against Prussia in 1866. The Austro-Hungarian Settlement in 1867 accommodated Hungarian nobility to the detriment of the Slavic population. It was a complicated compromise that entailed a severely contested renegotiation of the customs union every decade (Good 1986, p. 34). Only foreign policy and the army were permanently unified. After 1870, the economic growth in the whole Empire accelerated and reached a level similar to ascending Germany, well above France and Britain. Hungary was even more dynamic than the Empire in its totality (Good 1986, p. 210ff.). The Hungarian state used credits from Viennese banks not in the least to foster industrial development, first in the agro-based industries, but increasingly diversifying investment. In 1911/13, iron and steel industry was more important than milling (Good 1986, p. 126).

Policies were inclined towards mercantilist and protectionist measures (Komlosy 1994, p. 301) and relied more on the “visible hand” (Chandler 1977) of bureaucracy and organisation than on the invisible hand of the market. Cartels as in the iron and sugar industries, banks and the state supplemented and substituted the allocative role of the market (Good 1986, p. 201ff.). The Creditanstalt, Austria’s most important bank, was founded by Rothschild in the 1850s, copying the idea of the Crédit Mobilier. Cautious after the crash in 1873, the banks became the “master of development by default” through the current account business. Vienna accounted for nearly 70 per cent of all banking capital in Cisleithania, the Austrian part of the Empire. In 1914, over one-half of the capital of Austrian limited liability and joint-stock companies was held by ten banks, exerting control via interlocking bank directorship (Cowen and Shenton 1996, p. 384ff.).

From the 1890s, Viennese banks began to commit themselves increasingly in a direct way in industrial development (Good 1986, p. 181ff.), creating an organized capitalism (Good 1986, p. 218). They provided funds and took up shareholdings in the new, more large-scale industries, esp. in the Czech lands. A complementary division of labour between the industrial centres of the Czech lands, Eastern Austria and Hungary emerged (Otruba 1975). Austria’s then economic heartland around Vienna was clearly
orientated eastwards to the Hungarian and Czech parts of the Empire which developed unevenly (Becker et al. 1999).

6.3.2 Elitist liberal cosmopolitism versus mass movements

In the second part of the 19th century, the political confrontation was between liberalism and conservative forces. In Austria, liberalism had its heyday during the short period from 1848 to 1873 with the lasting impact of the liberal constitution in 1867 that guaranteed civic liberties, which have remained basic human rights until today. The liberals governed Vienna between 1860 – after one more lost war, this time against the Italians - and 1897, transforming the city according to their bourgeois ideals. The main architectural expression was the Ringstraße, a boulevard around the city that substituted the wall which was demolished only in 1859. It was a first type of Public-Private-Partnership (Stimmer 2007, p. 9).

But even liberal city administrators had to increase the role of the local state, constructing a public water and sewage system and public transportation. The social costs of progress called for more interventionism, for “development” to heal the wounds of “progress” (Cowen and Shenton 1996, Novy et al. 2006a). After the crash of the stock exchange in 1873, liberal free trade cosmopolitism was on the retreat. Bourgeois liberals started to cling to the Crown and a restrictive electoral law to secure power, thereby turning democracy and liberalism into opposites (Schorske 1982, p. 130).

To secure private liberty, the authoritarian state was accepted as protector (Hayek 1978, Canfora 2006). This strengthened popular opposition. While Schönerer organized the militant Pan-German nationalists without lasting success, Karl Lueger’s democratic movement unified nationalism with clericalism, democracy with antiliberalism. His anticapitalism was profoundly anti-Semitic. Against the will of the Emperor, he became mayor of Vienna, governing from 1897 to 1910. The social base of his Christian-Social party were the formally independent petty-commodity-producers and the nobility, denounced as “culture-adverse masses” (Schorske 1982, p. 132). The Christian Social Party was not only anti-liberal, but also anti-socialist. Nevertheless, it communalised public transportation and gas distribution, as service delivery by private companies was very poor. Locational necessities of local industry and the social demands of its clientele asked for a more interventionist state. In an age of locational competition, the necessity of
state intervention and support counts more than liberal ideology, action counts more than words.

Vienna at the turn of the century was a vibrant city. In 1910, 48.8 per cent of the inhabitants were not born in Vienna (Stimmer 2007, p. 13). In 1890, 65 per cent of its population were threatened with repatriation to their home-village, if they were in need of social assistance, a right which was strongly bound to the place of birth (Heimatrecht) (Komlosy 2004, p. 110). The cohesion of the Viennese elite was strong, as cafés and salons were regular meeting places. The dominant spirit within the cultural elite was not so much of decadence, but of impotence (Schorske 1982, p. 6). This cultural movement became known as Vienna Fin de Siècle, ranging from Klimt and Schiele, to Schönberg, Schnitzler, Freud and Kokoschka, a revolt of the young against authority (Schorske 1982, p. XVII), based on disillusionment with the rational man as proposed in the liberal thinking, focussing on narcissism, introversion and the homo psychologicus (Schorske 1982, p. 4). It began, according to the words of Hugo von Hoffmannsthal, to “say goodbye to a world, before it fades” (cited in Schorske 1982, p. 8). In their understanding, culture was menaced by mass movements.

In architecture, the contradictions of modernisation were paradigmatically expressed by community-oriented Camillo Sitte and modern Otto Wagner. Sitte wanted to create places as islands of human community in the cold sea of space dominated by transportation (Schorske 1982, p. 61), thereby conserving a handicraft culture that was threatened by capitalist modernisation, but still alive. The place, according to him, is an integral masterpiece for the future which creates union and overcomes fragmentation.

Otto Wagner designed train stations and devised a rational master plan for the expansion of the city. He aimed at homogenizing the city, thereby connecting living and working in the most rational way. Harvey interprets this as an emblematic contradiction between modernist and anti-modernist conceptions which are related to the dialectics of place and space, internationalism and localism (Harvey 1989a, p. 276ff.). The project of modernity, strongly linked to universalism and enlightenment, aims at overcoming space as an obstacle to human interaction. It promotes the annihilation of space through time, the creative destruction of places to create other places more suitable to accumulation and living.
The dialectic of enlightenment does not only consist in the contradiction between the rationality of means and ends (Horkheimer and Adorno 2003), but in the contradiction between plurality of traditions and cultures and universalisation of values and rationality, between the respect for tradition and diversity and the progressive overcoming of hierarchy, oppression and domination. *Fin de Siècle* Vienna shows the tension between elitist liberal cosmopolitism and the life of the majority of the population that aims at “embedding” socioeconomic structures, if necessary via authoritarian and exclusionary mechanisms. Cultural and academic development was fervent and conflictive, while social development was severely polarising, a fertile ground for violence and social conflicts.

### 6.3.3 The popular, the national and the social question

The 19th century was a period of mass alphabetisation and the spreading of public schools (Jafroodi 1999, p. 37). The “popular” started to become acknowledged. After the French revolution, nation, people and citizenship were intimately related concepts (Hobsbawm 1990, p. 22) with a clear progressive connotation until 1848. Nation-building was a strategy of evolutionary progress towards a world society, based on the idea of a viable and large territory. After 1848, nationalism became a movement from above, in favour of national unification or expansion. *Großstaaterei*, as in the case of Italy and Germany, was not linked to ethnicity and language (Jafroodi 1999, p. 30) because a national state should be a viable economic, social and political unit. After 1870, two antagonist ways of mass politics became powerful: the nationalist and the socialist movements. In 1848, they had fought together, and right-wing nationalists still remember this bloody revolution, the only major one in recent Austrian history (Hobsbawm 1975, p. 27).

The nationalist movement was able to profoundly shape the political geography of the world. From the end of the 19th century onwards, states were increasingly forced to implement a more organic relationship between rulers and the population, whereby patriotism was state-based, not nationalist (Hobsbawm 1990, p. 85ff.). Different revolts and reforms opened the way to democratisation for the first time systematically integrating the masses into politics (Hobsbawm 1990, p. 83). This had a lasting influence on socioeconomic development, as the masses became actors, or at least, objects of political interest. Uneven development of the Hapsburg Empire, although economically quite successful, was translated into increasing political tensions, and the masses had to be taken
into consideration in politics. Nationalism turned out to be an effective ideology to agglutinate popular support.

In 1873, the International Statistical Congress decided to include a question on language in future censuses (Hobsbawm 1990, p. 42). From 1880 onwards, this turned into a decisive nodal point in political agitation. Every census entailed a heated dispute about the language question which forced everybody to choose a linguistic nationality (Hobsbawm 1990, p. 100). As capitalists, land owners and high state bureaucrats were in general German-speaking living in the Austrian part of the Empire, social antagonisms were perceived as national antagonisms (Jafroodi 1999, p. 54). Supra-locally orientated business and banks, high nobility and central bureaucracy were eager to preserve the supranational economic space and political order. This establishment was confronted by national movements which recruited their members among intellectuals, parts of the nobility and small businessmen that were exposed to the competition of big business (Becker and Odman 2004). Nationalist movements saw the nation as an entity defined by a unifying language, ethnicity and history, thereby creating imagined communities (Anderson 1991). The division between ‘us and them’ bonded together inhabitants of a territory very effectively by uniting them against outsiders.

Within a few decades, mass nationalism triumphed over class-based socialism. But nationalism gained its real strength only by linking its demands to socialist claims (Hobsbawm 1990, p. 91, 123ff.), transforming subalterns into citizens (Jafroodi 1999, p. 43), thereby becoming stakeholders of capitalist development. In 1914, the Empire jointly with Germany started the First World War which sealed the fate of the Hapsburg dynasty (Becker et al. 1999, p. 2). After the war, Kleinstaaterei, not Großstaaterei, creating small not large territories, became the key idea of nation-building (Hobsbawm 1990, p. 33).

Austrian social-democracy tried to create an internationalist counter-movement for the rational planning of socioeconomic development. Arguing from a Marxist position it was in favour of industrialisation, which would strengthen the working class. And this in turn would be conducive to its emancipation in the long run, via a peaceful, democratic and gradual revolution, de facto an evolution. The Communist Manifesto of 1848 expressed this hope for a transformation of capitalism by the power of the proletarian majority, obtaining democracy as a first step towards communist internationalism (Marx and Engels 1986, p. 68). But from Napoleon Bonaparte’s electoral victory in 1852
onwards – based on the resentment against the “republic of the rich” (Hobsbawm 1975, p. 40) – decisions of the majority did not necessarily coincide with the advance of socialist internationalism (Canfora 2006, p. 127ff.). However, moderates and liberals became increasingly frightened of democracy becoming a vehicle for social revolt (Hobsbawm 1975, p. 25).

In 1914, concerning the war however, social democracy did not differ much from nationalist democratic mass movements. All over Europe social democrats supported war, opting for a “union sacrée” and military patriotism against its pacifist and internationalist rhetoric (Canfora 2006, p. 170). The expectation of the Austrian social democracy was that Austria would be part of a large economically viable state, be it Hapsburgian or German. But the conduct of war and internal politics by the Hapsburgs made this impossible.

Only in 1918, by deciding to suppress revolutionary agitation and strikes and to continue a lost war, the authorities of the Hapsburg monarchy favoured the idea that there would be a Wilsonian Europe of small nations rather than a socialist Europe of large nation states, as a step towards internationalism. But still, most people wanted national and social liberation. In 1918 and 1919, “national independence without social revolution was, under the umbrella of Allied victory, a feasible fall-back position for those who had dreamed of a combination of both” (Hobsbawm 1990, p. 128). Socialist revolutions which came to power in parts of Germany and Hungary were being brutally crushed and in Austria accommodated by social democratic leaders (Bauer 1976). Austrian social democracy, however, obtained far reaching social rights institutionalised in laws and the constitution, and was able to create new institutions such as the Chamber of Labour.

6.4 Vienna in the short 20th century (1918 – 1989) I: interwar period

The “short 20th century” (1918 – 1989), an “age of extremes” (Hobsbawm 1995), was the heyday of the national mode of development. Nationalist sentiments were co-responsible for the catastrophe of two world wars which have been called a European civil war (Canfora 2006, chapter XII), but also of national welfare regimes implemented after the war which constituted the golden age of capitalism. Austria-centred democratic and social regulation was not what progressive movements aspired in the 20th century. While
the national level was the crucial node of power, cosmopolitan urban areas had to accept an ancillary role in the new spatial hierarchy.

Vienna was hit particularly hard, as it was downgraded from the capital city of an Empire to that of a small nation state. Fordist and Keynesian regulation were implemented in a specific Austrian form which differed from the US-American ideal type (Aglietta 1987), showing the broad varieties of capitalist development which must not be reduced to a uniform mode of socioeconomic development. General tendencies are shaped according to specific contexts. Nevertheless, the national container which limited the chance of capital flight turned out to be sufficiently strong to develop a coherent form of organising social life during this century; a prevision with little credibility in 1918.

6.4.1 Red Vienna

After the First World War, the doctrine of national self-determination became a political dogma that led to the foundation of new nation-states as Kleinstaaterei. Only some elements of pan-Slavism survived in Czechoslovakia, Yugoslavia and the Soviet Union. But the “nationalism of the small nations was impatient of minorities” (Hobsbawm 1990, p. 134). In Central Eastern and South-Eastern Europe nationalism was linked to force and cruelty, as the melting pot of culture and ethnicities could not be combined with homogeneous territories without more or less cruel forms of ethnic cleansing (Gellner 1999, p. 80). All successor states to the Hapsburg Empire suffered from the fractured economic space, least Czechoslovakia which concentrated 26 per cent of the population, but 70 per cent of industrial capacity (Teichova 1988, p. 17). “German Austria”, the territory that rested after the secession of non-German nationalities and the foundation of diverse successor states, was particularly hard hit. Annexation to Germany, a widespread desire, was forbidden by the victorious Entente (Hobsbawm 1990, p. 92).

The debt accumulated by the Austrian banks led to their illiquidity which forced their internationalisation. From the eight large Viennese banks, two were degraded to subsidiaries and their headquarters transferred to Paris and London (Teichova 1988, p. 89). Prague and Budapest became national financial centres where banks controlled large parts of industrial capital, in the Hungarian case approximately 60 per cent. Vienna had definitively lost its supreme position as a gateway to the East (Teichova 1988, p. 87ff.).
Furthermore, Czechoslovakia and Hungary nostrificated Austrian property, in Czechoslovakia this applied to all banks and 235 industrial firms (Teichova 1988, p. 59). But even in Czechoslovakia, which was in a relatively privileged position as it was not a defeated nation and became an entrepot between East and West, the large Skoda-trust was bought by a French corporation (Teichova 1988, p. 106ff.). In agriculture all countries implemented land reforms which neither solved the land question nor stimulated increases in productivity. 0.5 per cent of the agricultural units disposed of 49.9 per cent of agrarian land in Hungary and 39.6 per cent in Czechoslovakia (Teichova 1988, p. 42).

Trade within the Danubian countries was reduced from 35 per cent in 1929 to 23 per cent in 1935, while tariffs doubled and sometimes even tripled, thus complicating Austrian and Czechoslovakian efforts to export manufactured goods (Teichova 1988, p. 180, 186). In the years before the war, Germany had increased its share in regional trade (Teichova 1988, p. 187). A permanent deficit of the trade balance proved to be a strong external constraint on development, the lack of internal redistributive measures blocked a decisive turn to import substitution. Therefore, the economic development continued to be extraverted. Western countries (and to a certain extent Czechoslovakia) held a large part of Austrian debt, conditioning development, and had some direct investment in the country. Austrian business, now partly owned by Western companies, was orientated towards the East (Becker et al. 1999, p. 2).

In Austria, economic difficulties led to a permanent questioning of the nation-state. There were continuous discussions about linking up to Germany or forming a new Danubian Confederation. The former option was initially favoured by the labour movement desiring a more rapid industrialisation, the latter by certain financial interest groups. However, the two options were not mutually exclusive. Both strategies implied the attempt to conserve the central position of Vienna: either directly through links with the Danubian states or, if these would resist politically, backed by the German Empire (Stiefel 1988, p. 336). There were obstacles to both options. On the one hand, the victorious powers blocked integration into Germany for a long time. On the other hand, Danubian states were unwilling to return under the tutelage of Vienna. After 1929, the economic instability turned into a deep economic crisis. Social and political conflicts escalated.

In 1918, the loss of its hinterland entailed a grave crisis in Vienna. Unemployment was high and its population decreased. After revolutionary turmoil and with the
introduction of universal franchise in the immediate post-war era, the social democratic party took over the city government, which in 1922 gained the legal status of a federal state (Länder) (Stimmer 2007, p. 13). Using its enlarged room for manoeuvre, innovative and world-wide praised strategies were introduced in diverse fields such as housing, school reform and social policy. “Red Vienna” was based on a very strong link between the party, civil society and the city administration. All aspects of life were covered by party organisations (Maderthaner 1993). The city, respectively the party, took over the responsibility of delivering all relevant services to the population, especially to the popular classes. Social democracy adapted the model of development via trusteeship, modernisation from above in favour of the masses. The city’s large-scale investment in housing stimulated the local industry in the 1920s. Capital expenditure of the Viennese local government was in many inter-war years higher than that of the central government (Becker and Novy 1999).

As the national government was conservative, all intellectual and political efforts of the party and the labour movement were concentrated on the city. It lacked, however, a consistent economic strategy, the positive effects on local industry being mainly the result of their social commitment. “Red Vienna” was a reformist project of redistribution which accepted the capitalist laws of accumulation. Austrian social democracy respected private ownership of the means of production. The communisation of local infrastructure had already been performed by Lueger before the war; nationalisation would be later on implemented after World War II by a government led by conservatives.

Otto Bauer, party leader and leading Austromarxist, was cautious in avoiding any appearance of revolutionary adventurism which would put at risk capital accumulation. He rejected violence and wanted to implement socialism via raising consciousness. Socialism was the utopian horizon, concrete social policies which accepted liberal democratic rules the praxis. His enemies were less noble. To undermine the redistributive power of the local state, the conservative government started a deliberate strategy of centralisation against “Red Vienna”. Its core was the so called “fiscal march on Vienna”, a strategy within the constitution (Becker et al. 1999, p. 4). But in 1933 the governing Christian-Social party staged a creeping auto-coup, abrogating the constitution, which led to a short civil war in 1934. It ended liberal democracy and implemented an Austro-fascist regime, inspired by Italian fascism.
6.4.2 Austro-fascism and Third Reich (1934-1945)

The unwillingness of the democratic parties to implement socio-economic reforms and planning made Fascism possible (Polanyi 1978, p. 340). Not even social democracy called for measures to reduce unemployment. Keynesianism was not yet part of its policy set. But the economic depression and mass unemployment required radical solutions beyond the status quo. Unfortunately, they were executed by the political right. Between 1934 and 1945, Austria was governed by two types of an exceptional state. At the beginning, the Christian-Social corporatist regime repressed opposition and aimed at founding an Austrian nationalism linked to authoritarian and catholic ideologies. Although allying with Italian fascism, it was not able to maintain national independence.

In 1938, it was annexed by Nazi Germany without open resistance. Even leaders of social democracy like Karl Renner approved the annexation. State bureaucracy was integrated into the German state and Austria’s economy became part of the German war economy. New war-related heavy industries were established, esp. in the Central parts of the country. German capital took over many Austrian firms and banks using them as a conduit in the newly occupied countries in Eastern Europe (Becker et al. 1999, p. 3).

In 1939, the Nazi regime integrated earlier independent municipalities into the city and created Greater Vienna, the “by area largest city of the German Reich” (Schubert and Theuerl 1995, p. 458). Nevertheless, the politically "dangerous" and "multi-culturally oriented" city was de facto downgraded. Jewish traders and artisans were driven out of business. Vienna became the experimental field of arianisation linked with rationalisation in petty trade and production (Aly and Heim 1993). 200,000 Viennese citizens were either deported to concentration camps and killed or had to flee the country (Faßmann 1995, p. 14).

6.5 Vienna in the short 20th century II: Looking West (1945-1989)

6.5.1 The regional context

The defeat of Fascism led to the occupation of Central Europe by the allied forces. While Austria became neutral, but de facto integrated into the West in 1955 by an international contract signed by the four allied partners, the development in Czechoslovakia and Hungary was different. Both were occupied by the Soviet army,
although Churchill and Stalin had agreed on a 50:50 solution in Hungary (Berend 1996, p. 11). In all three countries, genuine coalitions with the participation of the Communist party were formed. In Czechoslovakia the communists were the strongest party with 38 per cent, in Hungary they obtained 17 per cent (Berend 1996, p. 16ff.) and in Austria meagre 5.4 per cent. The first two formed democratically legitimated left wing coalition governments, Austrian communists were part of an all-party-coalition. In 1946, an “iron curtain descended across the continent” (Churchill) and in 1947-48 all non-communist parties were annihilated (Berend 1996, p. 33, 37). It turned out as a decisive weakness of “popular democracies” in the East that they assumed that “consensus una tantum”, electoral support in one general election (Canfora 2006, p. 282), would be sufficient to legitimate a system in the long run.

The new system of socialist nations in Eastern Europe became an authoritarian monolith. A state-party assumed both legislative and executive functions. In a centralized-authoritarian process of mainstreaming even official state organisations had no independence and autonomy (Berend 1996, p. 42). After the period of Stalinist terror and purges until 1953, the system became a mixture of meritocracy and mediocrity, as bureaucracy aimed at attracting the best, while party organs enforced and safeguarded the interests of the average ones (Berend 1996, p. 55).

In the arts, it abandoned socialist inclination towards avant-garde and internationalism and imposed a uniform socialist realism that allied with mediocre nationalism (Berend 1996, p. 86ff.). Economically, however, it was a success story during the 1950s and 1960s, a period that in the capitalist West was a golden age too. It was based on state ownership, centralised planning, a war economy tool, and forced import-substituting industrialization. Per capita GNP reached 98 per cent of the European average in Czechoslovakia in 1910, fell to 82 in 1938 and increased to 117 in 1973. In Hungary, the respective figures are 75, 67, 89 (Berend 1996, p. 187, 222, Maddison 2001, Bairoch 1993).

This historically unprecedented catching up of the Eastern European periphery during the age of mass production and mass consumption norms, was accompanied by diverse, short-lived “thaws” after Stalinism (Berend 1996, chapter 3), e.g. the Polish October, the Hungarian uprising in 1956, the Prague Spring and socialism with its smashed human face and János Kadar’s “Hungarian Miracle” and “Goulash-communism”.

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State socialism transformed itself, in the words of Václav Havel, in “a historical encounter of dictatorship and the consumer society” (Berend 1996, p. 155).

The terminal crisis of state socialism coincided with the crisis of the golden age in Western European Fordism. While the West was able to overcome the crisis of Fordism by adapting to micro-technological revolution and profit-squeeze by decentralising and internationalising production and the implementation of a liberal mode of governance, the East stuck to old techniques of production and social engineering. Central planning was unable to deal with complexity and the emerging new technological regime. Declining productivity and the need to maintain mass consumption led to increased debt and foreign dependency in the 1970s. As in Latin America and Africa, this resulted in the debt crisis after 1982 and increasing interventions by the IMF. In 1989 state socialism terminated like a cart house.

6.5.2 Austrofordism

After World War II the Austrian economy quickly recovered and started to catch up with Western European nations. This process was part of a larger international process: the spread of North-Atlantic Fordism (Jessop and Sum 2006). However, Austrian Fordism was not merely a copy of successful examples. Both accumulation dynamics and the structural forms of regulation showed marked peculiarities. Thus, Hwaletz (1996) coined the term “Austrofordism” for the period from 1945 to the mid 1970s.

Austrofordism most notably was characterised by processes of industrial catch up and by the geographically restricted internationalisation of the Austrian economy. Marshall Funds were mainly channelled to the Western occupation zones, thus supporting a west-ward move of industrial development within the Austrian borders (Moser 1996). While for big Western industrial countries Fordism was a period of inward orientation, this was not an option for the small Austrian economy. So Austria was gradually integrated into the western bloc. Austrofordist economic policies above all aimed at high growth rates. This was achieved by the modernization and Taylorization of the major industries. Immediately after the war, big private industrial companies hardly existed in Austria. Thus the state and state owned heavy industry played a strategic role in promoting modern technologies in the productive sectors.
Later, especially Western Austria benefited from Western European FDI. Branch plants in the automotive industries and other manufacturing sectors were established exploiting the wage spread in relation to Germany. Economic modernization led to deep social transformations: the universalization of wage labour, the decline of subsistence production and a far reaching commodification of social relations. Real wages increased and made mass consumption possible. However, in Austria the growth of consumption in the period from 1958 to 1990 was less dynamic than the expansion of investment and exports. Austrofordism was not inward-oriented, but a specific regime of regionalized internationalisation.

Although exports grew strongly, Austria had a chronic trade deficit. Its industrial structure was inherited by the Nazi era and was dominated by heavy industries and mining. Thus products for mass consumption, like cars and consumer durables, had to be imported. The trade deficit was balanced by mass tourism. In spite of growing wages labour could not increase its share in surplus value which underlines the conservative stance of Austrofordism. The rule and the profits of the capitalist class were not challenged. Neither did the relation of the earnings of capital and labour change, or the spread of wages.

In the arena of regulation, Austria shows some characteristic features as well. The two state parties, the Social Democrats (SPÖ) and the Conservatives (ÖVP) created a genuine corporatist model of social partnership (Sozialpartnerschaft) which had embrionically existed already in the inter-war period. This model was characterised by consensual decision making and a strong role of the Chamber of Commerce (Wirtschaftskammer) and the Chamber of Labour (Arbeiterkammer) and the umbrella association of trade unions, the ÖGB (Österreichische Gewerkschaftsbund).

Economic policy was strongly determined by negotiations of employers’ and workers’ associations, which significantly weakened the role of decision making in parliament. This corporatist framework of social partnership integrated the reformist wing of the worker’s movement into a coherent power structure (Becker et al. 1999). More radical movements on the left, i.e. the communist party, were marginalised. This stable collaboration of capital and the reformist wing of the workers’ movement within bureaucratic institutions represented a hegemonic bloc without any significant opposition.
It remained a stable growth coalition, even when the social democrats won the absolute majority.

Under the leadership of Bruno Kreisky social democracy won the general elections in 1970 and 1971, expressing a wide-spread desire of modernisation and cultural liberalism to overcome deep-rooted conservatism in broad sectors of society. Bruno Kreisky, one of the few social democratic leaders who had returned to Austria after the war, was an open-minded social liberal with a remarkable interest in foreign affairs, which was not common then. He supported Arafat and other Third World leaders, capitalizing on the neutral status of Austria on a continent divided by the Cold war. He built a UN-City for parts of the United Nations (UN) bureaucracy in Vienna. Civic law was reformed in favour of women, workers and university diversity (Berger 2007). Furthermore, social democracy assumed the role of a collective capitalist fostering the internationalisation of Austrian capital, thereby undermining the national space of accumulation.

At that time, first signs of a crisis of Austrofordism became apparent (Hwaletz 1996). New regional inequalities, whose origins date back to the post war occupation, deepened. Growth rates and productivity growth declined. The process of catching up of the Austrian industry was almost completed and the markets for consumer durables were saturated. Investment and profits went down as capital intensity rose, causing a severe slump in capital accumulation.

The main strategy to overcome the crisis was further internationalisation. By the late 1960s, Austria’s export coefficient began to surge, in part due to branch plants of German companies that produced components. Export-oriented industrialization gained momentum in the 1970s (Becker and Novy 1999). Nationalised industries were rationalised, branched out into final goods production and internationalised (Scherb and Morawetz 1986). Nationalised industry and foreign direct investment complemented each other in the modernisation of the economy, as the latter produced consumer durables for the domestic market.

As ties with the West Germany became stronger, the Austrian government sought a closer relationship with the European Economic Community – EEC. Individually and jointly with the other EFTA members, it negotiated a free trade agreement with the EEC in 1972. Some sensitive products, like steel and agricultural products, remained excluded.
from free trade (Kunnert 1993, p. 33ff., Atzenhofer 1988). Finally Austria’s exchange rate policy cemented closer economic relations with the EEC, esp. West-Germany. The exchange rate of the Austrian Schilling was first tied to a basket of West European currencies, then to the German Mark. By adopting a high exchange rate in 1979/1981 and a henceforth stable exchange rate vis-à-vis the German Mark, the government provided a stable currency framework for doing business with the most important trading partner and put at the same time pressure on business to increase productivity and on trade unions to keep wage increases low (Schubert and Theuerl 1995, p. 52ff.).

By stopping short of full entry into EEC, the Austrian government preserved some room for autonomous development strategies aimed at catching up. Nevertheless, the trade with EEC countries increased significantly. Exports to EEC-9 increased from a share of 47.8 per cent in 1970 to a 61.3 per cent in 1990, which was due to the rise of exports to West Germany, the destination of 23.1 per cent of Austria’s exports in 1970 and of 37.4 per cent two decades later. More than 60 per cent of Austrian imports originated from the EEC, two thirds of it coming from West Germany (WIFO 1995, Tab 11, 12). Likewise, almost 40 per cent of its FDI originated in West Germany (Rammer 1996). Thus, internationalisation was de facto Western Europeanisation and boiled down to a closer integration into the German productive system. In the long run, such a close economic relationship with West Germany could not be without consequences for the political autonomy of the Austrian state (Becker et al. 1999).

6.5.3 Austrokeynesianism

While the core institutions that stabilized the fordist compromise remained stable until the 1990s (Hwaletz 1996), its economic foundations became weaker after 1973. Unemployment rose, growing public debts reduced the space of manoeuvre for political intervention. To combat these crises tendencies, a variety of strategies were applied, which together were later termed Austrokeynesianism. The Austrian school of Economics elaborated in Chicago was hardly referred to at Austrian universities until the 1980s. The leading branch of economics at Austrian universities was Keynesianism and neoclassical synthesis.

This changed in the 1990s, today Keynesians are re-baptised as heterodox economists, acting at the margins. The combination of a fixed exchange rate to the
German Mark and Keynesian deficit spending were key elements of Austrokeynesianism; which were supplemented by low interest rates, the absorption of labour in nationalised industries, and a policy of wage restraint (Unger 2006). To keep unemployment low was one of the main goals of Austrokeynesianism that held radical liberal reforms at bay. The key actors, who pursued this new policy, were the same as in the heyday of Austrofordism: the big employers’ and workers’ associations, the social partners. In favour of a consensual strategy of state-centred corporatism, trade unions moderated their demands. This cautious strategy differed strongly from other European countries (for Italy see Sablowski 1998).

By stressing solidarity and the sense of community within the national container Austrokeynesianism received broad support. Redistribution was not on the agenda, but yet the promise to give everyone a place in Austrian society and, most importantly, a job. Although feminist policies were partly supported by the social democrats, the main recipient of employment policies was the male breadwinner with an Austrian passport. Women, migrants—so called guest workers—and people outside the labour market, where alien to the corporatist actors and decision makers and thus either treated as residual categories or subject to legal discrimination and hostilities (Unger 2006).

Politically, Austrokeynesianism was conservative and paternalistic, but economically it proved successful. Severe crises could be impeded and today’s relatively low unemployment rate is a result of Austrokeynesian policies of the 1970s and 1980s. Between 1970 and 1999 the average rate of unemployment in Europe was 6.4 per cent, in Austria it was only 3.3 per cent (Unger 2006, p. 68). The easy access to early retirement until the end of the century, however, blurs the real level of unemployment.

When the social democrats lost their absolute majority in the elections of 1983 and Prime Minister Kreisky resigned, they formed a coalition first with the then right wing liberal party FPÖ. When Jörg Haider became the leader of FPÖ in 1986, chancellor Vranitzky ended the coalition and formed a new government with the conservatives. With different emphases, FPÖ and ÖVP launched an attack on the Austrokeynesian orientation of economic policy promoting liberal reforms. However, Austrokeynesianism had received a massive blow even earlier. When the Austrian central bank tried to keep interest rates low after the second oil shock (1979), it had lost a third of its reserves (Unger 2006, p. 74).
In this new international finance regime the nation-centred Keynesian steering capacity declined. As a result of these developments and due to a world-wide rise of neoliberal discourse, privatisation, deregulation and liberalization became guiding principles of economic policy. This shift was made possible by the social democrats’ rethinking of their position towards the European Union. With chancellor Vranitzky the SPÖ finally decided in favour of EU accession which has deepened the party’s commitment to economic liberalization.

6.5.4 Vienna: local social engineering

In the immediate post-war years, the policies of the Austrian government and the Western occupation powers effected a displacement of the industrial centre of gravity to the West of the country. Vienna, near to the Iron Curtain, was cut off from its hinterland and its industry had to concentrate on the national market. From the 1960s onwards plants were set up around the core area of Vienna, but later also in the peripheral parts of Eastern Austria (Tödtling 1984, p. 406). This resulted in employment dispersion, but not in a decentralization of control. In 1973, headquarters in Vienna controlled 43 per cent of all jobs in Austrian industrial branch plants. In the manufacturing sector Vienna controlled almost three-quarters of jobs in Austrian branch plants (Tödtling 1984, p. 404). From 1973 onwards the fordist national pattern of centre-periphery began to dissolve. Vienna’s position as a centre of organisational control declined to the advantage of smaller cities (Maier and Tödtling 1986, p. 1218).

Local capital applied three strategies to overcome overaccumulation: first, the shift from the accumulation of productive capital to the accumulation of fictitious capital. Until the mid 1980s the manufacturing, mining, energy and construction sectors dominated the labour market in the Vienna region (Vienna, Lower Austria, Burgenland) and pushed Austria’s catching up process. Like most of the industrialised countries, industrial employment in the Vienna Region has experienced a steep decline since the 1970s. The industrial sector lost 50 per cent of its jobs in the period from 1973 to 2001 (Lengauer 2006).

Furthermore, there was a shift from construction activities to the real estate business (Jäger 2003). Fictitious capital accumulation that is based on the appreciation of financial assets and real estate, has strongly gained in importance. The business survey of
2001 revealed that eventually more people work in the FIRE (Finance Insurance, Real Estate) sector than in manufacturing. This is applauded as modernisation by the Global City approach (Taylor 2004), but signalling the implementation of a more crisis prone regime for the regulation approach (Becker 2002).

In 1973 45 per cent of the Viennese workforce was employed in manufacturing and the construction sector. By 2001 this share declined dramatically to 23.7 per cent, while the employment share of FIRE services almost trebled from 5.9 per cent in 1973 to 16 per cent in 2001. Within the Vienna Region, big sub-regional differences can be observed. In suburban areas and the peripheral borderlands there still exists a strong industrial core, resulting from the establishment of branch plants during late Fordism. However, these industries have been loosing jobs since the mid 1970s (Lengauer 2004, 2006). The accumulation of fictitious capital, on the other hand, is predominately an urban phenomenon. Most of the banking and finance jobs are concentrated in the city core of Vienna.

Second, the extensification of capital accumulation, which is characterized by sluggish productivity growth, the integration of broader sections of society into the workforce and the rising importance of SMEs, gained momentum (Lengauer 2006). The fordist big plant, the locus of intensive accumulation, productivity growth and exploitation of economies of scale was redeemed by SMEs. Between 1981 and 2001 employment most strongly grew in firms with fewer than 20 employees (+32 per cent). Employment in middle sized enterprises with 20-200 employees grew by 25 per cent. Employment in larger enterprises with more than 200 employees, however, was stagnant. Post fordist restructuring was strongly driven by SMEs and by the creation of smaller branch plants within TNC networks. In SMEs trade union activism was harder to sustain, which might explain the steep decline of the labour share in the national income. Moreover, in SMEs, especially in the service sector, productivity growth and real wage growth (Guger and Materbauer 2004) was hard to achieve.

Third, the internationalisation of production led to a geographical expansion of the space of accumulation of Austrian capital (Lengauer 2006). With the fall of the iron curtain, industry lost much of its key position, thus giving eastward expansion of Austrian capital a specific form: a very strong role of finance capital - banks, real estate and insurance companies. The Vienna region is the origin of the largest share of Austrian FDI.
It has again become a trans-national control centre for investment in Eastern and Central Europe. Export led growth in the industrial sector plays a minor role for the regional economy. In spite of growing exports, the trade balance of the Vienna region has been negative for decades (Lengauer 2006). Consequently, the strategy of Viennese capital can be described as a finance-led internationalisation.

Politically, social-democracy took over local government after the war without loosing it until now. However, political strategies, comparable to the ambitious program of municipal socialism of the period 1918-1934 were no longer elaborated at the local level. Keynesian policies were implemented at the national level and local policies followed the national pattern. The local chamber of commerce protected local firms by severe bureaucratic hindrances for newcomers, thereby softening the costs of modernization for small business. Part of the jobs lost in industry was absorbed in the public sector. Public employment of federal, state and local entities has been concentrated in the capital city. The economic policy was Austrokeynesianism until 1986 at the national level and the city administration stuck to policies of demand management until 1996. Therefore, unemployment remained low.

