

New industrial configuration and local participation in development strategies*

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ABSTRACT

This article discusses patterns of institutional and political participation based on new economic development experiences in situations created by the dynamics of the Brazilian automobile industry in the 1990s. Taking an empirical study of a region as an example, the study argues that even in a context where large companies have opportunistic motivations (tax exemptions, low wages, etc.), initiatives can emerge for society's mobilization and intervention to foster collaborative activities aimed at regional development.

Key words: regional development; social networks; political participation; industry

When companies belonging to global production chains start up operations at new sites and in new regions, they produce dynamics that tend to alter economic development conditions and institutional and political participation patterns. This paper discusses issues related to the formation of these new patterns, highlighting the actions of social and political networks springing up at surroundings where industrial activities take place. The empirical benchmark is a situation established by the Brazilian auto-assembly sector which underwent a restructuring process during the 1990s, expanding its production activities through fresh investments and new plants, with impacts on old and new industrialized areas.

Based on a regional case study of the recent implementation of auto-assembly plants in Southern Rio de Janeiro State, this study attempts to show that – even within a context where the initial introduction of large corporations was prompted by opportunistic motives (tax exemptions, generous government loans, low wages etc.) with no prospects of cooperation with local economic and political institutions – initiatives may emerge that result in the mobilization and intervention of society in order to interfere in industrial policy and foster cooperative activities designed to underpin regional development.

The industrial cluster for the hypothesis examined here was established on the basis of a “lean production” concept, not leading to any belief in its capacity to shape situations that would lead to the formulation of integration strategies among these enterprises, as well as between them, local government authorities and civil society. Lacking any actions such as those that drove development in the “Italian industrial districts” (which were based on “virtuous” links between small firms that led to cooperative arrangements), might it be possible to imagine that industrial clusters such as those found in Rio de Janeiro State could well include elements of civil society, historical track-records and social capital able to cause effects that are somewhat similar? Faced by an industry that is steadily cutting its production costs through lowering wages and reducing work-posts (among other measures), and when examining the explanation presented by the industries that spatial displacement is designed to boost earnings at the expense of either the workers or the State, would it be worthwhile exploring any possible positive effects that might be prompted by the presence of these industries, in terms of society as a whole, and more particularly for local workers?

For reasons that will be demonstrated below, in this case study, the presence of these enterprises has in fact served as a trigger, highlighting the need for cooperation as a crucial factor in economic development. This requires an acceptance that the local political players in this region can be trained to act within (and even to challenge) the administration of this new local development phase. Alternatively, their activities may also guide this development towards the economic and social interests of local society. This would include workers, particularly those hired by the new enterprises, who constitute a significant social group with new expectations and demands in the factory and in the town, in parallel to transforming trade union organizations into a potentially significant participant in this process.

THEORETICAL ARGUMENTS

Dealing with this topic implies discussing a set of theoretical issues found in the literature of the social and economic sciences, starting with an analysis of the outcome of the crisis in the fordist production system. This resulted in the restructuring of huge rigid and bundled enterprises, turning them into more flexible organizations broken out into interconnected networks and forming global production chains¹, affecting labour relations and the locations where they are established.

The ease with which “lean” plants managed to shift from one geographical area to another means on the one hand that the companies have greater discretionary powers, always seeking sites with cheap labour and attractive tax incentives (found in countries with tardy industrialization). On the other hand, this boosts the economic and political importance of the sites where these restructured companies are established as from the time when these places² become part of a global circuit. Found in several countries, including Brazil, this situation might well be viewed as able to affect national and global business strategies, in addition to local, regional and national economic and social development policies. In this “new regional economic order”, modern regional economic systems may be viewed not only as being represented by a purely private domain where market relations prevail, but also as a “collective domain of externalities which is a wellspring of competitive advantages and development effects, but that must be administered by appropriate Government institutions in order to ensure all the benefits that it generates” (Scott, 1999:30-31).

Discussions of local development strategies associated with this new phase in Brazil's auto-assembly industry (driven by decentralization, moving outside Metropolitan regions) has included formulations based on dynamics that stress “not only productive economic relationships but also the efficacy of non-mercantile relationships among people” (Pires, 2004:3). According to this author, these dynamics would extend beyond “the appreciation of material consumer goods market, now involving local wisdom, traditions and services, turned into resources that underpin various

economic activities “and constitute strategic elements in the actions of local social players. Similarly, from this standpoint, to an increasing extent towns are being appreciated as the contexts for local development processes, rather than just companies. For example, Cocco, Galvão and Silva (1999:23-24) even say that “the transfer of the production ‘place’ to the territories of the city extrapolates the strictly private location characteristic of the fordist accumulation regime” and “by leaving the plant and becoming referenced to the city (and the territory), the production area gains a public connotation that did not exist previously”.

As these characteristics may appear together in specific situations, often in conflict, it becomes essential to include the political dimension in discussions of local development in order to explain the case study in question. The basic analysis unit will be the local economic players and the social and political networks that they build up, which comply with the specific development pattern (including companies and trade unions). For instance, when describing the Italian experience, Locke felt that

“[...] these networks established blends of resources and constraints that shape the strategic choices for the local players. [...] not only do they structure the flow of information and relationships among local economic entities, but also offer the local players different links or channels of representation in national interest groups that create policies” (1995:12).

He also suggests that “successful strategies are built on dense but egalitarian associative networks, the organization of interest groups and local institutions that streamline exchanges of information and assign sparse resources, mediating conflicts and building up trust among the economic players. According to Roesse (2003:40), “the main aspect arising from this standpoint is to perceive how these (extra-economic) links can be created where they have not been developed historically”.

This context stimulates discussions of the coordination mechanisms that underpin the success of production arrangements. According to Roesse (*ibidem*), the key issue becomes “how governance, meaning whether formal or not, contributes to industrial policy and the individual and collective strategies of companies, research centers, teaching and training institutions, converging towards obtaining (a) desired collective efficiency”. For Guimarães and Martin (2001:16), the challenge lies in knowing “how governance patterns and typical arrangements that appear with what is known as ‘flexible’ or ‘lean’ production [...] make way for new ways of allocating assets – material and symbolic – produced through economic activity”, recovering in the analysis of “governance” experiences “the idea that the nature of economic development is a phenomenon subject to political and economic challenges” (Roesse, 2003:21).

The current formulations of “industrial districts” are also a good reference for discussing the Brazilian experience in general, and the case study of Southern Rio de Janeiro State in particular, an important contribution is made by Markusen (1996:294) along these lines, by drawing up a typology that highlights the criteria making places or regions attractive for clustering industrial activities, and that above all make these experiences long-lasting.

And when describing the diversity of situations that may maintain the attractiveness of a site or region, this author extends a discussion of the “new industrial districts” beyond the example of the Italian industrial districts (based on flexible specialization, and attractiveness connected to the role of the small enterprise linked into a regional cooperative system of industrial governance) by including different formats among the various types of industrial districts, not necessarily based only on small enterprises, but also on links between large and small enterprises.

