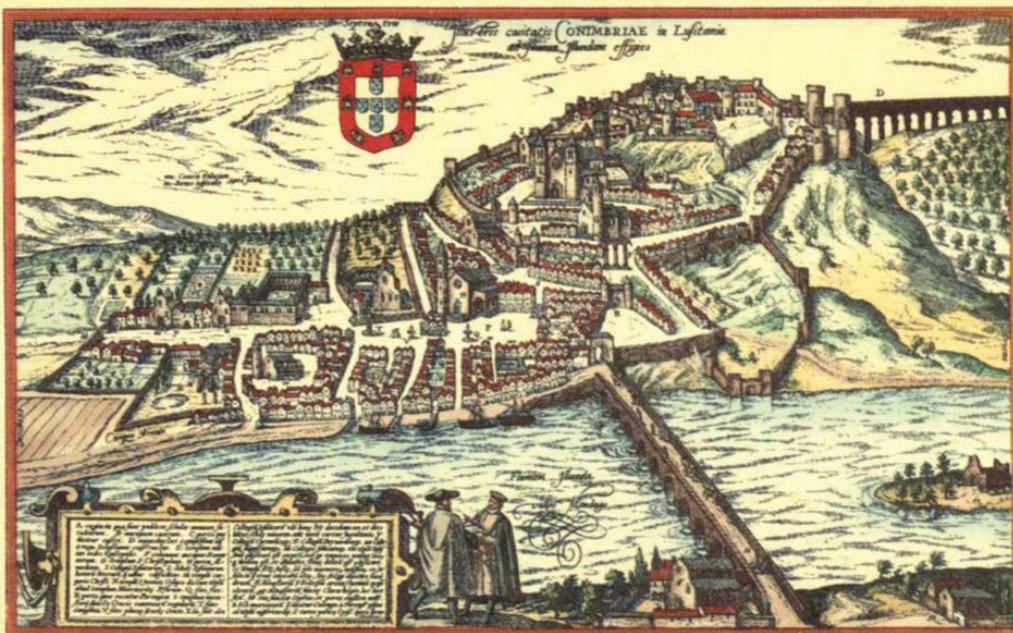


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## CAPACITY OF INTEGRATION OF THE OLD AND NEWLY INDUSTRIALIZED REGIONS IN NETWORKS

### Economic Restructuring and the Establishment of New Local Networks - the case of Castelo Branco

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#### RESUMO

O processo de integração económica definiu novas configurações sócio-territoriais como sejam a emergência de novas áreas industriais e a recuperação de outras em declínio. No contexto nacional surgem novas áreas industriais. Castelo Branco é um exemplo destas.

**Palavras chave:** Reestruturação económica. Integração económica. Desenvolvimento local. Agentes locais. Agentes exógenos.

#### RÉSUMÉ

La restructuration du processus productive détermine l'émergence de nouvelles espaces industrielles et la reconversion d'autres. Récemment, dans le contexte national, on peut considerer la présence des nouvelles espaces productives. Castelo Branco est un exemple.

**Mots clés:** Restructuration économique. Integration économique. Développement locale. Agents locaux. Agents non-locaux.

#### ABSTRACT

In present scenario of the world economy, the process of economical integration has defined a new socio-territorial configuration of which the emergency of new industrial areas and recovery of others which were in decline, are examples. In national context, we have a few examples of new industrial areas. Castelo Branco is one of them.

**Key words:** Economic restructuring. Economical integration. Local development. Local agents. Non-local agents.

In the recent context of the world economy, the process of economical integration has determined a new socio-spatial pattern. The appearance of new industrial areas and recovery of others in decline, constitutes interesting study subjects when there is the intention of analysing the new networks.

In this paper we'll try to depict one of these productive areas, Castelo Branco. It's integration in the national and international network of economical relations is a recent phenomenon, strongly linked with the industrialization of the municipality.

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So it's important to understand the new territorial relations and the new organizational forms of the productive system. The productive deconcentration has originated the development of some areas, phenomena usually connected with a net of urban centres of average dimension, easily reached and which have an internal market of reasonable size.

In the portuguese case, several factors which enable us to understand the appearance of these new spaces, have to be considered. The stabilization of the growth of metropolitan areas (which reinforced the settlement of the coast area) and the restraint of emigration, are factors of demographic order which have defined the new depiction of the national urban net. The growth of medium size cities and the changing of the settlement (translated in the decline in number and in the size of the less populated places, as well as in the growth of medium size places) characterize some of the recently industrialized areas, specially inland, of which Castelo Branco is an example.

