

Development of peripheral regions: the local actors and local policies

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My image of Alto Tràs-os-Montes, prior to the four-day visit in late September, was one of a remote, if not isolated, region where economic progress had failed to reach the desired level due to a variety of factors. The traditional types of economic activity in the region did not appear well suited for the economic and technological trends operating in Europe and the world. Admittedly my image was based on limited information. I made a one-day drive through the region in 2000 and my students at the Instituto Superior Técnico prepared a study of the region for a course I was teaching at that time. The recent visit to Alto Tràs os Montes proved this image to be outdated. In fact, regional leaders are attempting to rectify the incorrect perceptions held by many and to change the development prospects for the region by creating comparative advantages utilizing existing and yet to be developed assets. The region appears to be redefining itself and committed to informing the broader Portugal and European community on these efforts. I found very attractive communities, with considerable assets, and a sense of vitality that I had not anticipated.

Three municipalities in Alto Tràs-os-Montes, Bragança, Mirandela and Macedo de Cavaleiros, have decided to collaborate in regional development efforts. In my view this commitment to collaboration is critical to the future of the region. According to development theory, a common disadvantage of remote regions is their spatially dispersed assets and low population densities. The people, businesses, public sector institutions, and infrastructure resources in such regions cannot be ef-

fectively mobilized, thus creating barriers to development. Aggregating resources and activities to achieve economies of scale is the mechanism to break the limitations of dispersed populations. It is more common in these types of regions for individual communities to pursue their own independent development strategy. When communities collaborate, however, and share resources in development strategies, economies of scale can be realized bringing benefits to each community in excess of their investment. In these types of efforts, individual communities do not relinquish local identity and the three communities in Alto Tràs os Montes will likely continue to compete in certain ways. But the identity of each municipality will increasingly be incorporated a regional identity in order to mobilize regional resources for regional benefit. The clearest example of this strategy in the region was observed in tourism. A common marketing strategy and development of the significant tourist resources in the region should bring greater level of activity to the entire region, but with benefits to each of the three communities.

But the focus on the four-day trip was callTM, a regional effort to attract advanced telecommunications service providers and information technology companies, especially call centres. The development effort in Alto Tràs os Montes is at present being led by dynamic local leaders and the public sector. Although the key focus of callTM is attracting private investment, the strategy has relied to this point on public and community leadership for mobilizing support. Furthermore, past public sector investments help create an environment conducive to the enhancement of the resources that will be required for callTM to succeed.

The framework I adopted during visit to the region for intelligence gathering and review of the callTM project was one of comparative advantage; that is does the region present an appropriate set of assets and resources to be successful in this field. In instances where resources are inadequate or absent, what are the prospects for generating them? One resource that is currently inadequate is private investment in information technology firms. Such private investment must be generated locally or, more likely, attracted from outside the region. The region must be able to convince investors that it is a least cost site for the firm's operations. Although the demand for call centres has increased quite remarkably in recent years, it is an example of what is known to development specialists as a footloose industry. It has great freedom in location decisions, in large part the result of advances in telecommunications services, including declining costs. While this creates an opportunity for Alto Trás-os-Montes, many other regions are also attempting to take

advantage of this opportunity. Alto Trás-os-Montes is not a first-comer in this field and will face stiff competition.

Call centres and, more broadly, information technology companies are sensitive to a variety of costs, but of particular concern is the quality of labor and prevailing wages as well as the quality and prices of telecommunications services. With regard to labor, my sense is that Alto Trás os Montes is very well positioned. There is some evidence that the labor force in the region is underutilized, that is the levels of education and training in the labor force exceeds the skills requirement of existing employment. The region has an impressive array of education and training facilities and several institutions are engaged in enhancing programmatic offerings and expanding capacity in the three communities. These institutions incorporate a wide range of education and training opportunities, from graduate education to occupational training. The region should be able to expand the numbers and enhance the quality of the labor force through extending years of schooling for the young and continuing education for individuals already in the labor forces. The region may also benefit from the return of individuals who have left the region at some point in the past. During my visit, the number of young well-educated professionals that had returned to the region after having studied and worked outside the region was notable. As a relative inexpensive place to live and with a high quality of life, even rapid growth in the region and the resulting increase in demand for labor should not place excessive pressure on wage levels in the future. This is one of the region's critical advantages for attracting the information technology sector.

A second critical element is the quality and price of telecommunications systems. Firms in the information technology business are highly dependent on reliable telecommunication services, including service redundancy and capacity to innovate and continually upgrade services. For call centres, in particular, systems integration, ample switching capacity and capabilities for audio over and video over data will be required. Although the visit did not permit an opportunity to review all aspects of the telecommunications systems, my understanding is that the local provider should be a good partner in the region's efforts. In addition, experience with advance systems, such as the fiber optic system in Bragança, has already accumulated and will be integrated into the development efforts.