In fact, this case study does not fit the classic pattern of the Italian industrial district³. However, this region and the municipality selected for the prevailing industrial activity presents characteristics that are close to two types described by Markusen: the “hub-and-spoke” industrial district that is dominated by one or more major companies bundled vertically in one or more sectors and surrounded by smaller suppliers with less power “in this case, the main companies or institutions” are not rooted locally, having important links to suppliers, competitors and consumers established outside the district”; and the second type, known as “satellite platforms”, where companies

“[...] are located by national or regional Governments a certain distance away from major urban areas as a way of stimulating regional development while simultaneously lowering business costs for competitive firms pressured by high urban wages, rents and taxes” (*idem*: 302).

SHIFTS BY BRAZIL'S AUTO-ASSEMBLY INDUSTRY: CASE STUDY OF SOUTHERN RIO DE JANEIRO STATE

A decisive factor for the development of Brazil from the 1950s onwards, the automotive industry restructured its production framework in the 1990s, prompted by the international productivity crisis and a long economic recession on the domestic market, while Brazil was moving away from its import substitution policy (Abreu *et alii*, 2000).

Within this economic context, Brazil became an important target for direct investments by multinational companies. Thanks to the tax incentives offered by a “new automotive system”⁴, these investments underwrote the construction of new plants and the restructuring of their older counterparts, absorbing outlays of over US\$ 20 billion. A respatializing process also occurred in this industry⁵, moving to other regions and municipalities well away from longer-established industrial areas such as the ABC region in the outskirts of the city of São Paulo, most of them having no prior links to this type of industrial activity, encouraging competition among the assemblers⁶ and creating new experiences and new patterns for local development⁷.

The arrival of the Volkswagen (VW) Bus and Trucks Plant in 1996⁸ and the PSA Peugeot Citroën Plant in 2001, in the neighboring municipalities of Resende and Porto Real in the Paraíba do Sul river valley, Rio de Janeiro State, was a result of this tax incentive policy. At Resende and Porto Real, the initial effects of these investments indicate certain dynamism in local economies with palpable results in terms of higher Government revenues, the establishment of other new enterprises, generation of work posts and new service-based activities⁹.

The Resende and Porto Real municipalities are part of the Mid-Paraíba region, strategically located in the heart of Brazil's main industrial corridor, running parallel to the Rio-São Paulo highway and close to one of Brazil's leading steel complexes: Companhia Siderúrgica Nacional (CSN), established in Volta Redonda, Rio de Janeiro State, since the 1940s. It might be said that it was after the inauguration of the CSN complex that this entire region, which was long associated with huge coffee plantations, began to change its profile to the extent that it is today heralded as a development hub, with the arrival of the automotive industry in the 1990s, with a “vocation for the metal-mechanics industry”.

The industrial history of Resende (including Porto Real and Itatiaia, which are recently emancipated districts) has been divided into a steady stream of economic cycles since the 1950s, always associated with major corporations, some of which are still operating in this region:

chemicals, pharmaceuticals, beverages, nuclear power, metallurgy and tires. However, the industrial history of this area does not feature any unusual cooperation among companies, or even strong links with their surroundings. The prevailing culture of a large enterprise unconnected to the local reality seems to be a characteristic trait of earlier industrial development cycles¹⁰. Despite an initial trend to maintain this practice, the dynamics ushered in for the auto-assembly industry by the establishment of the companies and the expectations prompted by the possibility of a new economic growth cycle in the municipalities, the region and the State, seems to indicate a set of situations quite different from those of earlier times.

The many different factors that led to the choice of Resende for this new type of investment include the fact that this municipality slots smoothly into the strategic corporate option of remaining geographically close to Brazil's leading consumer markets, with easy access to other markets in South America. In addition to political approval from the Federal Government which allowed Rio de Janeiro State to participate in the "auction" that was held in order to attract the auto-assemblers and their suppliers, the arrival of major auto-assemblers was also stressed as one of the driving forces for economic development¹¹. According to the former Rio de Janeiro State Secretary for Industry and Trade, Márcio Fortes, who I interviewed on May 7, 1999:

"There is no decent developed country in the world that does not have an automobile plant. [...] The automobile industry is a hallmark of industrial development. [...] A country that respects itself must have an automobile industry. Furthermore, a Brazilian State that respects itself must have an automobile industry".

On municipal front, this entire process also rearranged local economic and political forces. The most important fact of this period was the territorial dispute triggered by the announced arrival of VW, which specifically resulted in the emancipation of Porto Real as an independent municipality in 1995. Within this context, the location of the plant was used as barter currency, remaining in Resende on the condition that a plebiscite be held on its emancipation. Subsequently, Porto Real was selected as the municipal base of PSA Peugeot Citroën and its suppliers, as well as the GalvaSud steel company (set up through a partnership between ThyssenKrupp and CSN), whose output is channeled to the automotive industry.

A direct link was also built up between donations of private lands where these companies could be established and political discussions over emancipation. The land belonged to a leading local entrepreneur who also owns other companies, particularly the regional Coca-Cola bottler, and also inherited huge tracts that were once sugarcane plantations. As noted by Bernardelli, the first Mayor of Porto Real:

"Volkswagen [announced] that the company would be located in Resende, [...] on a ranch called Piquet in the Porto Real district. Then there was an uproar in the town of Resende, [...] because this was a donation of two million square meters by the Porto Real Group, which took the necessary steps and managed to bring this huge Volkswagen Bus and Trucks industrial complex [...] to Porto Real, as the ranch was owned by this Group, which assigned part of its assets to Volkswagen, for establishing its facilities. [...] The current Mayor of Resende [...] was a State Representative at that time [...] and he began to say: 'No, we do not want Volkswagen at Porto Real'. And [...] he began to lobby the Legislative Assembly, urging the Representatives not to approve this project. So we decided to say: 'Right, you want Volkswagen? But we want our independence [...]' (S. Bernardelli, Mayor, Porto Real, 2003).

In this case, it seems that the traditional strategy of competition among Brazilian municipalities prevailed, with local politicians battling mainly to further local economic and political interests, wagering on inter-municipal relationships and cooperation only in specific situations (usually at times of crisis). However, although this new industrial cluster in Southern Rio de Janeiro State was established on the basis of a predatory tax incentives policy, some indications are already appearing that the State and Municipal economic development institutions are working towards setting up a new “metal-mechanics” industrial hub. There are several initiatives in terms of legislation and the introduction of new incentive mechanisms for investments in this region, guided by concern for economic growth and job generation. The situation seems to have developed, thanks to the synergy provided by the automotive industry activities and the possibility of a new cycle of prosperity, although under conditions that differ from earlier phases. A movement is being built up that is creating mechanisms that foster the formation of collective entities with common interests¹².