## 1. THE PROCESS OF LOCAL DEVELOPMENT OF CASTELO BRANCO

### 1.1. The studied area

Castelo Branco is a municipality situated in the inner centre of Portugal. Belonging to NUT III Beira Interior Sul, it was integrated in the set of municipalities which were studied in a special programme for development called "Programa Operacional da Raia Central" (Fig. 1).

In the municipality the parishes of Castelo Branco, Alcains, Cebolais e Retaxo stand out. Alcains, Cebolais e Retaxo, were until a recent past, the centres of industrial employment. More recently, after the creation of the industrial area called "Zona Industrial de Castelo Branco", the municipality developed, reaching population growth rates, urban rates and industrial employment rates that never reached before.

### 1.2. Identifying the agents of local development

Castelo Branco, stand out among the set of municipalities, which form the border strip of the Centre Region, a position which was the result of the agreed action of the several intervening agents in the process of local development: local and non-local agents.

#### 1.2.1. Local Agents

In the first group, three agents should be considered: the population, the firms and the set of institutional local agents.

##### i. The Population

In what concerns the population, some aspects must be mentioned, which in the whole contributed for its role as an agent in the local development.

For decades, Castelo Branco was strongly affected by emigration, which caused an ageing of the demographic structure. From the mid-seventies, the restrictions to emigration imposed by european western countries, conditioned the exits abroad, forcing the population to

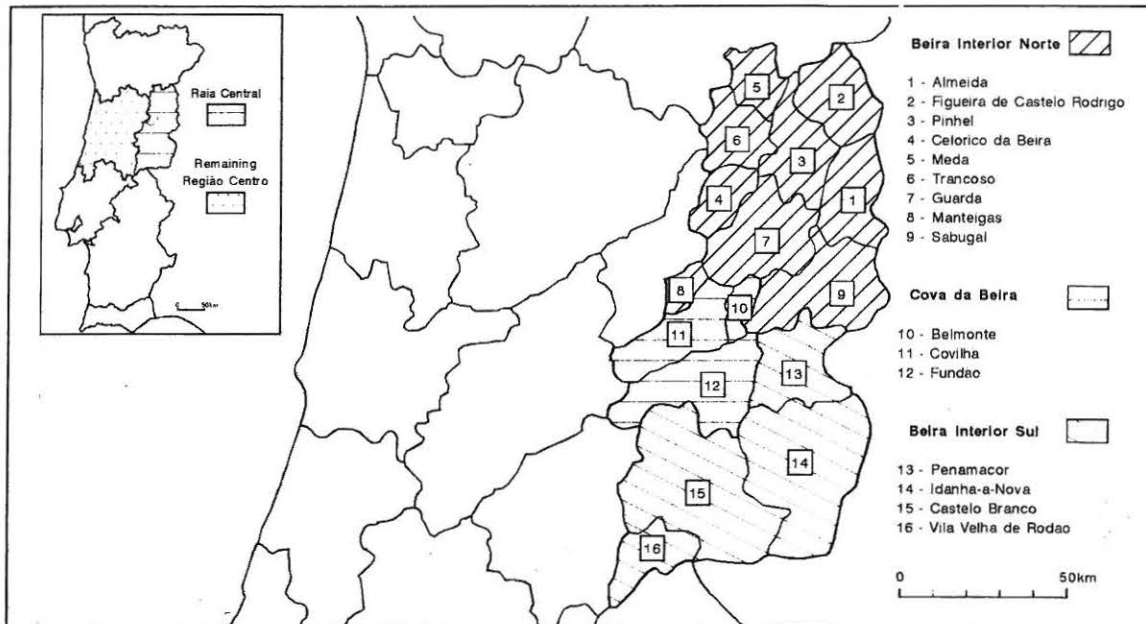


Fig. 1 - The "Raia Central"

look for employment choices in the urban centres of the region. The city of Castelo Branco had a considered growth and today it has 50.4% of the population of the municipality (27,279 inhabitants in 54,165<sup>1</sup> (Tables I and II).

