1. Networks, governance and economic development: an introduction

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1 NETWORKS AND GOVERNANCE: A RESEARCH AGENDA

The potential significance of networks of economic actors in strengthening the development processes of localities and helping to deliver economic success has been increasingly recognized in recent years. This awareness has grown alongside concerns surrounding the economic impacts of globalization on specific places. Thus the contribution of networks is frequently analysed in terms of contributing to the ‘competitiveness’ of localities in a global context.¹ The networking of firms as an economic phenomenon with the potential to provide an ‘engine’ for local economic development is by no means a new concept. It is perhaps most famously rooted in Marshall’s (1907, 1919) analysis of agglomeration in ‘industrial districts’. However, in recent years ‘networks’ as an economic policy concern have become increasingly fashionable, with policies to stimulate and strengthen networking among firms frequently perceived as desirable by the actors and agencies concerned with facilitating local economic development. This emphasis is supported by (and arguably in response to) a growing literature analysing the economic successes of industrial districts, clusters, innovative *milieux* and other place-specific agglomerations of firms.² Geographical proximity is often argued to play a crucial role in facilitating the production, knowledge and social relationships that characterize many of these successful networks. However there is also recognition of the potential for networks to operate across localities, enabling specific places to develop and/or sustain positions as ‘competitive hubs’ in networks of global production activities (Camagni, 1991; Brusco, 1996).

Simultaneous with the growing interest in local and multi-local networks as a driver of local economic development, concerns with globalization

have stimulated a separate academic and policy concern with the notion of 'governance'. While Jessop (1998) suggests that the rise of governance as a concept of interest in the social sciences is relatively recent, Scholte (2000) argues that it is no coincidence that its addition to the vocabulary of politics has occurred side-by-side with globalization. The concept of governance can be related to the emergence and sustenance of some sort of 'order' for coordinating economic (and social) activities (Kooiman & Van Vliet, 1993; Jessop, 1998). For example, Sugden and Wilson (2002) place governance at the heart of a definition of economic development that is centred on uncovering and meeting the aims and objectives of the people that are the subject of that 'development'. Governance in this context is conceptualized in terms of the power to make 'strategic decisions' in the development process. It is argued that the democratic determination of key decisions, as opposed to concentration of decision-making power among an elite few, is imperative if economic development processes are to meet the aims and objectives of local people. More generally, there remain a range of views on the precise conceptualization of governance, unsurprising given the growing use of the concept by many different disciplines and disciplinary paradigms. However, what appears undisputed is the recognition that the concept of governance is particularly relevant for analysing economic development processes and the impacts of different actors (firms, governments, individuals) on outcomes. This is reflected, for example, in the strong emphasis placed by international institutions on the notion of 'good governance' (Weiss, 2000; Kaufmann and Kraay, 2007). It is also seen in a wave of concern with 'corporate governance' and 'corporate and social responsibility' in analysis of the interface between business and society (European Commission, 2002).

An aim of this volume is to bring together these two, largely separate, interests (in 'networks' and in 'governance') in the context of analysing economic development. A coherent fusion of these topical themes is necessary in order to advance understanding of the determinants of local economic development in the context of globalization. Indeed, if both networks and governance are in some sense important for local economic success, this raises crucial questions regarding the governance of networks themselves. The integration of these strands of research requires a significant bridging of disciplinary boundaries, incorporating as it does different theoretical perspectives on the meanings and roles of territory, of economic development, of different forms of networks and of different concepts of governance. Empirical and case analysis is also required in order to understand the processes that currently take place in different types of networks, and how these contribute (or not) to economic success. Indeed, whilst there have been many case studies of networks – by productive sector and by

locality – the conceptual and empirical research have tended to proceed in parallel, rather than in a mutually reinforcing methodology.

In November 2005, a European Science Foundation Exploratory Workshop was convened to explore these issues in San Sebastián, Spain. As a point of departure, the workshop aimed to explore the initial hypothesis that *the significant economic differences across various forms of networks arise from their respective modes of governance, defined in terms of strategic decision making*. This hypothesis was developed primarily from economic theories of the firm (Coase, 1937; Zeitlin, 1974; Cowling & Sugden, 1998) and of economic development (Hymer, 1972; Cowling & Sugden, 1999; Sugden & Wilson, 2002). An aim of the workshop, however, was to fuse different disciplinary approaches in seeking to develop research from this initial departure point. The workshop therefore brought together an international group of scientists from the disciplines of economics, geography, sociology, political science and business to present their ideas and to refine this initial hypothesis and a related set of research questions.