The example described by the Resende Municipal Secretary for Industry and Trade seems to indicate progress towards an intermunicipal discussion:

"There is a Secretaries Forum, particularly with our Economic Development Bureau. You do not see many meetings, but there is the Forum of Secretaries of Industry and Trade, particularly because we must talk the same language. [...] When the company started to check out this region, we wanted it to build its plant here, it could be at Itatiaia, Quatis or Porto Real" (Antonio Gastão, Secretary for Industry, Trade and Tourism, Resende, 2001).

Regardless of the motivation of these major companies, the situation established by their arrival tended to edge regional and local business entities towards new inter-company integration initiatives, encouraging small and medium-sized enterprises to qualify as suppliers of the larger corporations, particularly in the service sector. The regional chapter of the Rio de Janeiro Federation of Industries (Firjan) has headed up this discussion process, to a certain extent. The establishment of the Intermunicipal Commission for Resende, Itatiaia, Porto Real and Quatis, and its regular meetings attended by representatives of all types of enterprises – industrial, agricultural and services – as well as secretaries and mayors, is proving important forum for discussing local issues. However, it seems that the participation of workers or trade unions in these initiatives is minor or almost nil. Access to the Minutes of the Meetings of the Commission allowed practices to be identified that were associated directly with the new economic reality ushered in by the auto-assemblers. According to Henrique Nora:

“The Rio de Janeiro Federation of Industries (Firjan) [...] had to be present at many discussions focused not only the industrial sector, [...] but discussing all the demands of society. [...] We established the Intermunicipal Commissions [...], and these Commissions are quite free to act on behalf of Firjan within their municipal boundaries. [...] They are always run, directed and chaired by a Board Member, meeting on a monthly basis. We have been monitoring everything that is happening, linked not only directly to industrial activities, but also the demands of society, because it is not only entrepreneurs who are called upon to participate in this discussion, but also other sectors of society, the Government" (Henrique Nora, Regional Director, Firjan, 2002).

Some of the discussions have focused on the impacts of the arrival of the automotive industry, including the local labour market, but have also led to understandings with local Governments.

“(What is discussed by these commissions?) [...] Generally, problems affecting the work of

the industries and issues related to local society (the labour market as well?) The labour market. [...] Our vocational training sector is always present, Senai. [...] There at the Peugeot Citroën plant, we have trained almost the entire labour-force here at Senai. [...] We have partnerships with all the local Governments and mayor's offices. They are our partners and we are seamlessly integrated with them. Obviously, we have closer links with some mayors, and looser connections to others, but in general [...] (And has this resulted in specific policies?) We have the logistics and development forum for Southern Rio de Janeiro State. We have discussed its implementation and the organized development of this region, because we see that development is moving ahead here, but it needs to be handled in an organized way" (Henrique Nora, Regional Director, Firjan, 2002).

The issue of education, as well as technical and vocational training, has surged ahead in this economic context. It is known that one of the decisive aspects for the arrival of the companies was the existence of a unit run by the National Industrial Apprenticeship Service – Senai which has guaranteed the quality of the labour-force and served as a gateway for this new working class. The good schooling level in Resende is also due, in historical terms, to the nearby Agulhas Negras Military College and military influence on life in this municipality: among other aspects that should be recalled is the presence of good teachers from the Academy who have stepped up the quality of local schools. At the moment, there is clear-cut trend towards better supplies of higher education. New courses at Government-run and private universities indicate a steadily-increasing demand for professional training related to the current needs of the industrial labour market. At the regional level, the establishment of a Federal University in Southern Rio de Janeiro State, based in Volta Redonda, was announced recently by the Ministry of Education.

Initiatives designed to establish conditions for other fresh investments, taking advantage of the economic upsurge triggered by the automotive industry, have appeared at the regional level, including older industrial areas seeking new vocations or better adaptation to the industrial reality transformed by the corporate restructuring processes that affected them all during the 1990s. The reference is the expanded region, mainly including other more active municipalities, such as Volta Redonda and Barra Mansa, in addition to Pirai and Barra do Pirai.

In the Press, a news item on the business activities of the Metallurgical, Mechanical and Electrical Materials Industries Association, Southern Rio de Janeiro State (MetalSul) acknowledges the economic dynamism of this new context, identifying goals that were quite uncommon until recently, such as invitations to dialogs between capital and labour, in order to foster local development.

"MetalSul proposes support for local companies - One of the objectives of Roberto Balbi, the newly-elected President of the Metallurgical, Mechanical and Electrical Materials Industries Association, Southern Rio de Janeiro State (MetalSul), is to enter into dialogs with local Mayor's Offices so that they can start to offer facilities and incentives (as well) to companies already established in the region. [...] This leader [...], is confident of obtaining the support of the metalworkers unions for this initiative: "If employers, employees and the Government unite behind the same objective, I am certain that everyone in the region will win," he says. Additionally, Balbi believes that relationships between bosses and workers, between companies and Governments and even among enterprises are changing. "I believe not only that the region, but the entire world is moving into an era where solidarity will become a matter of survival [...]" (*Diário do Vale*, October 5, 2001).

In other examples (*Diário do Vale*, 2002; 2004), the efforts of local politicians associated with the State Civil Service – Representatives, Mayors and Secretaries – are also apparent, drawing

up incentive programs designed to foster the development of the metal-mechanics sector while also establishing conditions that create closer integration among local companies.

"Companies to offer services to major industries - The Mayor (of Resende) Eduardo Meohas and the Municipal Secretary for Industry, Trade and Tourism, Antônio Gastão, yesterday launched the Business Mission Program. The purpose of this event [...] was to register companies in this municipal district to offer services and parts to the major enterprises headquartered in Resende and the surrounding region, such as Volkswagen, Clariant, Peugeot, GalvaSud and Guardian. According to Gastão, this Program is also striving to foster integration among large, medium and small enterprises in Resende" (*Diário do Vale*, December 13, 2002).

"State Government organizes workshop to attract investors - The Rio de Janeiro State Industrial Development Company (Codin) is today running the first Automotive Business Workshop for Rio de Janeiro State, at the Volkswagen Bus and Trucks plant. This event is organized in partnership with the Rio de Janeiro Chapter of the Small Business Bureau (Sebrae/RJ). The Integrated Production Group of the Graduate Engineering Program Coordination Unit, Rio de Janeiro Federal University (Coppe/UFRJ), and the Rio de Janeiro Technology Network. Its purpose is to attract investors in this segment to this State, including bodywork manufacturers, tow-trucks, winch-trucks and special bulk tipper. This workshop [...] is an integral part of the Rio Automotive Project. [...] According to the President of Codin, [...], it was precisely in order to [...] integrate the auto-assembly production chain, strengthening the ring of suppliers in the mid-Paraíba region, that Codin set up a group in order to turn Southern Rio de Janeiro State into a hub providing solutions for commercial vehicles and highway implements [...]" (*Diário do Vale*, April 16, 2004).

