Introduction '*Business Clusters and Regionalisation*'

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This special issue draws on papers presented and discussed at the ESRC-funded seminar series on 'Business Clusters and Regionalisation (grant no. RES-451-26-0315), held in London in 2005/6. This series brought together academics and practitioners engaged in questions of region building and 'best' forms of regional governance in economic development in metropolitan areas. In particular, discussions centred on the relationship between the varying and changing formations of economic spaces, and the territories of regulation devised (referred to) by related policies. This is a very timely topic, with rescaling of government and the state, and the creation (definition) of new state spaces important topics (Brenner, 1999, 2002; Jones, 2001).

Clusters have become a fashionable buzzword for long established processes of spatial concentration in business management and economic geography (Bennet et al, 1999; Rosenfeld). They are a useful concept for identifying and explaining functional and spatial patterns and relationships in the production chains of business, which then, can be politically responded to. This does not mean, however, that clusters work in similar ways and allow some generic policies to be transferred between them, yielding predictable success. Clusters are unique, with their own specialisms and internal working orders and relationships between actors, organisations and places. Inthe case of business clusters, these may be established by one particular, dominating company, and this may then facilitate a cluster as that company's own 'backyard' (e.g. Nokia in Helsinki, or Nike in Portland). As a result, the nature of clusters and their operational scales will differ, being defined either by the one dominant company's markets, or by a group of leading companies. And this, so the underlying argumentation explored during the workshops, and in this paper, challenges existing ways of making economic policies: territorially based, within fixed boundaries, often dissected by administrative spaces of jurisdiction and policy interests. Consequently, so the argument presented here (see also papers by Herrschel and Newman in this volume) policy-making spaces also need to adopt a clustered approach, that is being composed of individual policy spaces clustered together on the basis of shared objectives and, temporary, shared ways of doing things. While such clustering of policy spaces can embrace a wide range of scales, the main focus here is on the local-regional interface in metropolitan areas, that is the grouping of local policy areas to regional territories of policy making, on a temporary, pragmatic (convenience, political expediency) basis.

Increasingly, clusters have thus been recognised as a convenient policy instrument for national or regional governments seeking to facilitate economic competitiveness and (visible) success. This may include facilitating cooperation between people and organisations in the interest of greater economic competitiveness and, therefore, 'success'. But can such a top-down approach be successful. Can clusters simply be 'engineered', either at the business-economic or policy-making level? Both have

been attempted as part of spatial development policies, with the regional scale the primary target in the interest of equality (EU regional policies) or greater competitiveness. More economically sustainable in the medium and long-term seem those clusters that have a genuine common economic rationale as a bottom-up defined grouping of shared interests? Can this way of working also be applied to finding the 'right' matching regulative arrangements. 'Regulators' find clusters such an attractive concept and policy model, because they give scope for *dirigiste* top-down policy-making and thus be seen to be 'doing something', while also engaging in 'trendy' policy, underpinned by a pragmatic business rationale in line with an expected business ethics in public sector policy making. Clusters of jurisdictions with shared policy agendas thus need to be supported and carried by business rationale *and* political ambitions. The relative balance between the two sides - public policy makers and private sector business strategies may, of course, vary between places and change over time, reflecting local agendas and established ways of doing things. The expectations placed on local government to act more 'entrepreneurially' (Harvey, 2002) as part of an underlying neo-liberal paradigm, has, until most recently, been one of the main parameters of shaping governance structures and practices. Inevitably, there are likely to be conflicts between the business perspective of, and interest in, clusters, and that of policy makers. And these differences, and their resolution, are likely to differ between Europe and North America. In the US, for instance, there is an inherent balance in favour of business driven processes, compared with the Europeans' favour of (public) policies driving the agenda in a more directed way.