This volume represents a subsequent stage in the research process. It brings together the analyses of this eclectic group of scholars, revised following the discussions and deliberations at the workshop. In doing so, the volume collects a series of chapters that address key issues and cases in understanding the significance of networking and governance for economic development. The chapters are grouped into two parts. The first part of the volume presents different theoretical perspectives on territory, governance and networks that have implications for local economic success. Each contribution addresses relevant theoretical issues in specific contexts, integrating appropriate empirical and case material. The second part of the volume has a more specifically empirical focus. It brings together detailed analyses of specific cases that examine practical experiences of networking and governance in the context of local and multi-local economic processes. Together, the collection of work brings to bear multidisciplinary theoretical and empirical research on the analysis of networks, governance and economic development. In the remainder of this chapter, we summarize and discuss some of the key findings of this research, drawing links between contributions.

2 OVERVIEW OF CONTRIBUTIONS

2.1 Part 1 Perspectives on Networking, Governance and Economic Development

The first two chapters in Part 1 of the volume are concerned with the concept of territory. Both chapters suggest that theoretical understanding

relating territorial dynamics and economic development needs to advance if we are to explain and understand many of the changes in relationships often associated with globalization. Moreover, it is suggested that this moving forward necessitates stronger links between disciplines, for example between economics and geography. The arguments developed in both chapters emphasize the significance that the dynamics between different and changing territorial scales have for an understanding of the complex relationships between networks of actors and local economic development processes.

Chapter 2, by Kristian Colletis-Wahl, José Corpataux, Olivier Crevoisier, Leïla Kebir, Bernard Pecqueur and Véronique Peyrache-Gadeau, builds on earlier work within the European Research Group on Innovative Milieu (GREMI) in order to define a new research programme on the territorial economy. The chapter presents a research agenda that seeks to understand emerging socioeconomic questions in the context of globalization, with reference to concrete, situated and dated circumstances. In particular, a series of research questions surrounding two key emerging trends are identified.

Firstly, it is suggested that the rise to prominence of service-type activities with a high cultural content has consequences in terms of a greater role for proximity relations in economic systems and in terms of the coming together of cultural and economic dynamics. This raises a whole set of questions regarding the nature of innovation in this new context, for example. Secondly, the authors point to the dramatic growth in the circulation and mobility of factors of production and goods/services, hypothesizing that this accentuates questions around the ‘anchoring’ of economic and sociocultural activity in localities. Their analysis raises significant questions regarding the participation of different localities in flows of global economic activity, and these might be extended to questions regarding the governance of economic activity as certain localities take a leading role while others are sidelined.

In terms of their overall research agenda, Colletis-Wahl et al. argue that it is time to give the transformations associated with globalization greater theoretical content by analysing the multi-scale dynamics inherent in these processes. Questions surrounding the spatial division of labour and the positions that different territories hold within global production systems are central to this analysis, and these hold strong relevance for a greater understanding of the relationship between networks of economic actors at different territorial scales and local economic development processes. In short, the chapter suggests that placing the concept of territory at the centre of economic theories on development, requiring as it does the bridging of disciplines, will yield meaningful results.

Chapter 3, by Bernard Pecqueur, starts from a broad hypothesis strongly related to the analysis of Chapter 2: the increasingly territorial nature of the economy is an important process in adapting economies to globalization. Specifically, Pecqueur argues that a 'territorial quality model of production' is emerging, and his chapter aims to begin determining the main characteristics of this model. As a first step, the chapter attempts explicitly to draw together the disciplines of geography and economics in an understanding of territory, arriving at a definition of territory that combines three elements: the notion of a 'network' of stakeholders; the bounding of these actors in a definite (though possibly fluctuating) geographical area; and the idea that, within this context, there is a purpose in terms of identifying and solving production problems. This concept of territory provides the basis for a definition and discussion of 'governance'. Governance is seen to be the involvement of stakeholders, when organized, in potential action towards identifying and solving production problems, something that is influenced by the changing relationships (between, for example, the State, local authorities and private stakeholders) that are often associated with globalization. Relating back to the initial hypothesis of the ESF workshop, Pecqueur's analysis prompts questions around how the evolution of different types of organization of stakeholders, in terms of different decision-making processes, may alter the eventual outcomes in terms of which problems are identified and in what ways they are solved.