**Table I - Evolution of the population**

	Evolution of the population %		
	60-70	70-80	80-91
Castelo Branco	13.7	0.9	-1.0
NUT III			
B. Inter. Norte	27.4	-4.4	-9.1
Cova da Beira	-19.6	-4.2	-6.9
B. Interior Sul	-20.5	-8.4	-5.9
Raia Central	-23.2	-5.5	-7.5
R. Centro	-11.4	5.8	-2.4
Continente	-2.6	15.6	0.3

Source: Statistical National Institute, 1960, 70, 81, 91.

In view of a new populational pattern and new perspectives of internal market expansion, the conditions to form or recover firms, mainly in the industrial sector, were created. These were the second big agents of local development.

#### ii. Firms

The entrepreneurial milieu of Castelo Branco suffered, in the last years, several changes which point, not only to a considerable increase of jobs but also to a growing importance in the regional/national context. This dynamic is quite recent as the evolution of employment shows. Nevertheless, since the mid-seventies, the number of firms linked to the several activity sectors has had a continuous growth (Table III).

This period is strongly linked to the return of portuguese people from the former portuguese colonies in Africa. This population, profiting from some capital of their own, from the facilities given by the portuguese government and the know how acquired in the countries where they had

**Table II - Some demographic rates**

	Age Levels						Emigration		
	1970			1981			Rate %		
	0-14	15-64	>65	0-14	15-64	>65	0-14	15-64	>65
Castelo Branco	22.7	63.9	13.4	19.9	63.5	16.6	112.0	25.9	3.2
B. Inter. Norte	27.5	58.8	13.8	21.8	60.1	18.1	178.2	33.7	7.2
Cova da Beira	25.5	63.0	11.5	22.1	62.7	15.3	170.0	38.0	6.3
B. Interior Sul	21.5	63.1	15.4	18.5	61.1	20.5	100.4	24.4	3.2
Raia Central	25.2	61.3	13.5	21.0	61.2	17.9	154.3	32.5	5.8

Source: Statistical National Institute.

The concentration of the population had three immediate consequences:

- it allowed its rejuvenescence, an essential phenomena in the ageing picture presented by the inland area of the country. The bigger availability of the population, younger and with a higher level of secondary education, creates a work force, which, even if not highly skilled, could have some flexibility in functional terms;

- it represented a potential for the establishment of an internal market capable of starting a set of activities which constitutes the backbone for the economical growth of the region;

- it reinforced the role of the head of the municipality, which thus exceeded its bureaucratic role, and became the centre of activities and employment.

their jobs started, developing their activities. More recently the dynamism has an exogenous nature as will be shown in 2.

#### iii. Local Institutions

The town hall of Castelo Branco is of all the local institutional agents, the one which had the most participating part, standing out for the creation and promotion of the Industrial Area of Castelo Branco. This was created in 1973, but only after 1979 the criteria for the sale of property for industrial purposes were defined. Its limits and the shaping of some aspects concerning the sale and the use of the areas are gathered in a Detail Plan.

Besides the Industrial Area of Castelo Branco exists the industrial areas of Guarda, Covilhã and Fundão. However Castelo Branco present a set of characteristics which are more favourable in comparison to the others:

- it has a favourable geographical situation, since as it is mentioned in the Detail Plan. It is well positioned in

<sup>1</sup> National Statistical Institute - non definitive results of the census of 1991.



Table III - Structure of industrial employment at opening date

	No Date %		< 1970 %		70-80 %		80-85 %		85-87 %		> 1987 %		Total	
	Est.	Emp.	Est.	Emp.	Est.	Emp.	Est.	Emp.	Est.	Emp.	Est.	Emp.	Est.	Emp.
Food/Beverage	2.2	1.0	13.1	24.4	23.9	19.2	10.9	44.1	10.9	2.4	39.1	8.8	45	959
Textil/Garment	13.6	0.0	3.7	16.8	9.9	18.4	7.4	3.1	27.2	26.6	38.2	35.2	81	2402
Wood/Cork	2.2	0.0	21.7	53.8	19.6	11.8	17.4	12.7	8.7	3.3	30.4	18.4	46	212
Paper/Printing	11.1	0.0	22.2	64.7	0.0	0.0	0.0	0.0	0.0	0.0	66.8	35.3	9	68
Chemical	0.0	0.0	25.0	31.9	12.5	13.8	0.0	0.0	25.0	25.5	37.5	28.7	8	94
Minerals n/ met	7.1	1.1	7.1	5.5	14.3	14.3	21.4	11.1	0.0	0.0	50.0	68.1	14	273
Metallurgy	0.0	0.0	54.6	60.8	0.0	0.0	9.1	2.2	9.1	4.3	27.3	32.6	11	46
Equipment/Machi	4.5	0.0	11.4	6.1	4.5	5.2	11.4	18.5	9.1	0.8	59.1	69.3	43	1787
Other industries	0.0	0.0	11.1	2.6	0.0	0.0	22.2	23.1	11.1	20.5	55.5	53.9	9	39
TOTAL Number	17	13	36	1001	33	816	30	961	39	720	113	2721	268	6232
%	6.3	0.2	13.4	16.1	12.3	13.1	11.2	15.4	14.6	11.6	42.1	43.6	100	100