Over the past few years, national policies have been implemented at the local level in order to streamline the establishment of new micro-enterprises and small companies, stressing the role played by Brazil's Small Business Bureau (Sebrae) through a policy encouraging the formation of Local Production Arrays. This strategy is interconnected with other initiatives, particularly business associations such as Rio de Janeiro Federation of Industries (Firjan). Clipped from the Press, the following examples present two types of action by the Brazilian Small Business Bureau (Sebrae) in Southern Rio de Janeiro State, in areas that are crucial for economic growth: one is related to transportation logistics, due to the establishment of new industries; and the other focuses on significant tourism activities in the municipalities around Resende, in this case clearly concerned with bringing together different sectors of society in order to discuss local development alternatives.

"SEBRAE and SULCARJ discuss transportation - The Brazilian Small Business Bureau (Sebrae) will present the [...] survey conducted by the Genesis Institute of small and large carriers, on the need to upgrade the services rendered by local cargo transportation companies. Entitled Mid-Paraíba on Wheels (*Médio Paraíba sobre Rodas*), this event is organized in partnership with the Association of Cargo Transportation Companies in Southern Rio de Janeiro State (Sulcarj) and the Commercial, Industrial and Agricultural Association (Aciap). [...] According to the Regional Manager of the Sebrae Development Agency, Olavo Damasceno Ribeiro Filho, the need to discuss types of expansion for public carriers is prompted by rising market demands in the logistics sector, with the arrival of industries such as Peugeot Citroën, GalvaSud and Guardian in Porto Real [...]" (*Diário do Vale*, May 24, 2000).

"Local Development Forum highlights the importance of tourism: A partnership between the Brazilian Small Business Bureau (Sebrae), the Mayor's Office and the Getúlio Vargas Foundation (FGV) [...] organized the First Local Development Forum at Itatiaia. [...] Its purpose [was] to gather together many different segments of society, residents associations and professional groups such as hospitality providers, seeking alternative paths for local development and economic progress in this municipality. "It is important to ensure community participation when discussing alternatives. The organization of this Forum is the first step. We will set up partnerships that will underpin the implementation of these proposals," stressed Project Coordinator for the Mayor's Office, Alessandra Arantes Marques. [...]" (*Diário do Vale*, August 25, 2002).

The State Government has deployed its institutions and programs in its efforts to attract further investments to Southern Rio de Janeiro State. Its main activities are performed through Codin, which uses the Social and Economic Development Fund – Fundes to underwrite the implementation strategy for new initiatives¹³. A Codin Director explains how this institution functions, in the case of the automotive industry in Southern Rio de Janeiro State, commenting on the characteristics of the incentive to cooperate offered by the State Government.

"What we always try to do is draw up a project that has synergy with the region. [...] Whenever a project appears that is good for Southern Rio de Janeiro State, we engage all the municipalities in this area and send a fax [...] saying: we are discussing a project to do this, which needs an area of such a size [...], and then I start to establish the guidelines, asking each of them to suggest alternatives. Each of them replies, or not, and then we draw up a table that is presented to the company, with a copy to the Municipality saying: Attached herewith is a list of alternatives presented to the company" (Roberta Maia, Codin, 2002).

Other civil service entities have also been involved in drawing up alternatives, addressing core aspects that are crucial for the sustainability of local development, particularly with regard to the environment. A matter of special concern is the quality and use of the waters of the Paraíba do Sul River, which prompted the establishment of the Committee for the Integration of the Paraíba do Sul River Basin – Ceivap set up by Federal Decree in 1996, whose head offices are located in the town of Resende, Rio de Janeiro State¹⁴. Another example was the signature of a "deed of technical cooperation" between Firjan and the Rio de Janeiro State Environment Foundation – Feema/Codin covering the implementation of the "Eco-Hubs Program for Southern Rio de Janeiro State", "fostering social and economic development in this region" (*Diário do Vale*, November 29, 2002).

NEW INDUSTRIES AND THE LOCAL LABOUR MARKET

The labour market structure gained new characteristics and became more complex, due to the requirements stipulated by the auto-assemblers. Although most new employees were allocated to the production line and services ancillary to the plant operations (security, meals, cleaning, transportation etc.) rather than to more senior management positions, there is nevertheless a rising trend towards local hires for middle management positions. The initial demand was for a well-educated labour force with basic technical training. However, an increase in other types of employment may also be noted, in civil construction as well as the services sector (particularly tourism). Demands for houses and apartments are on the rise, with new hotels for executives, better restaurants and services in the commerce sector¹⁵. With the start-up of operations by the cluster of

companies linked to the automotive sector, it may also be said that a “domestic labour market” is being formed, with workers switching among the companies.

The formation of a new industrial working class linked to the vehicles industry is altering the profile of the metalworkers in this region, traditionally linked to steel mills. The history of the metalworkers of Volta Redonda dates back to the 1940s, when the CSN steel works was set up, reflecting many trends in regional and national trade union movements, in addition to the different phases through which this enterprise has passed. The privatization of CSN in 1993 and the downsizing of its industrial operations resulted in the loss of thousands of work-posts, placing the union in a dilemma. This also caused problems for the town, forced not only to cope with the difficulties caused by unemployment, but also faced by the need to generate economic alternatives that would qualify the local labour market for the new reality of "lean" production. In Resende, this issue was addressed through analyzing the profiles of the type of workers required by this production system, and the conditions required for its sustainability. Questions were asked about the level of precariousness of this type of employment, and whether it might be possible to establish mechanisms that would ensure the maintenance of the new jobs generated.

Perhaps one of the most interesting aspects to be considered is one of the main characteristics of these new companies, established as “lean plants” and consequently structured in ways that mean that they do not require large numbers of workers and do not create many direct jobs. This does not refer to places where companies have restructured, necessarily forced to deal with the crisis assailing their labour markets. At Resende (and Porto Real) demands on the labour market have been rising steadily (although not to the extent imagined by local society). Above all, this requires the type of worker who is well-prepared to meet the specific needs of a vehicle production line. This meant there was initially a double-pronged drive: on the one hand, VW brought people from the ABC industrial belt outside São Paulo to meet certain needs, who were not available locally. On the other hand, the local chapter of the Senai worked intensively to recruit and train workers as quickly as possible in these new production routines, which took place in a satisfactory way from the standpoint of the company (Cf. Rocha, 2002). For PSA Peugeot Citroën, which was inaugurated five years after VW in 2001, not only was the specific labour market already established, but the company and its suppliers entered into agreements with the local Senai to provide prior training for workers allocated to the assembly line.

Today, it is clear that an important labour market has been established, focused on the automotive industry. Oddly enough, taking VW as an example (Ramalho and Santana, 2001), the profile of this worker is a well-educated young man with a high school diploma, trained by Senai, living in Resende and with no prior work experience of industrial activities of any kind whatsoever. Forming a local working class has had several positive results in terms of an upsurge in trade union activities, as well as the type of economic, political and social demands imposed by this “new” population and sought in the town and the region (higher education, housing, recreation, safety, security, healthcare and consumption). This profile discloses a paradox and confirms one of the characteristics of greenfield experiences. At the end of the day, neighboring municipalities such as Volta Redonda and Barra Mansa, with labour markets that are already experienced in industrial terms, have also noted an increase in labour supplies due to the restructuring of the regional steel industry, and were barely called into action during the process of recruiting workers for the new automotive industry. Statements by VW managers confirm the intention of seeking workers with little previous experience – including trade unions – so that they can be shaped to the objectives of having workers who are flexible and adaptable to the production processes being installed.