Regions as most 'appropriate' scale

In the discussions between policy makers and academics at the seminars, it became evident that definitions and understandings of regions, not surprisingly, varied and thus reflected the 'fuzziness' (Markusen, 2003) of the term. For instance, historical perspectives matter for the understanding of 'region'. There are distinctly different perceptions and legacies in Europe and North America, with the term having a much grater identity-relevant meaning in Europe, where regions have *inter alia* a strong cultural-histori background, compared with North America, where they are little more than administrative entities. Irrespective of the varied meanings and associations with he term, regions have become the most favoured spatial scale in discussions about economic policy, competitiveness and governance, especially in conjunction with the concept of city regions (Herrschel and Newman, 2002).   the importance of the historical perspective between Europe and North America was mentioned. European regions seem affected by often deep-seated cultural and geographical identities, which affect today's scope for cooperation and regional, but also distinctly local, thinking. The Gdansk city region is one such example, where politically motivated localism sits uncomfortably with trans-local functional connections across the region. At this point, the often contrasting interests and rationales of economically defined regions and politically defined structures matter, leading to tensions and thus inefficiencies in policy making. Simple cost-benefit assessments of regionalisation, such as the volume of investment attracted by a regional development agency, a view adopted in English regionalism, are therefore not very useful and mean little.

Furthermore, there seems to be a difference in emphasis between the North American and European perspectives with regard to the respective roles of core city and suburban ring, reflecting the different traditions, functions and physiognomies. In many North American cities, especially the older, post-industrial ones, But irrespective of that, the need was emphasised for a common regional philosophy to underpin any projected regional construct. Given the inherent dynamism especially of the business sector, such commonality is difficult to maintain over time for the link between regional economic (functional) structure and any jrisdictional institutional context (government). Any regulative structures will need to be sufficiently responsive. Centralised planning and policy making thus seem less appropriate policy avenues. But while decentralised governance arrangements may promise more diversity and responsiveness to variability functional structures, there is the danger that competition may encourage zero-sum results, and regionalisation strategies need to counteract that, if to be effective. The best scope for effective regionalisation seems to lie in a situation of 'need' rather than satisfaction. Well-to-do areas are unlikely to be wanting to co-operate and therefore having to share their economic fruit with 'less deserving' others. So the most 'fertile' ground for regional building seems to be a shared striving for economic betterment through cooperation. At times, this also makes it difficult for mono-centric urban regions to operate. The core city sees itself as the brand owner - a brand the rest of the region is seen as wanting to benefit from, but at the same time not wanting to be seen to be doing so.

This raises the question about what scale to pitch regionalisation strategies . Is there a best scale at which to locate mutual support? With scale, of course, the issue of borders is closely related, and here their effect is to create hurdles. But the most limiting factor is administrative, because here borders matter, whereas with businesses, they do not. Maybe the cultural border, it was suggested, is the most important factor, i.e. the reality of a sense of affinity. Similarities are therefore crucial for the existence of a region and its credibility. Consequently, do regions shape or reinforce borders, or do they help overcome them? Essentially, two options may be distinguished: working with the status quo (i.e. pre-defined borders); or pursuing the goal of shaping (and re-defining) the meaning of borders in a regional context. To make these regions work, there needs to be a genuine interest in participating. But this is also circumscribed by the wider national and international framework, especially the degree of competitiveness and an area's sense of being sufficiently equipped for achieving that. National (and regional) economic and political frameworks are thus also instrumental in the dynamics of regionalisation.

In any case, it seems that regions based around, and/or aimed at facilitating, collaborative policy making need to be built bottom-up, and, in order to be effective, need to serve as basis for SMEs and accommodate their business networks. Generally, politicians need to be involved to set the process of regionalisation in train; they cannot wait for this to happen by itself, or be shaped by business interests and dynamics alone. But the political process needs to be aware of outside dynamics, especially economic, and respond accordingly. Regionalisation cannot merely be an inward-looking process.

Outlook: Towards new regional actors?

In the context of these debates the cases of new regional agencies that respond effectively and flexibly to the spatial economic dynamism and creation of (temporary) cluster, take shape In Philadelphia, for instance, a superregional body, recognising, and responding to, the importance of cooperation at a new scale, is required to drive the agenda of cooperation, especially across state boundaries. In Gdansk, regionalisation is shaped by the historically based inter-city competition between leading personalities, while in Manchester ther is concern about being 'pushed' into regional agendas by central government agendas, rather than shared local interests, of the existence of which there is a clear awareness among local policy makers.

