ABC Region: Examining Local Government Responses
to De-industrialization and its Related Impacts

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Introduction

Using a biophysical framework of analysis, this paper investigates the interconnections between the political, economic, social and environmental aspects of the de-industrialization of the ABC Region. Particular focus is given to the automobile sector and the responses of civil society and local government to the regional impacts of de-industrialization brought about by global forces. Questions about the role of social networks and the efficacy of government responses are addressed in the paper’s conclusion.

1.0 Biophysical factors and early industrialization of the ABC Region

Approximately two million people live in the ABC Region (Rodriguez-Pose et. al., 2001, 460), and since the 1950s it has been one of the most important industrial development poles in Brazil (Van Horen, 2001, 212). The ABC Region is located in the south-east portion of the São Paulo Metropolitan Area and is bounded to the south by large reservoirs and to the south-east by the Serra do Mar Mountains that mark the end of São Paulo’s plateau (French, 1992, 69). The Billings Reservoir is one of the major water sources for the area and provides water to approximately 1.2 million people (Van Horen, 2001, 210). The municipalities of Santo André, São Bernardo do Campo and São Caetano do Sul together originally comprised the A, B, and C of the ABC Region. Subsequently, the ABC Region has grown to include four immediately adjacent municipalities: Diadema, Mauá, Ribierão Pires, and Rio Grande da Serra (Van Horen, 2001, 211) as depicted in Figure One (next page).
The installation in 1867 of São Paulo’s “coffee railroad” passed through São Bernardo do Campo which at that time was a “sprawling and sparsely settled parish” (French, 1992, 19). The railway, connecting São Paulo to the port at Santos, stimulated economic activity in São Bernardo do Campo and the location of the two closest railway stations to the city of São Paulo became the future industrial districts of Santo André and São Caetano do Sul (French, 1992, 19). Industrial concentration in the ABC Region began at the turn of the last century with the establishment of two textile factories that together created employment for 10% of the region’s population of 10,000 (French, 1992, 19). Subsequent government investment in infrastructure helped to accelerate the industrialization of the ABC Region, particularly the installation of the highway system, or “Anchieta,” that linked São Paulo to the Port of Santos (Klink, 1999, 326). The highway played a crucial role in the transportation of equipment necessary for the various stages of industrialization in the Region (Klink, 1999, 326).
2.0 The automobile manufacturing industry and the rise of the labour movement

In the 1950s, the population of the ABC Region reached 46,000 people (French, 1992, 83), and new automobile manufacturing firms such as Mercedes and Volkswagen started to build green field plants on or near the main road that ran through São Bernardo do Campo, linking São Paulo and the Port of Santos (Humphrey, 1982, 128-9). During the 1960s, the population of the ABC Region grew rapidly to meet the labour demands of the region’s expanding industries (Humphrey, 1982, 52). This time period is concurrent with Brazil’s urban transition ((UN World Urbanization Prospects, 2005) and demographic shift (Luna and Klein, 2006, 162-3). By the 1970s, employment in the ABC Region’s metalwork trades alone reached 191,792 people (Humphrey, 1982, 52). The gain in industrial labour employment reflects the scaling-up of industrial manufacturing plants that employed approximately 300 workers in the 1940s (French, 1992, 251) and reached over 1,000 workers per facility in the 1970s (Humphrey, 1982, 51). During this period, the auto industry was characterized by large establishments in the ABC Region with a concentration of production among several foreign owned firms including Volkswagen, General Motors, Fiat and Ford (Humphrey, 1982, 52; Klink, 1999, 326).

Auto-workers working in the ABC labour force enjoyed a mean annual wage twice that of other industrial sectors such as chemicals, plastics and construction (Humphrey, 1982, 54). Nevertheless, an uncontrolled urban sprawl resulted in “tens of thousands of workers (who) lived in wretched housing without water, sewers, streets, electricity, bus services, clinics, markets, libraries, recreational facilities or other amenities” (French, 1992, 271). In 1974, the metalworkers, a part of the automobile manufacturing industry, from Santo André, São Bernardo do Campo and São Cataeno do Sul joined together to seek a recovery of wages of 28% to compensate for increases in cost of living expenses of 46% (Humphrey, 1982, 131). This
protest was stimulated in part by high levels of profitability being realized by the automobile factories (Humphrey, 1982, 131) and a restrictive salary policy imposed by the national government that prevented productivity gains from being passed on to workers (Luna and Klein, 2006, 44). Protesting workers were repressed through the use of police and military force (Humphrey, 1982, 54). In 1978, a massive strike of more than 300,000 workers (French, 1992, 283) was initiated in the ABC Region (French, 1992, 1). This time it was met with military tolerance (Luna and Klein, 2006, 23), triggering the rise of what in the 1980s became recognized as the emergence of the industrial working class as a dynamic social and political force (French, 1992, 282). In 1979, following the successful uprising, leaders of the labour movement, the popular church, academics and others formed the Partido dos Trabalhadores or PT political party (Chilcote, 1994, 137-8; French, 1992, 282). This party enjoys national leadership today.