“Together with SENAI, the automobile industry financed the training and qualification of skilled workers. [...] Today, you can take a town like Resende and set up a plant such as that of Peugeot or Volkswagen [...]. Here in Resende, you [...] have a series of advantages with this characteristic of a well-educated population that allows us to set up a low-cost flexible and competitive operation, without being too concerned over whether or not this region has a trade union tradition. I believe that this is not a matter of much concern, to the contrary. My concern is to seek out places where I can establish a low-cost structure and even encourage development” (B.C., Human Resources Manager, VW, Resende, 2002).

Another aspect is related to the wages paid by the companies. Right from the start, labour costs were among the main reasons driving the quest for new locations sought by the automobile industry during the 1990s. Rebutting criticisms from trade unions at the nationwide level, the companies argued that there was a lag between the prices of essential products in longer-established industrial areas and regions where industry is only a recent presence. In order to address these doubts, and supported by the ABC Metalworkers’ Union, the Inter-Union Department for Statistics and Socio-Economic Studies –Dieese carried out a survey in seventeen municipalities with vehicle production plants in Brazil (including Resende/Porto Real), collecting more than 5,000 prices at 470 points of sale.

The findings indicated that while there were significant differences in remuneration among the seventeen municipalities, most of the prices and services tended to converge, other than land prices, rents and education (Dieese, CUT-CMN and Sindicato dos Metalúrgicos do ABC, 2003:11). Even under these conditions, it seems clear that this new worker class has introduced wage and consumption standards in Rio de Janeiro State with evident consequences on local politics and trade, as their average pay is higher than the average wages in the region.

TRADE UNION ORGANIZATION AND METALLURGY CULTURE

The new jobs were warmly welcomed by the Metalworkers’ Trade Union, which had little experience in the automotive sector and seemed to lack the organizational ability to mobilize this new group of workers. But the trade union had built up its practice and political actions inspired by a “metallurgy culture” associated particularly with the CSN steel mill in Volta Redonda, Rio de Janeiro State. The arrival of the plants in Resende and Porto Real required a shift in the characteristics of this “culture” as well as the performance of trade unionism in this region. According to Carlos Perrut:

"We had a trade union policy that was closely connected to CSN, which is large steel complex. [...] We had this metalworker’s culture. [...] With the arrival of Volkswagen first [...] this was something new [...]. Why? We did not know about this... the VW operating system is unique in the world, it is a modular system. [...] There was this impact of the modules... So we had a behavioral shock at the beginning, compared to CSN" (Carlos Perrut, President, Metalworkers’ Union, Southern Rio de Janeiro State, Volta Redonda, 2001).

The activities and participation of the Metalworkers’ Trade Union expanded in both quantity and quality after the arrival of the automotive plants. From an insignificant extension of the trade union based in Volta Redonda, the Resende branch office gained significance and political clout through the appreciable increase in the number of workers employed by the auto-assemblers. The case study of Resende (and Porto Real) is particularly notable due to the fact that these new

companies were established as a restructured model, affecting the action strategies of the local trade union. The flexibilization of production activities was presented as given (and never came under discussion). Despite the business discourse stressing the importance of worker participation for the smooth progress of the production process, the trade union found that its activities were being curtailed within the companies, particularly at PSA Peugeot Citroën (Ramalho, 2004).

Although initially lacking experience in wage negotiations and other items related to the agenda of the assemblers, the characteristics of the automotive chain allowed an interesting process of rapid socialization of trade union practices in Brazil and abroad, which integrated the metalworkers in Resende (and Porto Real) with the broader-based problems of this type of industry. The metalworkers employed by VW and PSA Peugeot Citroën and their local trade union leaders (Cf. Pereira, 2003) have been fairly active since the early years, even calling partial halts and a week-long strike in 1999 (Cf. Ramalho and Santana, 2001) when they won the right to have a factory committee elected regularly by the workers and present on a daily basis in the factory (Cf. Francisco, 2003). The VW plant at Resende was also selected to launch the stream of stoppages in 1999 known as the StrikeFest. This movement linked the main trade union federations in their demands for a nationwide contract covering the workers at the assembly plants that would provide compensation for the wage lags resulting from the re-spatialization of the automotive industry. Moreover, the global network established by the VW workers also achieved an important socializing effect in Resende, building up links and keeping local workers informed of major demands while curbing authoritarian practices on the factory floor. In the case of PSA Peugeot Citroën, relationships with the trade union have been surlier, with a series of disputes since its inauguration causing difficulties, and even resulting in a brief strike in 2003.

Trade union participation in discussions of development is still minor, although it is clear that this problem is already included among trade union concerns. The impact of the presence of large corporations on local workers and their trade union seems to strengthen this institution, endowing the workers with more clout, not only when dealing with the companies, but also with local Governments, calling for their participation and decisions on economic development and outreach policies.

The entities encouraged by this new context that fosters such participation include the Municipal Employment Commission, which is a forum gathering together many different local economic and political sectors, including trade union representatives.

"This is the Municipal Employment Commission [...] so what do we do: we have already completed a project last year [...] through which we managed to train [...] over four hundred [...] workers using funds that we negotiated; we had a project [...] under the Workers Support Fund [...] and we have already trained many of them, and we are not trying to say that this was the trade union [...] we have acted in several sectors, and this is one of them" (Isaac Moraes, Director, Metalworkers' Union, Resende, 1999).

The trade union has also appeared in discussions on the various ways of attracting new investments, including the need for joint regional actions, coordinated in order to bring out the full potential of companies such as those in the automotive segment. Although these initiatives are still timid, compared to the performance of the thriving trade unions in the ABC industrial district, they seem to indicate that the union is at least feeling some pressure to adopt a stance in these discussions. For example, the following news item reflects the concern of the Metalworkers' Union over the modernization of companies in this region, resulting in the need to adapt to the demands of these new enterprises.

"Return of the 'belt' depends on ISO 9000 Standards – The return of the 'belt' of suppliers around the CSN steel mill depends directly on the implementation of the ISO 9000 Standards. This statement comes from the President of the Metalworkers' Union, Carlos Henrique Perrut, who yesterday stressed an alteration in name, as this 'belt' is now called a consortium. Another change is its target, formerly the CSN steel mill, and now extended to encompass all large enterprises in Southern Rio de Janeiro State. [...] 'We want to expand our capacity to provide services and revitalize the companies', said this trade unionist. Companies such as GalvaSud (a joint venture between CSN and ThyssenKrupp), Volkswagen (bus and trucks), INB (nuclear), Michelin (tires), Xerox (office equipment), Barbará and SBM (steel) and Peugeot Citroën (automobiles) will be targeted by the consortium of supplier companies in this region. [...]" (*Diário do Vale*, August 16, 2000).