The chapter concludes by outlining a model of 'territorial quality', in which the author seeks to reframe David Ricardo's comparative advantage theory in the context of territories as previously defined. Comparative advantage theory, it is argued, does not take into account local processes that may assign contextual value to resources and their production. The model differs, therefore, in that it incorporates the notion of territory-specific goods, leading to a concept of 'differentiating advantage' that implies fundamentally different production and valorization strategies from those inferred by following comparative advantage. The two models are contrasted in terms of stakeholder behaviour within each, and it is clear that they offer very different implications for the way the governance of networks of stakeholders takes place, and for potential outcomes in terms of production and trade. While the model is in its early stages, it represents an important step towards bringing together disciplines in understanding local development decision making and outcomes within processes of globalization.

Anne Lorentzen, in Chapter 4, combines an analysis of territory with a specific focus on innovation, a key process influencing economic development, and one that is often argued to require strong networks of actors that can share and exchange knowledge. The chapter begins with a discussion

of territory in which the author argues that regions are socially as well as politically and administratively constructed. Moreover, different social relations are argued to have different spatial scales, an idea which contrasts with the concept of 'region' as an explicitly bounded and territorial process of economic development. These arguments have implications for the institutions that provide the governance structures for regions; in an era of globalization it is argued that a system of multi-scalar institutions is evolving at subnational and supranational levels. Interdependent layers of governance mean that 'positioning' within the various networks of institutions becomes very important for local economic success, a point that highlights issues of power and influence in decision-making processes as set out in the initial ESF workshop hypothesis. The decision-making issue remains pertinent as the analysis switches focus to examine processes of economic development. The discussion centres on local factors of development and the scope for governments to improve localized assets and competencies in their push either to fix globally organized activities in their local space or to integrate local firms or clusters into global production chains. An important question is raised regarding whether it is sufficient to locate partial (as opposed to full) clusters in local territories. This is an issue which again raises significant decision-making concerns in terms of each locality's place in the global organization of production, and links strongly with the discussion of 'anchoring' of economic activity in Chapter 2 and the detailed analysis of multinational networks of local production systems that follows in Chapter 6.

In the second part of the chapter, Lorentzen applies her analysis of socially constructed territorial scales to an understanding of the way innovation takes place. Analysing the sources of innovation, she argues that innovation depends on both the structural environment of the firm and the ability of the firm to generate resources, internally and with relation to its networks. Knowledge networks are argued to be *socially constructed spaces of innovation*, with firms and organizations seen as located nodes of knowledge resources and innovative activities. A discussion of different notions of proximity at the heart of these networks leads to the conclusion that the generation of knowledge networks takes place on multiple scales, and is not determined territorially as argued by much of the recent economic geography literature.

The chapter therefore rejects a focus on 'region' as the most significant spatial scale with regard to innovation. Moreover, in terms of economic development, of which innovative capacity is likely to be a key determinant, the focus on regions as just one part of wider knowledge networks again raises the issue of how these multi-scalar networks are governed. It might be argued, for example, that there are likely to be tensions between the types

and quantities of innovation that are ‘locally’ desirable and those that in fact take place given a specific locality’s position in the network of global production activity. Indeed, a key challenge bridging the analysis of Chapters 2 to 4 appears to lie in understanding more about the development impacts of different decision-making processes in a multi-scalar context.

Chapter 5, by Bengt Johannisson, focuses specifically on different types of local networking processes, and their capacities to enable sustainable economic development paths. Its starting point is that, while ‘networking’ has become a popularly used concept in both the academic and policy-maker communities, elaboration is required on how this principle of organizing economic activity can be used to guide economic and social development in localities. It is argued that the networked community is the appropriate unit of analysis with regard to a socioeconomic system, but that a critical question within this relates to whether or not economic rationality is the only feasible and/or desirable decision-making rationale among network relations. A proposed alternative recognizes the power of human irrationalities, such as spontaneity, playfulness and emotional commitment, in contributing to decision-making processes within local networks. This is equated with a notion of ‘entrepreneurship’, it being argued for example that a community entrepreneur is not primarily driven by self-interest, but by concern for the well-being of the community: shared values and personalized, emotion-based leadership are thus significant inputs into network processes.