Liddle, discusses the central government-sponsored regional strategy of the Northern Way in northern England, a voluntaristic, associational network aimed at facilitating greater regional competitiveness by projecting the participating main cities' economic capacity onto the regional scale. As part of that, creating an "entrepreneurial culture" has become an important strategic objective, extending urban expertise in this area into the region as part of a regional growth strategy. It is a good example of a top-down facilitated strategic approach in which cities are viewed as 'growth poles' within a regional context, i.e. seeing regions as an extension to city regions. And this, again, is part of the wider devolution strategy for England, seeking inter alia to create a counterbalance to London's economic pre-eminence. But despite the government's efforts, localism, especially among major cities, seems quite reluctant in giving way to a more collaborative, regional agenda. This seems especially the case when there is considerable economic inequality between cities and regions, making the advantages of collaboration less obvious. The government's regional strategy presumes a trickle down effect of economic growth from urban centres into the region, and thus takes a fairly conventional view of regional development. But things are not quite as easy. One of the main obstacles to the development of a sense of shared regional purpose as driver of collaboration between cities as part of a regional agenda is, according to Liddle, the absence (or only weakly developed) sense of regional identity and thus connectivity. As long as that is not developed, there seems limited scope to instill a sense of shared values and thus interest in collaborative policy, much of which depends on the will and vision of individual leadership personalities.

Expectations of a regional agenda from the perspective of one of the main cities of the 'Northern Way, Manchester, is discussed in Mouawad's paper. He emphasises the importance of finding an appropriate of governance for pursuing a city-regional policy agenda, pointing to the importance of European. This highlights the quest for greater devolution of economic development policy to the local and regional levels, rather than the pursuit of grand national strategies, guided from London with a London-centric perspective of 'region'. Such discussions are largely focused on economic issues, but other policy fields, such as sustainability and ecological concerns may also be favoured by a greater reliance on locally-shaped, collaborative arrangements across the regions. One such attempt, as reported by Mouawad, is the Association of Greater Manchester Authorities, bringing together local authorities in the Greater Manchester area. Until its abolition in 1986, of course, Greater Manchester possessed its own government for the Manchester region, the Greater Manchester County Council. The end of that meant a loss of a regional perspective to strategic economic policy making in the city region, and the current voluntary arrangements try to fill that gap. The AGMA seeks to find a new, formalised governance model that takes the lead in strategic policies for the city region, and

doing so also across administrative boundaries, the often main obstacle to a regional perspective in local policies. But local leaders want to maintain their say, and thus the proposed new body is to be jointly controlled by all participating localities. This reflects their concern about installing a new, overarching formal governance structure, potentially competing with their own competencies.

Yet the absence of such an overarching and visible body may allow internal division of city regions become a stifling problem, as Hanson's example of Philadelphia shows. Leadership then becomes particularly important for driving cross-boundary collaboration. And businesses are more likely to do so than bureaucrats. In the U.S., a strongly locally-based democracy and political legitimacy, mayors and other elected officials find it difficult to act regionally, as there is no political mandate for that. It is on a local platform that they got elected. As a result, "many putative regions are fragmented and weak" (Hanson, this edition, p   ). Only through the electorate's acceptance of a regional dimensions to 'their' local politicians' strategies will local policy makers be more willing to 'risk' looking beyond local and existing institutionalised boundaries. But that is not easy, if different conditions apply in different parts of the city region, such as fiscal, political or administrative arrangements. In Philadelphia's case, state and municipal laws and regulations governing economic development, land use, and taxation are different in the three states that share into the Philadelphia city region. Local actors alone will not be able to overcome the resulting separateness, especially where variations in economic competitiveness ensue: policy makers of the relevant higher tiers of government will be required to come together and address the distortions in economic factors within the city region to create a more level playing field as pre-condition for inter-local collaboration across the economic region.