Talking on this matter, the Trade Union President saw this entity as an integral part of a situation requiring cooperation, in order to underpin the feasibility of economic growth:

"If we sit all the Mayors down around a table, and if there is no favoritism or featherbedding, we will be able to do something over the short term, providing far more leverage for this region. [...] We must use our potential, which is very large, and work together to ensure that this development takes place. [...] I think that it is the role of the trade union to work along these lines as well" (Carlos Perrut, President, Metalworkers' Union, Southern Rio de Janeiro State, Volta Redonda, 2001).

REGIONAL NETWORK OF POLITICAL RELATIONSHIPS

When talking about the participation of social and political networks in this industrial context, the recent but significant formation of a different and new working class should be stressed. New identity-related and associative values arising from these trade union and working practices have appeared as factors that are rapidly changing the region, also ushering in new types of demands for both the companies and the local labour market, as well as other levels dealing with life in the town and its neighborhoods, representing a different way of exercising municipal citizenship. On the other hand, Resende (and its neighboring municipalities) have experienced a history of social movements in action over the past few decades, just as the quality of outreach movements has been improving at the regional level, becoming more complex in terms of new lists of claims. Within the current context of encouraging local and regional development, civil society has been called upon to participate, although still somewhat timidly. However, social demands have been linked to this new industrial phase, particularly through the pressure to use Government funds generated by these industrial activities.

One of the aspects that may intervene in the establishment of new or renewed institutions focused on discussions of development is the consideration of the social and political networks built up at the plant locations and the accumulation of political experience focused on the participation of civil society in decision-taking processes. The inclusion of civil society should be viewed as a key element for understanding the nature of the changes through which these institutions are passing. As affirmed by Locke and Jacoby (1997:59), this requires "us to examine more carefully the qualitative characteristics of civil society (i.e. the organizational attributes of different groups and the interaction patterns among them) in order to obtain a better understanding of how these different patterns shape behavior in various ways".

When assessing local and regional ability to work together in order to create new discussion forums and implement social and economic development, consideration must also be given to

regional and local history in terms of social and political networks and the organizational track-records that may influence this new trend in the economic context, strengthening or underpinning the participation of trade unions and outreach movements, establishing new parameters that extend democratic practices in greater depth. In Resende (and Porto Real) this organizational track-record (or build-up of social capital) has a history that is associated with the marked presence of the Roman Catholic Church in this region, with a more progressive stance, closer to the poor and encouraging and training outreach agents linked to the many different problems found in this region. Articles in the press and interviews draw attention to the organization of social movements focused on problems in the town (residents' associations, movements set up to oversee local politics) and rural lands (landless peasant movement, pastoral land commission, etc.) that have become opinion-shapers over the past thirty years, and constituent members of important social movements. Some examples confirm that inventory of organizational practices and the establishment of social and political networks.

One of the examples comes from the active organization of residents associations in Resende over the past twenty years. The presence of the Roman Catholic Church is crucial for implementing their activities, but the effects of this militant approach seem to have endowed this location with a quite effective political claims practice. In the following statement, the former President of the Federation of Residents' Associations highlights this link:

"I really began to participate in this movement and developed political awareness from 1985 onwards, by getting involved in youth groups. Back then, youth groups and the line adopted by the Roman Catholic Church with Liberation Theology were providing militants for the trade union movement and other grassroots movements as well. The most visible grassroots movements were based on neighborhoods, residents associations. Here in Resende, I was involved in the protests of the bank workers union in 1985 [...], and soon afterwards [...] I became the President of the Federation of Residents' Associations (Famar). [...] At the same time, I attended community meetings here in Resende at the level of the dioceses, under Bishop Waldir, and there was also a grassroots community organization, discussing how to set up local groups and residents' associations. [...] At that time the black movement also began to appear, and we started to see the women's movement as well, participating in the associations, while some laws were approved in parallel to all this, that had to be regulated at the municipal level, such as the Children's and Adolescents' Rights Statute. We had to set up the Municipal Children's and Adolescents' Rights Council here in Resende, as well as the Board of Guardians. The National Health Service Act required a Municipal Council to be set up in order to receive Government funding, in addition to lectures, and discussions of the Urban Development Master Plan" (Rogério Coitinho, former President of the Federation of Residents' Associations, Resende, 2002).

Similarly, another factor in the accumulation of political and organizational experience is related to the problem of land disputes in Resende. This aspect of recent history is quite clear in the report presented by one of its organizers, who is also a town councilor in Resende:

"There was a problem with lands here at Resende. [...] Workers had been cultivating a plot of land for years, with the consent of its owner [...], handing over a third of the produce as rent for the land. So what happened? Just a month before the bean harvest, [the owner] took the land back. These sharecroppers asked him to wait a month so they could harvest the beans [...] but he brought in a bulldozer and flattened the beans. So they filed suit with the Courts as tenants, claiming compensation for the beans. [...] This took place around 1990 or

1991. Then things got quite ugly [...]. Who helped a lot with this at that time was the President of the Rural Worker's Union" (Franco Fagiam, former priest and Town Councilor, Resende, 2002).

It is also interesting to note the links between social movements and party politics over the past decade. The rise to power of parties more sensitive to grassroots demands has been a characteristic of this region over the past few years, particularly the Workers' Party (PT) and the Brazilian Socialist Party (PSB), which have become political benchmarks in many municipalities. For the eight years, the Resende Mayor's Office has been held by these parties. Interestingly, this Mayor's Office (Workers' Party) has set up a Social Movements Bureau. The statement by two of its managers confirms the close links between the Government and social movements.

"Here in Resende, we are two steps behind Volta Redonda. Because the Dioceses was the main organizer that encouraged the social movements, including trade union movements. And back then, in the 1980s, the issue of Residents' Associations was really important, with these associations being set up all over the town. [...] Some of the claims became landmarks for these movements. The struggle for the street lighting fee, this prompted widespread mobilization and protest marches [...] (When was this?) The victory of the TIP was in 1993. There was a Master Plan [...] and there were several struggles to set up the Municipal Health Council [...]" (Paulo César da Silva, Municipal Secretary for Social Movements, Resende, 2002).

This link fostered initiatives that took into account the participation of civil society organizations and other political movements in local political decisions. Policies of consulting the local population are apparent in the two following examples, which took place in Resende:

"Discussions begin on Participative Budget: next Saturday, the [Resende] Mayor's Office, through the Municipal Community Affairs and Citizenship Bureau, will discuss the Participative Municipal Budget for the first time this year. [...] At this initial meeting, we will present last year's work to some 58 representatives of residents' associations. We will also take advantage of this occasion to elect the Municipal Participative Budget Council, to which each Association may appoint a member, said the Secretary, Paulo César da Silva, explaining that this Council will oversee all the stages of the participative budget, including the implementation of projects recommended by the population" (*Diário do Vale*, March 11, 2003).