The chapter proceeds by introducing the ‘organizing context’, an analytical construct that describes a collectively enacted socioeconomic setting: ‘a fully-fledged (spatial) organization with its own value system, structure and identity’. There are differences here from the strong multi-scalar emphasis developed in Chapters 2 to 4; the organizing context is considered to be very much locally embedded, although with acknowledged ‘fuzzy’ boundaries with the external environment that are the basis for constant renegotiation. Differences are also emphasized between the organizing context and other much-discussed constructs, such as innovation systems (see also Chapter 4) and clusters (see also Chapters 7 and 11). This established, the chapter introduces two distinct rationales for behaviour within the organizing context. An ‘incorporated rationale’ is characterized by networking based on formal structures, stability and conformity to external norms, while an ‘entrepreneurial rationale’ favours informal networking that builds collective identity, thriving on change, and producing uniqueness. Different dimensions of these rationales are analysed in detail. For example, in line with the analysis of Chapters 2 and 3, it might be argued that specific small-firm localities rely on relationships with large, transnational firms for their place in the

global hierarchy of production, an approach consistent with an ‘incorporated rationale’. The alternative ‘entrepreneurial rationale’, however, would suggest that development challenges can instead be dealt with by locality-specific self-organization. The chapter uses empirical studies from three Swedish cases to illustrate and explore the entrepreneurial rationale in some detail.

Johannisson concludes by observing that traditional forms of governance (market or hierarchy) do not fit well a networked structure, whose interactive, spontaneous and collaborative nature require rather what Johannisson describes as ‘interactive’ or ‘relational’ control. It is suggested that this devalues standardized policy programmes: ‘only if localities engage in their own collective identity-building will sustainable development happen’. Indeed, it could be argued that an implication of Johannisson’s analysis is that an interactive, participative form of governance in networked economic activity is likely to lead to superior development outcomes when compared with a more hierarchical, directive form of decision making. This is an implication that would support the initial hypothesis of the ESF workshop. Moreover, the analysis has links in particular with the ‘territorial quality’ model proposed by Pecqueur in Chapter 3 and with the form of governance advocated for international networking by De Propriis et al. that follows in Chapter 6.

Chapter 6, the final chapter of Part 1 of the volume, is by Lisa De Propriis, Stefano Menghinello and Roger Sugden. De Propriis et al. explore issues that are strongly related to the previous chapter’s concern with interactive and collaborative relationships in the control of networks. Their focus differs, however, in that they are concerned primarily with networks that span localities, linking together different local production systems (that might themselves be characterized by the sorts of relationships explored by Johannisson). They therefore provide a bridge between the focus on local governance relationships in Chapter 5 and the concern with multi-scalar production relationships, and localities’ relative positions in those relationships, that emerged as a key feature of Chapters 2 to 4.

The starting point for De Propriis et al. is a juxtaposition of the acknowledged strengths of local production systems that are characterized by networked relationships blending social, cultural and economic factors, against the scepticism that these strengths alone are sufficient to maintain a locality’s ‘competitiveness’ in a global economy that is dominated by large multi-located transnational firms. The authors suggest that, in addition to geographical proximity, there are alternative forms of proximity – for example mental proximity (Sacchetti & Sugden, 2005) – that may open the way to rich network relationships between production systems in localities that are geographically separate. Such networks would enable local

networks of smaller firms, which have been competitive in part on the basis of their trust-based relationships, to maintain that competitiveness in a globalizing world requires a certain degree of multilocal flexibility. Indeed, while Chapters 2 and 3 highlight the significance of the dynamics between different and changing territorial scales for economic development relationships, the analysis of De Propriis et al. is suggestive of a specific possibility by which multinational economic activity might be rooted, or ‘anchored’, within local production systems.

This possibility is explored by focusing on different forms of governance of networking, distinguishing between what are labelled networks of direction and networks of dependence (Sacchetti & Sugden, 2003). These two alternatives are discussed in detail with regard to the case of the Italian industrial districts, which have recently been undergoing an internationalization process as various functions have moved to external localities. Their analysis would suggest that the success of these networks of local production systems will depend fundamentally on the form of governance (directive or mutually dependent) that characterizes this process of internationalization. This links in particular to Johannisson’s conclusion regarding a preference for informal, co-determined networked relationships as opposed to formal, directional linkages.