3.0 De-industrialization: economic contraction and related impacts

As early as the 1970s, the advantages of large industrial complexes located in urban areas, such as automobile manufacturing plants located in the ABC Region, began to diminish (Rodriguez-Pose and Tomaney, 1999, 482). The benefits of access to a skilled labour force were not able to compensate for the higher costs of doing business and firms began shifting their business to areas outside the Region (Rodriguez-Pose and Tomaney, 1999, 482). This out-migration of industrial investment was accelerated in the 1980s and 1990s as the Brazilian national government moved to open the economy to competition (Rodrigues-Pose and Tomaney, 1999, 484). The “large growth in flows of foreign direct investment … and a shift to more integrated forms of international production on the part of transnational companies,” accompanied by accelerated technological changes and a shift to knowledge-based forms of production
(Rodriguez-Pose and Tomaney, 1999, 480) rendered the automobile manufacturers that had established factories in the ABC Region uncompetitive (Rodriguez-Pose and Tomaney, 1999, 485).

Four factors can be attributed to the loss of the ABC Region’s competitiveness. First, and most importantly, labour costs reached nearly double those of other areas (Rodriguez-Pose and Tomaney, 1999, 487). Second, low productivity of automobile manufacturing plants that were built in the 1950s and 1960s could not effectively compete with the increased levels of mechanization, such as the use of robotics, in new, modernized plants (Rodriguez-Pose and Tomaney, 1999, 487; Rodriguez-Pose et. al., 2001, 464). In most cases, it was more costly to upgrade an exiting plant than to build a new one on a green field site (Rodriguez-Pose and Tomaney, 1999, 487). Third, the power of trade unions, which played an important role in resisting the oppression of the military regime, was seen as a disincentive to foreign direct capital investments for fear of work disruptions and associated costs (Rodriguez-Pose and Tomaney, 1999, 488, 492; Rodriguez-Pose et. al., 2001, 464). Finally, diseconomies of urban agglomeration including issues related to transportation congestion, air pollution, and high land costs acted as a disincentive to plant location decisions within the area (Rodriguez-Pose and Tomaney, 1999, 488; Rodriguez-Pose et. al., 2001, 464; Klink, 1999, 326).

The result of the decentralizing industry was a reduction in the formal labour sector, an increasing surplus of highly qualified trade workers, a spread in poverty and the emergence of new forms of segregation among the middle classes, shifts in population migration and settlement patterns, and the growth of informal sector economic activities (Van Horen, 2001, 212; Rodriguez-Pose and Tomaney, 1999, 482). Employment in the metal working sector,
which is affiliated with automobile manufacturing, fell more than one third between 1987 and 1996 (Rodriguez-Pose and Tomaney, 1999, 485) and 60,000 jobs were lost in the manufacturing sector, equivalent to six per cent of the labour force (Rodriguez-Pose et. al., 2001, 465).

Unionized labour in the ABC Region has a history of strong action to protect wages, and during the 1980s, in response to the drastic losses in employment levels, the unions in the ABC Region were able to persuade employers to secure an agreement on the future of the automobile industry with support from the national and state governments, manufacturers and parts suppliers, and the trade unions themselves (Rodriguez-Pose and Tomaney, 1999, 492). It was signed in 1992 and renegotiated in 1993 and covered a wide range of restructuring strategies aimed at stabilizing conditions for the industry including: price reductions, tax arrangements, and a wages accord. A period of stabilization was achieved (Rodriguez-Pose and Tomaney, 1999, 492), but it was clearly not sufficient to stem the tide of change brought about by the opening economy and global market forces.