A conservative strategy was also applied in urban planning which did not permit destroying the architectural heritage of Vienna; a fact that later on was capitalized by tourism as a “unique selling proposition” (Pirhofer 2007, p. 49) of a city visually shaped by history. From the 1970s onward, soft urban renewal became the main urban policy of incumbent upgrading, thereby limiting tendencies of gentrification and supporting SMEs in construction industry. The emblematic urban project of social engineering of that period was the artificially created Danube Island which was planned as a protection against high water levels, but soon changed into a main recreational area for the Viennese population. It was criticized by the conservative opposition as expensive and “gigantic” (Stimmer 2007, p. 42). “Creating the so-called Danube Island was paradigmatic of Fordist public leisure policies aimed at the delivery of open, public and non-commercialized spaces” (Redak et al. 2003, p. 132). It shows the primacy of public over private concerns.

The further strategy resulted from the internationalist outlook of Bruno Kreisky, which started in the 1970s exploiting the neutral status of Vienna. The city government attracted big foreign investors and the headquarter of international organizations, like UNIDO, OSCE and OPEC (Becker et al. 1999). Locational strategies consisted in
attracting large plants of multinational enterprises. Furthermore, Vienna remained an attractive tourist destination. These attributes correspond with Vienna's image in the international arena that is rather based on cultural and historical aspects than on economic ones.

6.6 Re-Orienting Vienna (since 1989)

6.6.1 Regional context

After the cautious internationalisation of trade, a more coherent, liberal strategy of extraversion by finance capital and FDI started in the 1980s. Two decisive events led to the modification of accumulation strategies. One was the formation of the European Single Market which enticed Austrian firms to significantly increase their foreign direct investment in Western Europe (Bellak 1995). German capital increased its stake in Austrian commerce and banking. The other event was the collapse of state socialism. “New chances and threats emerged and paralleled Austria’s West European integration process, thus putting heavy restructuring pressure on Austrian firms” (Bellak 1995, p. 25). They reacted swiftly by investing heavily in neighbouring countries. Trade with East European countries expanded significantly. However, they faced increasing competition from financially more potent companies from other European countries (Stankovsky 1996, Altzinger and Winklhofer 1998).

The first to come out in favour of an entry into EU were representatives of the conservative party who also pushed for neoliberal policies domestically. They came mainly from the Western part of Austria which has been historically linked to Germany and its regime of accumulation. After abandoning Austrokeynesianism officially in 1986, the social democrats followed suit and supported entry into the EU. Social partnership was used to implement new policies and ideologies. They constructed a new consensus in favour of Europeanisation and liberal policies. In a referendum in 1994 EU-entry was supported by a two thirds majority with a particularly strong favourable vote by the more well-off citizens (Schaller 1996, p. 26). The cultural and social elite, beyond the actors of social partnership, supported Europeanisation based on the modernizing assumption that this would overcome provincial and conservative structures which had only been touched at the beginning of the Kreisky-government, but survived the profound social
transformations that took place during the national mode of development (Novy et al. 2009a).

EU-entry in 1995 stabilised intra-EU-trade at an exceptionally high level with about 70 per cent of Austria’s imports originating in EU-15 and about 65 per cent of Austria’s exports going there (Statistik-Austria 1999). Likewise, FDI from EU-15 continued to be high, the German share in Austria’s inward FDI stock even surpassed the 40 per cent mark in 1996 (OeNB 1998, p. 13). However, Austrian FDI abroad (active FDI) has increased even more strongly. At the beginning of the 1980s FDI in Austria (passive FDI) was five times higher than Austrian active FDI. Due to the rapid eastward expansion of Austrian capital since 1989, Austrian holdings abroad have surpassed passive FDI. While passive FDI is stagnating, active FDI still grows strongly (OeNB 2006, p. 6).

Extraverted accumulation was accompanied by rising unemployment and social polarization. In Vienna, unemployment raised from 5.8 per cent in 1987 to 9.5 per cent in 2002. In 1987 unemployment in Vienna equalled the national figure. Since then it has grown faster and from 2002 on has exceeded the Austrian average quite significantly.

As a result, political opposition against the corporatist framework and the two state parties grew. While the Green critique from the left was moderately left liberal, cosmopolite and elitist, the extreme-right critique of the FPÖ was populist due to the leadership of Jörg Haider. The old corporatist system, however, was designed to accommodate the two state parties, SPÖ and ÖVP, and their affiliated business associations and unions. As long as FPÖ had been a small party out of power, the corporatist structure had remained stable, because both state parties had broad popular support and neither of them wanted to challenge the balance of power. The FPÖ fiercely attacked corporatism as undemocratic and inefficient and demanded a concentration of power at the level of government. From 1986 onwards, FPÖ and ÖVP had a potential majority in parliament which was hardly ever used.

In 2000, however, the leader of the conservatives, Wolfgang Schüssel, exploited a window of opportunity, ended the great coalition government and started a right wing coalition with the FPÖ that soared over 26 per cent in the national election. This was immediately sanctioned by the EU, as racist tendencies within FPÖ were considered beyond the European consensus of values (Novy and Hammer 2007). European actors,
though, overlooked the fact that it was the right-wing government that deepened the Europeanisation of Austrian policies, in line with the European neoliberal mainstream (Huffschmid 2007). It launched an attack against the corporatist framework, favouring large over small enterprises and trying to marginalize trade unions.

In addition to the rising pressure exerted by business associations, a banking scandal shook the ÖGB (the Austrian general Trade Unions association) in 2006. The union owned bank, BAWAG, went nearly bankrupt, due to high risk commercial operations in the Caribbean (Unger 2006). As a consequence the huge ÖGB-strike fund had to be liquidated to cover the deficits. The bank was sold to a US hedge fund. Although this scandal caused thousands of members to leave the unions and weakened the worker’s movement, the social democrats lost votes, but became the largest party in the national election of 2006. This was a clear signal that “pure” and “cold” neoliberalism was not hegemonic and that a more socially sensitive form of liberalism was asked for by the electorate. But social-democracy again entered a coalition with the conservatives, in line with the deep rooted consensus of Austrian politics.

The Schüssel-administration has lastingly changed the balance of power in Austria. First, the new Europe-based consensus in favour of economic liberalism has dismantled not only the trade unions, but the opposition parties as well. The extreme-right, effective promoter of domestic neoliberalisation and supported by important fractions of Austrian industry and business in the 1990s, became increasingly out of tune with capital interests of Eastward expansion. Xenophobic rhetoric became a hindrance in the huge effort of FDIs in the neighbouring countries of former state socialism. Furthermore, the Green Party, in the 1990s against EU-membership, adhered in line with large parts of progressive civil society to the liberal consensus of Europeanisation, insisting on the advantages of a liberal and cosmopolitan regime over national provincialism. Social democrats, which have been expelled from large parts of the state apparatus and quasi-state institutions, willingly accept the position of a junior partner, even being the strongest party in elections. It seems as if they accept the current correlation of forces in the socioeconomy which privileges capital over labour to an extent unknown in the short 20th century.
6.6.2 Repositioning Vienna 1989-

Geographies can change, but sometimes remain stable, given even radical turmoil like an Iron Curtain. In the 19th century, there was a popular dictum that the Balkans begin where the Eastern highway leaves Vienna (Hobsbawm 2003, p. 18). The last 20 years have put Vienna back in this geo-economic and geopolitical position. With Austria’s integration into the European Union and the opening up of the Eastern European countries, Vienna’s West and inward oriented policies came under pressure. But this pressure was not only due to geographical changes, but to ideological ones as well (Harvey 2005b). Dominant discourses of entrepreneurship assume that the only way cities can compete in an increasingly unpredictable and globalised economy is by pursuing specific proactive strategies designed to secure competitive advantages over their perceived competitors (Peck and Theodore 2005, Sum 2005).

In this new geographical and ideological setting, Vienna has aimed at becoming an “entrepreneurial city” (Hall and Hubbard 1998). From different angles of socioeconomic development, Vienna had performed well during the national mode of development. In the eyes of many local politicians, planners and entrepreneurs, the repositioning of Vienna in a new international context became an urgent necessity. Political legitimisation was no longer only aspired from the local population but also from international interest groups, like international businesses, developers and tourists.

The key person who contributed to awareness raising and radical institutional changes was Hannes Swoboda, secretary of planning in the city government at the beginning of the 1990s and later member of the European Parliament. He started a new round of liberal cosmopolitan orientation in tune with post-modern valorisation of citizen participation, the ecology and gender issues (Pirhofer 2007, p. 74). He was a reformer within social democracy who wanted to overcome the provincial character of the City of Vienna and its institutions, a type of “aggiornamento”. These progressive aspirations were implemented in reorganising the correlation of forces at the level of the local state. Local parliament and local bureaucracy were weakened and a specific, elitist segment of civil society, composed of investors, architects, business and university, were empowered (Novy et al. 2001, p. 139). It became one more attempt of modernisation from above with a deliberate effort to bypass existing institutions.
One event was crucial in this respect: the broad popular rejection of hosting the EXPO95 which was intended to “build bridges to the East” in partnership with Budapest (Pirhofer 2007, p. 68). In the words of a high planning official, the EXPO was a means, not the objective (Redak et al. 2003). From then on, planning was organized to immunize decision making from unexpected mass protests and democratic decision making. Positive forms of opening the state structure, like participation models and dialogue fora with selected parts of civil society resulted in a further hollowing out of existing democratic institutions, especially the local parliament. A huge amount of quasi-governmental organisations and organisations subsidized or financed by the local state were created which are beyond public accountability (Novy et al. 2001). Not even local parliaments can control these public institutions, especially those related to economic affairs, like locational policies, infrastructure and workfare.

In the 1990s the search for a new “Leitmotiv” for Vienna as a city in competition and a competitive city started. Local politicians, planners and entrepreneurs assumed that soft factors cannot compensate hard locational advantages. With the strategic plan of 1995 (Stadtregierung 1995), in tune with the intentions of the one of Barcelona (McNeill 2003) to promote strategic and process-oriented forms of planning (Pirhofer 2007, p. 95), Vienna adhered to the liberal mainstream of fostering local competitiveness30. The entrepreneurial rhetoric gained further momentum after the local elections in 1996 when social democrats lost majority and were forced into a great coalition. The conservatives emphasised their business and management abilities capable of making “Enterprise Vienna” work, while social democracy continuously refrained from its former policy of “social compromise” turning more and more towards a representation of the “middle class”.

In 2001 the SPÖ regained the absolute majority at the local level; in 2005 it extended its lead. In course of the 2010 city council elections the SPÖ lost their overall majority again and consequently forged a coalition with the Green Party – the first SPÖ/Green coalition in Austria. However, the Viennese government did not establish a counter hegemonic local state project to challenge the conservative majority at the national level. The move towards a more entrepreneurial local policy has continued. The city

30 The city was seen as a crucial nodal point in a globalised world (Borja and 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 was presented as the sine qua non that determines all other political objectives.
administration has engaged even stronger in supply side policies like cluster and innovation policies and tries to become a key location for biotech and ICT companies (Tripl et al. 2009).

Administrative reforms towards New Public Management, the isolation of parts of public bureaucracy from parliamentary and public control and the outsourcing of activities were seen as steps to respond quickly and flexibly to investors’ requests. Public agencies were created to implement business-friendly policies 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. With this shift towards elite networks, Vienna did not abandon, but adapted its paternalist, top-down approach (Novy and Hammer 2007).

Furthermore, the city government has tried to develop a regional, cross-border agenda. Together with the neighbouring provinces of Lower Austria and the Burgenland, the city government has begun to promote cross border regions like Centrope or the Vienna-Bratislava Twin Cities project, as will be shown in details in the following chapters. Although these initiatives originate in the policy sphere their focus is predominantly business oriented. Thus, these initiatives can be seen as part of a more focussed regional economic and foreign policy, which runs independent of national strategies. Vienna has developed its strategies of internationalisation and re-territorialisation, which are still incomplete and experimental in nature. The increasing involvement of the regional level in foreign affairs, however, can be understood as a key feature of post fordist re-scaling in Austria.
7  Antecedents and emergence of Centrope: history of regional articulation

7.1  Introduction: the history and formation of Centrope

With the purpose of picturing Centrope, this seventh chapter presents a historical contextualisation of the concrete articulation of actors and projects in the cross-border space of Centrope which impacted on its formation. Centrope is a process that emerged in the course of previous cooperation and dialogue efforts that had impacted on spatial regulation and reflected actors’ direction and interests in the border region.

This chapter thus unravels actors and objectives of the early cooperation in the region. Projects, actors and initiatives which are prior to Centrope are explained in chronological order. The history of Centrope shows it has been initiated by Austrian partners (cf. next Chapter 8). Thus the antecedents are narrated firstly focusing on the associations within Austria, mainly those congregating the three Austrian provinces that launched Centrope. Secondly, projects that aimed at preparing for the accession of CEE Countries to the European Union are narrated. As there were several projects financed with EU resources involving Austrian and its eastern neighbours, a selection had to be made. It followed the criterion of focusing on projects related to Centrope, with similar aims or actors. Therefore, projects on spatial planning or locational marketing were prioritized.

Due to the considerable amount of information, including a variety of projects names, institutions and actors, this chapter makes use of a summary table and an appendix to assist the reader. Table 7.1 presents a chronological overview of all projects and initiatives listed in the chapter. Like the chapter, the table is divided into two parts, a first dealing with cooperations among Austrian actors (see the vertical left column) and a second of Austrians and the eastern neighbours. The table names the attempt/project, the date, actors and a summary of its main features.

Appendix 1 functions as an extensive “glossary” of detailed information on institutions and projects cited in the text and table. However, not all of the numerous
organisations and projects cited are included in the Appendix. Only those more relevant to analysis of the case study are included. Antecedents and emergence of the project Centrope

7.2 Antecedents and emergence of the Centrope-project

The political cooperation institutionalized in the EU-funded Centrope cross-border cooperation project is embedded in a complex process of relations and decisions of actors amid their cooperation and competition interests. It is pointed out in this topic that Centrope is not an isolated action but rather represents one of many real and possible crystallisations of personal and institutional relations in this space. The long-term historical regional relations started in the Austro-Hungarian Empire. Here the idea is also to understand the historical embeddedness of Centrope’s advent; however focusing on unravelling more recent relevant associations and relations that are more directly linked the regional actors involved in Centrope, in order to historically root the foundation of the case-study.

The process of antecedents of Centrope is analysed considering two main forms of territorialization of cooperation activities: firstly the regional articulation within Austrian partners, centring on the construction of dialogue between the three Austrian federal states involved in Centrope primarily on planning issues (section 7.2.1). Secondly, the orientation of these three states and other Austrian actors towards cooperation with the Eastern European neighbouring countries of Hungary, the Czech Republic and Slovakia is approached (section 7.2.2). In both, the focus is on institutions, forums or projects that gathered the actors together in an organised form, enhancing contact or providing studies/reports that gave inputs to policies or action of regional actors.

The first form of territorialization involves mainly governmental initiatives in the field of common planning institutions built in this space; while the second involves a broader spectrum of actors, including Austrian companies and the European Union playing an important role in fostering and supporting the cross-border attempts. Therefore these antecedents of Centrope pictured in the second sub-topic disclose multifaceted interests of actors, of which main drivers were: (a) Austrian business companies (notably banks) moving eastwards, establishing activities/branches in CEEC countries; (b) a strong internationalization strategy of the government of Vienna, manifested in the given
emphasis to benefit from an alliance with eastern neighbours after the fall of the Iron Curtain and the EU 2004 Enlargement by the intense use of the opportunities provided by the EU; (c) the European Union in two main forms: by the Structural Funds, especially for territorial cooperation, i.e. Interreg and PHARE; and by the accession of the block of CEEC in the Union in 2004. These points are detailed below and complemented by Table 7.1 and Appendix 1.

The focus was on projects and activities on spatial planning and economic cooperation, due to the scope of the CentrOpe project analysed in this study. It is of note that not all predecessor projects and attempts are considered, since even the most exhaustive field research may fail to notice one or another experience or feature. Nevertheless, the field research was comprehensive enough to capture the main points, as a vast variety of sources has been used. It should also be mentioned that besides the “materialization” of these formal antecedents, prior to them, there have been the initialization of the dialogue of actors across the borders. The selection of antecedents considered those structurally more related to or that impacted at CentrOpe, observing especially (a) involved actors or organisations, and (b) general aims and subjects; and (c) some specific smaller scale projects mentioned in interviews, as it implied that they were meaningful for regional actors.

7.2.1 Cooperation of Austrian partners: Vienna, Burgenland and Lower Austria

Austria

The eastern federal states of Austria – Vienna, Lower Austria and Burgenland – are associated in CentrOpe, cooperating since the idealisation and launch of the project. This union had nevertheless started much before with some inter-governmental associations. Mostly directly related to the purposes of this research is the ÖROK - Österreichischen Raumordnungskonferenz (Austrian Conference on Spatial Planning) established in the early 1970’s, a discussion platform that joins Austrian national and state governments. It is coordinated by the head of the national government (Prime Minister), though the national level has no constitutional competence in spatial planning. Therefore, a mechanism for intergovernmental coordination between the three governmental levels on spatial planning is required and the ÖROK plays this role by regularly and institutionally allowing the dialogue between executive entities of the Federation. Since Austria joined the EU the ÖROK acquired competence of action in matters concerning EU
Regional Policy and these issues therefore started to be discussed at the ÖROK meetings. In this sense, besides being a national initiative, ÖROK is perceived by regional agents as a room for dialogue between the Länder (Austrian federal states), a ‘meeting point’ that may have kicked-off subsequent initiatives.

The institutionalized relation in ÖROK led to an organisation more specific to the Austrian territory of Centrope. The PGO – Planungsgemeinschaft-OST (“Planning Association – East”) is an informal organisation, with no legal status, founded in 1978 by the three eastern Austrian states of Vienna, Lower Austria and Burgenland. Reflecting an eastern articulation, PGO provides room for common agreement, planning, coordination and preparation of policies for the region delimited by the states. The yearly PGO conference of governors and two secretaries for Planning and Finance of each state – according to interviews – gave a chance to discuss issues such as common cooperation with eastern neighbours and to plan how to get the best from enlargement and the use of EU grants and support. The PGO was the first instrument to organise cross-border cooperation, which started aiming at transport organisation. This policy was nevertheless taken over by a new institution: VOR Verkehrsverbund Ost-Region (Transport Association for Eastern Region) an agency that since 1974 has coordinated activities of transport companies of Vienna, Lower Austria and Burgenland for common schedules and tariffs in the region.

It is assumed by different Austrian interviewees that Vienna, due to its economic and political weight and leadership of mayor Häupl, generally had a leading role in regional articulation, notably in the PGO and then towards cooperation with eastern neighbours. “Vienna has always been out of its own boundaries” said a policy maker from Vienna in an interview, confirming that Vienna had the need for cooperation with Lower Austria due to the conurbation of Vienna and its surroundings. Organisations such as the Regional Managements were built to plan spatial policies for the urban agglomeration, at the same time that articulation between the three eastern federal states of Austria was strengthened. A official of its government affirmed that Vienna had a “natural path” of expanding this cooperation to the countries cross Austria’s eastern border, and thus it started relations with neighbours even before the Austrian negotiations to join the EU.

With the European perspective opened by Austria’s accession in 1995, government official of Austrian federal states became increasingly concerned with the economic
aspects in the possibilities for cooperation. The three federal states then got involved in projects and activities with emphasis on cooperation with the three eastern European bordering countries of the Czech Republic, Slovakia and Hungary (see more on the projects in the next topic). In the rise of the discourse of regional competitiveness, projects involving the business agencies of these states were launched, what eventually led to the creation of a common agency to deal with economic interests and business support activities in a joint manner. The agency Vienna Region Ltd was founded in 2001 as a association of the Vienna WWFF (Wiener Wirtschaftsförderungsfonds, the Vienna Business Agency, named VBA from here on) and ecoplus (the business agency of Lower Austria, not spelled with capital letters). Burgenland, though not officially in the Vienna Region agency until January 2008, has often been a partner and involved in the actions. The main aim of the regional agency is to enhance regional competitiveness by coordinated actions of regional marketing and business support. For this purpose, a brand name for the region of the three federal states of Vienna, Burgenland and Lower Austria was created. Therefore, the term ‘Vienna Region’ not only denotes the shared business agency but also a space: the territory of which Vienna is the centre and the attractive pole for locational business marketing.

### 7.2.2 Austrians orient themselves to the east: articulation with the eastern European bordering neighbour countries

Already organised in the PGO, the three Austrian federal states embarked on a movement in the direction of interchange with eastern neighbours. It happened at the same time as the political context became progressively favourable to this attempt. The fall of the Iron Curtain represented a turning point, not only in world order, but also in the process of europeanisation of Central and Eastern European Countries, whose political and economic actors turned them strongly towards Western Europe. Due to its geographical position a chance was thus opened to Austrians, who at that time began to approach the opportunities then arising.

An important aspect in this sense was the investment flow in the 1990’s sponsored by business actors. The opening of markets and large privatisations in the CEE countries in this decade attracted business from all around the world; nevertheless, as reveals the UNCTAD World Investment Report, European investments were leading with strong Austrian participation. In 1999 Austrian active FDI flows to Eastern Europe was the third
biggest among Europeans, accounting for 7% of total (world) FDI in CEEC, more than France and UK (6% each) or Italy (4%), but less than Germany (18%) or the Netherlands (12%). The US accounted for 16%, few if compared to the amount they invested abroad (UNCTAD 2000, p. 66). Wilfried Altzinger mapped the growth of Austrian investments in CEEC in the 1990’s, which departed from 4.4% (1989) to 29.4% in 1998 (Altzinger et al. 2000, p. 17-18), which coincides with an enhancement of Austrian foreign investment from 1.8% (1989) to 7.7% (1998) of the GDP. Moreover, occupation in Austrian companies (filial or daughter companies) abroad grew in the period 1989-98 from 29,500 to 187,600, being 121,400, or 65% in CEEC countries (Altzinger et al. 2000, p. 18), though the biggest share of FDI is still in OECD countries, denoting that labour intensive operations were targeted in CEEC. The market opened by the fall of the Iron Curtain moved Austrian investments, but, still following Altzinger, the services sector dominated (58.8% in 1998) the investments. The two main sectors were retail in second (18.8% in 1998); and the finance sector leading, concentrating 26.3% of the Austrian active investments in 1998 (Altzinger et al. 2000, p. 22).

**Austrian Banks expansion in CEEC**

Among the companies that turned themselves eastern, banks are notable. Austrian banks, having difficulties to compete with western banks, opted for expansion toward eastern countries and consolidated their position. An article of the Austrian National Bank of 1993 shows that the profitability of the banking sector in Eastern Europe was highly superior to the western market, though the market was relatively small when excluding Russia: total assets were of EUR 350 billion, as the same time as the total assets of banks operating in Austrian were of EUR 605 billion at the end of the year of 1993 (Breyer 2004, p. 63). At that moment, 70% of the banking sector in CEEC was in the hands of western banks, the Austrian share being 22% and the Austrian Raiffeisen bank with the most extensive network of all European banks represented in Eastern Europe (Breyer 2004, p. 64).

Raiffeisen Bank, one of the 500-biggest companies in the world (Standard 2006b), has entered the Hungarian market even before the fall of the Iron Curtain. The Austrian Bank started its operation in 1986 in Budapest with a share of 15% of the Unicbank. This was the year in which the Hungarian Central Bank opened the bank market and transformed it from a one-bank system to a multi-bank one. Raiffeisen partners in
Unicbank were: IFC International Finance Corporation (daughter of World Bank) and DG Bank, Frankfurt/Main each with a 15% stake (like Raiffeisen); the Hungarian participants were the National Bank of Hungary (20%), National Savings and Commercial Bank Ltd. (11%), and four organizations representing the interests of cooperatives (24%) (Hungarian Banking Association 2006). Nowadays the bank is 100% belonging to Raiffeisen.

In 1994 Raiffeisen finished taking over the shares of other partners and in 1997 started operating under the name of Raiffeisen, a period in which operations evolved from services of corporate banking solely for middle and big Hungarian and foreign companies in Budapest, to private and retail banking in seven cities (Raiffeisen-International 2007, Hungarian Banking Association 2006). It corresponded to a period of booming Austrian investments in Hungary: from 1989 to 92 70% of all Austrian foreign investments were directed to Hungary, in a period when this country opened its market strongly, the investments partially moved to the Czech Republic timidly after 1992, as Czech privatizations started later (Altzinger et al. 2000, p. 19-20). These two countries together represented at least 50% of all Austrian active FDI during the period studied by Altzinger (1989-1998). Slovakia after 1994 reached the third position as destination of investments. Though investing in mostly all CEEC, Austrian investors tended to privilege the closest neighbours.

In the 1990’s, not only Raiffeisen but all Austrian Banks expanded through a series of mergers and acquisitions in Eastern Europe. The Austrian Erste Bank acquired the fifth biggest Hungarian Bank, the Mezőbank in 1997; and in 1999/2000 bought the Czech Česká spořitelna a.s. – the biggest one in private banking of that country which privatized the banking system in that year (UNCTAD 2000). The biggest bank of Slovakia, the Slovenská sporitel’ňa a.s was acquired in 2001 followed by the Hungarian PostaBank in 2003. Banks in Serbia, Croatia and Ukraine were also acquired by the Erste Bank (Erste Bank 2008).

Another Austrian bank, the Bawag, also expanded in CEEC. It acquired the Slovakian Istrobanka in 2001. The Austrian know-how in Eastern Europe was recognised by the Italian Unicredit, which after acquiring the Bank Austria Creditanstalt, decided to give the new subsidiary the coordination of all operations of the group in the CEEC, except Poland, where Unicredit had already overtaken the Polish bigger bank group, the BHP-PEKAO (Standard 2006a).
Austrian companies go East

Bratislava has been a central destination of Austrian private investments. According to research of the Bratislava Comenius University (funded by the EU PHARE-CBC programme), approximately 55% of Austrian investments in Slovakia have been concentrated in Bratislava, with almost 1400 Slovak-Austrian joint ventures in different sectors or types of cooperation (Korec 1998, p. 603). These joint ventures chiefly involved small and medium enterprises, among which the banking sector was striking. In the middle of 1996, from all foreign investments in Slovakia, the Austrian investments represented, 21.4%, followed by German (17.8%), Czech (16.3%), the USA (11.2%), and Great Britain (7.0%) (Korec 1998, p. 603).

This was however not enough, according to interviews with Slovakian representatives of business sector, to convince Austrians to launch an institutional cooperation of enterprise associations in a first step. It started only after 1998, when the Commercial Chamber of Vienna and the Industrial and Commercial Chamber of Bratislava signed a partnership agreement that would later give birth to a Platform for framing and supporting business cooperation between business sectors of both sides of Danube. It was confirmed by conversations with Austrian actors that Bratislava first searched for partnerships but with no positive reception in Austria. However, say the interviewees, after the Slovakian region started to attract large investments, Austrians searched for partnerships; but then with low response from the Slovakian side. During the session’s questions of the Fulbright Regional Seminar in the Vienna University of Economics and Business Administration in July 2005, a collaborator of the Vienna City Hall admitted that first Slovakians searched for partnership, but Austrians took a little long to respond; and at the moment when companies were getting installed there, Slovakians had fewer incentives to cooperate while Vienna wanted closer cooperation.

The automotive industry was cited several times in the field research as a sector playing a crucial role in turning Austrians towards institutional and sustainable cooperation with Slovakians and Hungarians. The establishment of the Volkswagen manufacturer plant in Bratislava Region in 1994 is largely considered an emblematic

31 The platform is still available in internet www.wien-bratislava.at / www.vieden-bratislava.sk.
moment. Indeed, the weight given to the Automotive Cluster Vienna Region, where component suppliers are located, in brochures and strategies of Austrian business agencies denotes this importance (see more on the cluster in Appendix 1, topic Vienna Region). The area of Vienna-Bratislava-Győr is mentioned as the “Golden Triangle” (Junas 2005, Bratislava 2008a).

The “borders” of Centroe seem to change since Brno is constantly omitted in regional actor’s speeches when regarding automotive industries, as the Czech region of South Moravia has no manufacturer and is not strong components supplier. Slovakia, on the other hand, has been advertised as the “Automotive powerhouse of Central Europe” (KPMG International 2005) and has become the location of Volkswagen (Bratislava Region) and Peugeot/Citroën (Trnava). The Audi in Győr and GM Engines in Hungary complete the picture within Centroe’s “borders”. Moreover, in these two countries there are the Suzuki near Budapest; KIA in Central Slovakia; another Peugeot plant is established in the Czech town of Kolin (North Bohemia) and Hyundai is in Nošovice in the Moravian-Silesian Czech Region (ITDH 2005).

This explains the involvement of South Bohemia in the Centroe endeavour named DIANE, while the region is not involved in the governmental arrangement of Centroe (see below and Appendix 1). The importance of the automotive industry caught the attention of Austrian development agencies, especially because those countries were also attracting components suppliers. This is the reason for the effort of the business agencies of Lower Austria and Vienna in building the automotive cluster in the Vienna Region and supporting Austrian companies of the sector.

The lower wages in Eastern Europe, though, stimulated transferring operations from Austria to neighbour countries. The Hungarian Development Agency advertises the lower wages as compared to western ones; and the automotive R&D centres in Hungary (ITDH 2005), However, an Austrian supplier of automotive components, during a workshop of Preparity Project, , revealed that “intellectual jobs” were kept in Austria, although he confirmed the attractiveness of lower wages for relocating industrial plants According to this entrepreneur, production should move eastwards to reduce cost; “better to Romania” he said, as this country at that time would remain longer outside EU (Rudolf Pauli, in Antalovsky and Lutter 2000, p. 5-6 and 51-54).
First cross-border governmental attempts

It was heard in all interviews with members of business associations and in most of the conversations with business-men held for this research that capital moved first to Eastern Europe, “paving the way to Centrope’s cooperation” “and then governments run after us” was said in recorded interviews. Governments in the meantime had organised bilateral agreements in the early 1990s, including a signed document between the governments of Vienna with Bratislava in 1993 (Fertner 2006, p. 77, Bratislava 2008a, b) and the common cooperation plan of Lower Austria and the city of Brno in 1992 (Austrian Federal Chancellery 2005, p. 44). Vienna later signed an agreement with Brno in 1998 (Brno 2008a). However, the agreements do not mean more than intentions, which require a time of maturation to become real policies and projects.

Other schemes gathered political authorities of the region in 1990. In that year, the ARGE Donauländer was created as a working and discussion community to promote cooperation in economic development, spatial planning, transport, nature and environmental protection, culture and science issues. To ARGE Donauländer belong all governments now grouped in Centrope and others. Participants are Lower Austria, Vienna and Burgenland as well as Upper Austria, the Hungarian counties of Györ-Moson-Sopron, Komárom-Esztergom, Bács-Kiskun, Tolna and Baranya and the city of Budapest, also Bavaria, Baden-Württemberg, the Czech Republic, the Republic of Slovakia, Croatia and Serbia as well as Bulgarian, Romanian and Moldavian regions and the Odessa region (Austrian Federal Chancellery 2000, p. 57-58, Arbeitsgemeinschaft Donauländer stand 2008). At the end of the decade, a forum congregating approximately 40 mayors from Austria, Slovakia and Hungary was founded in 1999. The “Österreichisch, ungarische, slowakische Grenzkmunalforum” promotes meetings of mayors of the region Nordburgenland in Austria; Bratislava in Slovakia and Mosonmagyarovar in Hungary (Austrian Federal Chancellery 2000, p. 59).

Despite the fact that governments of the Centrope area made these agreements in the early 1990’s, the companies’ movement towards east happened before a more structured action of governments or governmental business agencies in the region. Nevertheless it must be noted that some elements have contributed to this. First, the Eastern-European countries were not members of the European Union yet; and therefore not fully eligible to cooperation instruments and funds. Second, the European Union had
as condition for their accession the existence of a functioning market economy (Council of European Union 1993, p. 13, European Commission 2008). In this sense, Eastern European governments gave priority to construct a market economy, and looking for territorial cooperation was a secondary objective. And moreover, capital is boundary-free with a high degree of mobility that governments’ pacts cannot easily reach.

**EU-funded opportunities for cross-border projects**

The Austrian accession to the European Union nevertheless began to change the scene, giving the europeanisation of the region a strong impulse. It created opportunities to the use of European instruments for regional cross-border cooperation – by means of the Structural Funds – which would allow several projects to be supported by the political legitimacy and financial aid of EU. Austria, as part of EU-15 was eligible to Interreg (II), but its accession made Slovakia and Hungary also eligible for cross-border cooperation, as these countries had no border with EU-15 zones, unlike the Czech Republic, already eligible due to its border with Germany.

The eligibility for cross-border cooperation grants was through the programme PHARE, a pre-accession Fund that aimed basically at institution-building and helping the accession countries to adapt their infrastructure and enterprises and bring them up to EU-standards. The CBC (Cross-border Cooperation) division of PHARE intended the integration of borders regions of the EU-15 and its external border. PHARE was, on the one hand, an opportunity but on the other a constraint for the eastern countries of CentrOpe concerning cross-border cooperation. These countries could only be a counterpart project of a project initiated by a EU member.

While EU Member States had relative high autonomy to manage the Interreg project, management of PHARE resources and therefore decision-making on projects issues were not made by the accession country but rather by an EU committee established in the country. Foreign representatives of the EU Commission controlled PHARE actions in annual planning and budgeting in a centralized manner. Interreg projects, on the other hand, had multi-annual budgets and planning, and a main advantage: Interreg did not have the requirement of a minimum amount of 2million EUR per project required for PHARE. This condition implied a high co-financing from the accession member, severely limiting the feasibility of project application. In this sense, these regulations were constraints that
strongly limited the quantity and intensity of cross-border cooperation, which Austrian documents explicitly complained about (Austrian Federal Chancellery 2000, Vienna 2000).

Thus cross-border projects in the region were marked by a imbalance of power since the beginning. Funding regulations established that the coordination of projects should always be led by the Interreg manager, though not necessarily a government, thereby it forbade an equal power on both sides of the borders. As explained by the then Head of Unit DG Regional Policy Robert Shotton: “For Interreg credits only: a) a managing authority. On external borders, the responsibility of this managing authority is limited to Interreg credits and expenditure on the territory of Member States. These tasks can be delegated to a body outside the public administration such as a joint secretariat, for example a EUREGIO. b) A joint body acting as a paying authority. For external borders, the same approach applies as for the managing authority” (Shotton 1999, p. 4). In practice, it means no cross-border cooperation between EU members and accession countries could be coordinated by the latter before full accession. Centrope in its first project BAER thus could not be an initiative of the eastern Austrian neighbours nor could it have a managing authority outside Austria before 2004.

Despite the constraints, the accession members of Centrope were willing to participate in cross-border projects. Operational programmes Austria-Slovakia, Austria-Czech Republic, and Austria-Hungary for the period 1995-1999 were approved in the end in the first year of Austria accession, 1995 (Austrian Federal Chancellery 2000, p. 55, VÁTI 2006, p. 5, Austrian Federal Chancellery 2005, p. 43). The programmes with Slovakia for 1996 and 1997 “were omitted and ties were interrupted due to a lack of the respective PHARE administrative structures” (Austrian Federal Chancellery 2000, p. 57).

Cross-border projects started

With the institutionalised funding opportunity, several projects for cross-border cooperation were launched in the fields of economy, city networking, transport and mobility, natural resources, education and science, culture and small projects funding. A publication of the Vienna government listed the projects initiated by the City of Vienna in the period 1995-1999 in cooperation with Eastern European countries; it records 40 projects, 15 of them being in the field of economic and city-networking cooperation.
(Antalovsky et al. 2000). These efforts from Vienna to deepen the relations with neighbouring countries had the goal “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” (Vienna 2004a, p. 2).

The EU financed projects on economic cooperation and city networking launched at that time were the foundation that would lead to Centrope. Therefore it represents a consolidated idea after a process, in which series of activities were executed in order to establish a common region, market, and governance system. The projects registered below are a selection of those more directly connected with Centrope, esp. concerning similar actors, goals or subject, in order to show the process of regional articulation in which Centrope is embedded.

The first project in the area of economic and city-networking is VITECC (Vienna Tele Cooperation Center) set out by the City of Vienna in 1996. The project aimed at building a network for supporting political planning and economic cooperation. Tele-centers were planned for four partner-cities: Vienna, Brno, Bratislava and Győr, which are the main cities in the current Centrope articulation. The participation of Lower Austria and Burgenland was not official, as the Vienna Database for EU-Projects does not include them, but advertising brochures did (see Appendix 1). Besides being the first project on economic cross-border cooperation in the region using European Funds, VITECC is relevant as it features the objective of the City of Vienna assuming a leading influential position for the neighbours on the eve of enlargement. With the later phase of VITECC, named “Accession”, the municipal cooperation was to prepare the CEEC for their accession, “acting as mediator between the European Union and the candidate countries” on European spatial development issues (Antalovsky et al. 2000, p. 27), a role to be played mainly by Vienna’s government.

VITECC also marked the beginning of the involvement of the company Regional Consulting (RC) in projects of regional cooperation of Austria-Hungary-Slovakia-the Czech Republic. Regional Consulting later was very active in the field, participating also in Centrope’s managing Consortium in its two first phases. This was also indicated by the activation of an influential actor, Kurt Puchinger, at that time the managing director of RC and the contact person for VITEEC since its beginning. Mr. Puchinger later joined the city government and had been the Planning Director of the City of Vienna since early 2006.
As of the final review of this dissertation in 2011, he remains in this position. He was actively committed to fostering cooperation between these four countries in the following projects Preparity and JORDES+, described below.