2.2 Networking, Governance and Economic Development in Practice

Building on the conceptual analyses of networks, governance and economic development that have been presented in Part 1, Part 2 of the volume brings together a series of chapters that focus detailed analyses on specific cases of networking policy and experience. Inter-firm networking and related public policy is considered in the Spanish and Irish contexts in Chapters 7, 8 and 9, while Chapter 10 focuses on the network governance implications of different water policy choices in Sub-Saharan Africa. Chapters 11 to 13 then focus on the networking of production activity across geographical distance: Chapter 11 considers the response of Italian industrial districts to economic threats from China; Chapter 12 analyses the impact of the Internet on international economic relationships; and Chapter 13 reflects explicitly on international networking experience in research and learning activity.

Chapter 7 is written by Mari Jose Aranguren Querejeta, Cristina Aragón Amonarriz, Miren Larrea Aranguren and Cristina Iturrioz Landart and is titled ‘Does cluster policy really enhance networking and increase competitiveness?’. This chapter tackles the evaluation of policies towards encouraging ‘clusters’ and ‘networking’ in the Basque Country region of Spain. Driven in part by the desire to maximize the use of public resources in policy assistance, interest in developing and testing new methodological

approaches to evaluate industrial policies has been steadily rising. This interest is even higher in policies devised with respect to clusters and networks, where in general there has been a lack of evaluation, mainly because of the difficulties in defining the object to be evaluated. In such policies the basic aim is usually to create/enhance cooperation and relationships so as to make effective use of networking, and consequently to improve the competitiveness of the cluster agents. The chapter proposes a methodological approach for evaluating such cluster/network policy and then uses this approach to explore the effectiveness of policy in two specific cases in the Basque Country: that of the Paper Cluster Association (PCA) and that of a cooperation network for qualification and knowledge management (Ezagutza Gunea).

Among their findings, Aranguren et al. note that the long-run policy goal in both cases analysed – to improve competitiveness through cooperation – remains fairly distant. This is despite the achievement of positive intermediate results in terms of, for example, stimulating social capital. They argue that, in fact, the various factors lying behind success must be considered in a systemic way; success in a subset of areas does not necessarily imply overall success in achieving the policy objective. In particular they link this conclusion in part to the nature of projects which the policies have facilitated to date; these appear to be focused in more ‘operational’ as opposed to ‘strategic’ areas. A suggestion therefore is that steps from operative to more strategic projects should be taken if networking policy is to succeed in stimulating enhanced competitiveness. This conclusion has strong resonance with the analysis of the next chapter, by Helena Lenihan and Roger Sugden, which considers the evolution of policy towards networks in the Irish context.

Lenihan and Sugden’s contribution, Chapter 8, is entitled ‘Policy on business networking in Ireland: a review, and prospects for evaluation’. They describe and comment on a series of Irish Government policies on ‘business networking’ that date back to the mid-1980s, culminating in the recently launched Pilot Initiative for Collaborative Projects from Industry-Led Networks. They begin by conducting an analysis of the literature (both academic and policy documents) on past policies, where they stress that over the years and across different policies the precise focus has varied, in terms both of networking aims and objectives and of networking forms. Indeed, they divide their discussion of past policies to consider those that focus on four specific areas: linkages; training; research and development; and cooperation more widely. As regards the latter, they suggest that the 1996 ‘Pilot Network Programme’ was notable for its apparent success, yet brief lifespan. Particularly interesting here is that they suggest that this policy was focused on encouraging cooperation in strategic activities,

precisely the type of activity that Aranguren et al. (in Chapter 7) suggest is missing from the outcomes of policy in the Basque Country.