The closure and re-structuring of traditional manufacturing firms also provoked social problems (Rodriguez-Pose et. al., 2001, 463). The ABC Region had been among the wealthiest areas in Brazil with some of the largest motor vehicle assembly companies and a dense network of local part suppliers and a well paid work force (Rodriguez-Pose et. al., 2001, 464). Although employment in the service sector had been rising during the de-industrialization period, the associated income and employment generation had not been sufficient to compensate for the losses (Rodriguez-Pose et. al., 2001, 465). Furthermore, the reduction in value-added generation of tax remittances by the municipalities in the ABC Region meant that state fund transfers, which were tied to the remittances, were also reduced (Rodriguez-Pose et. al., 2001, 466). The
resulting reduction in municipal revenues from the state transfer funds placed constraints on municipal budgets to invest in infrastructure improvements and initiatives to mitigate the impacts of a declining industrial employment base (Rodriguez-Pose et. al., 2001, 466).

Local authorities in the ABC Region were, therefore, challenged by dwindling resources and pressing infrastructure problems such as poor maintenance of roads and a congested road system; needed upgrading of water supply systems; high levels of pollution, most of which was industrial based; and localized flooding, including on highways, resulting from poor drainage systems (Rodriques-Pose and Tomaney, 1999, 493). In addition to infrastructure challenges, approximately ten per cent of the ABC Region population was now living in favelas, or slums, with extremely poor servicing, and the local governments faced significant challenges regarding upgrading of services to these areas, including provision of educational, recreational, and health facilities and programs (Rodriguez-Pose and Tomaney, 1999, 493). The majority of new low-income housing construction was self-help in nature, occurring in the favelas and informal settlement areas (Van Horen, 2001, 212). These settlements violated municipal land use and environmental legislation and were deemed to be unhealthy living environments with low levels of physical and social services (Van Horen, 1999, 212).

4.0 Coordinated response efforts by local governments in the ABC Region

In response to these challenges, local governments turned to strategic partnerships aimed at revitalizing the Region as the preferred approach to tackling economic decline (Rodriguez-Pose et. al., 2001, 466). In 1990, at the same time as agreement was being reached by the unions and the automobile manufacturers, noted above, the municipalities of the ABC Region formed the Inter-Municipal Consortium of the Greater ABC Region (Rodriguez-Pose et. al., 2001, 466).
This was an informal consortium of the mayoral leadership of the municipalities focused on maintaining the ABC Region’s dominance as an economic centre through the use of coordinated strategies (Van Horen, 2001, 211). It represented a form of local cooperation for empowerment (Rodriguez-Pose et. al., 2001, 466).

This path reflects a similar outcome to what Beal observes as an impact of decentralization on local government which is an increased interest in the development potential of social networks and community level organization for urban management and local governance (Beal, 2001, 1015). The 1988 Brazilian constitution has given municipal government independent legal status and greater tax and expenditure functions (Rodriguez-Pose et. al., 2001, 461). In fact, adoption of the 1988 constitution has made Brazil one of the most decentralized countries in the world in terms of the distribution of its fiscal resources and political power to sub-national governments, especially the state level, resulting in major political and financial importance accruing to state and municipal governments (Souza, 1996, 529, 532). Therefore, local and regional government responses can be viewed as partly related to a need to secure revenues and partly related to an opportunity to attract new resources (Rodriguez-Pose et. al., 2001, 460).

A network economy rooted in regional production systems started to gain prominence, and the Inter-Municipal Consortium of the Greater ABC Region pursued the integration of traditionally fragmented sector-based strategies (Rodriguez-Pose et. al., 2001, 466). In 1992, the Inter-municipal Consortia partnered with the Forum on Local Economic Development, an initiative established by Santo André in 1991, to host “Forum ABC no ano 2000” (ABC Forum for the year 2000). The outcome was a letter of intent identifying several points of agreement regarding a regional economic revitalization strategy. However, moving to action proved difficult due to
political tensions among the local government leaders that ensued between the years 1993 and 1996 (Rodriguez-Pose et. al., 2001, 466). During this same period, however, a civil society movement emerged under the banner “Forum da Cidadania do Grande ABC” (Citizenship Forum of ABC), comprising associations of private entrepreneurs, trade unions, ecological proponents and community groups (Rodriguez-Pose et. al., 2001, 466). This initiative was able to step past individual municipal concerns and maintained some momentum toward the goal of strengthening the economy.

In 1997 with the election of new mayors in the ABC municipalities that were mostly representatives from the PT party, a revitalized inter-municipal consortium was formed under the auspices of the Council of the Greater ABC Region (Klink, 2006; Rodriguez-Pose et. al., 2001, 466). This newly formed organization included a role for more local participation and sharing of power. In addition to the seven mayors of the region, the Council included the State Secretary for Science and Technology and leaders of the Citizenship Forum of ABC that included community, trade union, and private sector business representatives (Rodriguez-Pose, 2001, 466). The Council of the Greater ABC Region remained active until 2001, establishing regional priorities for economic development under the joint leadership of the Council’s Chair, Mayor Daniel from Santo André and Governor Covas of the State of São Paulo (Klink, 2006).