Source: 1992 - Regional Centre of Employment and Social Security of Castelo Branco.

relation to the triangle Lisbon/Porto/Madrid as well as in the regional and local context;

- on the other hand it has a symbolic cost of property (1\$00 per infrastructured m<sup>2</sup>) and the biggest lots of land (at the beginning the area was supposed to be of 120 ha, but it spread to 250 ha, and its expansion into another area can be foreseen) (Figs. 2 and 3).

1.2.2. Non-local agents

In what concerns exogenous agents, these have had a special importance for the local development, since they

have played the part of catalysers in processes which were undeveloped. The state, the Economical Community and non-local big firms have been the main non-local agents.

i. State

The state, plays the part of big infrastructurer and it is the responsible for the improvement of means of communication and territorial framing. In this context Castelo Branco, keeping up with the effort done at a national level, improved its relative position placing itself nearer to Lisbon.

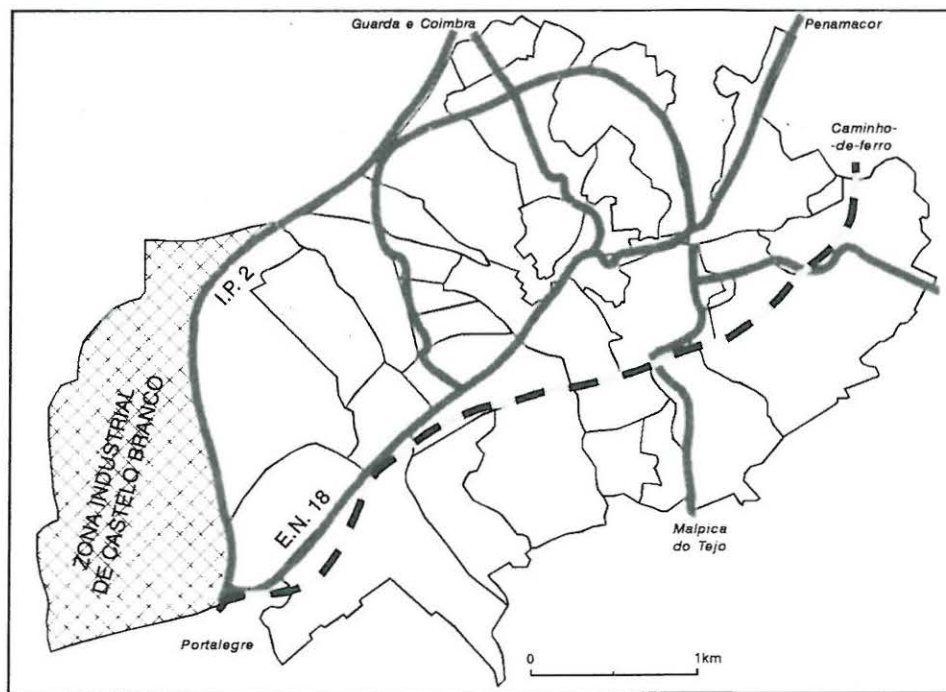


Fig. 2 - Industrial Area of Castelo Branco - Localization in the urban area

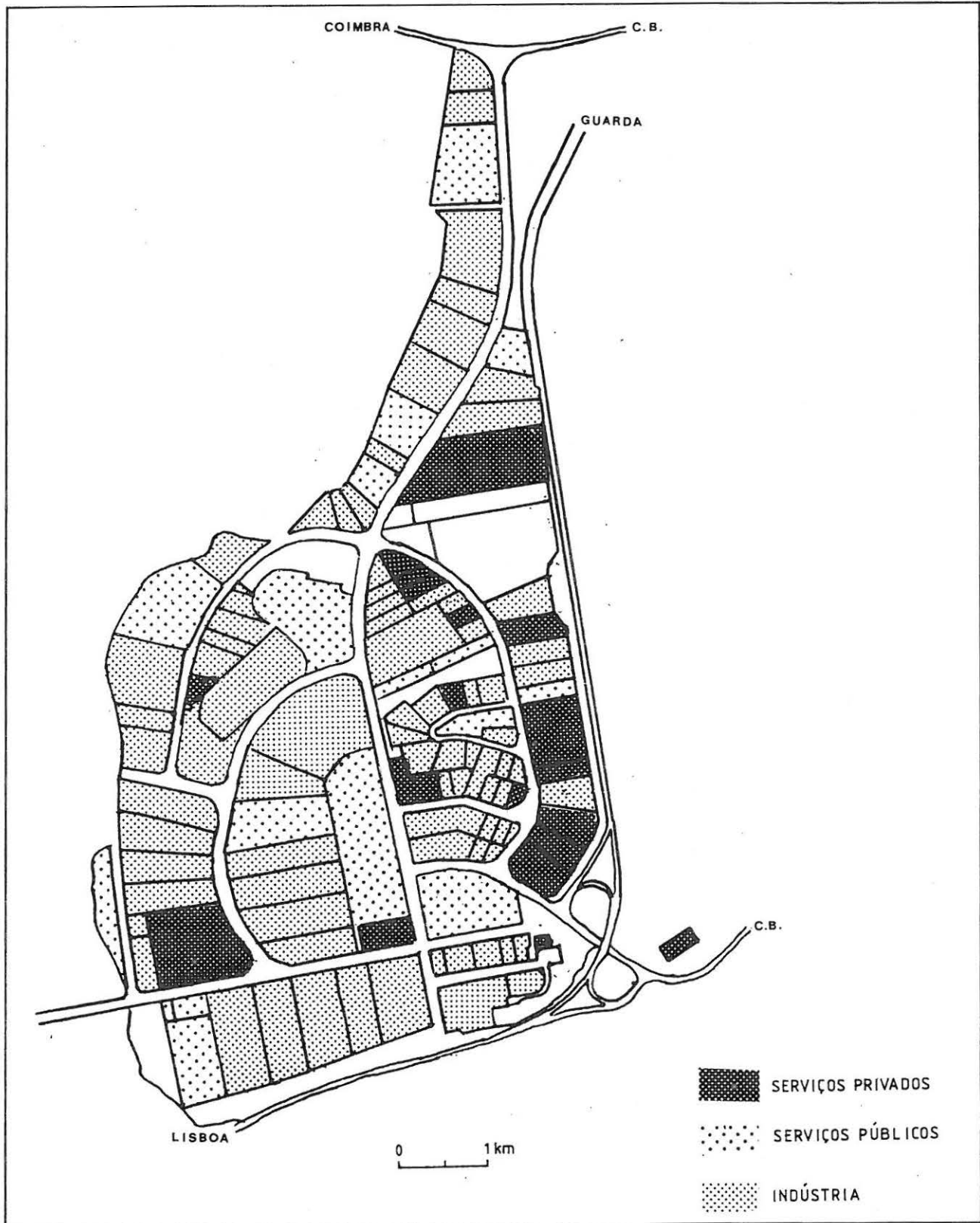


Fig. 3 - Actual and preview activities in the Industrial Area of Castelo Branco

However, it is important to finish the main (Itinerário Principal N.º 2 e N.º 6 - IP2 e IP6) and complementary (Itinerário Complementar N.º 8 - IC8) routes which will allow, in a near future, the connection to the coastal centre (where the harbour of Figueira da Foz stands out) and to the north of the country. On the other hand the improvement of communication routes values its position in the national context, since it appears simultaneously closer to Lisbon and to Spain.

#### ii. The European Community

The European Community through its several restructuring funds and the dynamization of the several activity sectors, is an agent of vital importance in the studied area.