In 1997, a new move towards integration between Austria, the Czech Republic and Slovakia was made through the creation of the EUREGIO Weinviertel/Südmähren/Westslowakei, which congregates 13 districts directly located on the Austrian-Czech-Slovakian border in the triangle formed by the cities Vienna-Bratislava-Brno (Fertner 2006, p. 78). EuRegios in the region were financed by Interreg IIA with the collaboration of eastern neighbours by means of EU-PHARE funds. The sub-region of Lower Austria Wine Region” (Weinviertel) is a main actor and thus the Euregio was developed around the common regional agricultural production of wine. It aimed at promoting agro-tourism and cooperation clusters of wine producers in the 3 countries and wine related projects as the “Weinstraße” (Wine-route) and a centre for training producers (Bundeskanzleramt Österreich 2003, Weinviertel Management EUREGIO Service stand 2008). Other aims are to build an economic space on the border and develop common economic activities. The same applies to the Euregio on the Austro-Hungarian Empire border.

EUREGIO West/Nyugat Pannonia was created in 1998 by the Austrian state of Burgenland and three Hungarian counties, Györ-Moson-Sopron, Vas, and Zala. It is a EU-supported institution formed to give continuity to the government associations of “the Austro-Hungarian Territorial Development and Planning Board”, created in 1985, and of the “Regional Council along the Border” (EuRegio West Pannonia stand 2008) established in 1992. The projects aim at enhancing development in the region with strong focus on tourism activities. Coordinated by the Regional Management Burgenland, the Pannonian EuRegio does not have a permanent structure like the Weinviertel Euregio (Bundeskanzleramt Österreich 2003).

The City of Vienna was not included in any EuRegio, as it concerned solely borders regions. From 2003 to 2005, however, the Management of the Weinviertel Euregio introduced a project called EUregioNet which counted on the City of Vienna participation. EUregioNet congregated Lower Austria, Vienna, Burgenland, Upper Austria, counties of Bratislava and Trnava in Slovakia, South Moravia and South Bohemia in the Czech Republic, Györ-Moson-Sopron, Vas, and Zala in Hungary, i.e. all partners in
the Euregios of Austria with the Czech Republic, Slovakia and Hungary were involved. The Viennese organisation, EuropaForum-Wien (which later took over the secretariat of Centrope) was hired to communication activities of the EuRegio project.

In 1997 a project launched by Vienna and coordinated by the Austrian Institute for Spatial Planning (ÖIR – Österreichisches Institut für Raumplanung) aimed at improving communication and information by implementing an IT system for cross-border information on all initiatives that deal with regional development and city and town planning in the quadrangle formed by the cities Vienna-Brno-Bratislava-Györ. The project named “Planning the Gateway” was co-financed by Interreg IIA (50%), in three operational programmes Austria/Hungary, Austria/the Czech Republic and Austria/Slovakia. “Planning the Gateway” was praised by the EU, which included it in a publication of “successful cases of the EU” (Directorate-General for Regional Policy website). St. Pölten and Eisenstadt, the capitals of Lower Austria and Burgenland were not participating (Vienna 2003a).

‘Preparing’ Vienna for the EU Enlargement

Many attempts were initiated to deal with issues regarding the eastward Enlargement of the EU. Austrian actors, political actors especially, were strongly concerned about what would happen to their economy in an upcoming scenario of enhanced competition and migration flows of the neighbours of Eastern Europe. Documents reported that Vienna (and Austria) would be more affected by the enlargement than other regions and countries. It was, nevertheless, perceived as an opportunity as well: “[T]he EU accession of these countries constitutes a decisive step towards an economic and political union that for the first time will integrate large parts of Europe and safeguard the continent’s stability” (Antalovsky and Lutter 2001c). As it was a European project, regional actors saw the possibility of relying on EU Funds to help coping with the unknown changes and EU resources were employed in studying and forecasting economic scenarios under a distended Europe.

Predominantly, Vienna availed the chance to transform itself into a gateway to the east, a mediator and prominent leader in the process. Vienna is not on the country’s border, but the European Commission took the specific situation of Vienna into account and made it eligible to Interreg Funds (Antalovsky et al. 2000, p. 9). This led to an
intensive use of EU instruments, especially Interreg. “Hence it is only logical that Vienna, from the very beginning, advocated a strategic orientation towards enlargement in implementing the Interreg programme and created projects that fit this purpose” (Antalovsky et al. 2000, p. 9).

In this context of Austria joining the EU and the election of Vienna Mayor Michael Häupl in 1995 and the imminent accession of CEEC, projects from the City of Vienna and partners intending to prepare Austrians to enlargement flourished, as Planning the Gateway, Preparity (Ready to Enlarge), Fit to Enlarge, Multilateral Round Tables, VITECC, RDA-Net-CEDA, CCC and DIANE. The last four aimed at regional economic development largely by benefiting Austrian companies. This could be expected, since the Structural Funds seek to promote competitiveness in EU space and at that moment Austria was in EU and neighbours were not. The influence of these projects in Centrope denotes the business-oriented genesis on the governmental cooperation of the Centrope Project. Many projects initiated were to address the goal of positioning Vienna as a centre of central Europe. The electronic database of EU-Projects from the City of Vienna shows the connection between cooperation with eastern neighbours and economic (i.e. business) development: most of the projects on EU-enlargement were tabbed “economy”.

In this concern, in 1998 the CCC project (Cross-border Business Cooperation for Central Europe) started asserting three main issues: the scope of CCC was to (1) establish Vienna as CEE economic centre (it mentioned building a “European Region Vienna” (Vienna 2007d)); (2) an explicit focus on development by provision of governmental business support services; and (3) exploitation of business opportunities arising from EU-Enlargement (details on CCC are in Appendix 1).

Subsequently, the “Regional Development Agencies Net” (RDA-Net-CEDA), launched in 1998 by initiative of ecoplus in partnership with the consultancy company ÖAR Regionalberatung under the EU Interreg operation programme CADSES, opened up the networking of the business development agencies of the four countries of Centrope (in addition to Slovenia and Italy). It had the purpose of fostering the cooperation and knowledge transfer by provision of an internet platform for dialogue and organisation of events. This project represents a first institutionalized step in networking the development agencies, which would be later consolidated in the DIANE Project (Direct Investment Agency Net), the project of the agencies. RDA-net and DIANE projects have had sound
impact in the creation of Centrope, mainly due to the important role of development agencies and because they represented a steady step in the association of development agencies in the region. Possibly, business agencies had begun cross-border partnerships in early/mid 1990’s: ecoplus started bilateral talks with agencies of the Czech Republic and Slovakia, as narrated in interviews. But it was not enough spread and structured, seeming more limited to RDA-Net in a first moment, as projects of economic cooperation at the end of 1990’s like CCC-I (1998) and Vitecc did not have development agencies as partners. Articulation among the agencies evolved after the turn of the millennium, with CCC-II in 2001, Diane in 2002 and FDI in 2005.

In respect to scientific preparation for the enlargement, a large project was conceived for the years 1999-2001. Preparity: “Trans-national project for preparing for EU-Enlargement” consisted of a big and comprehensive coordination of studies sponsored by EU and the countries of Austria, Germany and Italy to prepare policy makers of these three countries to the forthcoming enlargement. Due to the proximity of these countries to the then external borders of the EU studies were perceived as necessary. The project was initiated by the City of Vienna, which acted as the general, trans-national project manager. The studies nevertheless focused solely on economic and spatial planning aspects.

The Austrian part of the project was coordinated by the Austrian Institute of Economic Research – WIFO (Österreichisches Institut für Wirtschaftsforschung), and conducted with the collaboration of the Regional Consulting and the Austrian Institute for Small Business Research. The studies analysed aspects of the Austrian economy and regions in case of enlargement, concluding that the border areas were the most vulnerable for the upcoming competition of eastern neighbours and suggested measures of cross-border cooperation to mitigate these effects. Rural eastern borders concentrated the most affected industries (Europaforum-Wien et al. 2001, p. 21ff). The scenario of enlargement at that moment (2001) did not include Slovakia as accessing with the first group of countries. Figures of the analysis forecast an enlargement with the accession in 2005 of Hungary, the Czech Republic, Poland, Estonia and Cyprus, and in 2007 of Slovakia, Latvia, Lithuania, Malta, Romania and Bulgaria. Also a group of countries were detached and separately analysed as the strongest for western competition: the so called CEEC-3 included Poland, Hungary and the Czech Republic (Antalovsky and Lutter 2001c). Europa Forum Wien was again contracted to care for communication, events and publications.
The importance of Preparity comes primarily from the legitimacy of strong discourse made by the research centre WIFO (with academic prestige) and from the EU in partnership with potent neighbouring EU-members (Germany and Italy). It therefore had convincing opinion making power and ability to mobilize different national actors toward a common action in eastern neighbours. Participation, nonetheless, was above all of governmental actors. Within over 300 participants in the last Preparity conference, there were only few companies besides governmental officials (Preparity 2001a).

Crucial advice of Preparity to the strengthening of alliances in Centrope space was the explicit recommendation to invest in cooperation in the strategic axis Vienna-Brno-Bratislava-Győr and to make intensive use of the opportunities arising from the Community Initiative Interreg. Besides there was a third main suggestion to support small and medium enterprises (Zuckerstätter-Semela et al. 2001, Puchinger et al. 2001). Spatial planning was an important topic in Preparity, with two special studies developed by the Regional Consulting Company: Teilprojekte 11 and 13, coordinated by Kurt Puchinger (Puchinger et al. 2001, Zuckerstätter-Semela et al. 2001). Sub-project 13 gave important clues on the hierarchy of cross-border spaces in a region that transcends Centrope in its western limits (as the project involved seven Austrian federal states, but eastern Centrope limits were kept).

The area studied in Preparity was divided in three groups: 1st. Western including Upper Austria, north-western Lower Austria and South Bohemia in the Czech Republic; 2nd. South: the federal states of Carinthia and Styria in Austria with Slovenia and south-western Hungary and a 3rd. eastern part which coincides with Centrope (Zuckerstätter-Semela et al. 2001). The report’s conclusions are that the eastern part is the most promising for development strategies. At the presentation of the research results in a Preparity workshop, emphasis was given to the potential of this space, and explicit proposition to invest on cross-border cooperation within this region was made, which should aim at specific policies for sustainable cross-border cooperation that would “compensate short term disadvantages of Enlargement and that uses its long term advantages” (Antalovsky and Lutter 2001a, p. 7). Sub-project 11 dealt with basic principles of regional policy, emphasising the importance of the EU instruments for regional policy in a moment of effervescence of territorial strategies, just little more than a year after the launch of the ESDP (European Spatial Development Perspective).
Conclusions of this study alert that despite the need for review of concepts to properly using EU Funds, an integrated re-evaluation of regional policy in Austria was necessary, not only for the use of Funds, but understanding it as an opportunity for the launching of this review process (Puchinger et al. 2001, p. 84, Antalovsky and Lutter 2001b, p. 11). Thus, the recommendation was not simply for taking EU Funds, but also to re-organise the internal cooperation system in Austria, in fact with some suggestions of liberalising Austrian legislation to become more in tune with European integration.

However, the suggestion to cooperate with eastern countries was fundamental in these two reports on spatial planning. Cooperation with the neighbours within the current Centrope “borders” was strongly emphasised in its final conference (with almost four hundred participants) and published afterwards. The final Preparity publication states: “with respect to their size, the central Austrian regions play a relatively minor role in the European context. However, this lack of size can be compensated for by a higher degree of networking of the individual agglomerations. This not only calls for the organisation of a strategic urban network within the borders of Austria; rather, corresponding functional networking could enable the transnational region Vienna-Brno-Bratislava-Győr to develop a high level of economic attractiveness” (Antalovsky and Lutter 2001c, p. 24)

The cooperation in the field of transport and infrastructure envisioning EU-Enlargement, though not directly influencing Centrope, is worth noting as several projects preparing for the enlargement in this field were designed. The Project FIT - Future Investment Transport and Infrastructure, following previous projects, connected the same four main cities of Centrope in a new attempt. Financed by Interreg IIA programme Austria-Czech Republic, FIT project (also called “Fit to Enlarge”) had the participation of the Austrian Industrial Chamber (Industriellevereinigung – IV) and was implemented by EuropaForum Wien (named EFW henceforth, for more see Chapter 8 and Appendix 2).

FIT consisted of a series of discussion workshops and conferences, informing and involving experts and other people in the field of transport and infrastructure development with the goal of enhancing the infrastructure to make the location competitive, economically attractive. Also having in sight the enlargement of EU, within FIT infrastructure and economic development were deeply connected: the idea was to use the extension of TEN (Trans-European Nets) to eastern European countries for building a
trans-national economic space (Vienna 2003b) incorporating the infrastructure plans of two other projects: TECNOMAN and TINA.

TECNOMAN (TEN and Corridor Nodes Position Management Network) coordinated by Regional Consulting and projected to network and transfer know-how on the management of node regions for TEN and to find common transport policies solutions; it took place from October 1998 to May 2001 and had as main partners Austria, Greece, Hungary, the Czech Republic but also involved Croatia, Poland, Bulgaria, and Macedonia. (Vienna 2003d, Antalovsky et al. 2000, p. 53).

TINA, Transport Infrastructure Needs Assessment, occurred from 1997 to 1999 and intended to analyse the transport plans of the members accessing EU in 2004 in relation to the existing TEN plans of EU-15 members (Vienna 2002a). From July 2003 on, a larger and longer project concerning planning and organisation of transport infrastructure in the region was formulated by a coordination of three identical versions of a project, one in each of the operational programmes Austria-Hungary; Austria-Slovakia, and Austria-Czech Republic. The projects of the CENTRAL – Central European Nodes for Transport and Logistics took place from 2003 to 2008 and aimed to coordinate transport planning in the region (Vienna 2007a, c, b, 2004b).

Projects at the genesis of Centroe

A sequence of seminars from the end of 2001 to mid-2003 counted directly influenced the creation of Centroe. The seminars, named as Multilateral Roundtables, started joining actors from the four countries who would later be involved in Centroe. At the Multilateral Roundtables actors discussed the possibilities and ways to regional cooperation. Though the meetings occurred in different countries of the region, they were launched and coordinated by the Europaforum Wien (EFW), a non-profit organisation located in Vienna, by initiative of the Vienna government. The seminars were the first step in building Centroe since the idea was coined in the seminars. Based on its discussions the EFW drafted the first political declaration, which was signed in the summit meeting of Kittsee 2003 together with the contract to launch the Interreg project of Centroe, under the official name BAER – Building a European Region (cf. Chapter 8).

The most directly related antecedent of Centroe was launched in July 2002 by the three local development agencies of the “Vienna-Region” in cooperation with the federal
development agency ABA (Austrian Business Agency). The cross-border project DIANE (Direct Investment Agency Net) intended to build a network of the local (governmental) development agencies of the four countries of Centr-ope, in order to conduct marketing initiatives to promote the region to foreign investors and thus attract investments. DIANE was meant to use the enlargement of the EU as a means to promote business development: “The enlargement of the EU to the East is also opening the way to new opportunities to relocate economic activities”. (ARGE-DIANE and ÖIR 2003, p. 13), promoting Centr-ope region as “the winner in EU enlargement” (ARGE-DIANE 2003, p. 5). The project, financed by Interreg IIIA and officially ended in July 2005, had an immediate continuation project named FDI – Foreign Direct Investment in Centr-ope, which lasted two years. Diane was managed by the DIANE Consortium (in German ARGE – Arbeitsgemeinschaft), composed by the four founding Austrian agencies, but both Diane and FDI were coordinated by Vienna Region (VBA and ecoplus, see above).

The DIANE project can be clearly considered “the” precursor of Centr-ope, especially as the rights to Centr-ope name und logo are registered trademarks of ownership of the ARGE DIANE (ARGE-DIANE and ÖIR 2003, p. 1). The name and region Centr-ope were in fact marketing strategies conceived in the Diane project aiming at advertising the regional location, attracting foreign direct investment and enhancing its competitiveness. By the common use of the name Centr-ope, various actors in the field mix the two projects, which happened several times in interviews and conversations for this research. Especially business actors tend to associate the name Centr-ope to Diane, since many of them do not know about the Centr-ope initiative.

Additionally, there is an unclear delimitation of the geographical Centr-ope region (as explained in Chapter 7), as the map used by both projects was designed for Diane. The reason for this misconception in the map is the fact that the business agency of South Bohemia in the Czech Republic is a partner in this initiative, but the regional and city governments are not part of Centr-ope. Generally governmental actors are aware of these differences, however, the link in PGO’s website for the Centr-ope cooperation project leads to DIANE website, whose address is www.centrope.com.

Besides the common use of the name Centr-ope, DIANE/FDI and BAER/Centrope (the case study of this research) are separate and independent projects, with different aims, coordination and budgets. Thus it is worth stressing that when the term Centr-ope-Project
is used in this dissertation it does not refer to DIANE or FDI projects but to the governmental cooperation started with BAER, later named Centrope. The process of the launching of Centrope derived more directly from the Multilateral Roundtables conducted by EuropaForum-Wien to achieve “integration within the region”, thus it was not entangled with that of Diane. The latter has the target of regional marketing, characterising a selective cooperation, which focuses on business support and marketing. Centrope is a strategic cooperation, in different areas, in the direction of spatial planning.

The last project which impacted on the articulation for Centrope was JORDES+ (Joint Regional Development Joint Regional Development Strategy for the Vienna-Bratislava-Győr Region) designed to develop a common spatial plan for the region composed by Slovakia, Hungary and Austria in the same counties/states involved in Centrope. The regional strategy focused not only on economic development but also on: local politics, transport, education, science and research, land use, environment and nature, tourism and cultural heritage (Pozarek 2002, p. 2), themes which were suggested by the three Austrian partners: Vienna, Lower Austria, and Burgenland (Regional Consulting possibly 2002, p. 4). Much inspired in ESDP (Regional Consulting possibly 2002, p. 3), JORDES fostered a polycentric development, with Vienna and Bratislava as main centres and aimed at fostering a connection between two levels of government: local and state/regional.

There are fours main reasons for the relevance of JORDES to Centrope’s creation:

(a) Results and discussions of JORDES contained explicit recommendation of the strengthening of Centrope; the space of two initiatives coincided largely, though the Czech Republic was excluded in JORDES. At the end of the project, JORDES stimulated a commitment between participants to further integrate JORDES plans in Centrope projects.

(b) JORDES was a parallel attempt to Centrope reinforcing integration of actors in the area of Austria, Slovakia and Hungary by organisation of events and dialogue between (mainly) governmental actors. It therefore fostered connection of these actors in an area covered by Centrope.

(c) The political focus of JORDES triggered the issue of spatial planning and governmental coordination, in opposition to the mostly business-focused cooperation fostered in other attempts in Centrope space. JORDES results had a broader scope. It
focussed on issues such as culture and language diversity, which assisted the conduction of a more integrated Centrope governmental arrangement, involving planning and cooperation of public administration on a bureaucratic level. Capacity building in the administration was a third pillar of the strategy aimed at with JORDES, following the spatial and economic ones. This would mean an administration capable of implementing policies in different areas (Regional Consulting possibly 2002, p. 2).

(d) Lastly, JORDES was marked by the leadership of Regional Consulting, paving the way to its involvement as a member of the Centrope Consortium in the subsequent year of 2003 (Regional Consulting 2005b, p. 34). It gained also a role in the elaboration of the Vienna city plan of 2004 (Vienna 2004b, p. 32).

All the attempts and articulations above show the long maturation process until governments decided to launch Centrope. After understanding the origin of Centrope in its business and spatial planning oriented style, we can move to understand the goals and functioning of the project itself.
### Table 7.1 – Chronological overview of Centrope’s antecedents

<table>
<thead>
<tr>
<th>Antecedent</th>
<th>Period</th>
<th>Actors</th>
<th>Features</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ÖROK Österreichische Raumordnungs konferenz</strong></td>
<td>1971-</td>
<td>Austrian Governments: National; all 9 States (<em>Ländern</em>) and Municipalities by means of representation by the president of the Municipal Association.</td>
<td>A mechanism for intergovernmental coordination congregating Austrian federal entities. Aims (among others) to coordinate Austrian Spatial Planning Strategy and Policies and EU distribution of grants and establishment of operational programmes. It represented a first in building a common regional dialogue between the states of eastern Austria. (see Appendix 1 for more details)</td>
</tr>
<tr>
<td><strong>PGO Planungsgemeinschaft-OST</strong></td>
<td>1978-</td>
<td>Vienna, Lower Austria and Burgenland</td>
<td>An informal “ÖROK” of the three Austrian eastern states, which stands for a space for a closer relation and coordination of policies of these states and discussion of cross-border cooperation with eastern neighbouring countries. (see Appendix 1 for more details)</td>
</tr>
<tr>
<td><strong>VOR Verkehrsverbindung Ost-Region Ges.m.b.H.</strong></td>
<td>1984-</td>
<td>Vienna, Lower Austria and Burgenland</td>
<td>An established agency to coordinate inter-modal schedules and tariffs of the transport companies of Vienna, Lower Austria and Burgenland. VOR is a continuation of a former company initiated in 1973. The shareholders of VOR are: Vienna with 44%; Lower Austria (also 44%) and Burgenland (12%).</td>
</tr>
<tr>
<td><strong>Vienna Region</strong></td>
<td>2001-</td>
<td>3 governmental business agencies (BA): Vienna BA; ecoplus (Lower Austria BA); WiBAG (Burgenland BA)</td>
<td>Composed by two organisations (a first established in 2001 by Lower Austria and Vienna, and a second in 2008 including Burgenland) the main aim has been to enhance/promote regional competitiveness of the region formed by the three federal states by coordinated actions of regional marketing and business support. (see Appendix 1)</td>
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<tr>
<td>Antecedent</td>
<td>Period</td>
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<tr>
<td>Individual/Bilateral Contacts and movements</td>
<td>From 1986 on</td>
<td>Austrian companies go east</td>
<td>Austrian Business Sector started an early movement towards eastern neighbours to avail the business opportunities arising from a near newly opened market for consuming and provision of a skilled labour force cheaper if compared to western standards. Mainly two sectors were driving the process: Austrian Banks, which were installed in Hungary in 1986, before the fall of the Iron Curtain; and automotive industry that attracted investments mainly to Hungary and Slovakia. This motivated governments and business agencies towards eastern cooperation as well.</td>
</tr>
<tr>
<td></td>
<td>Estimated: mainly from 1995 on</td>
<td>Institutional bilateral contacts: Governments; Business Agencies; Chambers of Commerce</td>
<td>Bilateral contacts of Vienna government led to agreements with Bratislava in 1993 and with Brno in 1998. In 1992 the government of Lower Austria and city of Brno conceived a common cooperation plan. Business agencies had begun searching for cross-border partnerships: ecoplus started bilateral talks with agencies of the Czech Republic and Slovakia in mid 1990’s. But it was not structured as projects like CCC and Vitecc did not have development agencies as partners. Chambers of commerce of Bratislava Region and of Vienna formally launched their cooperation in 1998.</td>
</tr>
<tr>
<td></td>
<td>From 1995 to 2003</td>
<td>Austria’s first governmental cross-border projects allowed by EU pre-accession fund PHARE-CBC and Interreg IIA</td>
<td>After Austria joined the EU in 1995, bilateral cooperation supported by European funds Interreg IIA and PHARE-CBC started. PHARE pre-accession Fund represented a first opportunity for dialogue and for Austrian governments to go east. Austria’s accession made eastern neighbouring countries eligible to EU cross-border Funds and therefore institutional and more coordinated approaching of the countries gathered later in Centrope was possible, however in an unbalanced situation due to strict regulations on PHARE and relatively large organisation decision power/freedom in Interreg.</td>
</tr>
<tr>
<td>Within Austrians and neighbours (Czechs, Slovakians and Hungarians)</td>
<td>September 1996-Dec 2001</td>
<td>City of Vienna, City of Bratislava, City of Győr, City of Brno. EU/Interreg IIA.</td>
<td>It consisted of 3 projects: VITECC I (1996-97), II (1998-99), VITECC Accession (1999-2001) and VITECC.net (1999-2001), aiming firstly at building an office in each of the four cities, which would promote cooperation and know-how transfer between the partners, establishing contact, working groups and projects. It meant also at preparing for EU-Enlargement of 2004 (Vitecc Accession). Lower Austria and Burgenland were not among the main partners. VITECC paved the way to new attempts in local cooperation, as it succeeded to build contact points in the neighbouring countries and starting a trans-border dialogue. (see Appendix 1 for details)</td>
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<td><strong>Antecedent</strong></td>
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<td>EUREGIO: 1. Weinviertel 2. Pannonia 3. EUregioNet Project</td>
<td>Since 1997</td>
<td>Lower Austria, South Moravia, Western Slovakia EU/ Interreg/ PHARE-CBC</td>
<td>EUREGIO Weinviertel/Südmähren/Westslowakei: include the districts in the triangle of the cities Vienna-Bratislava-Brno that are more directly in the borderregion. Institutionalized, it pursues an office and stable staff to conduct projects on knowledge transfer, economic co-operation, social-cultural activities and lobbying, being the leading issue the development of wine sector, very strong in this agricultural area.</td>
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<tr>
<td></td>
<td>Since 1998</td>
<td>Burgenland, Western Hungary Interreg III A and PHARE-CBC</td>
<td>EUREGIO West/Nyugat Pannonia is directed by a Burgenland’s organisation (RMB). Its aims are building working groups, sharing information and building common projects to create a stronger region. Projects concern mostly tourism development. As the Weinviertel Euregio, it includes border areas and thus Vienna does not participate, Burgenland and the Hungarian counties of Győr-Moson-Sopron, Vas, and Zala being members.</td>
</tr>
<tr>
<td></td>
<td>2003-2005</td>
<td>Lower Austria, Vienna, Burgenland, Upper Austria, Slovakia, the Czech Republic, Hungary EU/Interreg IIIA</td>
<td>Project EUregioNET: this project started a coordination of public offices dealing with the Euregios and has the participation of Vienna as well as Upper Austria and South Bohemia (CZ) besides the actors involved in the two Euregios above.</td>
</tr>
<tr>
<td>CCC Net: Cross-border business Cooperation for Central Europe</td>
<td>May 1998 – Decem ber 2003</td>
<td>Federal states of Vienna, Lower Austria and Burgenland and the Republic of Austria, via their respective economic development agencies. EU/ Interreg II A</td>
<td>The aim of the CCC project was to assist Austrian companies to exploit new business opportunities arising from the eastward enlargement of the EU, by means of transnational economic activities and to assist small and medium-sized companies to exploit opportunities in new markets. The project was implemented in the eastern border regions of Austria in partnership of the Czech Republic, Slovakia and Hungary. CCC initiated the articulation among the governmental agencies toward a common goal of supporting business “expansion to east” and therefore the search for a cross-border cooperation with the respective agencies in eastern neighbours. (see Appendix 1)</td>
</tr>
<tr>
<td>RDA-Net-CEDA: Regional Development Agencies Net</td>
<td>Sep. 1998 – Dec. 2000</td>
<td>Leading: ecoplus (BA NÖ), partners: BA Vienna, Burgenland, Slovakia, Czech Rep., Hungary, Slovenia, Italy, ÖAR Regionalberatung</td>
<td>The project initiated by ecoplus and ÖAR aimed at networking the business development agencies of those partner countries. It fostered the cooperation and knowledge transfer by provision of an internet platform for dialogue and organisation of events. It is an important predecessor of DIANE Project, and moreover represents the first institutionalized step in networking the development agencies. It was part of the programme EU Interreg IIC CADSES.</td>
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<td>Antecedent</td>
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<td>Preparity Project</td>
<td>1999-2001</td>
<td>In Austria: Federal Government + 7 provinces, including Centrope’s, partnership WIFO; Regional Consulting and EuropaForum-Wien. General trans-national coordination: Vienna Governm.</td>
<td>The Interreg IIC – later IIIB/CADSES – project consisted of 15 comprehensive studies on impacts and opportunities for Austria in the EU-Enlargement – studies involving its economic and spatial planning aspects. Similar studies were conducted in Germany and Italy. Preparity’s impact comes from the aim of influencing policy makers with recommendations to transform enlargement in a plentiful win-win case. Explicit recommendations on cooperation in the axis Vienna- Brno-Bratislava-Györ and intensive use of EU Funds for this cross-border attempt were part of the results of the project. (See Appendix 1 for details). Co-Financed by EU, had Project Partners from Germany, Austria, Italy; the Czech Republic, Hungary.</td>
</tr>
<tr>
<td>Multilateral Round Tables</td>
<td>2001-2002</td>
<td>City of Vienna, coordination of Europaforum Wien. Participation of governmental actors involved in Centrope</td>
<td>Consisted of a sequence of seminars in the years of 2001-02 with participants from four countries, discussing the possibilities and ways to regional co-operation. It was directly related to the creation of common structures in Centrope, as from the meetings’ articulation the first political declaration of Centrope was drafted, which would be signed in Kittsee in 2003 to launch the Interreg project of Centrope.</td>
</tr>
<tr>
<td>DIANE - Direct Investment Agency Net</td>
<td>2002-2007</td>
<td>Business Agencies (BA) Leading: Vienna BA; ecoplus (Lower Austria BA); WiBAG (Burgenland BA); Austrian (national) BA. Partners: BAs of Slovakia, Hungary, Czech Rep. Funded by EU (Interreg).</td>
<td>A crucial antecedent of Centrope, which most directly impacted on it. DIANE was an Interreg IIIA project run by Austrians business agencies (VBA, ecoplus, WiBAG, ABA) that aimed at promoting the region Centrope, developing it as a business location and attracting foreign direct investment. The principal activities were regional marketing, lobbying and networking of business agencies in the four countries to enhance business support services. In the frame of DIANE activities the name Centrope came forward, thus the project was the first to use the name Centrope, of which it detains the legal rights of use. (see details in Appendix 1)</td>
</tr>
<tr>
<td>JORDES+ – Joint Regional Development Strategy for Vienna – Bratislava – Györ</td>
<td>2002-2005</td>
<td>Burgenland, Lower Austria, Vienna, Györ County/Hungary, Bratislava Region/Slovakia Regional Management coordinating EU Interreg IIIA</td>
<td>Aimed at developing a “joint” regional development plan for a region which coincided with Centrope without the Czech Republic. JORDES explicitly fostered the integration in Centrope, which should be the initiative to be taken further by all actors, thus strengthening Centrope. It had a broad focus; not only economic, but also political actions should be fostered, including capacity building in governments. (see Appendix 1 for details)</td>
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Source: author’s own elaboration
8 The institutionalisation of the regional cooperation: genesis and development of Centrope Project

8.1 Introduction: formation and organisation of Centrope Project

This chapter contains a narrative with the history of the association of Centrope, describing its formation, phases, actors, arrangements and changes in time. It is a “thick description”, the “story-telling” of the Centrope Project (cf. Chapter 2-Methodology).

Centrope, as explained, names both a region and a political project. The denomination for the region was created within EU funded projects, as shown in Chapter 7 and later in topic 8.3 here. The regional space created by a political project aims at promoting the region as a competitive location. The focus of this chapter is the institutional frame behind the creation of the region, i.e. the official projects submitted to EU funding are described and analysed.

In this chapter, consequently, the formation of the official Centrope project is explicated in a contextualized historical manner, considering actors, bodies and plans in the frame given by the three main periods of the development of the Centrope project. Therefore, the aim is not to establish explicit connections between the Centrope empirical data with the theoretical and policy background of the previous chapters\(^\text{32}\). These connections will be properly tackled later. The aim of this chapter is to provide a description of the institutional framework of the Centrope Project, previous to the analysis of actors, networks and power dimension in the regional attempt, which is the centre of the following chapter.

First the political goals of Centrope are introduced under the light of Interreg financing criteria. Secondly, in the third section, the structure and functioning of the project in its three different phases is exposed with the help of diagrams to allow the comprehension of its administrative bodies, actors, roles, aims, results and the financing of the project. Subsequently, the fourth part describes the financing of Centrope.

\(^{32}\) Although a researcher’s choice of what to include in the narrative is always done based on her/his analytical point of view and theoretical and policy knowledge.
Because of the massive amount of information, this chapter makes use of tables, boxes and figures to assist the reader. Tables aim at providing an overview of the data described in the topic it concerns or adding data in a structured form. Figures and boxes present information complementing texts and tables. Diagrams show graphic overviews of Centrope-project actors and institutions in the different project phases. In the appendix detailed information on the Consortium members and pilot-projects of Centrope can be found. As stated in Chapter 2, the names of the interviewees are omitted, though the term “recorded interview” is used to precise the source of certain information which, in the author’s opinion, needed clarification.

8.2 Launching Centrope: aims, political goals in relation to Interreg criteria

The Multilateral Roundtables (cf. Chapter 7) represented the preparation phase of Centrope, in which drafts of aims, organisational structure, constellation of partner regions and cities, and application for EU financing/Interreg were discussed. Based on the results of those meetings, by the official launching of Centrope, a contract and the first political declaration of the project were conceived and ready to be signed by all participants. The convention of local politicians in September 2003 in the Austrian town of Kittsee marked the formal inauguration of a project that had been actually initiated before and was therefore already defined and structured.

As of its launching in September 2003, Centrope was partly financed by the Structural Fund Interreg Strand A (cross-border cooperation) of the third edition of the Initiative (2000-2006). Interreg III-A financed from around thirty to fifty percent of the project’s budget, the remainder came from the three Austrian Federal provinces of the region: Vienna, Lower Austria and Burgenland.

Its official divulgation material said: “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” (Consortium Centrope 2006b). The goals expressed in the Kittsee Declaration are essentially: to establish a common region, to create an internationally attractive location, to communicate the future potential of the region to the public at large and to strengthen the social and entrepreneurial commitment to the region (Consortium Centrope 2003). All
these efforts should contribute to “success in competition between European regions” (Consortium Centrope 2006g).

Figure 8.1 – The meaning of Centrope by Centrope

<table>
<thead>
<tr>
<th>CENTROPE IS (will be)</th>
</tr>
</thead>
<tbody>
<tr>
<td>a political guideline, trademark, aim of identification</td>
</tr>
<tr>
<td>a strategic instrument for joint development</td>
</tr>
<tr>
<td>a booster and a broker for common benefits</td>
</tr>
<tr>
<td>a dynamic, multilateral network management</td>
</tr>
<tr>
<td>a lively agency for lobbying and marketing</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CENTROPE IS NOT</th>
</tr>
</thead>
<tbody>
<tr>
<td>a new political or administrative institution</td>
</tr>
<tr>
<td>a substitute or rivalry of existing initiatives &amp; activities</td>
</tr>
</tbody>
</table>

Source: Centrope divulgation material (Antalovsky 2006, p. 14)

Additional objectives of the project involve issues such as public relations, networking and communication; assistance to the coordination of existing cross-border activities; and mobilisation to engage public, commercial and social bodies in regional attempts. And subjects that Centrope was supposed to deal with since its beginning involve: research and training; economy and the labour market; regional development, infrastructures, culture, location marketing and – again reaffirmed – the promotion of “success in competition between European regions” (Consortium Centrope 2006c).

In this sense, Centrope’s aims reflect the interests of regional alliances, which were exposed in the “Antecedents” in Chapter 7 and EU criteria for funding as exposed in Chapter 4. They embody the core of Lisbon Agenda’s supply side competitiveness objective by a combination of economic development and spatial planning. Competitiveness and spatial planning were the two most recurrent issues in antecedent projects as the Preparity, JORDES and – notably – the DIANE project.

The creation of Centrope was underpinned by the belief that “intensive cooperation can make the region unique, attractive and strong: capable of meeting the challenges posed by the competition between the European regions.” (Europaforum-Wien n.d.-a). This
quotation expresses the strong discursive dimension which was put forward by the professional management of Centrope in following the EU rhetoric of competitiveness.

In order to get funded, Centrope had to correspond to Interreg criteria, which follow the European mode of governance privileging competitiveness. Specifically, Interreg also aimed at eliminating boundaries and making European space more homogeneous.

However, in all recorded interviews, actors guaranteed that Centrope was not designed especially to meet Interreg criteria. One said “of course, there were some adaptations to EU requirements”. Nevertheless, in informal conversations, actors uttered different views, affirming that there was crucial influence of the availability of EU Funds for cross-border cooperation. The convergence of EU regulation and Centrope design sounds more than mere coincidence. Although the level of EU financing in the first phase of Centrope ranged from 29,51 to 50%, this percentage rose to over 80% for 2007-13, after the accession of Eastern countries.

Projects prior to Centrope aiming at preparing Austria to EU Eastern Enlargement (cf. antecedents Ch.7) prove that the EU institutional framework has been highly considered and utilized. Therefore, there were at least three reasons for designing Centrope as a EU project: (1) the expertise Austrians had in using EU Funds for cooperation with/preparation of Eastern neighbours accession to EU; (2) the financial resources available from EU Funds; and (3) the legitimacy given by the use of EU Funds to persuade neighbours more easily to enter the cooperation under Austrian “professional and experienced” leadership.