Although these are critical production factors for this sector, firms will also be sensitive to other cost items, including cost of land, facilities,

capital, taxes, among others. The municipalities in Alto Tràs os Montes will need to examine carefully these items and consider taking action on the cost factors that may make the area less attractive. In fact, in the forthcoming marketing phase of callTM, it will be important to provide detailed information of the cost of doing business in each of the municipalities to firms considering locating in the region.

The callTM has the ambitious goal of 15 to 20 recruitment visits in coming months for firms considering investment in new facilities. Although these visits will be given priority by project leaders, it would also be useful to begin exploring complementary strategies. Securing advance communications infrastructure will depend on creating a commensurate level of demand in the region. While the information technology businesses expected to be attracted to the region will certainly help generate this demand, additional demand can be generated by other sectors. During the visit, the idea emerged of the three municipalities jointly sponsoring a communications centre for local services. This is an excellent idea, given the context of the need to aggregate resources, but it will also demonstrate the feasibility of the call centre concept and the collaborative spirit now found in the region. In addition, extension of fiber optic cables in the communities can provide an impetus to implement the emerging e-government systems. These systems can also be employed in the provision of education and community services. They should also be used to disseminate information to existing businesses about telecommunications technology and opportunities for improving productivity in firms that might not have considered this strategy in the past. In other words, the complementary strategies should be targeted to creating a region that makes intensive and creative use of telecommunications technology in multiple ways. With increasing levels of demands and needs, opportunities for local entrepreneurship should appear.

I was particular struck by the interest in Alto Tràs-os-Montes and in Zamora, in Spain, to collaborate in development efforts. This may well create additional opportunities for aggregating and sharing of resources. For example, binational collaboration in the call centre business would certainly enhance the range of linguistic competency in the labor force. Such collaboration would test the development potential created by the declining importance of national boundaries in the EU. Furthermore, the population within this broadly conceived region, an important dimension of the development equation, is substantial and could expand the markets for local goods. At the same time, it was also evident that transportation linkages between Alto Tràs os Montes and the Portu-

guese coast and between Alto Tràs os Montes and Spain will need to be upgraded in order to encourage regional integration.

In sum, my reaction to callTM project and the regional potential was quite positive. The project is well conceived, but will soon be tested in the forthcoming discussions with businesses prospects. The collaborative spirit I observed among officials and community leaders struck me as one of the region's most important resources. There be many who have a outdated view of the region similar to the one I held in September, but the marketing strategy should help correct these misperceptions and place the newly defined region on a positive trajectory. I look forward to following the project's progress.

Slide 1

Introduction

- Creating comparative advantage in a rapidly changing environment
 - New Infrastructure-building on technological advances
 - Telecommunications create mobility for certain activities
 - Growth in call centres but AltoTrás-os-Montes is not a first comer
 - What are the assets in the community?
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Slide 2

Understanding the local economy

- Structure of the local economy; education and skills in labor force
 - Impact of structural economic change
 - Identify community assets
 - Link development efforts to changing economy
 - Redefining comparative advantages-spatial comparative advantages is being redefined with changes in telecommunications systems
 - Choosing targets of opportunity. What are the locational factors in industry?
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Slide 3

Urban development policy

- Local Agenda Setting
 - Alternative objectives
 - job generation
 - poverty/unemployment reduction
 - commercial revitalization
 - Interest groups
 - development community
 - environmental protection
 - business leaders
 - public officials
 - government agencies
 - utility companies
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Slide 4

Types of Local Development Tools

- Promoting investments or exports

 - Supply side factors
 - Labor costs-training and education programs, subsidies for employing certain workers, improve functioning of local labor market

 - Capital costs-loan and loan guarantee programs, equity programs, pension fund programs

 - Land and Facilities-Industrial parks, buildings-supplied at below market rates, sale or lease.

 - Infrastructure Provision-water, waste water, transportation, utility rates.

 - Technical Assistance-providing services for small firms that are evaluating location advantages for a state.

 - Demand side
 - Procurement of local government-purchase of locally produced goods

 - Aggregate local demand for services

 - Assets based development
 - linking human capital development with development needs

 - Locational advantages-clustering of activities. Must understand markets

 - Advantages of Bragança ñ human resources, land, building costs

 - Disadvantages?
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Slide 5

Institutional Arrangements

- Manage or reconcile competing interests and mobilize resources.
 - Ideal arrangement-bring all actors into process, especially the education and training community, community groups, and relevant governmental agencies, etc.
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Slide 6

Telecommunications and smaller communities-Challenges and Opportunities

- Aggregating demand to a certain point, to allow advance services
 - Sharing facilities resources
 - Incorporate the magnet principle
 - Take advantage of any governmental services provided by telecommunications
 - Coordinate development activities and infrastructure activities
 - Build human skills
 - Connect to community needs
 - Educate local business people to potential utilization of telecommunication for improving productivity
 - Secure access to the most advance services available to call centres
 - Telecom systems that integrate services and prepared for coming changes
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Slide 7

Conclusions

- Clarity of purpose-improve assets, create comparative advantages
 - Research on market-visit existing call centres
 - Develop human resources--partnering
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