An interesting aspect which stands out and which shows the individuality of Castelo Branco in the context of the region where it's framed, is the type of application of the amount invested, mainly the incentives to industry and services. Although the invested amounts are much higher in Covilhã than in Castelo Branco, it's impact, in what concerns the creation of new jobs, favours the second (50% of the jobs created between 1987 and 1992). So in regional terms, it's impact is quite superior, because it shows the creation of new firms while in Covilhã (by tradition an industrialized municipality) the funds were mainly used to recover industrial firms connected with the crisis in textile and wool manufacturers.

#### iii. Foreigner Capital

Foreign firms are responsible for the biggest share of employment created, thus forming for this reason, a important indicator in the local development process, as will be shown in II.

## 2. LOCAL PRODUCTIVE STRUCTURE: RECENT EVOLUTION<sup>2</sup>

Although the number of firms created in the municipality until 1970 was reduced, these stood out in the national context. Firms situated in Alcains, Cebolais and Retaxo, in the food, clothing and textile sector are to be made salient. These firms were originally linked to local family structures and in their whole represented almost the total industrial employment in the municipality and their production was meant for the national and international market.

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<sup>2</sup> To characterize the productive structure of the municipality interviews were done to firms which represent about 70% of the employment in the manufactured industry and building companies. There were still done interviews to the main firm which render services (Public sector, banks, insurance companies, entrepreneurial and commercial association and other firms connecting with the production services).

During the 70s the situation changed considerably. As in the rest of the country, the pulverization of small and medium sized firms featured the new productive context. Former employees, young entrepreneurs and, as it has already been mentioned, people from the former portuguese colonies, define the new entrepreneur's profile. The business activities are a continuity of the ones existing in previous decades (mainly food and clothing), featuring, still the development of building companies and the production of equipment to produce cold systems. The growth of building companies, is shown not only in employment but also by the increased number of small firms which are pointed out as an indicator of dynamism at several levels. The organizing structure of the firms created during the 70s with rare exceptions, is family type, of small dimension and aiming at the local and regional market.

In the period after the 80s, stand out the period from the second half till today. According to data supplied by the Centre of Regional Employment and Social Security (1992), about 56.7% of the firms were formed after 1985, thus being 55.2% of industrial employment. The branches which had a bigger expansion were clothing and equipments (in particular equipment for refrigerators, air conditioned, cables and others) and metal structures for building companies.

Trade and services also expanded specially the services connected with the productive sector. Although of a small size have invaded the market with new choice opportunities.

## 3. SOME ASPECTS OF THE LOCAL DEVELOPMENT PROCESS

To talk about the changes, which are a direct consequence of the development process described in II, implies to talk about the contradictions of the same process. In what concerns the recent industrial growth, the following aspects must be pointed out:

- the weight of bigger-sized firms which raises the question of employment dependency in partial and in global terms, fact which is associated with the reinforcement of skills in the cold systems, clothing and more recently assembly cable branches;

- the increasing importance of subcontracting which in its different forms may be considered an integration factor or on the other hand as an industrial enclave;

- the reinforcement of sectors on which the cheap, young and mainly feminine labourers, can be the element in which competitiveness is based (this feature is linked to the previous one);

- the entrance of foreign capital simultaneously with the concession of funds through the several community programmes;

- the presence of some firms which have a low intensity of multiplying effects in local firms.



Of all these features, subcontracting must be mentioned, since it's a phenomenon which has increasing importance since the 80s. This can be observed in Castelo Branco and it's closely linked to the textile, clothing and shoes manufacturing sectors, as well as to the cable sector.

We can find two types of subcontracting: the conjunctural and the structural subcontracting<sup>3</sup>.

The firms only use the first when there is a strong variation of demand levels or when they present a technical incapacity to supply an order. They are mainly firms connected to non metallic mineral products or cold systems components.

Structural subcontracting has a bigger importance it is linked in a more obvious form to the division of the productive process. In Castelo Branco it has two different shapes: it is either associated to the implementing of international nets of firms or it corresponds to a structural need to complete production stages which the firms lack.

The subcontracting in firms which are a part of international nets is linked to clothing, shoes and cable sectors, and it restrains to the stages of the production process with a higher number of labourers. In the shoe manufacturing, a foreigner firm in Castelo Branco hires independent workers, living up to a distance of 40 Km, who perform at home the stage of "sewing by hand". In clothing and cable sectors subcontracting is not at home but done to firms in the same sectors, which in many cases, only work for the firm which subcontracts them. They are highly dependent since the hiring firm not only ensures the delivery of raw materials but also collects the manufactured goods produced in these subcontracted plants.