"Mayor's Office organizes Second Version of Agir Project: The Resende Mayor's Office is organizing [...] the second version of the Global Action with Impact on Resende (Agir) Project in the Parque Paraíso. [...] The agenda includes [...] the induction of the Local Security Council, which is a tool ensuring grassroots participation in the Municipal Public Order Plan [...]" (*Diário do Vale*, September 12, 2003).

There are also policies encouraging militancy, as shown in the following example where the Resende Mayor's Office becomes directly involved in discussions of issues related to the black community in this municipality.

"Black Community in Resende to hold meeting on Saturday: the Resende Community Affairs and Citizenship Municipal Bureau will organize the II Black Community Meeting of Resende next Saturday [...] According to the Black Community Municipal Coordinator, Sônia Freitas, this event will be attended by Professor Roberto Henrique dos Reis, the

Public Defender for Itatiaia and Porto Real, who will discuss laws against racism. During this event, there will also be discussions of establishing an SOS Racism hotline in Resende. [...] According to Sônia Freitas, the purpose of this project is to enhance the self-esteem of the black community" (*Diário do Vale*, July 11, 2003).

Prompted by the intensive participation of the Church in grassroots movements, new types of political demands have begun to appear over the past few years, to some extent ushering in fresh demands and acting on other fronts, such as the Movement for Ethics in Politics – MEP supported by militant sectors of the Church, that has been spreading concern and political acts throughout the entire region, from Volta Redonda outwards. In fact, Ethics and Politics is a general name that expresses a broader set of topics that have come under discussion at the regional level.

"Movement for Ethics in Politics (MEP) celebrates six years of work: After a denunciation published in the *Diário do Vale* in January 1997 that 72 new jobs had been established in the Town Hall with no competitive entrance examination, a group of people linked to social movements, communities and pastorals run by the Roman Catholic Church decided to mobilize in order to demand morality, transparency and ethics from the Legislative Authority. This gave rise to the Movement for Ethics in Politics (MEP) which celebrates six years of activities in this Municipal District, next Thursday, February 6. [...] Inspired by the objective of seeking morality, transparency and ethics in politics, in addition to encouraging the population to claim its Citizen's rights, this Movement monitors Government entities, in parallel to grassroots surveys and probes, with educational projects targeting communities, public protests and studies of a wide variety of topics" (*Diário do Vale*, February 2, 2003).

CONCLUSION

An analysis of the establishment of the automotive industry in Southern Rio de Janeiro State discloses some of the mobilizing effects of this process on various segments of local and regional society, leading them to try and adapt this new industrial cycle to their benefit. The elements prompting the appearance of these effects warrant some speculation:

- A national economic context allowing the establishment of new production areas for the automotive industry, mainly through a tax incentives policy, at the same time as it proved possible to socialize the experience of restructured old industrial areas;
- A State and Municipal economic context that led various agents to view the arrival of the automotive chain as a powerful opportunity for revitalizing the region;
- The activities of State Government entities that introduced mechanisms paving the way for industrial clustering policies (through planning and tax incentives);
- The fact that this region has undergone a flexibilization process in the production sector and its labour force through the earlier privatization and restructuring of a huge local industry: the CSN steel mill in 1993;
- The increase in municipal GDPs over the past few years, as well as demands for Government services in general, resulting in an understanding by Municipal Governments of the economic and political advantages that could be ushered in by the arrival of the companies. The “metal-mechanics vocation” seems to have been embraced by all, together with the quest to generate jobs;

- The understanding and implementation as a policy of an attitude of integration and cooperation between companies and society (involving entities such as Firjan and Sebrae). This region has been considered as a whole in this context, in an attempt to break away from natural municipal “egoism”. The stress has been on seeking ways to integrate the activities of small and medium enterprises with the operations of major corporations, or try to make the best possible use of the appearance of other business possibilities, by-products of industrial and economic growth, such as tourism and services;
- The presence of local social movements, backed by political clout built up through struggles to claim their rights over the past few decades (not in Resende and Porto Real, but throughout Southern Rio de Janeiro State).
- The striking presence in civil society of powerful institutions underpinning social movements that are focused to an increasing extent on overseeing local politicians and urban claims for housing, healthcare, sanitation, education, security and safety (Church, Landless Peasants Movement, Workers’ Party);
- The formation of a significant working class with common characteristics of schooling, age and vocational training, socialized within the working environment of a large multinational automotive enterprise, with significant impacts on the sites in economic and political terms;
- A rearrangement of the activities of the Metalworkers’ Union, which gained a large number of new workers. Still adapting to this new automotive industry experience, the trade union has shown signs that it may well be able to act effectively to protect the interest of factory workers, while holding its ground in discussions of local development. Although it has not yet established an effective presence in all the forums that have been set up, it has already expressed its views on the opportunity offered by these activities and its intention of integrating them. Within this context, the experiences of other regions linked to the automotive industry (such as the ABC industrial district outside São Paulo) also serve as good examples of how to participate in activities that help shape the future destiny of the locations;
- Finally, regional and local efforts by political players designed to articulate governance mechanisms, despite adverse conditions related to the opportunistic motivations of the new enterprises, taking advantage of the synergy produced by these new economic activities in order to seek alternative ways of cooperation between the old and new agents fostering economic and social development.

The contribution of this case study to a more general discussion of experiences with industrial policies and local development lies in highlighting indications that the effects of the presence of huge globalized companies in local contexts may also result in the positive mobilization of society and the establishment of negotiating mechanisms over the use of the benefits generated by these industrial activities. Cooperation among (small) enterprises has been the core issue for current discussions of industrial development strategies within local context, almost always taking the example of the experience of Italian industrial districts, which are paradigms for the flexible specialization model (Piore and Sabel, 1984). Disregarding the presence of large corporations in industrial clusters and their relationship to other companies and institutions established in the same territory has proven to be a problem for analyzing various other industrial experiments in a globalized world, particularly those forming part of global production chains. For this case study, the initial characteristics of the companies were completely opposed to an approach based on cooperation and integration with the local reality. The process of selecting the region in itself

already confirms that the main reasons guiding the companies included the significant fiscal generosity of the Municipal, State and Government Civil Services, as well as specific possibility of hiring workers at wages lower than those paid in other similar areas. Added to this is the construction of plants linked not only to head office strategies abroad and hooked up to a global chain of companies that are mostly outside the region, also structured according to the “lean production” model (subcontracting, outsourcing, flexibilization of labour relations etc.), in this case hostile to the trade union and worker demands. These elements are not particularly encouraging for any partnership with the economic and political players and institutions fostering local development.