Philadelphia's example illustrates the problems that internal divisions in functionally interrelated city-regions - or mega-regions, as Todorovich argues - pose, and the urgent need for finding new, more innovative forms of governance. This includes not only to serve the needs for politically argued competitiveness, but also to facilitate 'real' connectivity on the ground through improved infrastructure, planning and administrative regimes across administrative boundaries in response to the functional linkages that exist already. As she concludes, there needs to be a much closer integration between government levels, while also maintaining flexibility in shaping policy responses, their implementation and administration. It is a difficult task, as it requires the balancing between the need to facilitate connectivity between and across governance spaces, while also maintaining flexibility and openness for imaginative responses and forms of governance.

Centrally directed, incentivised and managed city regional strategies (or city region building), as favoured by the UK government (see Newman, this edition), and suggested in a number of contributions to the debate. Yet, the details of the mechanisms and practices of city regional governance, under its various conditions, are not clear, and more comparative studies and analyses are required. This special issue presents such a comparative approach, drawing on cases evaluated and discussed from a shared common perspective. This may help illuminate the challenges that exist in overcoming divisions and boundaries not only between territories of jurisdiction, but also institutions and departments within institutions. The latter includes differences in perceptions and institutional culture, such as between economic policy making and technocratically oriented planning (see herrschel in this

issue). There are thus many levels and trypes of divisions and competitions in city-regional governance, requiring a multiplicity of negotiations and compromises.

External conditions play a crucial part in framing local responses to economically suggested regionalisation. This became particularly obvious in the case of the Gdansk-Gdynia metropolitan region in northern Poland. Here, as Czepczynski demonstrates, the post-socialist transformation process with its completely new economic parameters and ways of operating compared with the previous state-run economy, local government faced very different, previously unknown challenges. Past habits and practices no longer could simply be applied, and new, situation-relevant ways of doing things were requited. New economic spaces emerged, especially around leading metropolitan areas. This placed considerable challenges on local policy makers who only just had gained more policy-making autonomy and thus were inclined to make good use of that new freedom. And that was in principle a contradiction to the competitive requirements in metropolitan regions, especially in those with more than one major urban centre, such as the Gdansk-Gdynia multi-polar city region. Here, close functional integration meets localist interests by strong and competing local leaderships.

But the new focus on city regions as embodiment of 'new regionalisation' runs the danger of ignoring, reinforcing, or even creating, peripheral spaces. The growing concern with competitiveness and concentrating on urban regions, or megaregions, as in the case of the U.S. (Todorovich, in this issue) as 'champions' of national economic development may, as Danson argues, produce greater inequalities and marginalities. The concentration on economic clusters as drivers (rationale) for policies tries to adjust the geography of policy-making spaces to those of the economy, but in so doing, may lead to a new fragmentation of existing spaces (territories), and thus new and starkly varying, geography of opportunities. But such opportunities need backing through 'real' measures, such as the development of infrastructure, housing, and clear land-use planning, as Todorovich argues mega regions in the US. At the inter-continental level, the case studies thus acknowledged the relevance of underlying differences, rooted in the differing historic backgrounds and, of course, geographic scales involved. In the US, there is a strong metropolitan base to cooperation, with the suburbs increasingly gaining in importance vis-à-vis the core cities. In the European Union, complex city-regional scales and super-metropolitan regional arrangements are in the ascendance, even though their origins may have seemed 'virtual' indeed, especially if involving inter-national perspectives. Such constructs are much less likely to gain currency in the more locality (or State) focused US.

There are thus many different arrangements in, and agendas related to, regionalisation strategies and their operationalisation, and no 'one size fits all' model answer has become apparent. As Newman concludes in this issue, the main effect of the perceived economic challenges has been its motivating role in stimulating and framing a regional agenda among the many actors wanting to have a stake in this – stretching from the local to the national scale. But the continuous struggle for these actors is in the negotiation between their specific local and institutional interests, and the shared concerns at the regional level. While collective actions seems opportune and sensible to achieve such a common (shared) agenda, institutional structures, arrangements for political legitimacy, and historic legacies all make such

'reaching out' contentious and often difficult. Key questions thus, according to Newman, therefore include those investigating actors' motivation, the strength (perceived and actual) and degree of formality of regional structures and arrangements, the type of leadership needed for effective policy making, and, one could add, the regions' credibility as policy relevant spaces.

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