Apart from this we also find some firms from Castelo Branco which manufacture for the foreign markets, mainly for the Spanish market and it is the hiring firm which supplies the raw material and determines the type of manufactured goods. This is a feature of the clothing sector where these firms which work for multinational firms or for big Spanish firms, depend on the variation of demand in the international market, since the percentage of production for other national clients is either reduced or non-existent.

Thus, although subcontracting may be pointed out as an indicator of the new organization of the productive system. This is linked to firms which, in spite of presenting a flexible organization, use processes which are mainly fordist (assembling nets or chains) showing the coexistence of different organizational and productive systems.

The subcontracting of firms which allow the integration of production stages is mainly linked to the textile sector. The subcontracted firms are situated in the region and this hiring process has some tradition in the region. Thus subcontracting may be considered a positive factor which

promotes the horizontal integration between firms contributing for the formation of a local net of firms.

In opposition subcontracting linked to the implementation of international nets of firms does not promote the integration, since hiring companies organize themselves according to a reduction of production costs policy, with reduced local multiplying effects (no bought of raw materials, the manufactured good is exported and there is almost no need to use local service firms).

#### 4. PERSPECTIVES

To foresee the future of an area as Castelo Branco is not very simple due to the contradictions mentioned in III. Nevertheless the consequences weren't only at the level of economical nature, they also promoted the depiction of a new employment opportunities implied the settlement of population and the appearance of new social and professional groups who have new consumers patterns and who have changed the morfo-functional structure of the city.

The present dynamism implies an answer from the several promoting agents of local development. The urban community in its search to adapt to the new population demands, has planned the building of leisure area, the development of actions connected to tourism and the support of actions to recover cultural and historical values.

Other agents to be considered are regional associations which today have a reduced size but form active elements of the productive structure. Of the whole the Entrepreneurial Centre of the Region of Castelo Branco (Núcleo Empresarial da Região de Castelo Branco - NERCAB) stands out. This Centre was formed in 1987 with the aim of promoting the economical activity, the Entrepreneurial associations and the regional development in the district of Castelo Branco<sup>4</sup>. This regional centre, as many others which were formed in several areas of the country, may be a true agent of local development since it establishes the link between the entrepreneurs and the central government, the autarchies, the university and other associations which in a direct or indirect way, are involved in the local development process. From advising to training, several are the fronts in which the Entrepreneurial Centre of Castelo Branco acts, but it is urgent to promote a better articulation of all efforts and possibilities offered by the remaining institutions so that its participation will be strengthened.

Another agent which may strengthen its role is the set of higher educational institutions. These are represented by the Polytechnic Institute of Castelo Branco, by two private higher education schools and by the other

<sup>3</sup> M. MARQUES (1992) - *Subcontratação e autonomia empresarial - Um estudo sobre o caso Português*, ed. Afrontamento, Porto, 232 pp.

<sup>4</sup> NERCAB had, in January 1992, 142 members, the majority of which was formed by entrepreneurs from Castelo Branco (70%) and from Covilhã and Fundão.



educational and professional schools. Its impact has been, until today, very scarce since the articulation of the new needs of productive structure with the educational and skilled needs has not found a complete answer. The structure of the given courses presented itself, until recently, strongly vocationed to the agricultural activity and to the development of skills for teachers, having less weight the skilled areas in the industrial and management sectors. Today the institutions have adapted to the needs of the local economy, so that these may be important agents to the development of economical structure<sup>5</sup>.

In what concern the productive basis, although some negative features are acknowledged in the industrial structure of Castelo Branco (linked to the presence of foreign firms which root their competitiveness in the uses of labourers and in the low costs of placement and production) the existence of a set of firms of quite a reasonable size and which have a local origin musn't be forgotten. These are

integrated in the national and/or international markets showing a rather competitive capacity. On the other hand some firms of foreigner capital which produce multiplying regional effects overpass the creation of employment: they use local raw materials (which is the case of milk and its derivates and sands).

So all these firms may role an important part in the consolidation of the productive local structure and in its integration in the relation nets which underly the internationalization of capital and the world-wide economy.

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<sup>5</sup> The case of the High School of Management and Technology, a branch of the Polytechnic Institute of Castelo Branco, in Idanha-a-Nova with courses in management.