However, the matters examined in the previous pages highlight the complexity of this new socioeconomic context that has – regardless of the wishes of the major corporations – encouraged the formulation of new practices designed to ensure economic sustainability, establishing links between small and medium enterprises and major corporations, showing concern for the environment, setting up new discussion forums to analyze regional needs and suggesting alternatives for the companies and Municipal Governments. In parallel, well-publicized discussions have analyzed the consequences of this new production profile for labour relations, the labour market and municipal education, healthcare and security policies, in addition to organized civil society, particularly worker organizations and social movements. The absence of an earlier background of successful production arrangements at the local level does not seem to have hampered the newly-implemented initiatives described in this case study, as might have been expected.

At the same time, the situation in Southern Rio de Janeiro State confirms the importance of politics as a key sphere for any modern analysis of locations with industrial clusters, in order to understand the concepts and strategies of the local economic players and their different ways of networking, establishing a development standard that implies the participation of this collective in controlling the best options for the use of the economic and political resources produced locally, without losing touch with these problems at the national level.

Notes

¹ Cf. Castells (1998); Boltanski and Chiapello (1999); Harvey (1992) among others.

² This is based on a concept of location, linked to national and international processes of change in political economics that, as stated by Cooke (1989:296), may not be viewed as a mere recipient of something decided at a larger scale, but rather something that is actively involved in its own transformation, even if lacking full control over its own fate.

³ Whose advantage would consist of establishing a strong network of (small) enterprises, that, according to Sengenberger and Pike (1999:103), through specialization and subcontracting, would share out among themselves the efforts required to produce specific goods, as specialization would lead to efficiency at the individual and district levels, while specialization combined with sub-contracting would foster collective capacities, resulting in economies of scale and scope.

⁴ The New Automotive System (*Novo Regime Automotivo*) was drawn up under the aegis of Brazil’s Real Economic Stabilization Plan, with the following main objectives: (1) to keep the major auto-assemblers in operation, as well as the auto-parts industries already established in Brazil; (2) restructure Brazilian companies in this sector; (3) attract new companies and encourage the construction of new plants and new makes of cars; (4) consolidate the Mercosur Southern Cone Common Market and strengthen the position of Brazil as its key players.

⁵ According to Scott (1999:20-21), “as mass production systems found in various parts of the world are still restructuring according to the principles of small-scale production and modular sources, and as the old clusters (such as that in the ABC region) produce increasing distribution-economies (higher wages and land costs, for example), these same systems show a propensity to reorganize the site with new investments that

are tending to flow increasingly more towards other greenfield sites, where their competitive advantages may be recreated on a new geographical base".

⁶ As construed by Arbix and Rodríguez-Pose (1999) and Arbix (2000), these development strategies would trigger predatory disputes between States and Municipalities, with the only major loser being the public sector. For them, the only effective reason to plunge into a fiscal war would be linked to the benefits reaped by the authorities, believing that attracting major enterprises would be a panacea for economic development. Cardoso (2001:10) identifies other important aspects of this decentralization process: "the tax war explains the final destination of a plant, but it does not explain the *decision to decentralize* the investment. [...] Newcomers and new plants set up by old companies would foreseeably follow the logic of the new investments throughout the automotive industry: selection of a greenfield site (with few of no trade union traditions and experience in working with auto-assemblers, solid infrastructure providing support and handling the outflow of production, local political stability, access to consumer markets, lower wages than in regions with a tradition of trade unionism, availability of a skilled workforce etc.)".

⁷ According to Pacheco (1999:5) "a significant alteration is under way in the spatial aspect of development in Brazil, where a possible continuation of the deconcentration of the past few decades will be accompanied by increased heterogeneity in the regions of Brazil, with the appearance of production hubs in almost all regions, relatively higher growth in formerly peripheral areas, and increased importance for medium-sized towns as a whole, compared to the Metropolitan areas".

⁸ The VW Bus and Trucks Plant at Resende is above all the only plant owned by this company making this type of vehicle anywhere in the world. Resende recently acquired "brand" status through the establishment of the "modular consortium" presented as an innovation in terms of the production model, which consists of a radical proposal to "outsource" by bringing suppliers into the plant and making them directly responsible for assembling the vehicles, sharing the investments, costs and risks (cf. Abreu *et alii*, 2000; Arbix and Zilbovicius, 1997).

⁹ "Region with the highest *per capita* GDP in the State - The investments by the companies that are setting up shop in this region are beginning to bear fruit for the Mid-Paraíba area. With the arrival of companies such as Peugeot Citroën, GalvaSud and auto-parts manufacturers at Porto Real, together with the Volkswagen Bus and Trucks Plant at Resende, (...), this region already ranks first for *per capita* GDP in the State" (*Diário do Vale*, May 10, 2001).

¹⁰ This does not apply to the CSN steel mill in Volta Redonda, which is a State-owned enterprise built in the spirit of integration with the town and the labour market, which has attracted a network of other steel makers.

¹¹ Specifically for Volkswagen, the State Government underwrote much of the infrastructure costs, reaching some US\$ 15 million. The discussions on the implementation of the PSA Peugeot Citroën complex were different, although using the same mechanisms, such as donated lands, tax incentives, low wages and a regional infrastructure that responded to the interest in expansion of this auto-assembler. With regard to the incentives policy, this French auto-assembler presented an innovation: the participation of Rio de Janeiro State itself as a partner in the company, holding a stake in its capital of around 32% (plus a substantial loan from the National Social and Economic Development Bank (BNDES) (cf. Ramalho, 2002; Ramalho and Santana, 2001; 2002).

¹² Although in a different industrial context, a movement with these characteristics may be identified in various experiences in the ABC industrial district outside São Paulo, such as the establishment of the Regional Greater ABC Chamber (Cf. Arbix, 2000; Leite, 2003; Martin, 2001; Daniel, 2001; Jácome Rodrigues, 2004; Klink, 2003).

¹³ According to the Codin Prospectus (2001): "Structured into Sectoral, Regional and Generic Programs, the Economic and Social Development Fund – Fundes consists of financing awards equivalent to a percentage of the incremental revenues generated as from the implementation of the project, at low interest rates, in order to ensure adequate operating conditions for the investor enterprises".

¹⁴ According to an Executive Summary of Ceivap (2002:1): "CEIVAP is responsible for fostering the participatory stewardship of water resources [...] while seeking the technical, economic and financial feasibility of investment programs underwriting environmental reclamation and the sustainable development of the Paraíba do Sul River Basin, ensuring improvement in the quality of its waters [...]".

¹⁵ "Retail sector confident about Resende: [...] The number of applications to open new enterprises in Resende, encompassing stores and self employed workers, reached 174 during the first six months of the year [2004]. Open for sixteen years, the Fogão de Lenha restaurant has felt the competition becoming keener with

three competitors opening in the same Campos Elísios district, but even so, it has benefited from the improvement in the local economy. [...] The segment that has benefited the most from the effects of economic growth, according to Secretary Eduardo Campos, was large electro-electronic and home appliances stores [...]" (*Valor Econômico*, August 23, 2004).

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