Moreover, the EU regulations for funding under the PHARE Programme impacted on the design of Centrope and on its financing solely by Austrians. According to the rules of EU Funds PHARE and Interreg, it was not possible for accession candidates such as the Czech Republic, Slovakia and Hungary to initiate a cross-border cooperation project and the minimum amount of co-funding for a PHARE project practically made a multilateral Centrope unviable (see Chapter 7). Thus, in practice, it was possible solely for Austrian partners to launch such cooperation prior to the access of eastern countries to the EU.
In this sense, Centrope was created by Austrian governments, mainly on initiative of Vienna, which hired the EFW for the multilateral tables and did the networking to ensure the signatures in the Kittsee Political Declaration. The declaration and objectives for its creation reflect a clear position in the Vienna government (cf. Chapter 9) of locational competitiveness.

Centrope is an ambitious project, aiming at building a deeply rooted dialogue and common planning among regional actors and – above all ambitions – the creation of a brand new region based mostly on marketing actions for identity building. Therefore it is a long process, depending on a maturation course that may take a life long if it is ever to be achieved. Initially it was forecasted that a stable cooperation frame would be achieved already by 2006. Nevertheless, by the end of the first project phase (2003-2006) it was clear to the managing coordinators of Centrope (exclusively Austrians) that it would require a longer cooperation building phase and common concrete activities could not be achieved before 2008 (as said in recorded interviews).
8.3 Mapping the organisational structure of Centrope: actors, roles and results

This section aims at mapping and describing how the official project works, presenting its administrative bodies, actors and roles, main results so far and the financing of the project. Since 2003, Centrope-project\(^{33}\) had three main phases, each with a different official name, format and mode of organisation and some variation in the actors officially involved. The first phase is called “BAER - Building a European Region”, the second “Centrope 2006 Plus” (also BAER II) and the third “Centrope 2008 Plus”. Table 8.1 below provides an overview of the phases, with project names, dates, summary of the organisational arrangement, financing, and the formation of the Managing Consortium. The next three topics in this section (8.3.1 to 8.3.3) contain the details on each of the phases and the Appendix 2 describes the institutions that took part in the Centrope Consortium in its first two phases.

The reason for this three-phase division is almost exclusively financial requirements, since new phases correspond to new applications to funding from EU Structural Funds. In this sense, the first phase corresponds to the period of financing the first submitted project, the second is basically an extension of the first, also submitted to Interreg and the third phase represents the application to the new financing period of 2007-2013, in which Interreg is substituted by the “Objective 3 – Territorial Cooperation” by the European Commission for the programming period 2007-2013.

However, every new application for funding represented a moment of reviewing relations, partnerships, the format and also aims of the project. Especially the latest application (for the third phase) encloses several changes not only because it is a new programming period of the EU which extinguished Interreg and put forward new regulation, but also for the maturation of the process itself and the reflex of the 2004 accession. This period represents the first full cycle for use of EU Funds by the Czech Republic, Slovakia and Hungary within a Funds’ programming period; and occurs after these countries gained some experience in managing EU Structural Funds during 2004-06.

\(^{33}\) Although the Centrope project had different phases and official names, in this dissertation “Centrope” is used a general name for the whole institutionalization.
<table>
<thead>
<tr>
<th>Project</th>
<th>Date</th>
<th>Main Format/ Summary</th>
<th>Financing</th>
<th>Consortium</th>
</tr>
</thead>
<tbody>
<tr>
<td>1&lt;sup&gt;st&lt;/sup&gt; Project: BAER - Building a European Region</td>
<td>July 2003 to April 2006</td>
<td>Initiated by Austria when it was the only EU member in the region. Organisational structures were centred in Austria, which totally controlled the management of Centrope: the steering committee (the decision making organ in projects and financing) and the Consortium. The higher political level was formed by heads of all 16 local/regional governments of Centrope region. Later described (in 2008) by an Austrian manager of the Consortium as the period of “Imagining the Central European Region”.</td>
<td>Interreg III-A, Austria as single co-financer (by the three Bundesländer). Three Operational Programs AT with CZ, SK, HU</td>
<td>5 members: Ecoplus; EuropaForumWien; WIBAG; VBA; Regional Consulting</td>
</tr>
<tr>
<td>2&lt;sup&gt;nd&lt;/sup&gt;: CENTROPE 2006 Plus (BAER II)</td>
<td>July 2006 to December 2007</td>
<td>Additional project established as an intermediary organisational phase, it kept the same structures as the first project. The main aim was to finish the uncompleted goal of BAER I and thus formulate a project for the new EU programming period 2007-13 in a design that includes the eastern participants (already EU members) as co-financiers and gives them decision making power in order to deepen the cooperation. Moment of “Planning the Central European Region”.</td>
<td>As above: Interreg III-A, Austria exclusive co-financer.</td>
<td>3 Members: Ecoplus; EuropaForumWien; Regional Management Burgenland</td>
</tr>
<tr>
<td>3&lt;sup&gt;rd&lt;/sup&gt;: Centrope 2008 Plus</td>
<td>January 2010 to December 2012 Planned: From June 2008 on.</td>
<td>New multilateral format, supposing each country having a managing structure similar to Austria in the two previous periods, addition to common Centrope secretariat and management. Ideally balanced power and duties among all 4 countries (all co-financing). Annual rotation of presidency. Move to operational programme Central Europe (the substitute of CADSES) to simplify financing. It was the period for “Implementing the Central European Region”.</td>
<td>EU Objective 3 – Territorial Cooperation, Central Europe Operational Programme. All four countries co-financing.</td>
<td>Planned a multilateral management consortium, formed by 4 “Regional Offices”, one of each country that together form a central management.</td>
</tr>
</tbody>
</table>

Source: author’s own elaboration
This project submission after five years of Centrope’s launching involved the creation of a mirror project in Slovakia and changed interests to be accommodated in a new project format. For these reasons, an intermediary phase may be observed between the second and third phases, when format and agreements were being reviewed for which no funding was available.

8.3.1 Centrope I: Building a European Region (BAER): 2003-2006

The official launching of Centrope took place on 22nd of September 2003 at the project’s first Political Conference, in the Austrian town of Kittsee, Burgenland, near the Slovakian border. The Kittsee Declaration was signed by 14 partners, as well as the St. Pölten declaration of April 2005. The Hungarian county of Vas and its central city Szombathely are late comers, signing the Vienna declaration in March 2006; however those partners were already included in the main planning document, the “Centrope Vision 2015”, published in January 2006.

The project has the official name BAER – Building a European Region, though the name Centrope was created five months before the Kittsee meeting, in April, 2003 by a school contest initiated by the Vienna government (CERNET 2003). The contest “Four Countries - One Region - One Motto - One Name” was part of the activities of the EU cross-border project CERNET – Central European Regional Network for Education Transfer. After its creation, the name (and logo) of Centrope became a registered trademark owned by the ARGE DIANE (the competitiveness promoting project, cf. Chapter 7) and was used for marketing aiming at advertising the regional location and attracting foreign direct investment.

The project had the following tasks, according to its managing director:

- “Building a binding cooperation framework: Multilateral concept, development and set up
- Development of vision & strategy: Development of common perspective, strategy and activities
- Identification of added value: Identifying multilateral competences and potential and commonly increase them
- Mobilization of stakeholders: Winning private and public stakeholders, institutions, and businesses for set up
- Strategic coordination: Coordination and focus on existing and future multilateral cooperation (structural funds 2007-2013)
- Realization of pilot projects: Procuring procedure and implementation of pilot projects with common benefit
- Impulse PR & Marketing: Outward and inward public awareness and marketing for the entire region” (Antalovsky 2005, p. 7)

From the beginning, the organisation of the project reflected an objective of professional management of the cross-border cooperation and an intention to foster expert-based governance. “Centrope provides for the professional management of interfaces and development processes, in order to generate synergies between as many areas as possible for the benefit of all involved. Centrope mobilises and engages public, commercial and social bodies that wish to contribute to the strengthening of the region as a whole” is displayed in its official website (Consortium Centrope 2006b).

The organisational structure was composed of four organisational bodies responsible for the implementation of Centrope: the Political Conferences, the Advisory Board; the Steering Committee and the Consortium; in addition to working groups, a platform and pilot projects. These structures are described below and pictured together with the participating actors in Figure 8.3.

- Political Conferences are the meetings of the heads of the sixteen local governments involved in Centrope. This political dimension is the higher level of the project and its decisions guide the operative implementation of Centrope. In this first project phase there were three conferences, all in Austrian cities: the inauguration Conference in Kittsee, September 2003; the second took place in April 2005 in the capital of the Federal Province of Lower Austria, St. Pölten; and the third in Vienna, in March 2006 (during the second phase: Centrope2006+ there was a fourth meeting in Bratislava November 2007). The secretary board of Centrope (see below) translated the discussions of the Conferences into documents, the “Declarations”, which contain the political guidelines to all of Centrope’s actions and their common view and their desired common future 34.

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34 Although the structure of the Centrope-project changed in the third phase, the political conferences remained as the main political institution of Centrope. The first (and only up to now) political conference of the third phase of Centrope took place in Hungary (City of Győr) in May 2011.
- **Advisory Board** is a discussion forum composed by two representatives of each of the local/regional governments. The representatives are “ideally” one “from middle political level”, i.e. “not from executive” political level, and one of “higher administrative level” (Consortium Centrope 2004). The last could be, for example, political secretaries of the local executive government, or heads of local offices, as in the case of Vienna, where the main representative was the head of the Planning office. Local legislators would ideally participate, however they were a minority on the Board, mostly composed by members of the executive or legislators connected to the head of the executive or currently in executive position. The Board is allegedly “the central body of the Centrope project” according to the Centrope’s official website, however, it is only a consulting and suggesting body, it does not represent a decision making level. The first meeting of the board occurred in February 2004 at Vienna Airport and subsequently generally one per semester. The first meetings were in Vienna. EFW was the organiser of meetings, which had the collaboration of the members of other countries to decide the program and to conduct presentations.

- **Steering Committee**: formed by the three Austrian Federal provinces that co-fund the Centrope project, i.e. the governments of Lower Austria, Burgenland and Vienna. The Committee is the actual executive decision making body, responsible for selecting projects among those presented by the Consortium that will receive financial support, i.e. will have the authorisation to be implemented. All financial allocation depends on the sanction of the Committee.

- **Consortium**: represented the executive body (execution only, it does not include major decision-making). It is responsible for practical everyday implementation actions. That concerns “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. The Consortium in this first project period was formed by the following Austrian entities:

  - VBA – Vienna Business Agency, Vienna’s governmental development agency.
  - Ecoplus: the governmental business agency of Lower Austria.

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35 All organisations participating in Consortium Centrope in the first and second periods are described in Appendix 2.
• WiBAG – Business Service Burgenland: the governmental agency.
• Regional Consulting ZT Ltd: an Austrian private consulting company.

Although launched in 2003, the consortium was unofficially formed many months before, as stated in recorded interviews. Two initially competing consortiums ended up in an agreement for forming only one Consortium, which was composed of the institutions above, said an interviewee. However, not all partners of the consortium were equally active and Burgenland’s representative had marginal participation though the province was contributing to the project’s financing. “WIBAG was never in” a member of the Consortium said loudly and twice in a recorded interview. Europaforum Wien has been prominent in the project by executing the strategic function of “Project Secretariat”. This involves elaborating communication material (such as Political Declarations, brochures, website and planning documents), suggesting and coordinating meetings and activities in order to strengthen regional cooperation. This task involves taking over the articulation with neighbours’ actors, e.g. starting, keeping or deepening their regional engagement, involving new local bureaucracies after local elections in any partner city or region, seeking out cooperation attempts in the region, and supporting and coordinating working groups and pilot projects.

- Working-Groups, Centrope Platform, and Pilot Projects: these were the formally institutionalized channels to incorporate the interests of non-public actors. However, the range of partners involved in the cross-border activities is generally limited to governmental agencies and collaborators. Those were the only channels for the participation of private and civil society actors in Centrope and are rather weak; therefore denoting the essentially governmental character of Centrope Project. The working groups are formed by “experts” and organised to discuss development themes. They were able to produce diagnoses and “jointly deliberate on appropriate strategies and development steps” (Consortium Centrope 2006e).

However, the themes discussed are selected by the Consortium, and the Secretariat was responsible for publicizing the results of groups’ discussions through Centrope informative channels. The groups did not communicate directly with the population or project members. Moreover the “experts” were almost totally from local and regional
governments or regional agencies, as acknowledged in two recorded interviews conducted in 2006. On their website in 2006 the labour market working group displayed the kind of experts who participated in the group, publishing what was the pattern in all groups: “the expert working group is made up of high level representatives of labour market actors of the entire region: decision-makers of the employment services and offices of all partner regions as well as economists and statisticians from representative bodies and administrations co-operate in the working group” (Consortium Centrope 2006e).

There were six working groups and eight pilot projects in this first project phase, which are listed and described in Appendix 3. Although I could map which working groups were formed and had meetings, I could not have any access to lists of working groups’ participants; those were made available only for the second project period (see below). The Centrope Platform counted on its majority and on private and civil society participants; on the other hand it was an information forum with no decision making or planning scope. The first meeting of the Platform took place at Vienna Airport. No interview or document could confirm the realisation of any other meeting, although an interviewee affirmed there had been another one.

Figure 8.3 shows a graphic overview of the structures explained above. Grey rounded figures represent project bodies, while white squared figures are actors involved. Arrows denote the flow of information, decision making, money or administrative control. The bulk of activities is shown by the thicker arrows.

At the end of this project financing phase in April 2006, Centrope stayed without funding for about three months. But according to an interview, in May 2006 the framework for the future cooperation was already designed. At that moment, there was already application for the period 2006-07 and awareness that until the end of 2007 there would not be enough time to build a complete multilateral project, which was at that time planned for 2008 in the new EU programming period. This first project period was later considered the moment for the agenda setting and political commitment.
Figure 8.3 – Organisation of BAER I: actors, roles and project bodies (2003-2006)

Source: Author’s own elaboration
8.3.2 Centrope II: Centrope 2006 Plus – BAER II (2006-2007)

The first phase of Centrope culminated with the third Political Conference (Vienna, March 2006) and with the launching of one of the main achievements of Centrope so far: the planning document “Centrope Vision 2015” (Consortium Centrope 2006g). This was interpreted by members of the Consortium as the political commitment, whose implementation would be prepared within the new project financed by Interreg, named Centrope 2006 Plus. Approved for 18 months, it had the objective of constructing a detailed “business plan” with the next co-operation steps. A crucial objective of this phase was to prepare the neighbour countries to be full partners in Centrope. Thus, Austrians were assisting the implementation of Centrope offices in the other countries and their submission of projects for EU funding, as stated by a coordinator of the Consortium at an interview.

The application for Centrope 2006 Plus, whose official name was BAER II, was completed as an extension of BAER I as it was supposed to fulfil objectives planned for BAER I but not achieved in the period of the first project. Initially, it was expected that “CENTROPE will lay the necessary foundations by the end of 2005, so that the vision of a European model region can be realised in real life. The experience and know-how required for this will be gained through pilot projects” (Europaforum-Wien n.d.-b). Having the complete structure was also the aim included in the Kittsee Declaration of Centrope’s inauguration. It is there stated that by 2005 at the “latest” a structure for multilateral cooperation and regional marketing and positioning should be established (Consortium Centrope 2003).

The basis for the work in Centrope 2006 Plus was the content of the document “Centrope Vision 2015”. In this sense, the work on building the ground for cooperation was to build and implement the “Business Plan” for Centrope (cf. next topic, Centrope Capacity). The work would focus on four thematic areas and aim at five main agendas. The themes to be focused on were 1) Economy, Innovation, Research & Development, 2) Infrastructure, Transport, Environment & Planning; 3) Labour Market, Qualification & Employment; 4) Culture, Creativity, Leisure, Sport & Tourism.

The strategy was to follow a five items agenda: Agenda 1: Project Management & Partner Coordination; Agenda 2: Work Programme & Lead Projects from 2008 on;

A document elaborated by the consortium partner (BAER I) and subcontractor (BAER II) set the basis for the priorities. The document is not dated, but is probably of the beginning of 2005. The document, named “CREP - CENTROPE Regionale Entwicklungsperspektive” (Centrope Regional Development Perspective) was inspired in the European ESDP and determined the areas for further cooperation as: (1) economy: integration, innovation, and local development; (2) labour market and qualification; (3) education, science and research; (3) culture; (4) tourism; (5) communication and [regional] image; (6) management of Centrope’s cooperation, besides regional planning, infrastructure and environment (Regional Consulting and ARGE CENTROPE n.d., p. 2-3 and 8).

Therefore, the agenda and priorities agreed by all members in the “Vision 2015” are simply a re-ordering of the priorities suggested by an Austrian company specialised in spatial planning which was part of Centrope Consortium.

The Business Plan to be elaborated by all partners, although discussed and agreed with representatives of the involved governments, was – first: elaborated by the Consortium, predominantly by two organisations, EFW and Ecoplus. Secondly, no actor from civil society was involved36, as one of the main objectives of the plan was to allow partners in eastern countries to elaborate their project to submit to EU financing and to build their Centrope offices.

Relations among the partner countries

This new phase of Centrope marked a strong attempt of project creators to fully include the neighbours. In the previous period this seems to have been less emphatic. A crucial happening in the period was the creation of the Slovakian office of Centrope, the “Dom Centropy” (House of Centrope), which was launched in October 2006, financed by Interreg for eighteen months. The so called “Slovak sister structure” (Consortium Centrope 2006f) was an initiative much motivated by the leadership of a Slovakian

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36 EFW is by legal status an organisation of the civil society. But it is not considered as such in this study principally for two reasons: first it is a representative of the City of Vienna (subcontracted) in Centrope; second, it has deeply intertwined relations with the City of Vienna, which is its mainly “client” (quasi the totality of EFW’s projects has the city government as contracting institution, often the main or only one).
politician of the city of Bratislava, however, it became a chance seen by Slovakian governments to have influence in the process, and especially to benefit from EU resources and to learn with Austrians’ expertise.

Therefore, the regions of Bratislava and Trnava and Trnava city joined the city of Bratislava in the Slovak House of Centrope, which was in charge of coordinating all activities of the Slovak partner cities and regions Bratislava and Trnava. The project counted on 80% of EU contribution, while local governments’ contribution was mainly in the form of human resources and place for the office. For the application, Slovaks relied on the support of EFW expertise, according to interviews. Nevertheless, with the sister structure of Centrope and their own project, Slovaks stepped in as stronger players.

The objective pursued by the Steering Committee and Consortium was then to establish coordination offices in Hungary as well as in the Czech Republic before the end of 2007. This was part of the aim of achieving the foundation for a new project application at the end of 2007 for the EU Objective of Territorial Cooperation. At that time, the coming new Operational Programme “Central Europe” was already known (information obtained in interview), since the managing authority for the programme is the City of Vienna, department of EU Strategy37.

In this second phase, meetings of the Advisory Board started to be realised outside Austria. The first meeting of the period was in Brno, the Czech Republic in December 2006 (Consortium Centrope 2006d). And the first Political Conference outside Austria took place in Bratislava in November 2007. This project period involved “intensive negotiations” for the next period (2008 onwards), said an interviewee member of the Consortium. Austrians seemed to be willing to make concessions in setting objectives as long as it had its objective that every country would establish and finance their own Centrope structure. It was clear in interviews that Austrian members of the Consortium were stimulating the other partners to outsource the office, instead of having it as a governmental department. They believed it would be easier in terms of financing from various sources and would collaborate for better professionalism, as said.

37 The City Department of Vienna “EU Strategy” (MA-27 Magistratsabteilung der Stadt Wien) is not the official contracting unit for Centrope, which is the MA-53 – Press and Public Relations Office. However many sources affirmed that this was only due to bypass regulations constraints. The EU Strategy Department is the de facto manager.
There were two major aims in the negotiations of Austrians and the neighbour countries (according to interviews): first to develop communication and the services’ structure of Centrope, which basically meant building relation with contact persons and channels and capacity to get information. The second aim was to establish the “cooperation alliances, which is nothing but setting out projects, bigger multilateral projects”. The cooperation alliances would be one of the foundations of the new project to be submitted for the next period. Thus communication with neighbours aimed to “identify topics whether it is interesting to make such a multilateral cooperation and then try to support them in order that they can apply” for funding in the new 2008 period. Chosen themes were “qualification, automotive cluster, environment, water, etc”, aiming to “make a catalogue of topics of which we said, or agreed would make sense”, and subsequently stimulate actors beyond Centrope partners to make projects based on this “catalogue of themes”.

The preoccupation with the quality of professional services came to the surface during negotiations, and the limited resources of eastern partners got into the Austrian agenda. A member of the Consortium said when talking about limited resources that “sometimes [they have] also different priorities … it is a new situation for them, a complex organisation … it still takes time for them to become comfortable with the topic and to be able to see themselves in the project, to see what has to be done, and the concrete activities involved (…) it is a priority, but they have other priorities… for Austria it is easier because we have experience, we used our Objective 1 opportunity. These countries have to face all these steps at once, that we have taken (…) they lack human and financial capacity”.

About the involvement of civil society actors in this period, interviews have shown there wasn’t much change from the previous period. The working groups and pilot projects were still much based on governmental actors, or quasi-governmental agencies and this was considered “fine” by interviewed members of the Consortium, who believed this would be completely changed in the next period, when the cooperation alliances would be built. One said: “players [companies] are not much involved” but “all projects are still in a development phase, preparing the new period”. Participants of groups were, for instance, in the group “labour market: government’s institutions involved in employment policies, and labour unions”; “tourism: tourism agencies of the countries,
tourism boards”, which are part of the government (outsourced in Vienna or governmental department as in Slovakia); “if we are talking of planning or spatial planning or environment issues, they are often the governments representatives”, continued the interviewee. For the group economy, these are “representatives of clusters, financing institutions, developing agencies, consultants”.

There were thirteen working groups in this period, more than double number of the previous period. An interviewee in Hungary gave access to a complete list of the participants of all groups, as another in Slovakia gave access to lists of the Advisory Board.

Centrope Consortium and Structure – Centrope 2006 plus

The structure of the project did not differ much from the one pictured in Figure 8.3 above. It continued being exactly the same, but the formation of the Consortium was altered. Instead of five members: EFW, the business agencies of the three financing provinces (Vienna, Burgenland and Lower Austria) and a company, Regional Consulting, it had three members and three subcontractors (see table 8.1). EFW was the main representative of Vienna, while Ecoplus was for Lower Austria and the Regional Management Burgenland (RMB) for its province. Regional Consult, WiBAG and Vienna Business Agency continued taking part in the Consortium, however as subcontractors. They were contracted for services in some “work-packages”, which in Centrope’s is the denomination of a set of specified activities in the project.

A change of power balance was relevant, and the EFW which basically represented interests of Vienna, although keeping the function of project secretariat, shared more functions with organisations of the two other members of the Steering Committee: the provinces of Burgenland and Lower Austria. The business agency of Lower Austria, Ecoplus was “commissioned with the function of management” and became “responsible for coordinating the topics business, innovation and R&D as well as business, labor and qualification” (ecoplus 2008a). Eugen Antalovsky from EFW continued as managing director of Centrope, yet sharing the function with other two managing directors: Harald Ladich from RMB and Vera Vyskovsky from Ecoplus.

In Burgenland, the change from WiBAG to RMB as partner in the Consortium denotes a change from a business service focus to more territorial cooperation and EU-
affairs. Burgenland was the only Austrian province classified as Objective 1 for the period 2000-2006, thus benefiting from additional resources of the Cohesion Fund. For this reason there was a specialization of governmental structures, in which EU funding and affairs were coordinated by the RMB. The change in the Consortium showed that in Burgenland Centrope had a stronger focus on EU funding than on enterprise subsidies and direct support, since this latter was the aim of WiBAG. It continued as subcontractor for specific issues on economic development and enterprise technology (WiBAG 2007, p. 63). Asked on the subject, another Consortium member that said “WiBAG was never in”, affirmed RMB was “in” and actively taking part in Centrope.

Concerning multi-level governance and scales politics, it is worth noting the relative absence of national governments. Communication and negotiations are with regional, not with national governments and cities. This scale jumping had an important role in the participation of Hungarian, Slovakian and Czech Partners, as it is exposed in Chapter 9. A member of the Vienna government affirmed “we’ll also have [to negotiate] with them [national level] in the future; in so far we concentrate on the regional level (…) because the co-financing is coming from the regions”. A member of the Consortium explained: the national government “has the top control, they have to say under which conditions the application can be done, but operational, the decision level and the financial control are on the regional level”. Communication (reports) was directly from the region to the European Commission.

This second phase of Centrope was considered (and labelled as) the period of “Planning the Central European Region”.

8.3.3 Results of Centrope in the two BAER periods (2003-2006)

Concerning the actions carried out within these two first periods of Centrope, the brochure “We grow together – Together we grow: Centrope Vision 2015” can be considered the main achievement. The planning document, although not being more than a vision, contains the basis for future collaboration and was the most participative construction of Centrope.

The elaboration of a logo and the corporate image of Centrope was also considered a main achievement by interviewees.
Other results according to Antalovsky, EFW managing director of the Consortium, were the political agenda setting and commitments, raising public awareness, successful actions of marketing in the region, and the definition of the future agenda 2015 (Antalovsky 2006). To this may be added the Project Centrope Map, the Labour Report and the brochure “Route Centrope” with the “Wine route” for stimulating internal tourism in Centrope. The political commitment of local political leaders has been celebrated by regional actors as an important achievement. This is likely to be so, since consensus among sixteen heads of local and regional government is not easy to be reached.

Table 8.2 – Centrope Political Declarations

<table>
<thead>
<tr>
<th>Year</th>
<th>City</th>
<th>Motto/Slogan</th>
<th>Main topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>Kittsee</td>
<td>“Building a European Region”</td>
<td>Commitment for exploring co-operation opportunities</td>
</tr>
<tr>
<td>2005</td>
<td>St. Pölten</td>
<td>“We grow together – together we grow”</td>
<td>Agreement on areas of co-operation</td>
</tr>
<tr>
<td>2006</td>
<td>Vienna</td>
<td>“We shape the future”</td>
<td>Adoption of “Vision CENTROPE 2015”</td>
</tr>
<tr>
<td>2007</td>
<td>Bratislava</td>
<td>“Ready for takeoff”</td>
<td>Adoption of Business Plan 2008 plus and joint financing</td>
</tr>
<tr>
<td>2011</td>
<td>Győr</td>
<td>“Region without Limits”</td>
<td>Starting the multilateral project</td>
</tr>
</tbody>
</table>

Source: author’s elaboration based on the published political declarations

Public awareness was a crucial issue in a project aiming at regional marketing. Following a presentation of Eugen Antalovsky (EFW) in 15th May 2006 (Antalovsky 2006, p. 9), the results in this area for the period are the following (Figure 8.5):
8.3.4 Centrope III: Centrope Capacity / Centrope2008plus (2009-2012)

Like the former project periods, the design of this phase of Centrope was completed before the submission of the project proposal to an EU call. Some important changes characterise the period: firstly it fell in the new programming period for the EU and a new format for territorial cooperation, a new operational programme (Central Europe) and new requirements of the revised lead partner principle. Moreover it was the first full cycle of EU funding for the Czech Republic, Hungary and Slovakia being full members. This was a different situation in comparison to the previous two Centrope periods, representing a potential change in the balance of power. It also entailed an enhanced hope from different partners to concretize Centrope activities (Consortium Centrope 2006d) and a hope from Austrians to have all partners engaged and financing.

To correspond to these important changes, the format of project submitted to funding was considerably altered. The construction of the project proposal was achieved by discussion and drafting of a Centrope Business Plan, of which I had access to three versions (Consortium Centrope 2006a, 2007c, b), which together with a new round of interviews with Austrian members of the Consortium and at the Slovak Dom Centropy are
the basis of the description in the subtopic below. Basically the new project was based on the decentralization of the management, with the establishment of a Centrope office (in the model of EuropaForum Wien) in each country.

*The third phase of Centrope (2008 onwards) and EU programming period 2007-2013*

The European Commission /DG Regio launched a series of changes for the new programming period that impacted on Centrope’s organisation and power and interests arrangements. Primarily, Interreg was extinguished and the Objective 3 – Territorial Cooperation was the frame for cross-border applications as Centrope (cf. Chapter 5). The main implications of this change were twofold: a new operational programme with new application conditions, especially requirements for multilateral proposals; and alterations on the lead partner principle.

The new operational programme for multilateral partners after the end of the Interreg CADSES is the “Central Europe Programme”. Therefore with the full membership of the Czech Republic, Slovakia and Hungary, Centrope was to be a united umbrella project, instead of a collection of projects under bilateral programmes AT-CZ/SK/HU; CZ-AT/SK; SK-AT/CZ; HU-AT/SK.

Nevertheless, it was necessary to obey the partnership rules of the new programme, which determined “the minimum requirements established in the CENTRAL EUROPE Operational Programme imply that the partnership should involve: - at least three financing partners, - from at least three countries and - at least two of the partners being located in EU CENTRAL EUROPE regions” (Central Europe Programme n.d.-a, p. 32).

Moreover, other requirements for establishing the partnership involved: “partners need to be involved in the project in a proportionate way, and they must be able to credibly outline the benefits they derive’ (Central Europe Programme n.d.-c). “Even if larger partnerships will not be excluded, the recommended maximum number of partners is from 8 up to 12 according to the chosen Type of Action” (Central Europe Programme n.d.-a, p. 32).

Projects should comply with the priorities of the Central Europe Programme. The new programme seemed to have a perfectly suitable priority to submit Centrope: “Priority 4: Enhancing competitiveness and attractiveness of Cities and Regions”; area “4.1.
Developing Polycentric Settlement Structures and Territorial Cooperation”. Centrope was submitted to the first call of the Central Europe Programme, which opened in March 2008 and finalised in July 2008 (Central Europe Programme n.d.-b).

The lead partner principle has also been an objective of intense discussions in Centrope. For the 2007–2013 programming period, the Council Regulation (EC) 1080/2006 established the compulsory implementation of the Lead Partner principle in all Territorial Cooperation programmes (CEC 2006). The principle is not new, but for this period it became compulsory.

The preoccupation of the group, according to an interviewee of the Consortium, was to secure that the lead partner would be responsible for keeping in sight all partners and therefore it was emphasized that a stronger commitment of all partners would be necessary. It seemed to be more than this. The new principle obliges establishing one leader, so Centrope multi-national construction must have one leader that coordinate partners, centralize the communication with the Managing Authority (and the EC), launches the tenders for service contracting, and receives all payment transfer from the EU, which it should transfer to the remaining partners. Besides, the negotiations for the Business Plan presupposed that the general secretariat would have its seat at the Lead Partner’s place.

However, the conflict for decision of who would take over this strategic function did not take place between but within countries. Interviews realised in 2007 showed that partners from eastern countries of Centrope were willing to give this function to an Austrian partner. Nevertheless an interviewee revealed in June 2009, after the approval of Centrope by the Central Europe Programme, that the contract had not been signed yet since Austrian partners could not decide which among them would be the Lead Partner of Centrope. The final definition came in July 2009, and on the 13th of this month the contract between the Managing Authority and the Lead Partner was signed (Central Europe Programme n.d.-e).

Negotiations, submission and start up of the Centrope Capacity project

Centrope Capacity is the official short name of the project “Sustainable urban and regional cooperation for a polycentric territorial development in a competitive CENTROPE region” (Central Europe Programme n.d.-e), which forms the third period of
Centrope analysed here. Since the last financing of Centrope finished in December 2007, the launching in 2010 (officially January, practically in July, when the contract was signed), there was a considerable delay on the project once expected to be “Centrope 2007plus” (Consortium Centrope n.d.-c), and afterwards “Centrope2008plus” (Consortium Centrope 2006a).

The negotiations and design of the new project period started even before the beginning of Centrope-BAER II, on the occasion of the third Political Conference in Vienna, in March 2006, a date that coincides with the launching of the Slovak Centrope House. The establishment of an office in a second Centrope country with EU funding gave impulse to the negotiations; however at that moment there was no more than an idea of the design of the new collaboration. After the funding of Centrope II in July 2006, the Consortium had started the elaboration of the so called Centrope Business Plan 2008 (Centrope Aufgabenprogramme 2008) under the leadership of the EFW. A first version of the Business Plan was presented and discussed at the first Advisory Board meeting of Centrope II, in December 2006 in Brno, CZ (Consortium Centrope 2006d).

The basis for the proposal to be submitted was approved by the participating members, which were all members of government or governmental agencies (including a Hungarian mayor), according to an official list of the members of the Board obtained in an interview. There was not much suggestion of change in the structure of the Business Plan, which proposed a decentralized multilateral cooperation with the four countries as full financing partners in the new project to be submitted to the Objective 3 – Territorial Cooperation. There were only minor changes in the sub-priorities, as the main four priority thematic areas were agreed before finalising the planning document “Centrope Vision 2015” (published in 2006). Interviews did not reveal major conflicts in defining priorities nor the project structure for 2008 onwards. Interviews with Slovak governments’ representatives showed that they were willing to have voice on priorities definition, as well as an increased power within Centrope. This seemed to be very welcome by Austrian partners in interviews, who were willing to have the project established in the four countries, with partners financing and carrying out activities in the four member states. Dom Centropy therefore presented a list of priorities of Slovak partners (to which I had access, cf. Chapter 9), which were decided in a workshop in June 2006, and as the data collection showed, it was the only of the eastern partners of Centrope to present structure
priorities. These were promptly accepted, as they were highly focused on competitiveness and business development.

Negotiations involved requests of having political conferences outside Austria and board meetings outside Austria, to have some tasks decentralized to all partners and a stronger focus on cross-border regional planning. All were also promptly accepted, since no structural change was requested from partners.

During the process of negotiation and development of the Business Plan, Austrians managed to maintain control of crucial parts of the project, since it was accepted from the beginning that the Lead Partner would be Austrian. In this sense, although it was agreed to have a multilateral secretariat with representation in the four countries, a later version of the Business Plan of November 2007, read: “in general, the project secretariat will be in charge of all the co-ordination activities that cannot be performed by the regional co-ordination offices in their dual function as ‘decentralized’ and ‘multilateral’ services units” (Consortium Centrope 2007c, p. 10). While each country would have a “regional coordination office”, it was clear that the “multilateral project secretariat based on the co-ordination office of the lead partner is available for special and co-ordinating activities” (Consortium Centrope 2007c, p. 9, emphasis added).

The accommodation of interests for this project period thus involved Austrians giving space for priority definition, some activities and pro-forma political actions in the neighbour countries as Advisory Board meetings and Political Conferences, while centralizing bureaucratic soft control procedures under the Austrian expertise for EU projects, the latter with the accordance of the eastern partners in Centrope.

The conflict appeared in the power struggle among Austrians, about which data was not available apart from a recorded interview and an informal conversation. Nevertheless, this is clearly demonstrated by the considerable time gap between the approvals of the project in July 2008 and its formal start in January 2009 by the Central Europe Programme and the signature of the contract with the Managing Authority and the Lead Partner in July 2009, as shown by official data of the Central Europe Programme (Central Europe Programme n.d.-e).
For this reason, the beginning of 2010 can be considered the (rather shy) start of Centrope Capacity. After the signing of the contract, there was still a public procurement process to start the realization of activities. The project fiche of the Central Europe Programme says:

“[t]he Lead Partner carried out a two-stage public procurement process throughout the EU for external expertise. The procurement process was implemented 13 October 2009. The negotiated tendering procedure with the bidders was carried out 4-17 December 2009. Three negotiation sessions were held and the bidder with the best offer was determined. On 13 January 2010, the competent commission of the Vienna City council (Administrative Group Education, Youth, Information and Sports) approved the service contract which was concluded with a consortium of external experts. They took up work from 18 January 2010. The external consultants elaborated an amended work plan, budget breakdown and the communication plan’ (Central Europe Programme n.d.-e).

Therefore, the main tasks of project coordination, planning, and activities were outsourced to quasi-governmental agencies, private or publicly subsidised private companies in the four countries. The Consortium for carrying out the project was then outsourced. Centrope Capacity seems to aim at professionalizing activities by outsourcing actions. A recent tender launched by the ARGE CENTROPE AGENCY, i.e. project secretariat EuropaForum-Wien called for candidates to carry on the “Pilot-Activity CENTROPE Regional Development Report” (ARGE CENTROPE Agency 2010). This should elaborate three annual development reports and three focused reports (page21). It is part of the “objectives”:

“The CENTROPE Regional Development Report will be one instrument (as part of a bigger “tool-box”) to provide regular transnational analyses and policy recommendations. The concept is based on the experience of the CENTROPE Business & Labour Report, which was drawn up as a prototype in 2007 and demonstrated that an annual report on the economic and labour market development of the CENTROPE Region can provide an important common information basis for future policy initiatives” (ARGE CENTROPE Agency 2010, p. 20).

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38 This procurement process was advertised in many EU countries, e.g. I found it an ad in a newspaper in Poland (Gazeta PL).
Therefore, a task that has been elaborated collectively by members of the Centrope working group Labour (formed by members of government, public or non-employment agencies and labour unions in the four countries) will have its counterpart in the new project period carried out by contractors, with no participation and under the auspices of an outsourced Consortium (the ARGE Centrope Agency, see below).