The chapter culminates in a detailed consideration of the successor to this policy, the Pilot Initiative for Collaborative Projects from Industry-Led Networks, launched in 2006. Lenihan and Sugden raise some concerns regarding the programme's participation requirements, its apparent attempts at some form of 'targeting', and its lack of concern with regard to the form of networking (which links back to some of the conceptual issues raised in the Part 1 of the volume, in particular in Chapters 5 and 6). The focus then turns to consideration of the current provisions for the project's evaluation and to offering some preliminary insights into how such a policy might be evaluated. In particular, the authors introduce the notion of 'public interest evaluation' (PIE), intended to assess the extent to which public interests more widely, and as determined democratically, are served by a particular policy. Again, there are strong links between this proposed approach to policy evaluation and earlier conceptual chapters; for example Pecqueur's model of 'territorial quality', Johannisson's notion of 'relational control' and De Propriis et al.'s highlighting of different governance possibilities within and across networks.

Continuing with Part 2 of the volume, Chapter 9, by Helena Lenihan and B. Andreosso-O'Callaghan focuses on the intensity and governance of inter-firm networks in the specific case of the Shannon region of Ireland. Following the initial hypothesis of the European Science Foundation workshop, the authors define governance in terms of strategic decision making, conceptualizing it with relation to the level of autonomy that actors have in the decision-making process. The focus on network governance, and in particular the relative position of firms and therefore the locality in the international hierarchy of production, relates strongly to the concerns expressed in many of the chapters in Part 1 of the volume (Chapters 2, 3 and 4 in particular). Indeed, the Shannon region of Ireland is particularly interesting in this regard, given that it represents an enclave of production activities that are largely controlled by transnational corporations and therefore perhaps particularly susceptible to lack of autonomy in the strategic decision-making process.

The chapter begins with a discussion of the main economic actors in the Shannon region and an outline of the study methodology and sample. Following a description of the sample firms, the main body of the analysis focuses on firms' responses regarding external funding and networking, autonomy in terms of strategic decision making, production linkages and cooperation, the various influences on knowledge and information exchange, and the threats and opportunities perceived from networking activities. As regards external funding and networking, for example, the

issue of insider/outsider effects and the openness of networks is raised, echoing a concern uncovered in Chapter 8. A key finding more generally is that networking is significantly more likely to occur with firms located internationally rather than locally, regionally or nationally, something that is at odds with much of the literature and perhaps reflects the position of the Shannon region in globally organized systems of production. It is argued, however, that one networking domain (i.e. the international) does not exclude others (e.g. the local), and there is a suggestion that local development agencies could play a more active role in this regard.

Chapter 10, by Catherine Baron, addresses issues of network governance in a highly specific context, analysing the implications of different water policy choices with regard to the organization of large cities in Sub-Saharan French-speaking Africa. In particular, the central hypothesis of the chapter is that the mode of water governance chosen at different periods of time has had an impact on the integration of marginalized populations into cities, and into societies more generally. The chapter therefore highlights the significance that the choice of network governance structure in certain key industries may have for paths of local economic development.

The chapter takes a long-term historical perspective, and proceeds through an analysis of three distinct phases of water governance modes and related urban space organization. The first phase, in the 1960s and 1970s, was characterized by the parallel existence and eventual mixing of a 'community' governance logic based on rural organization models, and a 'general interest' logic based on the welfare state ideals of the then colonial powers. The resulting 'dual cities', with segmented access to water services and a consequent strengthening of dichotomy between urban spaces, was challenged in the 1980s by international attempts to homogenize water service access. There resulted a significant increase in the complexity of governance relations and, it is argued, an accentuation of urban fragmentation. The observed failures of the 1980s led to a third phase from the beginning of the 1990s, characterized by models of Public-Private Partnership (PPP) and a focus on the notion of 'good governance'. The chapter provides a critical analysis of the governance mix across different actors in the PPP and Public-Private-Users Partnership (PPUP) models that are argued to prevail until today. Here, the implied complexity among actors (local, national and international; public and private) provides a concrete example of some of the theoretical concerns regarding multi-scalar governance analysed in Chapters 2 to 4. In particular, questions are raised around the relative legitimacy of different actors and implications for the weaker nodes of new governance networks (in this case, the poor).

In Baron's concluding section, the failure of 'good governance' principles to provide universal, equitable access to water is interpreted through

an analysis of 'rules'. For example, while local actors can often participate in the implementation of current processes, they are distant from the initial definition of rules. It is suggested that a hybridization of rules, respecting the embeddedness of different levels in the process, might proceed through the creation of 'proximity public areas', allowing the emergence of new urban territories characterized by processes of negotiation between 'global' and 'local' key actors.