The political power of state governors and municipal mayors is extensive under the new decentralized system brought in by the 1988 constitution (Rodriguez-Pose et. al., 2001, 461). This means that political alliances among mayors and with the state governor influence outcomes of cooperative efforts. Party politics played a role in enabling the formation and activity of the Council of the Greater ABC Region (Klink, 2006). Although from different
political parties, the Mayor of Santo André, a PT representative, played an important role in supporting the election of Governor Covas, a competing party representative from the PSDB party (Klink, 2006). This affiliation enabled the two leaders to achieve good working relations. The deaths of both of these leaders in 2002 signaled the virtual disintegration of the Council of the Greater ABC Region which has remained relatively inactive since that time (Klink, 2006).

As a result of its affiliation with the rising success of the Council of the Greater ABC Region, the Citizenship Forum of ABC lost momentum and significance as its own entity. This represents a weakness in the overall strategy for the local government consortia and confirms observations by Beal who notes that scaled-up, community based organizations can have an affect on governance, but the challenge is to avoid co-opting community based organizations into a process that then undermines their capacity, which relies mostly on volunteers (Beal, 2001, 1019). Where community self-organization is allowed to integrate into a local government initiative, the outcomes can empower community-based interests (Beal, 2001, 1019-20); however, the challenge is to ensure that the foundations of the community-based initiatives remain intact to ensure their survival despite changes in political leadership.

5.0 Use of Consortia to address social and environmental impacts of de-industrialization

Increasing poverty resulting from de-industrialization within the ABC Region exacerbated social and environmental problems. Other consortia appeared during the late 1990s under environmental legislation introduced in 1997 aimed at giving state and local government authorities increased support in community management to resolve conflicts of interest regarding development in watershed protected areas (Jacobi, 2004, 202). A previous approach to simply prohibit occupation in watershed areas proved ineffective, and the new legislation
provided flexibility to deal with the reality of occupation in these areas. It made provision for: i) management by watershed rather than administrative boundaries, ii) co-management of water resources, and iii) introduction of a “corbanza del agua” (charge for water usage) that made it possible for residents in irregularly occupied areas to be provided with infrastructure services (Jacobi, 2004, 202). Responsibility for implementation of the legislation rests with the state and local government authorities, the latter being responsible for land use. A tri-partite approach to regularization of illegal settlement was proposed through establishment of watershed sub-committees with state, mayoral, and civil society representation (Jacobi, 2004, 203, 210). The intention was to enable management at a closer level to the actual problems within the watershed protected areas. The approach of engaging civil society should result in more effective and durable project outcomes (Yok-shiu, 1994, 32). It also represents an alternative form of institutional arrangement, called for by Yok-shiu, to enable citizen involvement for improved effectiveness in tackling interrelated issues (Yok-shiu, 1994, 33). In this case the express purpose is for improving resource management effectiveness.

Approximately 230,000 people from the ABC Region live in the Billings Watershed protected area (Jacobi, 2004, 205). Jacobi cites both a failure on the part of government regulation and citizens’ stewardship for environmental problems; noting that despite “the precarious nature of … homes and neighbourhoods, residents of poor areas frequently do not act cooperatively to address problems,” and “areas ill-suited to occupation, such as steep slopes, marshes and watershed protection areas are developed – often with poor quality dwellings and inadequate or no urban services” (Jacobi, 2004, 200-2). Despite an overall decline in population of the ABC Region between 1970 and 1990 (Torres, 2005, 2), growth in population in the watershed protected areas accelerated in the 1980s due to the “low cost” of land through its accessibility by
illegal occupation and proximity to industrial parks (Jacobi, 2004, 203). The 1990s saw some slowing of population growth in the watershed protected areas, but land invasions and the illegal sub-division of land continued throughout that decade demonstrating the impacts of social polarization and ongoing challenges with implementation of previous environmental legislation (Jacobi, 2004, 201-2). Mechanisms for protection of watershed lands are difficult to implement, exacerbated by conflict over occupation and use of land and illegal sub-division. There are also high levels of social vulnerability where violence and high homicide rates associated with drug-trafficking coupled with an insufficient police force are a problem (Jacobi, 2004, 202).