Figure 8.6 – Thematic priority areas of Centrope Capacity

![CENTROPE CAPACITY Business Plan]

Source: Antalovsky and Lutter (2010, p. 7)

The organisational structure of Centrope Capacity

The organization of Centrope for the period attempted to reflect the new political balance, the principal changes were the creation of a multilateral Steering Committee and decentralization of the management, with the establishment of a Centrope office (in the model of EFW) in each of the four countries. The Advisory Board was not kept, being substituted by the Steering Committee, which has decision power beyond advising. The Political Conferences were kept, as well as the project secretariat.
The project bodies for this project phase are described below and graphically represented in Figure 8-7.

- **Political Conferences** continued as the congregation of the highest political level of the regional and city governments involved in Centrope. The plan was to have a yearly “presidency” of Centrope with changing chairs, since Centrope Capacity had a scope of four years. Each “presidency” would then organise a Political Conference. Nevertheless, so far there it does not seem possible to realise this plan, as there was no Conference nor “presidency” for the project years 2009 and 2010, although it is scheduled that a Political Conference will take place in 2011 in Hungary (Consortium Centrope n.d.-a).

- **Multilateral Steering Committee** is the main decision making instance and composed of representatives of the co-financing partners, as it was in the previous project periods. The crucial difference is the participation of representatives of the four countries, since twelve partners are co-financers. It substitutes the Advisory Board, which was the body with representation of members of the four countries; therefore the Board was extinguished. It is responsible for the overall control of the project as well as the decision on allocation of resources.

> “The Steering Committee is a forum for discussion among the regions and cities involved regarding the goals of cooperation in the Central European Region and the form these efforts should take. This is the central body of the CENTROPE project; maintaining close contacts with the political level, its presidency will rotate every six months between the four participating countries” (Consortium Centrope n.d.-a).

The first meeting of the Steering Committee was held in Vienna on February, 12th, 2009. “At this event, the project representatives of the Project Partners and the Lead Partner were introduced, information about the status quo on subsidy contract, partnership agreement, reporting etc. was given, the rules and procedures of the Steering Committee were discussed and the financial flows and payment modalities were negotiated” (Central Europe Programme n.d.-e). The subsidy contract with the lead partner was signed on 13 July 2009. From that date on, fine-tuning and signing of the partnership agreement was carried out.
According to the data of the Central Europe Programme, the Lead Partner (Vienna) consulted the other partners about the system of financial flows and the preliminary budget table and work plan. The Lead Partner organized the second meeting of the Steering Committee in Vienna on January 22nd 2010 (Central Europe Programme n.d.-e).

- Centrope Agency (decentralized offices) in each country do a two fold job: one within their country, for instance spreading info, coordinating the point of view and priorities of the country; the second is the multilateral work they would do together as a multilateral secretariat. The Centrope Agency, together with the Steering Committee, guides the development process and is responsible for its operative implementation. As the offices are physically separated, it was planned as a “virtual multilateral cooperation” (interview). Nevertheless there was the need of a main secretariat, which is taken over by the former secretariat: the EuropaForum Wien.

- Thematic boards are four main groups “to generate ideas to further development, as a brain trust” (interview). It is actually the development of thematic working groups into “boards” with a new name; for the boards are – as the working groups – regular meetings of “experts” in a certain area. The themes of the boards were selected by a task force appointed by the Advisory Board in the previous Centrope period. An interviewee said they “plan to integrate the thematic boards in a more effective way than in the previous periods and include stakeholders from outside the administration, such as enterprises, universities”. The latter were said to be already “included in the alliances cooperation anyway”, and “already participating, for instance in the automotive cluster”.

- Alliance Cooperation is the denomination for pilot projects. It is supposed to be self-organised cooperation attempts of cross-borders regional partners towards a common aim. These partners (enterprises, universities etc) would be the active ones in the “alliances cooperation”, which would be supported by the “basic cooperation”. However, they would be responsible for their own funding.
Figure 8.7 – Organisation of Centrope Capacity (2009-12)

- Lead Partner: VIENNA
  - 3 Austrians Govs: Regional
  - 2 Czech Govs: Local & Regional
  - 4 Slovakian Govs: Local & Regional
  - 3 Hungarian Cities Govs

- Ecoplus
- Vienna Bus. Agency
- Reg. Man. Burgenland
- Czech HOPE E.S.
- Slovak Dom Centropy
- Hungarian Ceurina

- Centrope Capacity BASIC CO-OPERATION
- Project Secretariat: EuropaForum Wien
- Four Theme Boards with members of four countries
- Austrian Cities: St. Pölten & Eisenstadt
  Hungarian Counties: Vas & Györ-Moson-Sopron
- Other Public or Private actors
- Alliance Cooperation (various projects)
- Subcontractors

Political Conferences

Source: Author’s own elaboration
8.4 Financing of Centrope

The original project Centrope I (BAER) was a construction of three projects, each submitted to a cross-border bi-lateral operational programme. Therefore, Centrope I and II were “umbrellas” uniting three projects, one in each of the cross-border Operational Programmes Austria-Hungary, Austria-The Czech Republic and Austria-Slovakia. The extension for the second phase of the project followed the same design, while the third has a completely different design for application in a new EU programming period (see above).

The source of the official data used on the project financing displayed here is the Joint Technical Secretariat. The Technical Secretariat responsible for those three bi-lateral programmes was outsourced to a company that acts on behalf of the Austrian Federal Chancellery. This was the Austrian consultancy company ÖIR Managementdienst GmbH, a division of the Austrian Institute for Spatial Planning, which was absorbed in February 2008 by another private company, the Metis GmbH. A summary of each project of the operational programme has been elaborated and publicized online by the Technical Secretarial. However, not all projects are available in the website, e.g. the FDI Project (continuation of DIANE), did not have a summary on the web, and there are no accessible data on its financing. Centrope had all its data publicized by internet and this was the basis for the table 8.3.
Table 8.3 – Overview of Centrope’s financing 2003-2007

<table>
<thead>
<tr>
<th>Operational Programme</th>
<th>AU-CZ (Austria – Czech Rep.)</th>
<th>AU-SK (Austria - Slovakia)</th>
<th>AU-HU (Austria - Hungary)</th>
<th>Total Budget per Project (BAER I and II)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BAER I</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Budget</strong></td>
<td>397,477.01 €</td>
<td>626,188.02 €</td>
<td>520,629.62 €</td>
<td><strong>1,544,294.65 €</strong></td>
</tr>
<tr>
<td><strong>EU part</strong></td>
<td>117,288.20 €</td>
<td>313,094.01 €</td>
<td>162,790.16 €</td>
<td><strong>593,172.37 €</strong></td>
</tr>
<tr>
<td><strong>EU %</strong></td>
<td>29.51%</td>
<td>50.00%</td>
<td>31.27%</td>
<td></td>
</tr>
<tr>
<td><strong>EU Fund</strong></td>
<td>ERDF</td>
<td>ERDF</td>
<td>ERDF</td>
<td></td>
</tr>
<tr>
<td><strong>National Part</strong></td>
<td>280,188.81 €</td>
<td>313,094.01 €</td>
<td>357,839.46 €</td>
<td><strong>951,122.28 €</strong></td>
</tr>
<tr>
<td><strong>National %</strong></td>
<td>70.49%</td>
<td>50.00%</td>
<td>68.73%</td>
<td></td>
</tr>
<tr>
<td><strong>National Contributors</strong></td>
<td>Vienna, Lower Austria</td>
<td>Vienna, Lower Austria, Burgenland</td>
<td>Vienna, Lower Austria, Burgenland</td>
<td></td>
</tr>
<tr>
<td><strong>Total Budget</strong></td>
<td>178,000.00 €</td>
<td>445,000.00 €</td>
<td>267,000.00 €</td>
<td><strong>890,000.00 €</strong></td>
</tr>
<tr>
<td><strong>EU part</strong></td>
<td>89,000.00 €</td>
<td>222,500.00 €</td>
<td>133,500.00 €</td>
<td><strong>445,000.00 €</strong></td>
</tr>
<tr>
<td><strong>EU %</strong></td>
<td>50.00%</td>
<td>50.00%</td>
<td>50.00%</td>
<td></td>
</tr>
<tr>
<td><strong>EU Fund</strong></td>
<td>ERDF</td>
<td>ERDF</td>
<td>ERDF</td>
<td></td>
</tr>
<tr>
<td><strong>National Part</strong></td>
<td>89,000.00 €</td>
<td>222,500.00 €</td>
<td>133,500.00 €</td>
<td><strong>445,000.00 €</strong></td>
</tr>
<tr>
<td><strong>National %</strong></td>
<td>50.00%</td>
<td>50.00%</td>
<td>50.00%</td>
<td></td>
</tr>
<tr>
<td><strong>National Contributors</strong></td>
<td>Vienna, Lower Austria</td>
<td>Vienna, Lower Austria, Burgenland</td>
<td>Vienna, Lower Austria, Burgenland</td>
<td></td>
</tr>
<tr>
<td><strong>Total Budget per Operational Programme</strong></td>
<td><strong>575,477.01 €</strong></td>
<td><strong>1,071,188.02 €</strong></td>
<td><strong>787,629.62 €</strong></td>
<td><strong>2,434,294.65 €</strong></td>
</tr>
</tbody>
</table>

Source: author’s own elaboration based on data from the managing authority
There was, nevertheless, a little discrepancy in official data: the Czech OP website had two projects-pages for BAER, with slight differences in the amount of EUR (less than 2 percent) but the proportions of EU and Austrian financing are matching. The main difference is that it states only Vienna as co-financer; however, interviews and other data show this was incorrect. The other page with all co-financing partners was used then. More discrepancies were found in the literature. For instance, say Kauper and Steinbauer: “the budget of the first Centrope Project (2003-2006) financed by Interreg Austria-Slovakia and Austrian governmental contributions was € 532,667,00” (Kauper and Steinbauer 2006, p. 13), which does not correspond to the official figures of the Joint Technical Secretariat. This official data was the one used.

The first two periods of Centrope, in which the co-financing partners were solely Austrians, the share of each partner was 40% Vienna, 40% Lower Austria and 20% Burgenland (source: two recorded interviews).

The Managing Authorities in these periods were: for the operational programme Austria-Slovakia, the government of Vienna, department for EU Funding (MA27); for Austria-Czech Republic the government of Lower Austria, for Austria-Hungary, it was the government of Burgenland, through the agency “Regional Management Burgenland” (RMB).

The three tables in this section display an overview of the financing of Centrope in its three periods. Table 8-C shows the financing of the two projects of Centrope until 2006, according to the official data of the Joint Technical Secretariat of the Operational Programme Austria-Czech Republic, Austria-Slovakia and Austria-Hungary. Table 8-D shows the financing of Centrope Capacity (2009-12 a 4-year-project) according to data of the Central Europe Operational Programme (Central Europe Programme n.d.-e). Table 8-E contains a comparison of the financing for the first phase of Centrope (BAER I 2003-2006) and for the last Centrope Capacity (2009-2012), based on selected features.
Table 8.4 – Financing of Centrope Capacity Project 2009-2012

<table>
<thead>
<tr>
<th>Operational Programme</th>
<th>Central Europe (Transnational Cooperation)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Budget</strong></td>
<td>€ 4,515,462.00</td>
</tr>
<tr>
<td><strong>EU part</strong></td>
<td>€ 3,628,358.30</td>
</tr>
<tr>
<td><strong>EU %</strong></td>
<td>80.35%</td>
</tr>
<tr>
<td><strong>EU Fund</strong></td>
<td>ERDF</td>
</tr>
<tr>
<td><strong>National Partners Part</strong></td>
<td>€ 887,103.70</td>
</tr>
<tr>
<td><strong>Partners %</strong></td>
<td>19.65%</td>
</tr>
<tr>
<td><strong>National Partners Contributors</strong></td>
<td>12 governments in the 4 countries (all 16 participants except Austrian cities of St. Pölten, Eisenstadt and Hungarian counties of Vas and Győr-Moson-Sopron)</td>
</tr>
<tr>
<td><strong>Project Period</strong></td>
<td>January 2009 - December 2012 (48 months)</td>
</tr>
</tbody>
</table>

Source: author’s own elaboration based on data from the managing authority

Table 8.5 – Financing of BAER I and Centrope Capacity – selected features

<table>
<thead>
<tr>
<th></th>
<th>BAER I</th>
<th>Centrope Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total amount available for project</strong></td>
<td>1,544,294.65 €</td>
<td>4,515,462.00 €</td>
</tr>
<tr>
<td><strong>Total amount by national partners</strong></td>
<td>951,122.28 €</td>
<td>887,103.70 €</td>
</tr>
<tr>
<td><strong>Percentage of EU Funding</strong></td>
<td>29.51; 31.27 and 50.00%</td>
<td>80.35%</td>
</tr>
<tr>
<td><strong>Number of contributors</strong></td>
<td>3 (Austrian Provinces)</td>
<td>12 (in four countries)</td>
</tr>
<tr>
<td><strong>Duration of the project</strong></td>
<td>34 months</td>
<td>48 months</td>
</tr>
<tr>
<td><strong>Amount of EUR per month</strong></td>
<td>45,420.43 €</td>
<td>94,072.13 €</td>
</tr>
<tr>
<td><strong>Average partner monthly contribution</strong></td>
<td>27,974.18 €</td>
<td>18,481.33 €</td>
</tr>
</tbody>
</table>

Source: author’s own elaboration based on data from the managing authority

The comparison shows that in Centrope Capacity there is more than double available per month for project activities with lower contributions of national partners. The number of co-financing partners contributing was multiplied by four. In this sense, the third phase of Centrope represents a vital change on the financial burden for Austrian partners.
9 Mapping Actors, Roles and Interests in Centrope

9.1 Introduction: actors, interests and the formation of Centrope

Centrope is a complex articulation of actors with a variety of interests and relations in a new cross-border space. This chapter frames the main pieces of this puzzle to portray Centrope actors and their interests, resources and roles played, in order to expose the mode of governance occurring in Centrope. Therefore, the chapter aims at unravelling governance in Centrope by mapping the actors involved, describing roles and analysing interests motivating their participation.

The actors and interests involved in Centrope are approached in the following sections with varying perspectives: first, they are ‘grouped’ in a general manner in the description of the planning process and communication goal of Centrope. Secondly, the focus is on the members of Centrope-project, i.e. the 16 local and regional governments which signed the agreement for the creation of the project. Section 9.3 contains separate analyses of interests and the involvement of each Centrope partner-actor in Austria, and section 9.4 of those in Hungary, the Czech Republic and Slovakia. It attempts at revealing some of the dilemmas and the progress of practically building the decentralized cross-border cooperation.

Next, a whole picture is presented with a broader range of actors. In this final section, the officially involved actors (i.e. the Centrope partners analysed in the first part of the chapter) are depicted together with other participants, including experts, outsourced state agencies and other agencies both on regional or national levels, private actors, media, academics, banks and others. These actors are categorised, named and explained in the text; and moreover in this section the actors, their roles and relations are graphically presented as well as a table with a summary overview of actors, interests, roles, and resources to allow grasping the kind of governance which emerges.

The pieces of the puzzle here put together were obtained by a methodological combination of verbal information acquired in interviews and conversations with those written in artefacts (which are abundant in the form of printed promotion material, studies,
and large quantity of them is available in internet\textsuperscript{39}). When possible, information was quoted from written material rather than from interviews. It is worth noting, that the analysis is focused on the formation of the region Centrope, since most of the recorded interviews and participations in events took place from 2006 to 2008, with little update in 2009 and 2011. The last development phase of Centrope (2009 onwards) was too preliminary at the time this dissertation was written, and therefore, cannot be properly analysed although recent information available was integrated.

\section*{9.2 Planning in Centrope}

This section aims at giving a short overview of the construction of objectives, political goals and discourse in Centrope. Four points are analysed: (i) the declarations of the political conferences, (ii) the official decision-making and participation channels (described in Chapter 8), (iii) official publications and (iv) the aims of the project. In Centrope it is observed a division between a definition of aims and the power placed at the hands of bureaucrats from the regional or local governments participating in Centrope. The decision-making instances are formed solely by members of the governments, in fact, co-financing governments.

The politics of scale dealt in Centrope entail a contradiction. It seems that the involved Viennese governmental actors and Austrian business organisations look forward to expanding Centrope to more dynamic economic centres outside Centrope borders. On the other hand, the sub-national governments of the eastern partners (CZ, SK and HU) see their involvement in Centrope as an important counter-position in very centralized nation states. Especially in Hungary and the Czech Republic, the interviewed partners regard their participation in Centrope as having more room of manoeuvre without the control of Prague and Budapest. Also Slovaks consider Centrope a chance to have more political autonomy.

Nevertheless, the objective and plan of the future expansion of Centrope to include Prague and Budapest was clearly stated by a high official of the Viennese government. It was clearly said in a recorded interview that Centrope should be expanded to Prague and Budapest, and this is the plan. This point has not been confirmed by other interviewees.

\textsuperscript{39} All quotations of documents in German were translated by the author, who thanks Dariusz Świątek for the help in translating a few sources from Slovak and Czech to English.
Though vaguely mentioned by another Viennese actor, it shows possible discrepancies between bureaucratic and political level, since the affirmation came from the high political levels in Vienna.

But the centralized governmental structures in the neighbouring countries has been an important issue in Centrope. The diagnosis ‘CREP’ predicted it as a problem, “it oftentimes results an inconsistent level or jurisdiction to the cross-border cooperation” (Regional Consulting and ARGE CENTROPE 2006, p. 6). The document, therefore, claims for the “financial and conceptual” involvement of the national levels (idem, p. 8).

Multilevel lobbying has also been an issue in Centrope. At the Advisory Board meeting of Centrope II, in December 2006 in Brno, the intention was expressed of lobbying at national and European levels, “so a successful Central European Region will be part of the international political agenda of the involved countries” said the Viennese Planning Director Kurt Puchinger in the Advisory Board meeting in Brno, as stated in the meeting minutes (Consortium Centrope 2006d).

The principal planning document of Centrope so far is the brochure “We grow together – Together we grow: Centrope Vision 2015” (Consortium Centrope 2006g), which consolidates the results of the third Political Conference, held in Vienna in March 2006. Furthermore, it brings a synthesis of the working groups and pilot projects results in six fields of action, which are to be the pillars for further cooperation: I) Business & Innovation; II) Employment & Labour Market; III) Education, Science & Research; IV) Transport, Infrastructure, Environment & Regional Development; V) Culture & Tourism; VI) Communication & Cooperation.

The common “vision” is focused on the selected regional themes such as economy, education and culture and others and describes the intended regional plan, the desired common future. Its object is to reach the population and promote the project to a mass public. Vision was the jointly developed objectives and agenda for the next years.

Concerning the participation of private and civil society actors in Centrope, there are no formally institutionalized channels to incorporate the interests of non-public actors in decision making. While civil society has no access to decision making, its participation is ‘welcome and supported’ (recorded interview) 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 (i.e. the think tank EuropaForum-Wien – EFW).

However, throughout all the phases of Centrope, the experts who participate in groups and pilot-projects are mostly working in the local and regional governments of the region. Although any local actor can suggest projects, the pilot-projects are launched by the Consortium and depend on the Steering Committee’s approval. The implementation of these pilot-projects, analogously to the working groups, was carried out mainly by governments. The Platform, which existed in the Centrope phases I and II, counted on its majority on entrepreneurs and other civil society participants, but it remained not more than an information forum with no decision making or planning competences.

**9.2.1 Construction of discourse in Centrope: the communication goal**

Although the main players in Centrope are governments and regional marketing is a crucial aim, the communication goal in Centrope is outsourced and not carried out by governments. The strategic function that has been in the hands of EFW (which acts as the project secretariat) involves the production of texts, ranging from the Political Declarations, over marketing brochures and studies to the website. EFW basically elaborated all documents of BAER I and II and is responsible for drafting most of them for Centrope Capacity, as it remained with the position of project secretariat even when the organisational structure predicted a multilateral secretariat (cf. Chapter 8 above). Furthermore, Centrope Capacity launched a tender for outsourcing part of the already outsourced EFW tasks: the one of elaborating regional and thematic reports (ARGE CENTROPE Agency 2010).

Official documents related to Centrope are differentiated according to two target groups, both types of documents sharing the characteristic of advertising leaflets: one aims at the population in general in order to “communicate the future potential of the region to the public at large” (Consortium Centrope 2007a). These documents stress cultural and employment/labour issues, thereby aiming at constructing a regional identity. The second type of documents is directed towards investors and gives information concerning locational advantages of the region produced in close cooperation with the DIANE project in the two first phases of Centrope and led to Centrope Capacity (the multilateral project...
after 2009). This business-led communication includes information on tax cuts for corporations and all kinds of governmental subsidies or services offered.

Centrope had a clear aim of having professional management since its beginning and this was to be conducted by outsourced agencies. Nonetheless, it seems that the government principals in Centrope do not understand themselves as capable of properly performing the communication for promoting Centrope.

9.3 Interests and involvement of the Austrian partners

This and the following section aim at showing the governmental partners that have a role in Centrope. A separate section is dedicated to Austrian actors, describing the main features and interests of their participation, because Austrians have had a main role in Centrope. In 2000, within the project ‘FIT for Enlargement’, it was said: “Austria’s accession to the European Union as well as the dismantling of the Iron Curtain have pushed Austria and in particular the Vienna Region from the periphery to the very centre of Europe” (Europaforum-Wien 2001, p. 8). This statement illustrates the motivation in creating Centrope and for this reason we start with the main partner: the city government of Vienna.

9.3.1 Vienna

Efforts have been made by Austria, and more specifically by the Viennese Local Government, since the early 1990s, to establish co-operation with neighbouring countries, a period that coincides with the mandate of the current mayor and governor of Vienna, Michael Häupl. He was elected in 1994; Austria joined the EU in 1995. His strategy is visibly internationalising Vienna, trying “to maintain but also to extend its [Vienna] grown role as an attractive site for international co-operation and to position itself as a competence centre of European co-operation” (Vienna 2004a, p. 2).

Since his election, the international expansion strategy involved the articulation of the eastern part of Austria, extending Viennese regulation space to its neighbouring provinces: Lower Austria and Burgenland. The business-services development agency “Vienna-Region” (cf. Chapter 7), established in 2001, was a first initiative to create an interregional trademark for locational competition. Official discourse asserts that this is “the return to a new normality”, as “only the political events of the 20th century split this
socially, economically and culturally integrated region into a space divided by borders” (Consortium Centrope 2006g, p. 5).

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 organisational bodies involved in Centrope and Austrian actors are dominant in the “landscape” (cf. Figure 9.1 below). The “internationalization strategy” of Vienna is a strong political priority in the city government. It was claimed in 2007 that Vienna had “for more than 10 years … established [institutions] to communicate with the neighbours” (COMPRESS 2007).

The closest eastern neighbour countries have been in the centre of this internationalization goal, not only for historical reasons but also for economic motivation (cf. Chapter 6). More recently, this eastern expansion, or cooperation, has been the focus for competitiveness and locational promotion aiming at enhancing Vienna’s relative position for competing with other cities and locations. The city mayor Michael Häupl affirms Centrope is a “chance for competing” (PGO and Vienna MA 18 2008, p. 34).

Vienna aims to be the “gateway to the East” (Novy et al. 2001), the main ‘entrance’ to the Central European Region. This rhetoric appears in several official advertising and planning documents and speeches: “Vienna is not only the world’s most liveable city; it also the main business location of the Central European Region, and the gateway to Central and Eastern Europe for 300 international high-profile companies that have offices here” says an official publication (Neuhold 2009, p. 36), which also says “cooperation to protect business location” (idem, p. 38). The same was uttered by a city official representing the mayor in the cocktail offered by the City Hall to the participants of the Eight European Urban and Regional Studies Conference on September 17th 2010, including the word ‘gateway’.

A document elaborated by the EFW analysing Viennese participation in Interreg projects from 1995 to 1999 shows that since before the implementation of Interreg III, the government of Vienna had two main objectives for the use of EU funds:

“firstly, actively to prepare Vienna for EU enlargement in order to gain a favourable position in this process, and second to face up the challenge of locational
development in order to increase the competitiveness of Vienna and the trans-national region it is part of” (Antalovsky et al. 2000, p. 19).

This document also denotes how the EFW has long played a strategic role in building the tactics in the creation of Centrope region for the City of Vienna. Eugen Antalovsky (Centrope’s manager at EFW) is the author of various official publications of the City of Vienna.

A crucial part of this strategy is fostering the image of Vienna not only as a city with high quality of life but also with leading knowledge in planning and European affairs. “City exports know-how” was the title of an article in an official publication when Rudolf Schicker (City Councillor for Urban Development, Traffic and Transport of Vienna – MA-18) was in Moscow and Istanbul presenting Viennese urban planning techniques. This article reads: “the city values the recognition of its expertise and wants to export it further” (VOR 2006). Vienna aims at enhancing its leading position in the competition of places, and therefore puts forward an innovative, attractive and competitive image.

In 2002 the Seminar promoted by the City of Vienna and carried out by the EFW named “Gaining from Cross-border Cooperation” set the basis that would give shape to Centrope, as the document with the results of the seminar shows (Europaforum-Wien 2002). The conclusions of the seminar confirm the belief that “cross regional co-operation could effectively co-ordinate spatial planning policies (Europaforum-Wien 2002, p. 2), affirming that the trans-regional dialogue was initiated by the region of Vienna with its neighbouring regions and territories (idem, p. 2). The seminar was idealised by the MA18 (City Department for Urban Development, Traffic and Transport of Vienna), especially its Councillor Rudolf Schicker. Cross border cooperation would represent the main mechanism to develop competitiveness. Says the document:

“Past experience has shown that policies based on direct redistribution mechanisms in favour of enterprises or declining industries have less impact on job creation and growth. Today, the trend is for territorial policies that do not necessarily aim at the harmonisation of economic performances in all sectors of cross border economy but gives place to a greater variety of economic and social situations. Innovative policies should take into account various types of changing context: • a shift from a re-distributive policy (through national or international funding) towards more trans-regional competition. The objective is less to reduce regional inequalities than to concentrate
investments on fostering the potential of the different elements of the cross border territories; • less of a sectoral approach and more of a territorial one. The objective is no longer to support declining industries and activities but to ensure a better distribution of activities over a larger territory with the view to stimulate local development; • the substitution of subsidies by indirect public aides” (Europaforum-Wien 2002, p. 3).

Moreover the results of the seminar raise concern with the “governance factors of the CBC” (cross-border cooperation), which declared that good organisation is essential to the dynamics of development. The legal arrangements for making such cooperation viable were a concern of the government of Vienna.

“The debate is still open on which legal instruments are needed at the level of the CBC to develop inner dynamics and territorial coherence over borders: • Competencies for planning or; • Range of development sectors – innovation or; • Easing administrative barriers hampering the movement of enterprises and people or; • Role of semi public – semi private bodies – professional organisations in promoting CBC” (Europaforum-Wien 2002, p. 3).

One may conclude that even before Centrope, there was a very strong idea of “outsourcing” the organisation of CBC, i.e. to “apply professional management of interfaces and development” (Europaforum-Wien webpage). Professional management was understood as outsourced and specialized. In the same document the need for multi-level arrangement and participation to promote CBC and competitiveness: the involvement of the most dynamic actors is necessary, in particular that of the local economic institutions such as the Chamber of Commerce, the local universities, etc.” (Europaforum-Wien 2002, p. 3). The actors recurrently called for the participation of business’ associations and universities. Therefore elite actors seem to be the favourite partners in Centrope. This is a discourse for constructing a new mode of governance:

“Most European countries are reviewing their public decision process; the trend is towards more decentralisation and autonomy of local and regional authorities. The enlargement of the European Union creates new actors and new opportunities for cooperation. Decentralisation generates more efficiency at local levels while fostering democracy and community participation. However, the risks and responsibilities attached to decentralisation are important because local powers are not always prepared for their new challenges and may lack the human and financial resources needed for their joint development. European programmes, such as Interreg, are good accelerators for CBC.
The establishment of a CBC is a learning process, a process which needs the transfer of expertise and experiences, a process useful for regional actors, for the general process of CBC, useful also for countries outside Europe” (Europaforum-Wien 2002, p. 4-5).

In this sense, Vienna constantly positions itself as the natural centre of Centrope and beyond, due to its size and economic importance. “Vienna wants to position itself in the 21st Century as the economic metropolis of the south-eastern-central Europe” (Vienna 2004b, p. 12, emphasis in original)

The domination of Vienna in Centrope’s landscape is connected to its regional weight. In a study for the Interreg Project “Preparity”, a scale of centrality measured in terms of cities’ capacity of services and labour provision was created. It was then applied measuring cities of a Centrope “expanded” towards south and west; i.e. keeping the eastern limits of Centrope excluding Prague and Budapest, but including Carinthia, Styria, Salzburg and Upper Austria and these states’ borders with Slovenia and South Bohemia. Vienna was by far the most “central” city in this studied area, with an established score of 100, being the second most central city capable of providing services and labour positions Bratislava with a score of 50,9. Following were the Austrian cities of Graz (50,2) and Linz (41,3), after them Brno/Czech Rep. (38,8) and the Slovenian capital Ljubljana (35,9), in seventh Györ/ Hungary (29,5) (Zuckerstätter-Semela et al. 2001, p. 22ff and 111).

The project “Preparity” carried out by EFW to prepare Vienna to the accession of CEEC to the EU has concluded that the enlargement will not change the centrality position of Vienna, as ‘service and work centrality’, i.e. its role as shopping destination and attractiveness as a workplace (Europaforum-Wien et al. 2001, p. 23).

An interviewee from the Viennese government affirmed that it was natural to Vienna to cooperate with neighbours as “Vienna was always oriented beyond its boundaries”. According to this interviewee, before the fall of the Iron Curtain, it was turned towards its neighbours Lower Austria and Burgenland (recorded interview). Another interviewee from an Austrian business association said that Vienna has always been the main player in all organisations of the three provinces, i.e. PGO, VOR and Vienna Region (cf. Chapter 7). Therefore, said the same representative of the Vienna government: “so it was only a second step to extend this type of cooperation to this kind of cross-border cooperation (...) something natural to reactivate the relations of the Hapsburg”.

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The idea was to stimulate the creation of growth poles alternative to the “Blue Banana”, with Vienna being “Europas neue Mitte” (new middle of Europe) (Europaforum-Wien 2006, p. 27). The achievement of this aim would start by deepening the cooperation with Bratislava, which is a central issue for the City of Vienna, which fosters the “Twin Cities” idea (Vienna and Bratislava). “But then, Vienna saw that it couldn’t be only the two cities; a broader frame was necessary” (recorded interview with a governmental representative of Vienna). But according to the website of the city government, at the page on Centrope, the core was the axis Vienna-Bratislava. the main advantage of Centrope for Vienna was considered positioning the city as a central business location, and Vienna could “profit” more by rapidly making “Vienna-Bratislava a well connected region” (Vienna n.d.-b).

Nevertheless, five recorded interviews (three with Slovaks and two with Austrians, and informal conversations with Slovaks and Austrian private actors) told a different story. Vienna would allegedly have searched cooperation with Bratislava only after the fall of the Iron Curtain. This was after Vienna had ignored Slovak intention to cooperate at the end of the previous regime. However, few years after, Slovak economic growth and attractiveness of enterprises turned out to be interesting for Vienna to cooperate. But then, Bratislava was not willing to cooperate with Vienna since its growth was high – they did not need Vienna. Therefore, Vienna invested in involving other neighbours in attempts such as JORDES (which was based more in the cooperation with Hungarians, cf. Chapter 7) and bilateral cooperation with Brno, while networking with partners in Austria. As mentioned by an interviewee: “the development of Bratislava spatially towards Austria obliged Lower Austria to get in the cooperation that Vienna was articulating” (recorded interview).

There is evidence that Vienna gradually seeks to enhance its room of spatial influence. In this sense, some interviewees and other regional actors affirm that Viennese government has the intention to expand Centrope to Budapest and Prague. The city “strategic plan for an enlarged Europe” of 2004 established five levels of regional cooperation to further develop the ‘economic and life’ space:

(1) Vienna “Umland” (i.e. metropolitan area);

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40 Page accessed in 2006, however not available since 2008.
Vienna Region (i.e. Lower Austria and Burgenland);

Twin cities (i.e. with Bratislava);

Centrope, but also;

“Central European Integration Space”, which includes Prague and Budapest (named “cooperation with central and east capitals”) (Vienna 2004b, p. 23).

The urban development strategy was based on international cooperation, as said the mayor Häupl “think Europe, act local” (Vienna 2005, p. 8 and 18).

Vienna’s influence on European projects and institutions

Vienna’s internationalization strategy is reached additionally by seeking important roles in the European scenario. Besides the informal “exportation” of know-how concerning EU cross-border projects to neighbour countries, three main roles played by Vienna are of high relevance:

1. the INTERACT secretariat for the period 2002-2006 and contact point responsible for communication 2007-14;

2. mayor Michael Häupl’s presidency of the Council of European Municipalities and Regions;

3. Vienna as managing authority of the Central Europe Operational Programme.

INTERACT is a EU programme that provides support for authorities implementing Interreg projects (managing authorities, joint technical secretariats, etc.) on project management and compliance to EU guidelines. Although the managing authority for INTERACT I (2003-2007) was the Austrian National Chancellery (INTERACT n.d.-a), the contact point, i.e. the institution which provides effective support for the project’s authorities, and thus is in close contact with actors, was carried out by the City of Vienna (Vienna n.d.-a). In the new programming period, INTERACT Secretariat is carried out by the Slovakian regional government of Bratislava (INTERACT n.d.-b).

Nevertheless, although not being the secretariat anymore from 2007 onwards, the Vienna Contact Point continues to play a crucial role in INTERACT producing official communication for the whole project. As stated in the project “The INTERACT Office
Vienna, having in-house expertise on the EGTC\textsuperscript{41}, sees it as an interesting opportunity to take a leading role, within the INTERACT Community, in developing an Information and Training package on the EGTC” (INTERACT Contact Point Vienna 2007). A practical outcome of this role is the production of the main informative document of the programme, the INTERACT Handbook for EGTC (INTERACT Contact Point Vienna 2008), which has the Secretariat of Bratislava as publisher, but was made by the INTERACT Point Vienna by outsourcing to Mecca Consulting (INTERACT Contact Point Vienna 2008, p. 2).

Besides, the INTERACT Point Vienna is in charge of assisting members in eighteen cross-border operational programmes and nine pre-accession programmes\textsuperscript{42}, being its “main field of expertise: Specific knowledge on the bilateral, transnational and interregional cooperation between the EU-15 Member States and the EU-12 Member States, as well as Pre-Accession countries (IPA)” (INTERACT n.d.-c).

The second main form of exercising influence among European local and regional authorities is the coordination of the Council of European Municipalities and Regions (CEMR). Michael Häupl was re-elected President of the CEMR in December 2007 for a second 4 year mandate (CEMR 2007). The Council is said to be “the largest organisation of local and regional government in Europe; its members are over 50 national associations of towns, municipalities and regions from 38 countries. Together these associations represent some 100,000 local and regional authorities” (CEMR n.d.). With the coordination of CEMR, Vienna expands its expertise beyond managing EU Funds and activities, but also for lobbying on the EU level.

\textsuperscript{41} European Grouping of Territorial Cooperation (EGTC) is a legal instrument of the Structural Funds, which allow Member States, subnational authorities, associations and others to group and deliver joint services. It was designed to facilitate and promote cross-border, transnational and interregional cooperation (CEC n.d.-b).

\textsuperscript{42} The contact point Vienna is responsible for the following Cross-Border Programmes: • SK/CZ Slovak Republic - Czech Republic; • HU/SK Hungary - Slovak Republic; • HU/RO Hungary - Romania; • RO/BG Romania – Bulgaria; • SI/HU Slovenia – Hungary; • SI/AT Slovenia – Austria; • AT/HU Austria – Hungary; • AT/SK Austria - Slovak Republic; • AT/CZ Austria - Czech Republic; • IT/AT Italy – Austria; • CZ/PL Czech Republic – Poland; • PL/SK Poland - Slovak Republic; • AT/DE Austria – Bavaria; • DE/AT/CH/LI Alpenrhein – Bodensee – Hochrhein; • IT/SI Italy – Slovenia; • DE/CZ Saxony - Czech Republic; • DE/CZ Bavaria - Czech Republic; • DE/PL Saxony - Lower Silesia. And the IPA Programmes: • Adriatic; • SI/HR Slovenia – Croatia; • HU/HR Hungary – Croatia; • HU/RS Hungary – Serbia; • RO/RS Romania – Serbia; • BG/RS Bulgaria – Serbia; • BG/FYROM Bulgaria - Former Yugoslav Republic of Macedonia; • BG/TR Bulgaria - Turkey; • EL/AL Greece - Albania; • EL/FYROM Greece - Former Yugoslav Republic of Macedonia (INTERACT n.d.-c).
The third point, the position of Vienna as the managing authority for the Central Europe Operational Programme largely promotes the city as an expert on the management of EU Funds for territorial cooperation. The Central Europe Programme is the means of financing all territorial cooperation from the ERDF for eight countries: Austria, the Czech Republic, Germany, Hungary, Italy, Poland, the Slovak Republic and Slovenia (Central Europe Programme n.d.-f), for the period of 2007 onwards. Besides Vienna being the managing authority, the Join Technical Secretariat (JTS) is located in Vienna, although it is not part of the city administration, it is outsourced and headed by an Italian.