The eleventh chapter is titled 'The governance of clusters: progressive reactions to international competitive challenges'. In this chapter, Marco Bellandi begins by identifying a 'sad dilemma' between two regressive reactions to the current Chinese industrial challenge. It is argued that many localities are facing either a move towards protectionism or the acceptance of deindustrialization, as local small firms go out of business and key manufacturing activities under the control of large firms are shifted elsewhere. Throughout the chapter the author bases his analysis on the results of long-run fieldwork research on manufacturing specialized towns in Guangdong, and on investigations of the reactions to the new competitive pressures emerging in some Italian industrial districts. The chapter aims to analyse alternative responses to the Chinese challenge, with a focus on the possibility of an escape from the dilemma through the collaborative governance of international trans-local and cluster-to-cluster relations.

Bellandi's contribution is strongly related to the analysis of multi-locality clusters of De Propriis et al. in Chapter 6, and to earlier contributions that emphasized the theoretical significance of territorial dynamics for understanding today's local economic development processes. A concern of the chapter, for example, might be seen in terms of where the industrial districts of Italy are placed in today's hierarchy of production relationships, and how they can positively influence this placement. Indeed, in this sense links might be drawn explicitly with Pecqueur's differentiation between comparative advantage and differentiating advantage in Chapter 3: there is a desire within the industrial districts to express certain skills, but these are currently being lost in the global organization of production as comparative advantage is followed. In response, Bellandi suggests that there is a need for policy to encourage away from 'lonely delocalization' and towards more district-beneficial relocalization strategies.

Two alternative forms of relocalization strategy are identified: an *enclave strategy*, which seeks in some sense to transplant the district's activities without seeking long-term cooperation with local partner firms/institutions; and a *trans-local collaborative relations strategy for cluster-to-cluster linkages (COREL)*, which seeks to develop trans-local public goods as a basis for long-term collaboration between cluster firms/institutions in the different localities. The requirements of COREL in terms of public

goods are explored, and this is followed by a discussion of some of the difficulties associated with the governance of trans-local cluster-cluster relationships. The chapter concludes with the suggestion that a balance of participatory methods, local centralization in management and democratic legitimization are required for an effective governance of these relationships. Bridging this acknowledged difficult frontier, it is argued, may take us beyond the current sad dilemma.

Chapter 12, 'The dialectics of network governance: a story from the front', by Robbin te Velde, analyses the impact of the Internet on international economic relationships, and in particular the governance of those relationships. The chapter is framed historically in terms of the insatiable growth of the global capitalist system, and the associated world-wide division of labour and specialization of economic activities, a perspective that is consistent with the territorial analysis of earlier chapters. It is argued that the growth of information and communication technologies (ICTs) has coincided with the increasingly complex global organization of production; it is a response to the challenges of storing, processing and coordinating the increasing amounts of information required by this system. The chapter proceeds to analyse the nature of command and control in an information age, with a focus on two possibilities: that ICTs aid the decentralization of governance structures; and that, on the contrary, they lead to more advanced forms of centralization of control.

The chapter uses the case of the global consultancy industry to illustrate the governance possibilities offered by the Internet, contrasting a decentralized, virtually-networked consultancy firm with the centralized network approach that exists in traditional consultancy firms. Different approaches to aggregating knowledge are compared, and there is a focus on the management of the decentralized network form and in particular on the delicate balance that this implies for the coordinator. Indeed, following Bellandi's contribution in Chapter 11, te Velde provides a further example that illustrates some of the practical difficulties of the types of governance that Johannisson (Chapter 5) and De Propriis et al. (Chapter 6), for example, suggest may be theoretically desirable. In this case, for instance, te Velde describes a situation where the knowledge aggregation system in large, traditional firms works better than in the decentralized model. Moreover, in a market where branding and the building and maintenance of credibility are considered of strategic importance, the traditional large firm has a further advantage. The result is described as a 'perverse *ménage à trois*', whereby the traditional firms subcontract work to the smaller networked firms, extracting a sizable surplus.