Vienna’s power position in the crucial Central Europe Programme is determined by its role in selecting projects to be financed and in managing processes and information and carrying out financial transfers of resources for all projects. The flow of information within the programme works as follows: partners in financed projects report to lead partner, who reports to JTS, which in turn reports to the Managing Authority, the Viennese “Department for EU-Strategy and Economic Development” (called MA-27). The flow of financial resources starts at the EC transfer to the Certifying Authority (the Viennese City Department for Budget and Finance – MA 5), and then to the Lead Partner and from this to other partners (Central Europe Programme n.d.-d, p. 11).

9.3.2 Lower Austria

The Austrian Province of Lower Austria has participated as co-financer and member of the Steering Committee since the beginning of Centrope. As of Vienna, the governmental department operating as official partner in Centrope is not the one actually acting, since activities are outsourced to the Province’s Business Agency, Ecoplus (see Appendix 2). The “Division for spatial planning, environment and transportation policy” (Gruppe Raumordnung, Umwelt und Verkehr) is the official partner, but in the government structure, European integration is connected to the Governor’s office (Lower Austria n.d.-c). The Division for European Affairs and the Provincial Office for EU Regional Policy are also under control of the Governor (Landesamtsdirektion) (Lower Austria n.d.-a, b). The Division for Economy, Tourism and Sport is responsible for coordinating Ecoplus.

Different from interviews with governmental representatives of Vienna, those of Lower Austria did not enthusiastically affirm the importance of Centrope. It was clearly
stated it is important, but “as much as many other initiatives” said an interviewee of the provincial government. Viennese officials are more emphatic on Centrope advantages. The interview in Ecoplus confirmed the view of the provincial government. It was said that “there are a lot of other priorities as well in Ecoplus, Centrope it is just one face, one instrument for the internationalization of companies in Lower Austria”.

Centrope is part of the topic “Internationalization” which is one of the five development topics in Ecoplus. Internationalization, said the interviewee, “has been considered the most important of these topics, due to the long border-line (400km) (...) there are a lot of activities regarding internationalization, (...) and [Centrope is] equal to 10 other priorities as well”.

For Ecoplus and the regional government, Centrope is instrumental for promoting the region and enhancing competitiveness, which is supposed to bring regional development. This was clear in interviews and is also displayed as priority in the Government’s website (Lower Austria n.d.-b). The means of Centrope to favour Lower Austria’s development would be supporting local companies to be “international, to provide them networks, knowledge and synergies in competencies. It is not finding export markets, as this was done 10 years ago, it is to create a win-win situation and be successful in international cooperation and expansion” said an interviewee.

9.3.3 Burgenland

Burgenland has different agencies dealing with European Funds and International Cooperation, due to it geographical position bordering three countries: Hungary, Slovakia and Slovenia and to its entitlement for the Cohesion Fund. Differently from Vienna and Lower Austria, Burgenland has been in Convergence-Objective 1 (2000-06) and is in the Phasing-out of the Objective 1 for 2007-13, thus it has been receiving grants from the Cohesion Fund, which has a budget much bigger than Territorial Cooperation or Interreg. The possibility of using different Funds required how-know on the various regulations, and for this reason Burgenland divided responsibilities among different agencies. Burgenland and the Business Agency WiBAG take part in Centrope Regional Management.

The Austrian federal state, however, is not eligible for funding under the Objective 2 – Competitiveness and Employment, for which Lower-Austria and Vienna are.
Nevertheless, the funding for Burgenland passes those of the other Länder for the period 2007-13; for the EU contribution for Burgenland is of EUR 177 166 964 (Objective 1 only) and the Objective 2 for Vienna is of EUR 25 151 861 and for Lower Austria of EUR 145 646 798 (CEC 2007).

Interviewees from Burgenland admit a certain dependency on Vienna and Lower Austria to “follow” their development, though Burgenland has its unique development potential (tourism and eco-business). Among its aims within Centrope are also attracting infra-structure investments to the state and fostering small and medium business in the territory, besides advertising its ‘ecological’ policies.

Burgenland has borders with three new EU members, Hungary, Slovakia and Slovenia, though most of it is with Hungary. It is essentially a border state, integration with Hungary is part of the daily life of its inhabitants. Centrope assists achieving better integration and provides some learning on managing new funds, since the state is in ‘phasing-out’ and soon may not benefit of Objective 1 Funds.

9.4 Centrope in Slovakia, the Czech Republic and Hungary

This section shows the different perceptions on Centrope and the state of the art of the project in the three eastern European countries. The implementation of the Centrope-project entails differences in priority, relevance and organisational advance in the subnational governments of the four countries involved.

While the interest and organisation of Centrope in and within Austrian partners was shown in the previous section, this section 9.4 focuses on the state of the art in the other three countries. The amount and type of information on the partners in these countries does not justify making a separate topic per subnational government; they are rather grouped by country. This is because the state of implementation of the Centrope-project is not advanced, and the objectives and interests of individual subnational governments were not so emphasised in the interviews and actually did not differ much from one another in the same country.

Common features were observed nevertheless among the three countries: the recognition of the knowledge and leadership of the government of Vienna in political matters, and of the EuropaForum-Wien for daily organisational activities, and the view of
Centrope and a move towards Austria as a possibility of ‘escaping’ from the very centralized dominance of their national governments. The specificities are detailed below.

9.4.1 The Slovak Republic

From the three eastern countries of Centrope, there is no doubt that the Slovak Republic is the one that made more efforts to implement Centrope. It was the first to build an institutionalised structure to manage and foster the project in the respective country.

At the beginning of 2007, the ‘Dom Centropy’ (Centrope House) was established to carry out the activities of Centrope in Slovakia. This was after the approval of a mirror-BAER project by Interreg (with 80 per cent funding from the EU, co-funded by Bratislava and Trnava regional governments). At the moment of its creation, Dom Centropy had no legal status, but simply a room and two collaborators. There was a discussion if it should be an outsourced agency or part of the governments, the latter being preferred by the partners; however, it was not possible under Slovak law. Afterwards, it became a public association, regulated similarly to a public agency, but nevertheless there is an organisational culture of a public department. This view on Dom Centropy was expressed by interviewed governmental officers and by the staff of the Dom Centropy.

The process of institutionalising Centrope in Slovakia in 2007 was planned to observe five stages, which followed similar activities of those implemented in Austria and the plans of EFW: the first step – the priority – was to establish a governmental coordination, a common office/secretariat. The second involved the translation and publication of the existing Centrope communication material and website in Slovak language; while the third referred to the realization of workshops and meetings among Slovak partners to set their priority policies, themes and areas and the method of development of the priorities. The fourth stage would then involve broadening the actors to include “activities to the private sector, NGOs and other institutions of significance and possible involvement in multilateral activities within Centrope and educational activities in schools as well the development of portals for children and youth”. Only the fifth stage intended to include the population, however by means of an “info-campaign (…) to the inhabitants of the region to raise awareness” (Mikušová 2007).

Slovak action in Centrope owns much to the efforts of one politician: Tatiana Mikušová, former district-mayor for the Bratislava district of Petržalka, one of the largest
'socialist-era’ housing districts of Central Europe (Smith et al. 2008), and currently (2011) Bratislava’s deputy-mayor for tourism issues. She relied on the support of the politicians of the other subnational governments involved in Centrope, notably of the Bratislava regional government, which financially supported her attempt of creating the Dom Centropy by providing a furnished and relatively well equipped office, and the city of Bratislava which allowed two city employees (Mikušová and an assistant) to work full time at the attempt.

The workshop to define the priorities (part of the third stage above) took place on June, 22nd 2007. It was called Dom Centropy “Kick off workshop” and counted with the presence of a representative of the EFW, a Slovak consultant who is part of the staff (since the workshop language was Slovak). Since this Kick off workshop it was clear that the Centrope Political Conference of 2007 would be in Bratislava (Mikušová 2007). This gave impulse for the articulation of partners in Slovakia.

“A political conference took place for the first time outside Austria. This has a profound symbolic significance. This indicates a shift in the initiatives and activities of regions and cities of the ‘new’ EU member states that are ready to assume a greater part of work than before and intend to exploit the results of joint activities, better than ever” (Bratislava Self-governing Region 2007).

This political conference, which took place in November 2007, when Centrope in Austria was closing due to the end of the financing period of BAER II, had the peculiar name “Ready for Take-off” (Consortium Centrope 2007d), illustrating the desperate attempt of Austrian Centrope leaders not to allow Centrope to fade. There was a clear intention in this conference to nurture the motivation of non-Austrian partners to build their Centrope management structures, despite the imminent lack of funding to the Austrian part of Centrope. Symbolically, the Bratislava Memorandum (of the political conference) was then named “Long-term and Professional Cooperation”. The Memorandum states that “roughly eighteen months after the adoption of ‘Vision CENTROPE 2015’, a timetable for concrete cooperation activities supported by partners on an equal footing has occupied the forefront of political interest” (Consortium Centrope 2007d, emphasis added).

Mrs. Mikušová is a civil servant at the City of Bratislava; therefore she receives remuneration from the city for her collaboration in Dom Centropy (recorded interview).
In the Bratislava Political Conference, Centrope partners agreed to: 1. further develop cooperation within Centrope through jointly pursued cooperation management as well as several thematic implementation projects, 2. to jointly submit the Centrope Basis Cooperation as the backbone of future work towards common goals within the scope of the transnational EU programme Central Europe, and 3. to fully support the implementation of significant cooperation ventures between strategic partnerships” (Consortium Centrope 2007a).

At the time of this political conference and effective starting of Centrope in Slovakia, its partners had a strong focus on having their objectives addressed in Centrope and even to challenge Austrian domination in the project, as some interviews revealed. This was apparently increased by the fact that for a while Slovaks would have funding for Centrope while Austrians would not and it created some conflicts at first. The impression from interviews was that Slovaks wanted to reverse domination in the decision making, mainly regarding the priorities guiding Centrope activities.

However, conflicts did not go much further. The Dom Centropy intermediated contacts and organised a workshop to make clear the priorities and demands of the partners, and these were all included in the frame of Centrope, especially because none went against the traditional focus already chosen for Centrope, especially because the main aim of all Slovak partners was to enhance competitiveness (which actually followed the main aim of the Slovak National Operational Programme for the use of Structural Funds and the Slovak Ministry of Regional Development control priorities of all EU projects). And moreover, aims coincided because the demand of Slovaks for fostering the automotive cluster, just as competitiveness and regional marketing, was a strong priority on both sides of the border.

Besides some normal disagreements on organisational/bureaucratic issues, no large conflicts between the partners of different nationalities occur in Centrope. Time has shown that the struggle for power within the governmental organisational frame of Centrope did not get considerable, and Austrians, notably Vienna, continue to dominate the landscape of Centrope. In the new project frame, the ‘Centrope Capacity’ that is in operation from 2010 onward, EFW has an increased role and became officially the “Centrope coordination office” (Centrope n.d.); while before it was just a member of the Consortium that was responsible for the secretariat. EFW responsibilities as the coordination office are
“thematic coordination and strategic development, communication management, overall technical-operative coordination, Centrope secretariat”, while other partners are responsible forcoordination in their countries and some thematic issues. Slovak Dom Centrope is responsible for ‘culture and tourism’ (Centrope n.d.).

9.4.2 The Czech Republic

From the beginning of Centrope until the start of Centrope Capacity in 2010, Centrope issues in the governments of South Moravia and of the City of Brno were under the responsibility of their foreign affairs departments. This denotes a view, confirmed in interviews, that Centrope is understood by the Czech partners more as a political articulation with Austrian partners than as an economic development or regional articulation. It is quasi a “diplomacy issue” and very focused on the relation with Vienna (city of Brno) and with Vienna and Lower Austria (South Moravia).

The priorities of the government of South Moravia for Centrope at the beginning of the project involved “creating a solid infrastructure for technology transfer and to attract technology-oriented companies and their incubation”; “a more favourable regional competitiveness position”; “the promotion of the participation in the EU supporting program is an important concern” (Centrope 2004). Competitiveness, technology transfer, attraction of technology-oriented companies and their incubation are priorities of the Regional Innovation Strategy Southern Moravia (RIS JM), which is under the responsibility of the South Moravia Regional Development Agency. Nevertheless, Centrope was located in the foreign affairs department, and is still the department responsible for the project, although there is an outsourced Centrope office for the Czech Republic for the Centrope Capacity project.

For the City of Brno, Centrope is considered mainly in the frame of the Brno-Vienna city cooperation. This is the perception of the local actors (interviews), as if the region itself were not an issue. Centrope is intended to enhance the relations between Brno and Vienna, and for this aim increasing transport access between the cities is an important objective. It is considered that transport between the two cities has been growing since the advent of Centrope (Brno 2008a). In January 2008, Michael Häupl received the “City of Brno Prize”, among other reasons, for his commitment in being in the forefront for building the Centrope region (Brno 2008b). The priorities for Brno in Centrope are:
information and communication technology, start-up companies and innovation, network of universities, water management, Centropre platform for land zone planning, and Centropre tourism routes (Brno 2008a).

Since the approval of Centropre Capacity under the Central Europe Operational Programme, an outsourced private consultancy company has taken up the coordination of Centropre in the Czech Republic. This model of outsourced “professional management” was a suggestion of (Austrian) members of the Consortium (recorded interviews in Austria and in the Czech Republic). Already in 2007, as interviews have shown, there was an articulation within Czech partners to implement the model suggested by the Consortium, a task mostly undertaken by the department of foreign affairs of the City of Brno, which was the most active Czech partner in Centropre (recorded interviews). Curiously, as clearly stated in a recorded interview, despite the legal requirement of a public tender to choose a manager for the Centropre Czech coordination office, it was known already in 2007 who would win the ‘tender’: a private consultancy company whose manager has “connections with the Mendel University in Brno” (recorded interview). Although the name of the ‘winner’ was not mentioned in the interview, the contracted managing company – HOPE E.S. (Centropre n.d.) – has a professor of the Mendel University as director (HOPE E.S. n.d.), although the consultant in charge of Centropre has no connections with the university mentioned. In the most recent phase of the project, the Czech coordination office, besides acting as the ‘cooperation node and regional project management Czech Republic’, has also the ‘cross-regional responsibility for thematic development focus ‘Human Capital’” (Centropre n.d.).

9.4.3 Hungary

According to interviews with Austrian participants of Centropre, Hungary was the most difficult country to build the institutions for the cross-border project. One interviewee even named them as ‘problematic’ regarding implementation of Centropre structures. Hungary was regarded in interviews as “very centralized” and its “regional agencies don’t have many competencies”. Similar positions were revealed by Ferenc Miszlivetz, director of the Institute for Social and European Studies of the city of Szombathely (HU), who participated in pre-accession cross-border projects of Vienna. He believes that autonomy (or a state in a “federation like style”) is required for Hungary to take part in cross-border cooperation and European Affairs. For him, Hungary lacks the
comprehension of multilevel governance and has a low degree of trust (Miszlivetz 2001, p. 16ff.).

The local partners have been the most relevant in Centrope, i.e. the cities of Győr, Szombathely and Sopron, rather than the regional partners, the counties of Győr-Moson-Sopron and Vas. The counties participate solely with the position of ‘observer’ from 2010 on (CEURINA n.d.-a). For the Centrope Capacity project (2010 onwards), a non-profit organisation – ‘CEURINA Non-profit Ltd.’ – was contracted to coordinate the activities of Centrope within Hungary (Centrope n.d., CEURINA n.d.-a) and is responsible for the thematic development focus “Spatial Integration”.

The page of CEURINA brings information of a main ‘change’ of the new phase of Centrope: a “greater importance to the central government” (CEURINA n.d.-b). With the aim of strengthening the articulation of Centrope in Hungary, the most recent Political Conference, the first since Centrope became a multilateral cooperation under the Central Europe Programme, was realized in Győr in May 5th 2011.

9.5 Actors Panorama: mapping and summarising who is involved

Although Centrope is clearly a governmental endeavour, it has since the beginning aimed at building a new mode of regional cross-border governance and for this, the involvement of (selected) non-governmental actors has been strongly looked for. Consequently there are a series of actors beyond the official project members involved in Centrope. This section names these actors and expose their roles and interests in Centrope-project. A table and an ‘actors-scheme figure’ both with actors involved and description of their roles and interests in the project aim at facilitating the overview of alliances and governance in this trans-national attempt.

The objective of involving more private actors in the project’s structure was aimed to be strengthened in the third phase of Centrope (2008-9 onwards). This participation of non-governmental actors would be achieved by means of the ‘cooperation alliances’ (cf. Chapter 8). These are basis of the organisation of ‘Centrope 2008 plus’: “through previous co-operation in the Central European region, it has been possible to establish numerous ‘strategic alliances’ between different Centrope partners who wish to implement joint thematic cooperation projects from 2008 on” (Consortium Centrope 2007c, p. 3).
The complete analysis of actors in Centrope exposes the recurrent issue of the conflict between private and public actors. Governmental actors in interviews and in presentations in events and official brochures declare the cooperation alliances were born within Centrope cooperation; thus they affirm Centrope has provided the frame and structure for cross-border private actors to cooperate.

Nevertheless, the private actors from business and industrial associations and companies interviewed for this research affirm categorically that they started cooperation on their own and the government came in later, due to calls of the private actors. One interviewee from a business association got irritated when suggested in my question that cooperation attempts such as the Automotive Cluster were triggered by governmental agencies. He said: “they ran after us (…) they are always late, they don’t know the priorities or what to do (…) after we start, they come to help and want to say that they did it all. They didn’t”. A business leader from Slovakia said that Centrope was born by initiative of companies of Slovakia and Austria, and that the EUREGIO between Lower Austria and Bratislava Region was created by initiatives of the region’s wine producers. According to this interviewee, the wine producers had the idea of making a cluster, and when the government knew about it “they came and got into the business, because they want to advertise it!” he said, emphatically.

This type of conflict between public and private agents has been observed publicly in an event on transport infrastructure in Vienna in 2007, with a peculiar discussion after a panel. Governmental presenters, including one from the City of Vienna, showed the actions and plans of governments to improve cross-border transport, to the irritation of a participant, who shouted something on the line of “you governments are saying you planned all this, but you have been saying you would do all we demanded for a long time. We don’t want you to say you have our ideas, we want you to implement them”. This statement was followed by a long discussion, in which many corporate actors affirmed similar issues. Government representatives tried to minimize the conflict and to insist that the discussion mostly showed ‘how they are in tune with the people”, since they had got their demands.
9.5.1 Centrope actors’ panorama

Centrope has been inactive in the years of 2008, 2009 and part of 2010. Therefore, the possible results of the cooperation alliances cannot be analysed yet. However, the genesis of the regional attempt of Centrope brings rich inputs for the study of the mode of governance and articulation of public and private agents within this newly produced cross-border space. This section brings the constellation of actors to the surface, allowing conclusions on the mode of governance to be taken up in the next chapter.

Table 9.1 provides a list of the actors involved, as well as their role in Centrope, their power position and the resources they can commit to the project, their interest in Centrope and how they want to achieve it, their relations and networks, and the results in the mode of governance. Figure 9.1 brings a graphic overview of the details of the table. It illustrates the actors directly involved in the Centrope project and shows the institutions created to run the project and the links with and between actors. The grey boxes display Austrian actors; the rounded ones represent actors of all four countries together. For the sake of the analysis, the actors displayed in the Figure 9.1 are categorized as:

1. **Governmental actors**, three levels: supranational (European), national and local/regional;

2. **Quasi governmental actors**: mainly characterized as public agencies that follow private law and liberal strategies, such as the governmental development agencies WWFF (Vienna), Ecoplus (Lower Austria) and WIBAG (Burgenland) – key-players in Centrope – and the joint institutions of these agencies: Vienna-Region and PGO (Planungsgemeinschaft Ost). National institutions as the Austrian National Bank (ÖNB) and the Austrian Development Agency are also included, although not directly linked.

3. **State subsidized or financed private actors** include those with unclear definition: the EuropaForumWien is an officially non-governmental and independent organisation, which is the contracted manager of the Project Centrope and is in charge of elaborating all official material and discourse of it. Its independency is however relative, as the Viennese government is the main (and quasi-exclusive) client and the Centrope’s project manager Eugen Antalovsky is the writer of brochures and policy papers of the government of Vienna and is personally connected to some Viennese
authorities. WIFO – Austrian Institute for Economic Research, is also officially non-governmental, but is heavily publicly financed. The organisation Centropa GmbH - a new enterprise for supporting Lower Austria’s companies- occupies an unclear space in the figure. It is, a quasi-governmental agency due to its 70% of public financing, but its formal status and its 30% financing by the Austrian Bank Raiffeisen leads the box to the State subsidized or financed private actors. Universities that foster Centrope discourse and activities such as the TU-Wien and WU-Wien also belong to this category.

(4) Private actors include the Raiffeisen Bank due to its participation in Centropa GmbH as well to other undertakings, e.g. the Centrope Investment Fund run by the bank and the various seminars it sponsors (with the Trend Magazine) in the region using the name Centrope, in order to promote its services to companies, notably the investment fund and business consulting services. The ZT Regional Consulting has been part of the managing consortium for the period 2003-2006. In the figure it lists as partly state-subsidized as it is paid by the governmental actors in the project and its role in the management is still unclear. Individual researchers that make personal choice of studying Centrope and thus publishing about it (whether or not after participating as invited speakers in Centrope events) are in the private actors category, since this involves individual decisions, different from institutionalised processes as those from universities (which belong to another category). The “Various” circle represents a range of entrepreneurs and private actors that attended the informative meetings organised by the project management.

There are many initiatives using the name Centrope. It would be impossible to map all actors involved in all subcontracting, working groups or cooperation alliances. Projects deriving from Centrope such as the ‘Centrope Map’ involve a range of actors, starting from the coordinator PGO (cf. Chapter 7) passing over a range of consultants and companies providing services. In some activities, e.g. the Centrope Map, some actors participate without providing directly paid services, as consultants taking part in discussion groups, but many services were contracted later on, e.g. in the process of developing the maps. Some other initiatives –e.g. the DIANE project (cf. Chapter 7), the Centrope Seminars by the Trend Magazine (financially supported by Raiffeisen Bank) and the ‘Centrope Case Race’ organised by the Austrian Universities TU (Vienna University
of Technology) and WU (Vienna University of Economics and Business) – use the name of Centrope without using resources of the Centrope-project.

In particular, there are uncountable projects and cooperation attempts in the cross-border space of Centrope – involving actors of Centrope, but not named Centrope – that cannot be completely covered in a doctoral thesis. Some use names similar to Centrope, as the mentioned initiative of Raiffeisen and Ecoplus named ‘Centropa GmbH’. Raiffeisen created a Centrope Department in 2004 (Raiffeisen 2005, p. 30) as a part of its efforts to become “the regional bank in the Centrope Region” (idem, p. 7) and the leading advising bank for companies investing in the region (idem, p. 9). For this purpose the ‘Centropa’ “consultancy company” (Raiffeisen 2005, p. 7) was created in 2004 in partnership with the government of Lower Austria, which was managed by the business agency Ecoplus. Although advertised as instrumental to Raiffeisen expansion plans, Centropa was financed 70 per cent by the Lower Austrian Government (Ecoplus) and 30 per cent by Raiffeisen.

In early 2005, Raiffeisen “intensified its cooperation with the City of Vienna in joint projects and partnerships such as the Central Danube Region Marketing & Development company” (Raiffeisen 2005, p. 7) and by early 2007 the Centropa GmbH was renamed to “eco-international”. The focus, according to Ecoplus slightly changed: “it is only a consulting for companies; face to face support for enterprises and Ecoplus can use Raiffeisen network. It is a target market for them [Raiffeisen] and they have expertise and know-how and Ecoplus wants to combine this financial bank-network with some kind of support offer (…) It is a nice combination but has nothing to do with Centrope” (recorded interview). The view of Raiffeisen differs. For the Centropa manager, the space of Lower Austria was limited and they wanted to provide support to companies beyond the space of Lower Austria, and in fact beyond Centrope, to include all the countries involved in Centrope, the interviewee clearly said. Indeed, the internet address ‘centrope.at’ leads to a Raiffeisen page that advertises the locational advantages of a region with 29 million inhabitants, instead of the 6 and half million of the area of the 16 signatory governments of Centrope-project.

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44 GmbH stands for “Gesellschaft mit beschränkter Haftung” which means ‘company with limited liability’.  
45 Information obtained in interviews with Ecoplus and with Raiffeisen, confirmed by other two interviews with members of Centrope Consortium.  
46 Considering the number of inhabitants as of 29 million means expanding the ‘borders’ of Centrope, since this population is approximately the same of the sum of total population of the four countries. Therefore
The various initiatives in this cross-border space include projects in the area of education as the CERNET – Central European Regional Network for Education Transfer, coordinated by Vienna with partners Brno (CZ), Bratislava (SK) and Győr (HU), thus covering space very similar to Centrope. CERNET “aimed at deepening regional identity” (Vienna 2004b, p. 33) and promoted exchange of school pupils and teachers and training for teachers, with many activities centred in cross-border language learning. It was also co-financed by Interreg III-A. In 2005 the project EdGate – Education Gate, was established as the continuation of CERNET (which was from 2001 to the last day of 2004).

Another project in the region which was financed by Interreg III-A was created by private actors, without the participation of any of the local governments involved in Centrope. The “Econet Platform” was created and coordinated by the Austrian Chamber of Commerce (Wirtschaftskammer Österreich) and the think tank WIFI (Wirtschaftsförderungsinstitut Österreich), with participation of the Slovak and the Czech Chambers of Commerce and Industry and BICs (Business Centres) of the two neighbour countries. Running from the end of 2004 to 2007, it aimed at training and enhancing cooperation of small and medium enterprises in the three countries. When asked why this cooperation was not brought to the ‘umbrella’ of Centrope, a director of the Austrian Chamber of Commerce answered “we cooperate with them, but we don’t need to involve the government in all we do. This is a project of ours (…) we welcome what they do, but we are independent” (recorded interview).

Private or quasi-private institutions act in the region independently of the project organisation. The ‘Centrope Case Race’ is an initiative that although called Centrope does not have participation in the official Centrope structure. It is led by the so called ‘Entrepreneurship Center Vienna’ (EC Vienna), which is a joint initiative of the Vienna University of Technology (TU Wien) and the Vienna University of Economics and Business (WU Wien). The EC Vienna “promotes the commercial use of scientific research in start-ups as well as in innovation projects of established companies (…) focusing on the Vienna Region/CENTROPE” (EC Vienna n.d.-a). The EC Vienna promoted in the years Prague and Budapest are included; however they are not part of Centrope. The address www.centrope.at redirects to a Raiffeisen page under the link: http://www.raiffeisen.at/eBusiness/rai_template1/1015018521967-467554612422115941_474074529887633023_470136182241177758-470136182241177758-NA-1-NA.html, (accessed last time April 12th 2011).
2008 and 2009 the ‘Centrope Case Race’, an international case-study competition for students of universities of the Centrope region and is organised with ‘partnership’ (also sponsorship) of the consultancy company Cap Gemini (EC Vienna n.d.-b). It also relied on support of the BOSCH Training Centre Austria (idem).

Actors in Figure 9.1 without links are somehow involved or fostering Centrope (for instance financing research or seminars, or publishing publication on it) but they and their initiatives do not have strong links with the project or other actors. In the case of the newspaper “Der Standard”, the link is weak and marked with the € symbol, as they published many Centrope Especial Editions as a paid partnership (the editions were not advertisement, but there were effectuated payments for the publisher). These actors also represent a selection of most significant attempts concerning Centrope, as some small ones were left out of the figure.

In the column of “Project and its institutions” of Figure 1, are shown the organisational bodies of Centrope, explained in detail in Chapter 8.
Figure 9.1 – Actors, links and organisation of Centrepo-project 2003-2008

Source: Author’s own elaboration
Centrope tries to tailor a lasting cooperation framework for governments, business and selected segments of civil society. Nevertheless, neither social movements nor trade unions participate. Furthermore, although Centrope covers four nations, funding and decision making-power and bodies for implementation has been for years concentrated in Austria, which remained the main financer after a multilateral cooperation was introduced. Non-Austrian governmental partners complained about the lack of a common space for financial decision-making, and the intended improvement was to foster complementary EU-funded-projects under the organisational structure of Centrope, strengthening non-Austrian governments as project leaders and co-financers. However, now that this is true (under the multilateral cooperation Centrope Capacity financed by the EU Central Europe Programme), Vienna and Austrian partners maintain a leadership and reference for decision making.

As shown, the main actors in Centrope come from governments or outsourced public bodies. These are highly educated and cosmopolitan bureaucrats who have become key opinion makers and organic intellectuals of regional integration. They form an increasingly internationalized elite network and elaborate their own “discourse of competence” (Chau 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.

This discourse is reinforced by a range of actors. The role played by universities, as the EC Vienna built by the TU-Wien and WU-Wien, contributes to the mobilization of private actors around the ‘brand’ Centrope, but above all, reinforce the hegemonic ideas among a broad range of university students, who will become the next generation of organic intellectuals. The motto here is ‘doing business in Centrope’ rather than ‘cooperating in Centrope’. Think tanks and consultancy companies are largely involved in fostering the Centrope discourse. An example is the study of WIFO and WIIW, two think tanks of Vienna. They say: “Centrope region (…) [is] “one of the most important transnational economic areas at the former Eastern borders of the European Union” (WIFO and WIIW 2007, p. 31).
### Table 9.1 – Actors in Centrope: roles, resources, relations and interests

<table>
<thead>
<tr>
<th>Actor</th>
<th>Role played in Centrope</th>
<th>Resources and Power position</th>
<th>Interests in Centrope And how to achieve them</th>
<th>Relations and networks Within Centrope</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU – Interreg</td>
<td>Main funding. Triggered Centrope association with evolvement of Structural Funds and cross-border cooperation (cf.Chap.4)</td>
<td>Financial. Legitimacy coming from the Europeanisation cosmopolitan discourse</td>
<td>Regionalization for enhancing its own policy influence. Fostering direct relation with regions.</td>
<td>No relevant relation in the region Centrope. Mostly regarding the national state. Relations that are far beyond the ‘small’ region.</td>
</tr>
<tr>
<td>Austrian National government</td>
<td>Approves operational plans. Nevertheless little direct role in Centrope. Also not outstanding role in new larger operational programmes as the Central Europe</td>
<td>Veto power to European regulations. Limited possibility of changing subnational regulations regarding foreign affairs and use of European funds.</td>
<td>It does not seem to have direct interest in Centrope, nor in subnational cross-border cooperation. But apparently, it welcomes such initiatives.</td>
<td>Relations are with EU in broader issues on the Union. Relations with national agencies and federal states of Centrope is strong, but not on matters of Centrope.</td>
</tr>
<tr>
<td>Vienna</td>
<td>The leading government in Centrope, taking up not only the official lead partner but also leadership in ideas. Has strong influence over all other governments in the project, notably those outside Austria. Had a crucial role in starting the project. The departments of EU Strategy (MA27) and Urban Planning (MA18) are the most involved.</td>
<td>Relations. Knowledge (and advertisement of it) regarding European Funds. Recognition of its abilities with EU Funds. Presidency of CEMR, and being the Managing authority of the large Central Europe programme. Financial resources. And strong voice in the Steering Committee. Concentration of economic power (firms) and of experts (think tanks, consultants). High number of people in groups of Centrope.</td>
<td>Centrope is instrumental in Vienna’s strategy of enhancing its regulation and influencing to an expanded space towards east (Gateway to the East). It is a flagship project in its aim of locational advertisement (aim of regional/city marketing). It intends to influence business strategy in the cross-border space and mostly-to foster Austrian companies interests in the growing market of neighbours, esp. Slovakia and the automotive cluster. Aim of influencing decision of other EU investments as in Transport Nets.</td>
<td>Strong relation with the consortium leader: Europa-Forum-Wien (the executive of its interests in Centrope). Strong channels of relations through WWFF and its role in Vienna Region and PGO. Relation and power over the Viennese Chamber of Commerce. Privileged access and relations to the European Commission due to its role of leading partner and of manager of the Central Europe Programme and for the involvement of Michael Häupl in the CEMR.</td>
</tr>
<tr>
<td>Actor</td>
<td>Role played in Centrope</td>
<td>Resources and Power</td>
<td>Interests in Centrope</td>
<td>Relations and networks</td>
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<tr>
<td>Lower Austria (NÖ)</td>
<td>After Vienna, is the most influential government in the Centrope project and has sometimes polarised leadership with Vienna. However it plays generally a secondary role, although ecoplus has voice in organizational issues</td>
<td>Financial resources, equal funding of Centrope as Vienna and thus enhanced position in the Steering Committee. The location at the border gives it geographical power. Experience in previous cross-border attempts. Relation to bank capital.</td>
<td>Expanding Lower Austrian Business cross-border, and bringing companies, e.g. automotive suppliers, to its territory. Has large border area and aims at attending demands of its towns and villages located at the border and get influence in the governance process of border/transnational infra-structure investments. Enhancing tourism and supporting agriculture (e.g. its wine producers)</td>
<td>Relation with the Raiffeisen Bank (cf. “Centropa”). Strong relation with its executive arm in Centrope: the ecoplus. Relation with the European Commission due to this and other cross-border projects (e.g. EuRegios)</td>
</tr>
<tr>
<td>Burgenland</td>
<td>A ‘tertiary’ role since is the least influential of the three Austrian regional governments in Centrope. Generally supports Vienna’s interests in the Steering Committee</td>
<td>Large border with Hungary and eligibility to Objective 1 gives it more access to EU resources with less co-funding. In Centrope it’s resources aren’t much used, since HU is much less involved than CZ and SK.</td>
<td>Attracting infra-structure investments to the state and fostering small and medium business in the territory. Border with Hungary is part of the daily life of its inhabitants. Learning managing new (cross-border and infrastructure) funds, since the state is in ‘phasing-out’ and soon may not benefit of Objective 1 Funds. Interest in advertising its ‘ecological’ policies.</td>
<td>Integrated in all ‘eastern’ regional attempts of Vienna and Lower Austria, as the PGO, “Vienna Region”, and Centrope. Strong relation with Hungarian local governments. Relation with its executive agencies (WiBAG and RMB)</td>
</tr>
<tr>
<td>Cities of Sankt Pölten and Eisenstadt</td>
<td>Signatories of the project and all Political Conferences, nevertheless with very weak role in the project.</td>
<td>Being officially one of the 16 governments.</td>
<td>Receiving Funds and expanding relations</td>
<td>Relations to its federal states. Eisenstadt has relations to Hungarian cities.</td>
</tr>
<tr>
<td>Actor</td>
<td>Role played in Centrope</td>
<td>Resources and Power</td>
<td>Interests in Centrope</td>
<td>Relations and networks</td>
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<tr>
<td>Czech local and regional governments</td>
<td>Partners. Governments in the four countries are the spine of Centrope. The partners implement the Centrope organisation, activities and ideology. CZ partners do not influence much the design or priorities of Centrope, tending to ‘go with’ Vienna’s plans.</td>
<td>Participation in the political conferences. In the new phase: co-funding. Bargaining power, without their participation, Centrope loses its purpose.</td>
<td>Autonomy in policy making from its national state. Foreign relations with Vienna and benefit of Vienna’s economic position to development their companies.</td>
<td>Turned towards Vienna. Organisational relations with EFW and ecoplus</td>
</tr>
<tr>
<td>Hungarian local and regional governments</td>
<td>Partners implementing the Centrope organisation, activities and ideology. They do not influence much – nor try to – the project.</td>
<td>Participation in the political conferences. In the new phase: co-funding. Bargaining power, without their participation, Centrope loses its purpose.</td>
<td>Interests are of localized individual actors, no strong collective or institutional interest manifested. Not to a great extend, cities wants more autonomy vis-à-vis the national government but not as strong as in CZ. Interest of developing border activities and of having EU Funds</td>
<td>With all partners, esp. Burgenland, with Viennese spatial planning institutions. Internal (HU) relations stronger with research institutions. Organisational relations with EFW and Burgenland agency RMB.</td>
</tr>
<tr>
<td>Slovaks local and regional governments</td>
<td>Partners implementing the Centrope organisation, activities and ideology. Plays a differentiated role of CZ and HU for its bigger bargain power and for its bigger efforts in institutionalising Centrope and articulating local actors.</td>
<td>Political participation; co-funding. Bargaining power, as CZ and HU. But SK has stronger bargaining power due to its economic importance, e.g. in the automotive sector and for its potential attracting companies and for having the second larger city: Bratislava</td>
<td>Increase competitiveness, attract companies, and to lesser extend to increase local/regional autonomy. Strong interest of subnational governments in obtaining know-how and EU Funds.</td>
<td>Stronger relations with Austrian partners. Strong relation Vienna-Bratislava, which is supported by private actors (e.g. Raiffeisen bank). Tries to develop deeper relations with SK private actors which are already connected to Austrian private partners (e.g. Business associations). Strong relation Dom Centropy with EFW.</td>
</tr>
<tr>
<td>Actor</td>
<td>Role played in Centrope</td>
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<tr>
<td>Parliaments</td>
<td>Members of parliament and local council can participate in working groups and pilot projects. Some (local MPs) were part of the advisory committee (no decision making). No involvement of national MP member.</td>
<td>The resource of democratic legitimacy is not relevant within Centrope and not used by the MPs taking part.</td>
<td>Only some individual interests of some MP that participated in group. No relevant institutional relation nor interests.</td>
<td>Some MPs related to their respective offices take part in Centrope. No official or constant relation is observed, however.</td>
</tr>
<tr>
<td>Trade Unions</td>
<td>Small participation in the Business and Labour working group and in the report coordinated by WIFO &amp; wiw.</td>
<td>Representation of workers. But, no resources being used in bargain.</td>
<td>Get power to influence policies by means of participating in the labour working group. Protect labour rights..</td>
<td>Relations with national government in foremost.</td>
</tr>
<tr>
<td>Civil Society movements</td>
<td>Are allowed to participate in the groups, but not present.</td>
<td>Public legitimacy, democratic legitimacy, but not used.</td>
<td>Centrope isn’t known by the public as a whole.</td>
<td>Relations with their local governments separately/no organised action in Centrope</td>
</tr>
<tr>
<td>ÖNB</td>
<td>Furthering discourse and promoting the initiative. Promoted seminars and a publication on Centrope</td>
<td>Money, legitimacy, upscale position (not much national authorities care for Centrope)</td>
<td>Defending expansion of Austrian capital cross-border towards Eastern Europe.</td>
<td>With Austrian National and Vienna, Lower Austria Governments. Banks, e.g. Raiffeisen</td>
</tr>
<tr>
<td>PGO</td>
<td>Support Centrope activities, e.g. as subcontractor in the Centrope map project and with unpaid advice.</td>
<td>Knowledge on spatial planning, relations with planning departments of governments</td>
<td>To implement the guidelines of its ‘board’ (Vienna, NÖ, Burgl.) Obtain partnerships and resources for projects</td>
<td>Relations with planning departments of governments and planning consultancy companies</td>
</tr>
<tr>
<td>WIFO</td>
<td>Contracted to conduct studies/elaborate reports, had its role sharply enhanced in the “Centrope Capacity”, being a subcontractor for thematic development</td>
<td>Knowledge. Legitimating the discourse with ‘independent science’.</td>
<td>Funding. Keeping a good client (Centrope) that gives visibility with European funding and legitimacy is the main interest. Some of its researchers are interested in the region and thus further relation with Centrope</td>
<td>Stronger one is with the Centrope Consortium, esp. the coordination office: EFW. Relations with Vienna authorities.</td>
</tr>
<tr>
<td>Actor</td>
<td>Role played in Centrope</td>
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<tr>
<td>Universities: TU &amp; WU</td>
<td>Furthering discourse. Promoting the region by studies. WU promotes the “Centrope Business Run” competition among its students</td>
<td>Knowledge and the status of the impartial scientists. Mobilization of students gives great power to spread discourse.</td>
<td>Pleasing Austrian companies active in the region to obtain partnership with them for furthering their interests. Centrope is only instrumental</td>
<td>With companies in the region. Some of their researchers have relation with members of the Consortium</td>
</tr>
<tr>
<td>Europa-Forum-Wien (EFW)</td>
<td>It is the main executive of the Consortium, responsible for most of the activities as subcontracting and above all for all the communication strategy (publications, site, etc.). Articulate some working groups and pilot projects as the others of the consortium, but is responsible for the overall management. It is the main articulator of the eastern European local and regional governments.</td>
<td>Knowledge on management of European Funds and transnational cooperation. Recognition of knowledge and capacity mainly by the governments in SK, HU and CZ. Great resources of articulation, networks, contacts.</td>
<td>Has the City of Vienna as its main client (it is not the only client, but seems to be the main client in all EFW projects). The relation with the City of Vienna represents its own subsistence. Has interest in expanding its projects, fostering its discourse and enhancing its prestige as a highly ‘professionalized’ think tank and counsellor in European and urban affairs within Eastern neighbours and governments involved in transnational cooperation.</td>
<td>Strong relations with governments in SK, HU and CZ, enjoying large respect and having its suggestions regarding organizational issues implemented. The main advisor of the SK ‘Dom Centrope’. Relations with Universities/academics within and outside Vienna. Its main relation is with the MA-27 and MA-18 of the City of Vienna.</td>
</tr>
<tr>
<td>ABA</td>
<td>Taking part in DIANE project, fostering the action of business agencies in Centrope. Furthering discourse supporting Centropes</td>
<td>Money, legitimacy, up-scale position (not much national authorities care for Centrope)</td>
<td>Incentivate business agencies to foster business policies in the region</td>
<td>With Austrian National gov, with regional/local business agencies, with industrial and commercial associations.</td>
</tr>
<tr>
<td>Actor</td>
<td>Role played in Centrope</td>
<td>Resources and Power</td>
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<tr>
<td>Vienna-Region Agency</td>
<td>Influence in the Consortium, mainly making sure business oriented activities are carried out according to the guidelines received by the City of Vienna, WWFF, Ecoplus &amp; WiBAG</td>
<td>Funds and policies for business in the region. Relations to companies and associations of business. Resources for marketing.</td>
<td>Make Centrope a flagship regional marketing project to promote Vienna Region as a perfect business location. Has special care for the automotive cluster.</td>
<td>Mainly to Business Agencies and Govs of Vienna, NÖ, Burgl., companies and business association in the region</td>
</tr>
<tr>
<td>Ecoplus: NÖ Business Agency</td>
<td>Active manager member of the Consortium. Responsible for all the interests of Lower Austria. Finances 70% of the partnership with Raiffeisen.</td>
<td>Representation power of the NÖ gov. Financial resources coming from the government</td>
<td>Promote internationalization of NÖ companies, in Centrope or beyond.</td>
<td>Mainly to NÖ government, Lower Austrian companies and Raiffeisen.</td>
</tr>
<tr>
<td>Vienna Business Agency WWFF</td>
<td>Active manager member of the Consortium. Responsible for all the interests of Vienna.</td>
<td>Power to represent Vienna gov. Weight in relation to other agencies due Vienna concentration of companies and economic power.</td>
<td>Supporting business of Vienna and in Vienna</td>
<td>Mainly: Vienna government and companies. Business associations. Vienna chamber of commerce.</td>
</tr>
<tr>
<td>WiBAG – Burgenland Business Agency and RMB</td>
<td>Members of the Consortium WiBAG played a marginal role in the Consortium, while RMB is less marginal.</td>
<td>Power to represent their state government.</td>
<td>As the executive arms of Burgenland, they defend the state interests in Centrope</td>
<td>Burgenland government and companies. European Commission (Cohesion Fund), planning consultants, research institutes in HU</td>
</tr>
<tr>
<td>Raiffeisen Bank</td>
<td>Promotes events; participates with 30% in the Centropa GmbH. Since private actors are highly desirable in Centrope, its participation is very welcome.</td>
<td>Financial resources. Bargain power since Centrope wants to attract business to participate in the project. Direct access to government officials (NÖ &amp; Vienna)</td>
<td>Has a declare interest of becoming THE bank in the region. Interest in getting privileges from the Centrope governments in exchange to its participation</td>
<td>Relations to the NÖ and Vienna state government. To national government and to the conservative party</td>
</tr>
<tr>
<td>Actor</td>
<td>Role played in Centrope</td>
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<tr>
<td>Trend Magazine</td>
<td>Promoted events and publications together with Raiffeisen</td>
<td>Power to build discourse and influence readers</td>
<td>It is a business magazine: interest in broadening the relation with business and associations</td>
<td>Raiffeisen and business.</td>
</tr>
<tr>
<td>Der Standard Newspaper</td>
<td>Published a series of articles on Centrope, organised as special issue (paid articles)</td>
<td>Media power is well known. It is cosmopolite and liberal newspapers</td>
<td>Getting paid articles or advertisements. The Consortium is a good client.</td>
<td>With governments, Consortium and other possible clients</td>
</tr>
<tr>
<td>Other media companies</td>
<td>Media companies as newspapers, radio and even airlines media are contracted to advertise Centrope</td>
<td>Power to construct discourse. The 4th power.</td>
<td>Getting paid articles or advertisements.</td>
<td>With governments, Consortium and other possible clients</td>
</tr>
<tr>
<td>Regional Consulting</td>
<td>This spatial planning consultancy company was part of the first Consortium (2003-6). Participates in many Vienna cross-border projects before and after Centrope</td>
<td>Access to Vienna government (founder is now Planning Director of the city). Contacts/networks. Experience in cross-border projects in the Centrope region</td>
<td>Market interests of expanding network and clients.</td>
<td>Strong relation with Vienna Government, and as result with EFW and Consortium. Relations with governments in Hungary and Slovakia in consequence of its position in the Consortium and in the JORDES project.</td>
</tr>
<tr>
<td>Subcontractors</td>
<td>e.g. Centrope Map, WIFO participate providing specific contracted services</td>
<td>Knowledge, expertise, contacts</td>
<td>Networking and building client’s relations</td>
<td>Consortium and Centrope government officials</td>
</tr>
<tr>
<td>Consultants and consultancy companies</td>
<td>Participate as subcontractors but also with representatives in working groups, pilot projects and events</td>
<td>Expertise and experience in EU projects (elaboration of projects, management). Specific knowledge in issues dealt in Centrope (e.g. spatial planning, business support etc)</td>
<td>Access to governmental representatives to obtain connections and sell services. Especially Austrians consultant sell their expertise in EU Funds to the Eastern members of Centrope</td>
<td>Relations to members of the Consortium (built to get information on Centrope events and activities). Relations to governments (their aim)</td>
</tr>
<tr>
<td>Actor</td>
<td>Role played in Centrope</td>
<td>Resources and Power</td>
<td>Interests in Centrope</td>
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<tr>
<td>Business associations</td>
<td>Are not directly involved in Centrope. They participate in events and occasional meetings, when it is on their interests. Officially they are invited to working groups and pilot projects, but their participation is neither expressive nor frequent.</td>
<td>The valuable business contacts and articulation capacity, which is resource desired by Centrope (to involve private actors in the cooperation alliances and in cross-border cooperation organised by the governments)</td>
<td>Changeable short-term interests. Centrope is used, if it proves instrumental – as platform for lobbying and bargaining with governments</td>
<td>Business and governments</td>
</tr>
<tr>
<td>Individual researchers</td>
<td>Participate in events and choose to study Centrope. Promote studies of Centrope among their students.</td>
<td>Knowledge and the status position of scientist, connections to university institutions. Mobilization of students.</td>
<td>New research interests, which are appealing. Contacts, funding for projects.</td>
<td>With some members of the Consortium (when they are invited to speak). Some have no relation at all.</td>
</tr>
<tr>
<td>Various private companies</td>
<td>Participate in not constant forms, varying according to short term capital interests.</td>
<td>Capital: they are the ‘target’ to be involve in participation in Centrope</td>
<td>Profit</td>
<td>Varying: with business associations, governments, companies.</td>
</tr>
</tbody>
</table>
10 Conclusions: the mode of governance in Centrope and the challenges it presents for governance in new European cross-border regions

In this dissertation, a methodology for the study was developed, the concepts of governance and the social production of regional spaces in Europe were unravelled, the history of Centrope space grasped, the history of concrete cross-border articulation projects before Centrope was disclosed, as well as its genesis and organisational structure, and finally, the principal actors involved in the political attempt of Centrope were named and their interests and relations described.

The elements to understand the mode of governance emerging in Centrope are given. This final chapter aims at putting them in plain words, objectively characterising the mode of governance that emerges in Centrope and making general conclusions. Initially, it is presented a discussion of the hypothesis stated in Chapter 1, followed by an analysis of the research results.

10.1 Hypotheses and research results

The research conducted has shown that Centrope is a governmental attempt, profoundly based on the incentives of the regional policy of the European Union. The concentration of activities in the governmental sphere shows that the Centrope project is a state-centred model of governance, consisting in the creation and empowerment of governmental entities to accomplish the project’s goals. Financing is also mainly governmental; no private actors finance the project. Remarkable are the incentives of Interreg, which seem to have motivated the creation of the project and region. Additionally, in the current mode of regional articulation, there is a clear concentration of power on the Austrian side, denoting a mode of governance that is fragile due to its unequal distribution of power. Furthermore, neither direct participation of enterprises nor of trade unions nor social movements in decision-making is taking place. The role played by local or regional parliaments or elected chambers is rather marginal.

This dissertation tried to answer questions concerning governance in new European regions based on the Centrope case. It was examined to which extent Centrope
can be considered as a region and which actors are taken into account when it is officially affirmed that regional integration is being achieved. Concerning integration, it was explored what kind of development and integration is being fostered by different actors and how it is achieved; especially which interests are predominant. The hypotheses investigated regard the kind of region, alliances and development being fostered by the European Union and local governments in Centrope.

The hypotheses formulated (and stated in Chapter 1) are here discussed. Table 10.1 provides an overview of them, and showing their main features, which emerged from the research conducted. Regarding investigating if Centrope is or not mainly a “region on paper” (the first hypothesis), it became clear that Centrope did not emerge from a process involving a broad range of social actors beyond governments. It is rather a creation of governments to promote development by meeting European Commission standards and requirements and to guarantee a bigger slice of EU money’s cake to invest in their territories. It goes hardly beyond a governmental association in which participation is quasi-exclusively of governmental actors.

Secondly, Centrope has been supported and fostered by the EU regional policy; project members guide their aims and activities toward meeting EU requirements of competitiveness and regional integration as first development priority; therefore confirming the second hypothesis. The creation of regions to address EU requirements and obtain funds, as shown by the Centrope case, may lead to a type of cross-border cooperation which is not more than just an elaboration of ‘planning visions’ or rhetoric joint agendas, with little practical changes more than a collective discourse that reproduces a hegemonic rhetoric. This is partially caused by the lack of legal competences in international relations of the EU and of the subnational governments, and the consequent absence of a satisfactory legal structure regulating the associations or institutions built to manage the cross-border cooperation promoted by the Interreg funds.

Concerning democratic governance, the investigation of the third hypothesis revealed that, besides being an effort to coordinate a range of existing small trans-border projects and collaborations, Centrope represents a top-down, non-transparent endeavour. The lack of democratic institution building may give decisive room of manoeuvre to powerful actors, e.g. big enterprises and actors with (possibly hidden) privileged connections to the key governmental actors. Centrope’s design does not allow transparent
participation. Democracy, though a desirable result, is not a central goal. The inclusion of non-governmental actors is important in discourse; but in practice is secondary.

The fourth hypothesis, that Centrope although a cross-border attempt is an Austrian creation, was confirmed; however, it seems more adequate to refer to it as a “made in Vienna” product. The motivation for its creation was the internationalization strategy of the Viennese government to enhance its scalar power in the European Union and its “portfolio” of (successful) international experiences to potential marketing uses. The real cross-border governmental association is to be achieved posterior to the creation of marketing strategies.

The domination of Austrian actors was partially enabled by the low governmental capacity building in Hungary, the Czech Republic, and Slovakia, especially regarding EU relations, policy and use of funds. The Iron Curtain limited the exchange and information access to those local and provincial governments; and the kind of transition, which followed neo-liberal discourses, in the former communist countries resulted in a dismantling of the state instead of a reformulation that would reduce bureaucratization and enhance efficiency without taking the state to pieces. The cultural feature of the lack of East-West dialogue in times of the Iron Curtain impacted in the internationalization strategies of those subnational governments which are late comers in EU issues, notably in EU funding. Austrians accessed the EU 9 years before its eastern neighbours and thus benefited from longer experience in the use and management of EU funds. This picture however is changing, as the dissertation shows. The research exposed the huge asymmetry existing between Austria on the one hand and the three former communist countries of Centrope in what concerns economic and political power and governmental capacity.

On the examination of the fifth hypothesis, it was revealed that, although the discourse of governance and participation of society actors is more a rhetoric than real practice, Centrope positively fosters a cross-border dialogue with potential positive impact in advancing integration and integrative planning among the participating local and regional governments. Nevertheless, an intensified dialogue also represents enhanced conflicts, which had its biggest potential with Slovaks due to their interest in challenging Austrian domination and search for their own sources of EU funding. The Centrope cooperation seems to have impacted little in enhancing cooperation of the Austrians federal state partners that existed before Centrope.
Table 10.1 – Summary of hypotheses and their features

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Features</th>
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<tbody>
<tr>
<td>1</td>
<td>Centrope is a “region on paper”</td>
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<td></td>
<td>1.1. It has not emerged from a social process, but from an agreement between governments to</td>
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<tr>
<td></td>
<td>1.1.1. reach EU standards and be entitled for Interreg funding</td>
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<td></td>
<td>1.1.2. conceive a kind of flagship to city-regional-marketing</td>
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<td></td>
<td>1.2. The real cross-border government association is to be achieved posterior to the creation of marketing strategies.</td>
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<tr>
<td>2</td>
<td>EU regional policy and Funds regulation had fostered ‘regions on paper’</td>
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<tr>
<td></td>
<td>2.1. The EU regional policy had a considerable role in fostering a “region on paper” in Centrope by the explicit promotion of competitiveness and by the criteria exposed for Interreg funds.</td>
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<td></td>
<td>2.2. The legal structure regulating the implementation, use and management of Interreg funds is fragile and privileges ‘outsourced’ agencies under private law.</td>
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<td>2.3. Due to the regulation background and by the exclusive national competence in international affairs, cross-border cooperation of subnational governments tend to hardly go beyond the elaboration of ‘planning vision’ or ‘joint agendas’.</td>
</tr>
<tr>
<td>3</td>
<td>Centrope represents a democratically limited mode of governance</td>
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<td></td>
<td>3.1. It lacks participation of non-governmental actors.</td>
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<td></td>
<td>3.2. Centrope’s design is not proper to include transparent democratic participation:</td>
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<tr>
<td></td>
<td>3.2.1. Project structures focus on government participants (not on non-governmental actors) and give room to powerful actors with privileged connections.</td>
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<td></td>
<td>3.2.2. Decision making is top-down and not transparent.</td>
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<td></td>
<td>3.3. The lack of visible practical results of regional cooperation impedes or does not motivate other actors to participate (exception here are few enterprises which aim at obtaining temporary support to their plans of expanding to Eastern-Europe).</td>
</tr>
<tr>
<td></td>
<td>3.4. Democracy and participation, though a desirable result, are not a central goal.</td>
</tr>
<tr>
<td>4</td>
<td>Centrope is “made in Vienna” (the original hypothesis was: “made in Austria”</td>
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<tr>
<td></td>
<td>4.1 It was designed and launched by Austrians officials.</td>
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<tr>
<td></td>
<td>4.2. It was led by the Vienna city government as part of its internationalization strategy to enhance its scalar power in the European Union and its “portfolio” of (successful) international experiences.</td>
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<td></td>
<td>4.3. It was helped by the low governmental capacity building in Hungary, the Czech Republic, and Slovakia, esp. concerning technical capacity to use EU Funds.</td>
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<td></td>
<td>4.4. The regulation for EU cross-border cooperation before the accession of CEEC gave power to Austrians (member state) in detriment of the candidate countries, thus contributing to unbalance the power of participating governments and actors.</td>
</tr>
<tr>
<td></td>
<td>4.5. The Austrian domination was facilitated by the previously existing intergovernmental cooperation of Austria’s federal state governments.</td>
</tr>
<tr>
<td>5</td>
<td>It fosters intergovernmental dialogue</td>
</tr>
<tr>
<td></td>
<td>5.1. Centrope fosters a cross-border dialogue with potential impact in advancing integration and integrative planning between involved governments</td>
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<td></td>
<td>5.2. More intensive exchange among governments has lead to enhanced conflicts</td>
</tr>
<tr>
<td>6</td>
<td>Centrope is marked by an “outsourced neo-liberal type of-state”</td>
</tr>
<tr>
<td></td>
<td>6.1. Centrope’s organisation reinforces a neo-liberalization of the state, outsourcing governmental activities to private or quasi-public agencies; and the promotion of supply-side policies of competitiveness and a management style similar to that of private organisations.</td>
</tr>
<tr>
<td></td>
<td>6.2. The attempt to form a governance system with different actors ends up being a market place for outsourced governmental agencies and consultancy companies with good networks and thus access to information.</td>
</tr>
</tbody>
</table>
The sixth and last hypothesis was confirmed in the sense that the process of region-building observed in Centrope is governmentally led but directs towards a specific, a neo-liberalized state, which is marked by the outsourcing of governmental activities to private or quasi-governmental agencies. These agencies are considered flexible and efficient due to a management style similar to that of private organisations. The attempt to form a governance system with different actors ends up being a marketplace for outsourced governmental agencies and consultancy companies with good networks and good relations to state representatives, politicians as well as bureaucrats. The next final section takes up this and other issues in a final analysis of the mode of governance found in Centrope and the lessons it exhibits for a new European governance of cross-border regions.

10.2 The mode of governance of Centrope

A starting point for the analysis is the genesis of Centrope vis-à-vis the studied conception of space production: rather than a social process, Centrope was created by an agreement signed by leaders of regional and local governments in response to the stimuli of the available EU Funds for cross-border cooperation, without any direct participation of the national states.

Although public money is involved, Interreg (and EU Territorial Cooperation) projects do not require ratification from local parliaments or councils, these have been excluded from the beginning. Centrope is a bureaucratic political attempt, not a region; no actor beyond subnational governments was involved in the first step. The declared aim is to first establish a governmental cooperation frame that would later incorporate private and civil society actors. But this encountered a few obstacles, which resulted from the governmental strategy of starting the inclusion of non-governmental actors by prioritizing almost exclusively those from the business sector. It collided with the disregard of business actors towards governmental attempts which do not match their short-term accumulation interests and in the willingness of capital to use its exit option, as we shall clarify later in this chapter.

Centrope is a ‘region on paper’, of which a ‘spatial-fix’ is found solely within the Centrope-project. The map of Centrope given in Chapter 1 (Figure 1.1) delineates one construction of the cross-border space: the one circumscribing the territory of the political
actors, which are signatories of the project. As such, the region exists nowhere else. Nevertheless, as explained in Chapter 4, ‘region’ is a fluid concept of which many constructions are possible, and therefore, the cross-border space is being produced by actors’ agency, in different forms beyond Centrope⁴⁷. Space is not “contained” (Brenner et al. 2003).

Regional actors, in this sense, understand the space in the form that best fits to their aims. The City of Vienna modifies the emphasis on Centrope and on the “Twin Cities”, its political attempt of cooperation with the city of Bratislava. Apparently, the latter receives more space in Vienna’s website and brochures than Centrope, since it centres in a space economically more dynamic than Centrope. This fluid territorialization is also observed when Viennese actors or authorities carelessly refer to Centrope as including Budapest and Prague, or when they purposely affirm that the plan is to expand Centrope to include these two capitals as well. Researchers in seminars have presented “diagnoses” of the Centrope region with data that include Prague and Budapest. There are other examples: Ecoplus aims at the internationalization of Lower Austrian companies to Centrope and “beyond”; and Raiffeisen bank’s view is broader as well, for it pictures Centrope in its website as having 29 million inhabitants. For the sake of attracting clients, they expand the ‘borders’ of Centrope: 29 million is approximately the whole population of the four countries together, therefore Prague and Budapest included.

The new emerging spaces entail a double construction of the region, a ‘formal’ and an ‘informal’ one. The first is the territorial space of governing in which formal territorial requirements of the state are present, such as democratic elections, citizenship, political checks and balances, social rights and others. The second enjoys less constraints; it is a more ‘flexible’ space, which is no more than a ‘dribbling’ of established political and social controls. The “Vienna Region” and Centrope are examples of this kind of spatial construction. For Allen and Cochrane (2010), the two moves represent effective ways of mediating different political and policy audiences.

⁴⁷ Even the management of Centrope-project has varying views regarding its territory. Until 2006 the regional maps displayed in brochures and website of Centrope were those of the project DIANE (cf. Chapter 7 and Appendix 1), which were not correct in that they included large parts of South Bohemia, with the city of České Budějovice as its centre. This part of the Czech Republic, however, has never been in the group of governments that form Centrope.
“The geographies may code differently in each setting, but players involved in the constructions recognize their role in a double game of sorts, even if the duality is not openly acknowledged. (...) In such contexts, what matters is that in this politically serious game of regionalism, ostensibly the same region can be seen to mesh with different economic and political agendas. The same but different constructions of the region, whether orientated to a central state or global city agenda, may be read differently depending upon which construction of the region is facing ‘outwards’” (Allen and Cochrane 2010, p. 1084).

However, none of the constructions mentioned above include the one by which a region is built by a bottom-up process of a broad range of social actors, with identity and “emotion” (Paasi 2009). Many constructions of a region leave actors to imagine the region in the way which mostly suits their interests, but this does not equal actually building a region. Centrope acronym BAER stands for “Building a European Region”, but with business oriented actions and without identity and popular engagement, the outcome is likely to be a region for capital, not for people.

The mode of governance and regional space production of Centrope, conversely, looks for mechanisms 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 resigning to create their own organisations. Raiffeisen, which is one of the most involved businesses in Centrope, promotes its own website and activities on Centrope parallel to the governmental attempts. At the regional level, business is stimulated to get involved and participates – using different channels from the official ones – if short term interests are at stake, for example getting support structures or influencing planning decisions. However, investors are not formally represented in Centrope. Although the emerging mode of governance is a cross-border co-operation system 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 mode of governance of Centrope incorporates as natural the basic asymmetry in power relations that result from the possibility of capital to exit. 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. The Fordist mode of governance was based on a national compromise between labour and capital, but it was founded on a balance of power, as the “exit option” of capital was severely limited due to capital control (Hirschman 1970). 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.

But new compromises are emerging in the form of new alliances in spatial and temporal boundaries. Built upon the ruins of the Fordist compromise, the new governance is based on powerful actors and excludes whole fractions of society. Those who do not possess resources in the form of money, relationships and networks or knowledge are not targeted. 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. Austrian capital first reoriented itself successfully to the East after 1989, thereby enlarging the economic space beyond the national borders. While capital started to explore opportunities soon after the fall of the Iron Curtain, the state picked up the initiative later on. The City of Vienna only more than ten years later, tried to supply a regulatory and organisational framework for this evolving cross-border space of accumulation.

Centrope is a region with no constitutional status, but a long history. There is a certain ‘nostalgia’ marked by what seems to be an intention of reviving historical linkages under Austrian domination, even resembling the configuration under the Habsburgs. This can be illustrated with a passage in the main publication of Centrope so far, the planning document “Centrope Vision 2015”:

“For the partner regions and cities of today’s quadrangle [of Centrope], the collapse of the Iron Curtain and the opening-up of the borders in 1989 marked the beginning of the return to a new normality. The quadrangle can look back on a long common history; it was only the political events of the 20th century that split this socially, economically and culturally integrated region into a space divided by borders. The European turnaround of 1989 brought about the historic opportunity for today’s
"CENTROPE partners to move back from the periphery to the centre” (Consortium Centrope 2006g, p. 5, emphasis added)

But while the historical regional linkages are stressed, the traditional corporatist social partnership is left aside. Although based on the partnership idea, Centrope-project represents, however, a shift in the traditional organisation of social forces in Austria where historically different power arrangements and alliances were related to diverse economic situations and development strategies. During the interwar years, Austria went through an economic crisis and the Vienna social democrat local government – known as “Red Vienna” – opted for a local welfare state to diminish the effects of the crisis. After World War II, the whole of Austria was embedded in a Fordist socio-economic model supported by an alliance between productive capital, the middle classes and organised labour.

After Austria had joined the EU, the labour unions and new social groups became less capable of organising themselves and to react to the changes than the business associations. New agreements with unions ended in more restrictive wage policies, which raised unemployment rates and reduced incomes. The corporatist model of Fordism was dismantled and the labour unions increasingly lost representational power, so that finally they have no room in Centrope besides a voiceless decorative participation in the ‘business & labour’ working group. It is of note that the social partnership of the Viennese corporatism after WWII had been weakening parliamentary representation, as economic policy had been decided within negotiations between employers’ and workers’ organisations.

In the context of post-Fordism, the end of the social partnership and Austrian accession to the EU, the new challenge was to improve international competitiveness. Vienna strived to “become an international finance and service centre, a pivotal trading centre for western exporters and a preferred location for new trade and services related investments”, turning itself into the “Gateway to the East” (Novy et al. 2001, p. 132). Local institutional changes aiming at the attraction of external investments included restructuring government towards an entrepreneurial city model and new institutions that aim at giving local government better capacity to respond quickly and flexibly to investors’ requests (Becker and Novy 1999). Business agencies were created to implement a new economic policy and large urban projects based on public–private partnerships. The new planning forms were more open to the business sector and appealed to a public of
“qualified” persons. Planning started serving an “ideological shift towards entrepreneurialism, managerialism and business friendly policies” (Novy et al. 2001, p. 139). With these attempts, Vienna has abandoned the corporatist system to enter an internationalised liberal mode of governance and has carried these traits to Centrope.

These localised/regionalised transformations coincided with the emergence of a new European mode of governance marked by the efforts of the European Commission to promote regionalisation throughout Europe as a mode of enhancing its own relative power. In the forefront its instruments included the Structural Funds with the Community Initiatives fostering cross-border cooperation of subnational governments. The availability of Funds came together with an academic approach of ‘New Regionalism’ and a neo-liberal discourse – which was strengthened through time – of competitiveness, culminating in a view that regions are the space to promote development policies for enhancing competitiveness. The mode of governance resulting from these dynamics is liberal and looks for flexible and multi-scalar solutions to coordinate a space of accumulation based on cross-border linkages.

Centrope was not only created within this hegemonic view, but was also tailored to address the competitiveness challenge. The main aim of its launching was to endorse competitiveness in the form of promotion of regional marketing and business support services. This motto put forward by the European Commission was the common objective joining Centrope partners together. The common interest, therefore, coincides with short-term business interests: what is good for business is good for each city or region of Centrope. This unilateralism, however, fosters a short-term perspective and inhibits stability. Demonstrating this is the absence of an institutionalized common regional planning, which would bind actors in a long-term and more transparent way.

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. While the old-fashioned mode is described as bureaucratic, hierarchical and mechanical, 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 the Centrope case study do not support a simplistic or a naïve understanding of governance as a panacea.

Centrope exposes the contradiction of governance as a concept and as a regional reality. First and foremost, the leading role of government in the concrete project management seems striking when contrasted to the literature on governance. The position of governments as protagonists is not a surprise in Interreg-projects the more so if one takes into account that the fostered new institutions are financed exclusively by public money from different layers of government, including EU. This entails the second contradiction: the mode of governance, while emerging from and within a neo-liberal discourse resulted in the creation of public development agencies or the empowerment of existing ones, instead of a liberal minimal state.

Nevertheless, 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, although managed in a private fashion by the new state agencies. Crucial issues involving large sums of money like transport infrastructure are almost totally publicly financed, although managed and implemented through quasi-governmental agencies or even outsourced private companies.

Another governance contradiction exposed by Centrope regards multi-level governance (MLG). European affairs are said to be within the frame of MLG, including EU Regional Policy (Structural Funds). Yet, Centrope is marked by a striking absence of the national state. Although it is the national level which approves all the operational programmes and guidelines that subnational authorities must obligatorily observe when applying for EU funding, national states are not taking part in any activity of Centrope. This is most remarkable if one considers the degree of centralization of the non-federal state in the Czech Republic, Slovakia and Hungary. This important gap in the MLG of cross-border regional attempts raises doubts about the sustainability of regional modes of governance. Project financing is not yet precarious in Centrope, as in other emerging regional modes of governance (Coimbra de Souza and Novy 2007b), as it is deliberately supported by the European Union through its Structural Funds. But Centrope exposed the existing high degree of dependency of EU funds. No activity of Centrope was carried out
in the period 2008-2010, when Austrian partners had no EU funded project approved for Centrope: no political conference took place from November 2007 to May 2011.

Another fragility of this mode of governance is the implementation based on private law, even if the state participates and provides financing. The most common mechanism to manage cross-border cooperation is by means of outsourced agencies, which are legally simpler than establishing a public association within a multi-national legal framework. Outsourced agencies may also be a solution for some distrust among regional partners, since such agencies would be ‘independent’ from specific partners. Nevertheless, it is remarkable in the case of Centrope that outsourced agencies are contracted neither because of the absence of a satisfying legal arrangement nor their independency, but rather because of the quality of the ‘professional’ service they would be able to provide.

It is striking that such views and agencies are put forward, financed, fostered, or even managed by governments. They are in fact public agencies in ‘new clothes’. They are a new face of the state’s arms interfering in society. In times of neo-liberalization, such agencies have an image different from that of governments. They are seen by entrepreneurs and by large part of society as more dynamic and thus more capable, prepared, and better ‘to do business with’. The governments themselves promote such agencies as efficient, flexible, and modern. Surprisingly, they contrast the ‘image’ of these professional agencies against the image of the state itself.

This reinforces the idea that governments are doing everything for getting business into the governance system, although it is fostered and led by governments. By doing so, however, a government may actually be ‘shooting the own foot’ by strongly taking part in the construction of the hegemonic neo-liberal discourse. It is propagating against itself, declaring itself as incompetent and therewith increasing popular distrust in governments.

This represents missing a chance enclosed in the re-emergence of the concept of governance which is the revival of the debate on public administration (cf. Chapter 3). The renewed attention to the functioning of governments could be used to involve citizens in a discussion of the role of the state and how it can be the “government of the people, with the people and for the people”. Without counter-hegemonic strategies and actions, the concept of governance remains instrumental solely to neo-liberal views.
Moreover, the fact that the agencies dealing with EU Funds on the local and regional levels are the same agencies dealing with support and grants to companies denotes how these ideas are deeply intertwined: EU Funds, competitiveness and business-oriented policies. The result of this together with the new outsourced type of state is the creation of a real market place in which a pool of specialized companies and consultants cluster around governments offering services for a “successful application” and “professional management of EU Funds”. Since government officials and bureaucrats do not see themselves as capable of professionally applying and managing funds, such specialized service becomes irresistible.

If this is true of Austria, which is regarded as having ‘capacity building’, it is remarkable in the three eastern European countries of Centrope. Thus, Centrope is also an instrument fostering the eastward movement of Austrian capital in its new form: knowledge services. Centrope is a market place for Austrian consultancy companies to provide services in EU affairs for local and regional governments in Centrope, offering for instance, training for public servants.

This pictures a crucial aspect of the new mode of European governance: the “expert-based governance” (cf. Chapter3), in which actors are selected for governance systems according to the knowledge they can aggregate to the issues at stake. Centrope privileges the participation of experts, not only for the management of the Centrope-project, but also in the working groups, pilot projects and the more recent ‘alliance-cooperation’. The discourse of ‘experts’ is very strong in Centrope and additionally is a form of exclusion: actors who do not have the desired resources to add are kept at bay. This is in line with the ‘professional management’ discourse and is a form of maintaining the ‘exclusivity’ for the actors with matching ideology.

The functional participation supports the domination of Austrian actors in Centrope under a disguised idea of cooperation. Groups, committees, boards, and other advisory bodies are filled with Austrian experts (from agencies, government, or companies) under the belief that Austrians have more experience, and thus neighbour governments are convinced to rubber-stamp the experts’ decisions. But this is not exclusively true of the eastern countries of Centrope. The dynamics of governments rubber-stamping decisions of experts is happening Europe-wide.
Expert-based governance and the dominance of functional participation bring the issue of the democratic legitimacy of governance to the surface, as discussed in Chapter 3. Cross-border modes of governance are a threat to democracy and public planning which has historically been organized in territories. Popular sovereignty and local self-administration need a delimited territory. 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 not only lead to a hollowing-out of the nation state, but also of democratic decision making.

In Centrope, local and regional legislators can participate, though they have neither decision-making power nor competence for defining or implementing strategies. The same is true of civil society other than business interests: it has a voice in limited domains, but it has no vote. Involved in the governance system of Centrope 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.

Centrope in this sense exposes the ultimate challenges of the new mode of cross-border governance, those of democratization and accountability. These can only be addressed if structures such as Centrope are opened to the participation of civil society and if led by transparent public bodies subject to popular control. This does not entail that experts should not be included, nor that every policy for business support must be waived. Experts must be included, but on equal footing to citizens and within democratic forms of popular participation. Business policies are welcome; however they cannot be the centre of public action. Moreover, it is required to qualify the type of business in need of support. Big companies such as the Raiffeisen bank should not be the target beneficiaries of public policies. An attempt as “Centropa GmbH”, which is financed 70 per cent with public money, is intended to assist small companies with the expertise of Raiffeisen, but, in fact, it does no more than transform small and medium companies which ought to be the aim of a public policy into clients of a big bank. It helps Raiffeisen to gain more visibility and clients, but this is clearly not the public interest.

The main advantage of the cross-border cooperation of Centrope is the cross-border integration of governments. For the people living in border areas issues of cultural
integration, trans-national transport, environment and education are part of their daily lives. Their needs must be accordingly addressed by their governments. Their voices on issues regarding their own lives should be heard. The intergovernmental dialogue initiated and deepened by attempts like those of Centrope promotes intensive valuable intergovernmental learning and collaboration. Therefore it opens thousands of possibilities for inclusive public policies for the population – beyond businesses – and in various areas – beyond mere economic development. Nevertheless, for using the potential that governance in cross-border regions may offer, democratization and transparency in the management of public funding of such political attempts are required first and foremost.
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12 Appendixes

12.1 Appendix 1 Description of main antecedents of Centrope:

This Appendix 1 complements Chapter 7 and Table 7.1 by adding information on most of the organisations and projects included in the text and table. Below you find detailed information on: ÖROK, PGO, Vienna Region, VITECC, CCC, Preparity, DIANE and JORDES.