Te Velde concludes by returning to Steven Hymer's (1972) concerns around the centralization of economic activity, with its implied strong

hierarchy of place. While the Internet might have been expected to lessen the significance of geography in this regard, the author concludes that the global hierarchical division of labour is still very much alive, citing Hymer's (1972) argument that it is organization, not technology, which is at the root of uneven development and inequality. It is suggested that the Internet does indeed hold considerable potential for facilitating different forms of international collaboration, perhaps enabling modes of governance in line with some of the analysis in other chapters in this volume. The key, however, lies in how, and by whom, ICTs are actually designed, controlled and used.

The final contribution to the volume, by David Bailey, Lisa De Propriis, Roger Sugden and James R. Wilson, is similar to that of te Velde in the sense that it applies analysis of the governance of international networking to a specific practical case in which the authors have had direct experience. In this chapter, the productive sector is that of research and learning in higher education. Building directly on the initial hypothesis of the European Science Foundation workshop, the authors consider stylized networks that are characterized by contrasting governance processes framed in terms of strategic decision making. They contemplate the rationale for different types of network, and discuss impacts on performance. The arguments are illustrated through reflections on specific experience with a continuing set of research and learning initiatives focused on studying economic organization, development and associated public policy.

The chapter sets the context by drawing on the works of Chomsky (1975) and Dewey (1916; 1927), among others, to argue that a network form of organization is appropriate for the provision of research and learning activities. The authors then analyse different types of networks, distinguishing between 'networks of direction' and 'networks of mutual dependence' (Sacchetti & Sugden, 2003). The theoretical approach here is similar to that of De Propriis et al. in Chapter 6, and with strong links also to Johannisson's (Chapter 5) distinction between traditional forms of governance (market or hierarchy) and 'relational' or 'interactive' control. A clear preference for networks of mutual dependence as regards the provision of research and learning activities is developed more specifically in terms of multi-locality webs, the characteristics of which are summarized and compared. What this might entail in practice is then analysed in greater detail through an exploration of the literature on 'mental proximity' (Sacchetti & Sugden, 2005). For example, the significance of compatibility and sympathy of perceptions among participants in the development of institutional rules that will govern future behaviour is noted. This appears related to Baron's concern with rule formation among local and global actors in networks governing water services (Chapter 10).

The chapter then moves on to explore in detail the case of a specific experience with international networking in research and learning activities. The development of an institutional form around which activities were structured is traced from the early foundations of the networking. This is then analysed in terms of the development of a multi-locality web. While some characteristics of a web are argued to have been present, the authors reflect on how difficulties with the design of the institutional form alongside an absence of mental proximity prevented the achievement of a web in its idealized form. One of the identified concerns, for example, was that some participants looked for centralized coordination rather than recognizing the freedom to do things for themselves that the web was designed to nurture. This has strong resonance with comments on the pivotal role of a centre of governance in the previous two chapters by Bellandi and te Velde. More generally, Bailey et al. conclude from their critique that, if success is to be achieved in developing networks of mutual dependence, they need to be served by deliberately designed institutional forms, rather than being left to chance or hope. Indeed, that purposive public policy is important in this regard is reflected in several of the other contributions to the volume. In terms of this specific case, Bailey et al. consider the possibility of creating an innovative social enterprise, deliberately designed in the light of lessons from this experience. Finally, the chapter's concluding remarks comment on the wider implications of the analysis for other economic sectors and for local economic development.

Taken as a whole, the collection of chapters in the volume make a significant contribution to an understanding of contemporary economic development processes by fusing analyses of the key concepts of networking and governance. The multi-scalar nature of economic relationships in today's global economy, and how therefore those relationships are best governed, is a significant theme of concern running throughout the contributions. The more theoretical chapters of Part 1 bring to bear various different disciplinary perspectives on these issues, and in this context the practical experiences analysed in Part 2 highlight more specific problems and possibilities with regard to the relative performance of different governance and network structures.

NOTES

1. This reflects the popularity of the 'competitiveness' concept in the context of the globalization debates of recent years. While the precise meaning of competitiveness is contested (see, for example, Pitelis et al., 1996, and Branston et al., 2006), it is most commonly taken to imply the ability of localities to compete (and in some sense 'win') in global market places (see, for example, Porter, 1990).

2. See, for example, Piore and Sabel (1984); Pyke et al. (1990); Saxenian (1994); Porter (1998a, 1998b); Enright and Ffowcs-Williams (2000); Becattini et al. (2003); Pitelis et al. (2006).

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