ÖROK - Österreichischen Raumordnungskonferenz (Austrian Conference on Spatial Planning): started in February 1971, ÖROK is a permanent organisation for federal coordination on issues concerning spatial planning, which in Austria is a competence not of the national government, but of the federal state one. ÖROK is the mechanism for intergovernmental coordination between the three governmental levels. It works based on two main organisational divisions: a politic (meetings) and an operational (permanent). The Political Conferences are the high decision level and brings together the Federal Councillor (Prime Minister, who chairs the meetings), all governors of the Ländern, and the president of the Association of Austrian Municipalities (Gemeindebundes). The operational is formed by a representative commission responsible for the organisation of activities, in addition to an office, subcommittees and working groups.

Activities: Every 10 years ÖROK conceives and publish the Austrian Spatial Development Perspective (ÖREK – Österreichische Raumentwicklungs konzept), it also elaborates and publishes reports with prognosis and analysis of spatial development and planning in Austria, gives the basis (preparation) for the political meetings and overviews the implementation of spatial policies.

Since Austria joint the EU the ÖROK acquired the competence of intermediating intergovernmental activities concerning EU Regional Policy, a “new function between sub-national and EU level” (ÖROK website). Since then ÖROK function as a coordination platform for issues concerning the EU Regional Policies and Funds in Austria, it has coordinated the Austrian National Strategic Reference Framework (NSRF – working title STRAT.AT), which is the guide for distribution of grants and for the establishment of
operational programmes, which are all responsibility of ÖROK, besides being the National Contact Point for EU Territorial Cooperation Funds.

**PGO - Planungsgemeinschaft-OST** (Planning Association – East): is a common organisation founded in April 1978 by the three eastern Austrian states of Vienna, Lower Austria and Burgenland to common agreement, planning, coordination and preparation of policies for the region delimited by the states. It is not a formal organisation, having no legal status. The members of board, groups and even the fix collaborators of the office are in fact employees of the states, the lasts located in the PGO office.

PGO could be considered an “ÖROK of 3 states”, with similar aims and structure for a smaller scale scope. PGO, as ÖROK, is concerned with preparation and coordination mainly of spatial planning activities and cross-border cooperation/EU regional policy. It is moreover a goal to build a stronger voice abroad by the cooperation of the states. Within projects and studies, the main issues tackled by PGO regards transport (roads/trains); security; environment; and local development strategy (“Siedlungspolitischen Konzept”), this last aiming at, in addition to other goals, to promote a decentralized development pattern that relieves concentration of Vienna surroundings by creating various development poles.

Its structure involves a political decision making level (a yearly conference of governors, and two director/secretary of each state, those for Planning and Finance), and an operational level constituted by a managing level (the Planning Directors/Manager of each state) and the offices employees. Theoretically, a representative of municipalities participates in PGO, though it is not included in any of its organs.

PGO works with the “Regional Managements” offices, which are agencies of each of the states responsible (besides other duties) for the decentralized implementation of activities decided in the frame of PGO; and Working Groups, for instance the one that put together mayors of Lower Austrian towns from the surroundings of Vienna and Vienna districts managers.

It is involved with cross-border cooperation in the sense of the common planning of these issues and more specifically with two projects JORDES+ and Centrope. The last concerns the Centrope Map (see Chapter 8 below) that gathers a digital system of geo-information of the region and compilations of regional statistics, which is coordinated and
maintained by PGO. Bilateral projects for specific issues with governments of the neighbouring countries are also in scope of PGO.

**Vienna Region:** the regional business agency promotes the region by active marketing and provides business support aiming at enhancing the competitiveness of the region formed by the Austrian federal states of Vienna, Burgenland and Lower Austria. Vienna Region GmbH (Ltd) is a business agency founded in 2001 by Vienna and Lower Austria via theirs development agencies (100% belonging to the state), respectively VBA – Vienna Business Agency and ecoplus, the Business Agency of Lower Austria Ltd. The “Vienna Region” actually comprehends two organisations: the Vienna Region Business Agency Ltd (50% belonging to ecoplus and 50% to VBA), and the Vienna Region Marketing Ltd. The latter was founded in January 2008 and its shares are 74% of the Vienna Region Business Agency and 26% of WiBAG, the business agency that belongs 100% to the federal state of Burgenland (Vienna Region 2008a). The new brochure for regional promotion, which is available in the website since June 2006, contains as “the regional contact” and author the Vienna Region Marketing GmbH, with no mention to the previous organisation (Vienna Region 2008b).

However, the Vienna Region name/brand has been used to advertise the regional space including Burgenland since earlier and it is therefore more complex to understand the relations between agencies and promotion material/projects. A brochure promoting the region dating from February 2005, obtained by the author in January 2007 at a visit to the Vienna Business Agency (VBA), contains an Imprint as from the “Vienna Region – Wiener Wirtschaftsförderungsfonds, ecoplus, WiBAG” (Wiener Wirtschaftsförderungsfonds is the German name for VBA) and includes four partners as the promoters for business in the Region: the 3 agencies of the federal states plus the national (governmental) Austrian Business Agency (ABA) (Wiener Wirtschaftsförderungsfonds et al. 2005).

The managing board of Vienna Region Business Agency is formed by a consultant of the VBA and one of ecoplus. A consultant from WiBAG/Burgenland joins the two others in the board of the VR Marketing. One important activity fostered is the Automotive Cluster Vienna Region (ACVR), a separate division of Vienna Region Business Agency initiated by VBA and ecoplus right after launching the Vienna Region
partnership, an initiative now supported by Raiffeisen Bank. The cluster, initially bounded in the Austrian side of Centrope, aims at spreading the partners towards Hungary and Slovakia, where important automotive assemblers are located. Austria concentrates subcontractors and services provides for the sector, but not the assemblers. The ACVR coordinates (in partnership with the Hungarian cluster) an Interreg IIIA project named “Automotive Cluster Cross-border Co-operation Training” for companies in Austria and Hungary.

For more on the agencies of the Vienna Region, see Appendix 2, which concerns the actors in Centrope’s managing Consortium.

**VITECC Project – Vienna Tele Cooperation Center:** is a pioneer Vienna project for building dialogue and networking with neighbouring countries. Created in September 1996 it consisted of the projects VITECC I (1996-97), II (1998-99), VITECC Accession (1999-2001) and VITECC.net (1999-2001), all four financed by Interreg IIA (programme Austria-Czech Republic) the two last finishing on June 2001 (Vienna web-database). Coordination/implementation of activities was conducted by the Regional Consulting Company, the responsible person in charge of VITECC I and II was the current Planning Director of the City Government of Vienna, Dr. Kurt Puchinger (VITECC.net, which was coordinated by the Vienna Business Agency). Project partners were 4 cities’ governments: Vienna, Bratislava, Győr, and Brno. It is worth noting that Lower Austria and Burgenland, and respectively the capitals St. Pölten and Eisenstadt, were not partners in VITECC according to the Vienna Projects Database, however a Vienna brochure includes them as partners (Antalovsky et al. 2000). The justification for building such a project was, besides the need and chance for cooperation due to the geographical position of Vienna, to avail the opportunity created by the EU by means of Interreg to cross-border cooperation (Vienna 2003e). (Costs of VITECC were not available).

VITECC projects aimed at building a “service-network for supporting political, planning and economic cooperation” (Vienna 2003e). Operationally, it focused in forming four offices (“Tele-Centers”), one in each city, which would function as a motor of cooperation and know-how transfer between the regions, establishing permanent contact, (either via internet or in person) and working groups to generate specific projects/activities on business services, stimulation of joint ventures, spatial planning and even
everyday administrative problems and issues. According to the 1999 justification for forming the VITECC Accession Project, the themes of culture and tourism were tackled with groups and actions, while in the areas of economy, education, infrastructure and social “there were no concrete development” (Vienna 2002b). VITECC Accession project aimed also at preparing the cooperation for the new phase of EU Enlargement, having in sight the accession of the eastern neighbours.

Though lacking the “concrete development”, the project succeeded in building the VITECC Coordination centres in each of the neighbours, which to a bigger or smaller extend worked as the interlocutor for cooperation with Viennese actors. VITECC in this sense paved the way to the contacts of partners for the subsequent regional projects, culminating with the Centrote one.

**CCC Project – Cross-border business Cooperation for Central Europe:** carried out by companies of the Vienna government, the EU co-financed project is considered as an EU-success-story in various publications (European Commission 2003b, Directorate-General for Regional Policy webpage, European Commission 2003a). CCC was made by two projects; the first financed Interreg II Austria-Czech Republic operational programme lasted from May 1998 to October 2000, the second, of Interreg IIIA Austria-Slovakia, from January 2001 to December 2003 (Vienna 2007d, 2003c). (Cost of first CCC: € 1.16 million, 50% of which financed by EU, costs of second were not available for this research).

CCC “focused on the exploitation of new business opportunities arising from the eastward enlargement of the EU” (Directorate-General for Regional Policy webpage), especially on supporting Austrian companies and the small and medium enterprises. The main goal was to make cross-border economic activities lighter for business and to establish Vienna and its surroundings as the competence centre for east-west relations. The project acted on “improving the marketing of Austria’s ‘competence for the East’ in the international competition to attract business investment” (European Commission 2003a, p. 47) and the justification of CCC-2002plus first mentions building a “European Region Vienna” (“Europaregion Wien”), for which the project would aim at positioning as the transaction centre of the CEEC (Vienna 2007d).
The first coordinator of the project (first CCC), was the Viennese public company TIG – Technologie Impulse GmbH, in cooperation with the Federal Ministry for Economy and Labour; and for the second the VBA (Vienna Business Agency) coordinated, but with partnership of the business agencies of the Vienna Region and the Austrian BA. Though in the Vienna project-database there is no specification of project partners for the first CCC neither in the Vienna Region nor in neighbour countries (field was left blank), activities of the project involved networking the Vienna Region with eastern neighbours and as a result of CCC was a longer lasting cooperation between VBA, ecoplus, WiBAG and Austria BA to carry on some projects agreed in the basis of the CCC net (Vienna 2003c, 2007d). The project was an initiative of the Vienna government, according to this database, and moreover a CCC Platform and Internet Portal were created, however neither the portal nor coordination of the project (TIG) continue to exist. Although the Chambers of Commerce were not official partners, they have been involved to a certain extend, especially as the CCC goals involved giving support for companies interested in cross-border activities or internationalization and giving a “One-Stop-Shop” (BICE unknown).

The period of the CCC 2002plus (second CCC project) coincides with the beginning of the DIANE Project (see below). Therefore it is an important antecedent of Centrope, for it was a direct predecessor of DIANE, since the second CCC was carried out by those which would later be the partners of the DIANE Project. Documents on the websites of DIANE or Centrope presents the two projects (CCC and DIANE) as a common initiative (ARGE-DIANE possibly 2003, possibly 2005). Similar aims of regional marketing, networking and supporting companies were striking both in CCC and DIANE.

Preparity Project: “Trans-national project for preparing for EU-Enlargement”, co-financed by Interreg II-C and later III-B/CADSES completed in the period of 1999-2001, aimed at preparing political decision-makers in the EU and the Central and Eastern European countries near the current EU borders for the forthcoming enlargement (Preparity 2001b). It was a joint project of Austria, Germany and Italy, and actually aimed mostly at preparing policy makers of these three countries. In addition to the leading countries, the Czech Republic and Hungary were project partners. In Austria, the partners were the Federal Government (through the Ministry of Economic Affairs and Labour) plus
seven federal states, including the three ones of Centrope. The project consisted of executing comprehensive studies on enlargement impacts in the three coordinating countries. The Austrian project was made of fifteen sub-projects, each composed by extensive studies on economic and regional policy impacts and opportunities for Austrian politics and economics in the scenario of the coming enlargement. All research results are publicly available in internet. The studies were coordinated by WIFO – Österreichisches Institut für Wirtschaftsforschung (Austrian Institute of Economic Research), and conducted by WIFO with collaboration of Regional Consulting GmbH and the Austrian Institute for Small Business Research. The Europa-Forum-Wien led communication activities as website, reports and conferences. None of the studies focus in social aspects, only economic, though there is a study on labour market and on migration, assembling economic and spatial planning information and policy recommendations.

DIANE – Direct Investment Agency Net/ FDI – Foreign Direct Investment in Centrope: (the two projects are here generally named DIANE, apart from specific information on one project)

The project in which the concept (or “region”) Centrope was coined had the main goal “to increase awareness of the CENTROPE region as a special business location and provide further opportunities for new business coming into this region”, as summarised in a event’s folder (FDI in CENTROPE 2007). The main efforts of the projects were concentrated in networking of business agencies in the Centrope space, public relation events and production of marketing material (including assemblies of regional economic relevant information, folders, brochures, short films etc).

Background of Diane: In this sense, it is possible to assume that DIANE has built on the former Austrian cross-border projects CCC and VITECC (see description above) that started the networking activities between the governmental development agencies of the Centrope area, thought it is mentioned in a DIANE’s document solely VITECC and JORDES as reference points (ARGE-DIANE and ÖIR 2003, p. 8). This may be for the reason that DIANE and CCC had been taken as one project in some documents, as stated in the above CCC description in this appendix. A planning document of the Vienna Government names the project as “DIANE CCC”, due to its emphasis on “Cross-border Business Cooperation for Central-Europe” (Vienna 2004b, p. 50). Nevertheless, even
being few, the official documents available for this research allow the clear distinction between the DIANE and CCC projects. The objectives of DIANE projects are also similar to those of VITECC and CCC, aiming mostly at co-operation network of business agencies for common activities in cross-border economic development, esp. business support services and attraction of investments, in DIANE achieved mainly by marketing actions.

DIANE project was in fact a first of two projects on regional marketing, the first named DIANE – Direct Investment Agency Net and a second FDI – Foreign Direct Investment in CentrOPE. Despite some explanations on “FDI”, generally both projects are here called DIANE, because FDI is a continuation, with the same coordination, partners and main goals; though the name changed it permit a common description. DIANE was launched in January 2002 and lasted until July 2005; the FDI project was from July 2005 to July 2007.

Partners in Diane: The coordination was centred in the Vienna Region in both projects. For the first, a coordination group was established, the ARGE-DIANE (In German “Arbeitsgemeinschaft DIANE”, meaning working association or group). For the FDI Project, the nominal coordination was of the Vienna Region (see above in this appendix), with the responsible person a collaborator of the VBA. However, the main coordination group formed by the partners of the ARGE-DIANE remained. The ARGE participants were the VBA (Vienna), ABA (Austrian), Ecoplus (Lower Austria) and WiBAG (Burgenland). DIANE and FDI were in the programming period 2000-2006; both had financial support of the European Union through the Interreg IIIA Initiative.

Partners of Slovakia, the Czech Republic and Hungary in the projects were as well development agencies of the respective governments. Only a little change concerning Hungarian partners was observed between DIANE and FDI projects; the others remained the same. The partners, in addition to the Austrian above cited, were: Regional Development Agency (RDA) South Moravia and RDA South Bohemia in the Czech Republic; the Slovaks SARIO and GALANTA and the Hungarian SAVARIA, also named Euroregional Coordination Office (EKI). These constellation is according to the main promotion material, the brochure Invest in Central Europe (ARGE-DIANE 2003, p. 23). A new edition of the same brochure, with equal title, cover and main sections, though with additional and updated data was released in 2006, and brings in addition to the partners
above listed the Hungarian West Pannonia RDA (FDI in CENTROPE 2006, p. 31). Nevertheless picturing the partners varies. In the Austrian-Slovakian operational programme website, the RAIC Trencin and Trencin Regional Development Agency are participants in the network. Others, as the Centrope website (governmental project, www.centrope.info), picture the Hungarian ITDH (Hungarian Investment and Trade Development Agency) as partner. The website of DIANE/FDI (www.centrope.com) illustrate the partners not only ITDH but also the PBN (Pannon Business Network), but not Trencin. Moreover, some firms have collaborated in contracted specific activities, as, among others, the ÖIR (Austrian Institute for Spatial Planning) for production of regional analysis, maps and brochures, and Arthesia, a Swiss consultancy, for the final strategy document.

Therefore, differently from the Centrope project, DIANE had since the beginning the participation of South Bohemian (development agency), and hence the maps of Centrope designed and advertised within DIANE’s activities include this region, which is not part of the Centrope governmental agreement. In addition to the mix-up of the use of Centrope’s name, the different map caused regional actors to confound the initiatives. Thus some studies or works on Centrope region include South Bohemia, while others – as this dissertation – exclude this Czech province.

Relation of Diane and Centrope: Besides the common use of the name Centrope, DIANE/FDI and BAER/Centrope (the case study of this research) are separate projects. While being independent, there is collaboration between the activities of DIANE and Centrope. For a marketing goal, it is visibly advantageous to spread the name in different initiatives. Nonetheless, a combination with Centrope brings the benefit of a political support that permits embedding the idea of Centrope as a market place in a bigger frame: “for this purpose, basic economic data will be collected, the developments analysed with experts and economic policy decisions inferred” (ARGE-DIANE possibly 2005, p. 3). It would allow reaching more sectors, especially the political and thus influence the policy process with the data provided. “Coordination with the BAER project will also ensure that the overall regional factors are improved through joint activities and measures” (idem: 4).

The collaboration between the DIANE projects and Centrope/BAER is visible by the shared use of the name, which is in fact property of the DIANE network (ARGE-DIANE and ÖIR 2003, ARGE-DIANE possibly 2005). The brand and name Centrope
came forward in DIANE’s activities in partnership with the CERNET Interreg project (Central European Regional Network for Education Transfer, a network of boards of education of the 4 Centrope countries, led by the Vienna board). CERNET organised a school contest for creation of the name for the regional attempt, later ceded to DIANE (see more CERNET and on educational attempts in Centrope in Chapter 9).

**Objectives of Diane:** As mentioned, DIANE and FDI projects had very similar goals; with the issue of regional marketing as a central point. Since the beginning the objective was “the development of a common location marketing strategy for the CENTROPE region as well as joint marketing activities and the establishment of adequate cross-border organisational structures”(ARGE-DIANE and ÖIR 2003, p. 7). The matter of better informing investors was present in the goal and tasks of collecting, gathering, analysing and displaying data relevant for business activities in the region. Provision of data was mostly by promotion material and databases, personal contact, events, active search of institutions or passive response to consultations and lobbying within and outside the Centrope region. DIANE organised an event in Japan in 2006 and in 2007 pursued a mailing list up to 22,000 addresses, as presented in the project FDI final conference in July 2007 in Vienna. Though the provision of information was collectively, each country/region remains autonomous to offer their individual set of benefits or subsidies to companies, the network namely only aimed at improving information availability.

The FDI project intended the development of a regional marketing strategy, the “Joint regional development strategy (FDI) for Centrope economic region”, which was subsumed in a final project product developed by a Swiss consultancy company. The strategy, named “Centrope White Paper” (Arthesia-AG 2007) developed the so called Centrope Themeworld and includes a metaphor (or Metatheme, as called in the document) of Centrope as a Courtyard – Europe’s Courtyard – an image to positioning the Centrope in the competitive milieu of regions. Strengthening Centrope in regional competition was a aim since DIANE, a “project [that] tackles the opportunity to successfully position the central European region in direct competition with the Iberian peninsula, Central and South America or southeast Asia, with their level of heterogeneity”(CENTROPE website). The courtyard would refer to a green space congregating multiple but cohere characteristics and opportunities, “a melting pot for culture, economy and science” (Arthesia-AG 2007, p. 7)
Besides the similar goals, FDI in Centrope aimed more explicitly at attracting FDI and focused on lobbying and managing the rights and use of the Centrope brand; while DIANE focused in deepening the network of agencies and preparing for EU-Enlargement.

Sources of data (Diane): Official data on DIANE and FDI are rather scarce. The websites of the operational programs Austria-Slovakia, Austria-Czech Republic and Austria-Hungary for the planning period 2000-2006 display information on the projects financed, yet not all projects are listed. It is possible to get the data on BAER (Centrope project) in all programmes, but DIANE is publicized only in the Austrian-Slovakian programme. As interviewees have not made costs of project and designation of operational programmes available, it is not possible to state of which operational programmes the resources for DIANE and FDI came. The project database of the Vienna Government contains the fiche only of the FDI Project, no information on DIANE is found; moreover the database does not exhibit costs of projects. The exact dates are also mismatching in different documents, but with no big variation (generally a month or few), thus it is not detailed here.

Concerning projects costs, the available factual information shows that DIANE (first project) had a financial support of 50% of total costs as from EU Interreg IIIA – Operational Programme Austria-Slovakia, amounting EUR 160,100 of the EUR 320,200 total costs under this programme (Gemeinsames Technisches Sekretariat 2006). It is not possible to affirm if the project was also financed by operational programmes with the Czech Republic or Hungary, as no information was in the website of programmes or the Vienna database. However, the WiBAG-Burgenland Annual Report refers only to the program with Slovakia to the financing of DIANE, though the values differ from those of the website above quoted. WiBAG’s report to a total project cost of EUR 960.600, being the Burgenland’s part of EUR 240.150 (WiBAG 2006, p. 72), representing 25% of the total costs. Considering that in Centrope/BAER, Burgenland contributes with 20% of the Austrian quote of the budget, and the difference between this value and the one stated at AT-SK programme, it is not possible to infer the project’s costs. FDI had total cost of EUR 360.000 according to WiBAG’s report for the following year (WiBAG 2007, p. 63).

JORDES+ Joint Regional Development Joint Regional Development Strategy for the Vienna-Bratislava-Győr Region: the project led by the Regional Consulting Company
aimed at developing a common spatial plan for the region that coincides with Centrope excluding the Czech Republic. Started in April 2002, it lasted until June 2005, it had two main phases: the first consisted in an “inventory” of regional conditions, while the second was designed to build the regional strategy by discussing deeper selected regional themes. First phase was executed by Regional Consulting and the second by different subcontracted partners (or group of partners) namely consultancy companies as the ÖIR (Austrian Institute for Spatial Planning, in four of the six modules); Mecca Consulting (2 modules), a NGO – Centre for Social Innovation (ZSI) conducted one module, as well as did the Technical University of Vienna (Regional Consulting 2005a, p. 7). The Austrian organisation PGO had a strong involvement in JORDES.

Results of JORDES focused much on “prepare for the future”, and emphasised a coordination of regional projects in this space. It was overtly suggested articulating with Centrope and availing the opportunity of the EU programming period of 2007-2013 for territorial cooperation. During the final events of JORDES, the participant actors realized a compromise to continue following the results of JORDES within Centrope regional attempt. It therefore strengthened Centrope, as it put forward that planning in JORDES area should be integrated with Centrope, and thus include the Czech Republic.
12.2 Appendix 2 Actors of Centrope’s Consortium: a brief description:

This appendix contains a “glossary” of the institutions that formed the managing consortium of Centrope in its different periods. It complements the Table 8.1 by explaining briefly the main characteristic of the Consortium members, based on data from brochures, interviews and internet websites. Classifying the members is complex: none are actual governmental departments; they are or 100% government-owned autonomous agencies regulated by private law; or they are private companies or non-profit organisations that have governments as main or quasi-exclusive clients. In common, these institutions have the expertise and strong involvement in the use of European Funds and the objective of economic development by means of supporting companies and promoting locational advantages or supporting government’s planning and communication. The seven members described below are:

- Lower Austria’s institution: ecoplus
- Viennese institutions: WWFF; EuropaForumWien;
- Viennese/Austrian private company: Regional Consulting.
- Burgenland institutions: WIBAG; Regional Management Burgenland; BIC Burgenland;

**Ecoplus – the Business Agency of Lower Austria Ltd:** ecoplus is an autonomous public company to which the government of Lower Austria outsourced the bearing of business service, meaning mostly promoting the locational advantages of the province and supporting and advising companies from outside the province to get installed in or to Lower-Austrian companies to grow inside or outside the province. For that, series of activities are undertaken by ecoplus, ranging from assisting with consultancy; establishing business-parks, techno-poles, and clusters; investing and managing investments (ecoplus holds shares in innovation and technology poles etc); to the implementation of the regional economic development of the province and concentration the responsibility for implementation of all EU Regional Policy in Lower Austria. Therefore, ecoplus is specialized in every governmental incentive to companies/investor, from provincial, national and European level.
“The regional company ecoplus was founded more than 45 years ago with the purpose of attracting new business settlement. Today, as the business agency of Lower Austria, ecoplus functions as both interface and hub for business and politics, companies and administration, investors and initiators of regional projects – on both national and international levels” (ecoplus 2008c).

The agency has grown strongly since 1995, when the duty of implementing EU Funds was appointed. “The co-financing funds allow ecoplus and Lower Austria to fund more projects than was possible before” (ecoplus 2008b). Internationalization (and EU affairs) became a more and more important issue to ecoplus goals. In 1998 it created a separate department for dealing specifically with cross-border and interregional projects. Ecoplus projects make intensive use of EU Funds, and in this sense Centrope is not a priority as there are many other projects concerning similar issues, i.e. expansion of cooperation and of Lower-Austrian companies market towards Eastern Europe. The agency organises and supports seminars/meetings of Lower-Austrian entrepreneurs in the neighbour countries, being by industry-sector or general. It currently has 5 offices outside Austria, all in Eastern Europe (Prague-Czech Rep.; Bratislava-Slovakia; Budapest-Hungary; Warsaw-Poland; Temeswar-Romania).

**WWFF – Wiener Wirtschaftsförderungsfonds (Vienna Business Agency – VBA):** As ecoplus, the Vienna Business Agency an autonomous public company to which the government of Vienna outsourced the carrying out of business service The Agency was founded in 1982 by the City of Vienna, in partnership with Zentralsparkasse (the Central Savings Bank of the City of Vienna), the Austrian Erste Bank AG and the Vienna Chamber of Commerce as the Viennese Fund for Business Support (*Wiener Wirtschaftsförderungsfonds*). The activities of the Vienna Business Agency aimed at the modernization of the business location, to enhance competitiveness and innovation of Vienna and the economic revitalization of the labour market. The services offered by the business agency extend from professional advice on the allocation of financial support, provision and development of land suitable location to worldwide marketing for the business location Vienna. It advertises specialized services in the Eastern European market, both for Austrian companies wishing to enter in the CEE market, and for CEE companies willing “to relocate to Vienna”.
The Agency is the executive branch of the City of Vienna in most of cross-border projects involving business support, as DIANE, Cent rope and the Automotive Cluster, besides being the leading agency in the ‘Vienna Region’ cooperation. In 2010 the agency changed its name in German, adopting since then a more exact translation of the English name. It is now called ‘Wirtschaftsagentur Wien’ instead of Wiener Wirtschaftsförderungsfonds.

Europaforum Wien – Centre for Urban Dialogue and European Policy (EFW): is a non-profit organisation, officially independent from the government of Vienna, however with strong links to it. It is headed by the Viennese Mayor and Governor Michael Häupl and the vice-president is Rudolf Schicker, high-Councillor in the Vienna government. “The Europaforum Wien was established in 1995 by the Vienna Municipality with the basic intention to give support to the Vienna city government and administration in all issues relating to the EU integration process and the competition between European business locations” clarifies the institute’s website (Europaforum-Wien 2008). The Vienna government is a contracting authority in almost every project, though not an exclusive one, as the projects may be contracted by multiple organisations. EFW’s efforts are centred in European issues and therefore it supports Vienna objective of actively participating in the policy-making of the European Union.

Differently from ecoplus and WWFF, EFW has a small structure and staff (of 7 people however highly specialized and most of them with academic degrees higher than bachelors) and works on projects that currently cover three main areas: EU enlargement (cross-border cooperation mainly); urban policy (principally related to EU Urban and Regional Policy); and social participation (“improvement of European democracy”). This role of EFW was enhanced with several contracted studies and events’ organisation on EU 2004 Enlargement, for which EFW supported the preparation of Austrian governments, esp. the Viennese. The activities of the institute are roughly: conceiving publications on policy analysis, organisation of events and “managing” processes of participation trough the “implementation of expert dialogues”, communication and networking projects and consultancy on the above concerns (Europaforum-Wien 2008). Using this expertise Europaforum Wien is responsible for the Secretariat of Cent rope and principally for the communication and networking activities, which are core in the project.
Regional Consulting ZT Gesellschaft m.b.H.: is private company specialized in consultancy and elaboration of studies with a focus on spatial planning and regional development. It advertises large expertise in EU Funded projects on Territorial Cooperation which are carried out by Regional Consulting International, a subsidiary company of the Regional Consulting ZT with a representation office in Brussels.

Centrope is in the portfolio of projects in the Regional Consulting website. The company’s involvement with regional issues in Centrope started with the participation in the Interreg IIC project Preparity, in which it was responsible for two sub-projects of studies whose results lead the way for Centrope by explicit proposition to invest in cooperation of Vienna-Brno-Bratislava-Györ. Subsequently, Regional Consulting coordinated the JORDES+ project, being then responsible for developing a plan for spatial development for Vienna-Bratislava-Györ area. Finally, starting in 2003 it joined the Executive Consortium of Centrope, where it took part in the two first phases of the Centrope-Project. It remain participating in Centrope, but as subcontracted company for specific tasks. Regional Consulting was founded by the current Planning Director of the City of Vienna.

WiBAG: Wirtschaftsservice Burgenland AG: it is also an autonomous governmental agency specialized in offering service to companies. WiBAG’s functions are main conducting projects for supporting business, providing subsidies to companies, local marketing activities, locational and promotion of Burgenland searching for investors, counselling diverse companies wishing to set activities in Burgenland. WiBAG had a increase on its activities during the time when Burgenland was eligible to receive EU Cohesion Funds under the Objective 1; a period in which the institution concentrated the role of main advisor for issues concerning projects using the European Funds to that Objective. After the end of the Burgenland’s Objective 1 period, the functions of managing and counselling for use of EU Funds were taken over by the RMB ‘Region Management Burgenland’. WiBAG remained with responsibility of applying national and local subsidise schemes for companies. With this division of tasks among the two agencies of Burgenland, RMB substituted WiBAG in the Consortium Centrope since the beginning of Centrope’s second phase (mid-2006 onwards), while WiBAG remained as the federal state representative in the business-focused project DIANE.
**Regional Management Burgenland – RMB:** the outsourced governmental agency is also a public autonomous company, which currently is in charge of the coordination of all EU-regional policy application in Burgenland. This includes organisation of all regional cooperation; counselling; production of studies and planning in these concerns; helping applicants in designing and writing projects for EU; networking, etc. RMB supervises the projects on international cooperation, focusing not only business themes, but all (environmental, spatial planning, transport, education etc.). The target group for their services are potential EU project partners (Associations, SMES-companies, project starters), and RMB’s aim is to be the “gate” and the “access point” to EU Information for politicians, associations, communities/towns/villages, schools and others. As other Regional Managements in Austria, RMB was created to help administer and implement the Structural Funds at regional level. It is the managing authority for the EU programs involving Burgenland (Operational Programmes “Burgenland” and “Austria-Hungary”), making Burgenland the only state in Austria of which a managing authority for EU program that is not the state government, but an outsourced, though governmental, agency.

In Centrope, RMB has played a more active role than WiBAG and BIC Burgenland. The Centrope project manager in RMB, Harald Ladich, coordinates all Territorial Cooperation and Interreg (objective 3) projects and interviewees told about his engagement in Centrope, while the same interviewees related a lack of participation of WiBAG and BIC Burgenland.

**BIC Burgenland:** the Business and Innovation Centre Burgenland– BIC Burgenland GmbH, is a daughter of WIBAG. Although it is a GmbH, i.e. a Limited Company under private law, which belongs 100% to the Burgenland Länder. It providing consultation services for enterprises, acting as contact for and supporting enterprises on issues concerning innovation, technology, networking and internationalisation (i.e. helping companies to get established in Burgenland and in the neighbouring countries). It participates in the network of BICs in Europe and cooperates with BIC Budapest and BIC Bratislava. In Centrope BIC Burgenland acts since the second phase of the project as external expert subcontracted by the Consortium, providing specific support for RMB on business matters.
12.3 Appendix 3 Working Groups and Pilot Projects of Centrope

This appendix complements Chapter 8 with additional information on some of the Centrope activities. In the first project period, there were six working groups, as retrieved from the project website in July 2006 (Consortium Centrope 2006b). They were:

1) “Labour Market”, which conducted a pilot project/study on regional diagnosis on the theme, which was in 2007 published as the Centrope Labour Report;

2) The “Regional Development” group aimed at building a “joint cross-border vision for spatial development” named “CREP – Centrope Regional Development Perspective”, inspired in the ESDP and organized by the company Regional Consulting based on National/Regional Development Plans and reports or studies of other cross-border projects at the region, e.g. DIANE and JORDES+ (Regional Consulting and ARGE CENTROPE 2006). The document should be later improved by discussion with Slovaks, Hungarians and Czechs and meant to function as the basis of a general regional cooperation frame.

3) The “Regional Management” group intend to integrate and coordinate the work of the governmental agencies named “Regional Management” in Austria (Lower Austria and Burgenland) and other similar governmental regional associations of the region.

4) The Tourism group was concerned with transforming the Centrope region in an established tourist destination, primarily for domestic one-day trips or short vacation to the population resident in Centrope, the publication of Centrope Wine Route in 2007 would be a later result of the group’s work.

5) The working-group “Economy” had two “meetings” until July 2006 (Consortium Centrope 2006b), actually in the form of seminars (Wiener Wirtschaftsförderungsfonds 2005) aiming at, firstly, the creation of cross-border financing instruments and secondly the preparation of an expert cross-border think-tank on economic policies. Active in organising the group were the regional development agencies of Austrian partners as the involved in DIANE project; businessmen of the region participated in the meetings, but rather as public of a seminar than committed organiser.

6) The Science working-group was occupied in mapping the scientific institutional landscape of Centrope to identify issue areas where science and research could best
help solving challenges of the region and to attempt at developing the region as a competitive international knowledge location.

The evolution of the activities of some of the groups is stated in Chapter 8, at the section on the second period of Centrope.

Although any local actor can suggest projects, the pilot projects are launched by the Consortium, as this was the only body entitled of writing projects and submitting them to the Steering Committee (the financial decision level). Pilot Projects could be implemented by various actors, but analogously to the working groups, it involved mainly public administrators. All pilot projects were coordinated by the Consortium.

At the end of the Centrope first phase (mid-2006) there were eight pilot projects, which generally emerged from ideas of the working groups and were related to the groups’ activities. They were:

1) The pilot project Image had the objective of “communicating the idea” by developing an advertising and merchandising concept for Centrope and was carried out by the Consortium and the company “Hallamasch concept and artistic events”, any partners from other organisations were involved. It was basically a contracted service which involved corporate image and an artistic installation at the Political Conference in Vienna, March 2006.

2) The pilot project ‘Map’ was coordinated by the Austrian planning association PGO (see Appendix 1) with cooperation with the private consultancy MultimediaPlan. It aimed at drawing a geographical database of Centrope, generating a digital map base and integrating, harmonizing and standardizing spatial data (MultimediaPlan and CENTROPE n.d.). The project resulted in a website with maps of the region and is updated and managed by the PGO.

3) The pilot project Bio Substances was “concerned with finding out whether the CENTROPE region has the potential to develop a competence focus relating to biogenic resources and thus to boost its competitiveness”.

4) The “Labour” pilot project, organized together with the Labour working group, was designed to build a monitoring system of the labour market in the region, to integrate institutions and to formulate policies recommendations on labour and qualification. In cooperation with the “Map” pilot project, maps with labour market data were drawn and in 2007 the Business and Labour report was published by the group.
5) “Regional Management” was a pilot project centred in regional spatial planning, i.e. networking, integrating and fostering the cooperation of planning institutions of the partner regions and cities in Centrope and prepare these partners for the new EU programming period 2007-13.

6) The pilot project “Enter CENTROPE” had a main focus on creating videos showing life in the cross-border region. In the pilot project, students of the digital art class of the University of Applied Arts Vienna were invited to create video expressions on common cultural identity. Eight video clips are the result of their work.

7) CENTROPE pilot project “‘Sound’: We shake & chill”: targeting the youngsters of the region, the pilot project involved the realization of live concerts of electronic music in Bratislava, Brno, Grosswarasdorf, Sopron, St. Pölten and Vienna, and recording of a CD.

8) CENTROPE pilot project “‘Sailing’: We are sailing” carried out during summer 2005, the project involved sailing clubs in Austria, Hungary and Slovakia and sailing activities in the Austro-Hungarian lake Neusiedl.

These pilot projects were not continued in the third and more recent phase of Centrope (2010 onwards). They were all were finished in 2007, at the end of Centrope activities in the second funding period (mid-2006 to the end of 2007). Most of the above listed pilot projects (e.g. the last three) had very short duration. The Labour group was the one that lasted longer, publishing in 2007 its results (the Business and Labour Report). In 2007, the pilot project “Wine Route” was launched by the Tourism Working Group. As a result of the project’s activities, the ‘Centrope Wine Route’ guide was published in 2007.

At the end of 2010 when Centrope resumed its activities after a period without funding, two pilot projects were started: the ‘Regional Development Report’ and the ‘Infrastructure Needs Assessment Tools’, both focusing on “research” and the elaboration of regional diagnosis involving partners in the four countries of Centrope.