Degradation of water quality is due to survival strategies of low income families, environmental degradation caused by industrial activity, and inappropriate legislation relative to enforcement capabilities of implementing agencies (Jacobi, 2004, 210). The Billings reservoir has lost 15% of its storage capacity due to silting resulting from illegal occupation of land within the watershed protected area (Jacobi, 2004, 208). The reservoir has also lost 50% of its natural production capacity due to pollution; for example, approximately one thousand tonnes of untreated sewage enters the reservoir each day (Jacobi, 2004, 208). This highlights the need for public policies that make social inclusion compatible with environmental management (Jacobi, 2004, 210). By including civil society representation in the watershed sub-committees under the 1997 legislation, an attempt at addressing environmental challenges through a process of social inclusion was made visible. The establishment of watershed sub-committees “represents the construction of new institutional spaces for the relationships between experts and citizens, (and) between public and private sectors” (Jacobi, 2004, 210). It also recognizes the value of “community participation in the management and preservation of water resources” (Jacobi, 2004, 210).
6.0 Gaining momentum for the use of consortia

In 2005, the Brazilian government introduced new legislation called the *Law on Public Consortia* that authorized governments at all levels to form innovative inter-jurisdictional consortia for purposes of serving the public interest (University of British Columbia and Brazil’s Ministry of Cities, 2005, 1, 7). Until this time, it had been difficult to coordinate action among jurisdictions that had been characterized as being either controlled by the state in sector-focussed delivery of utility services with little accountability to municipalities or “created by groups of municipalities without senior government support” (University of British Columbia and Brazil’s Ministry of Cities, 2005, 6). The new legislation established general rules, under a permissive framework, to support the formation of inter-jurisdictional, public consortia or partnerships among national, state and/or local government authorities (University of British Columbia and Brazil’s Ministry of Cities, 2005, 7). The aim was to create more flexible institutional arrangements among governments at all levels (University of British Columbia and Brazil’s Ministry of Cities, 2005, 8).

An important distinction from the types of consortia explored above is that the new *Law of Public Consortia* is exclusively designed for the formation of consortia among public sector agencies. Although civil society actors are able to participate in an affiliated capacity, they are not granted equal status as partners. Therefore, it remains important for the public consortia that do form in the ABC Region to purposefully seek out civil society involvement and to do so in a facilitative capacity to ensure that the organizational strength of community based organizations are not undermined. As demonstrated in the research, civil society actors have played an important role in the economic stability of the region, both facilitating agreements among employers and government agencies, as in the case of the trade union efforts in the 1980s and
early 1990s, and in terms of continuing momentum of cooperative action during periods of lapsed government leadership as in the case of the Citizens Forum of ABC in the mid 1990s.

In terms of environmental improvements, “a legalistic approach to environmental management has been shown to be ineffective” (Van Horen, 2001, 209), and new approaches to integrate the efforts of civil society as in the case of the watershed sub-committees may prove more effective. In an assessment of government intervention in illegal land supply, Van der Linden observes that housing for the urban poor “should resemble the informal solutions much more closely than has been the case… What is needed is a bridging of the gap between the legal and the illegal systems, starting with the recognition that the illegal systems have in the past achieved far more than any official initiative” (Van der Linden, 1994, 225). In terms of bridging strategies, Van der Linden proposes: i) public extra-legal models of working with and curbing negative impacts of illegal systems of occupation, ii) approving informal development by allowing “minimal norms,” iii) flexibility of legal structures to accommodate “illegal” support mechanisms that enable an incremental approach to housing provision (Van der Linden, 1994, 225). To this end, the provisions already set out in the revised 1997 watershed protection legislation explored above represent a good start and the new Law of Public Consortia should enable more effective implementation through the formation of new partnerships and institutional arrangements.

Finally, it should be noted that the jurisdictional framework in which the local governments themselves have had to operate has also been fraught with contradiction and the opportunities for creating a more cohesive jurisdictional and planning context for municipal government operation could be a very positive first outcome of the new Law of Public Consortia. For example, national and state laws prohibit municipalities from discharging wastes within the
catchment area of the Billings Tamanduatei sub-basin (Van Horen, 2001, 211). However, several municipalities within the ABC Region either have part of their occupied area or their entire municipal area, as in the cases of Ribeirão Pires and Rio Grande Serra, within such protected watersheds (Van Horen, 2001, 213). Compliance is made impossible because neighbouring municipalities outside the catchment area have passed local by-laws prohibiting the importation of wastes from other jurisdictions (Van Horen, 2001, 211). Therefore, ability to broker new institutional arrangements and agreements to resolve this type of impasse appears to be a priority.

7.0 Reflections on the role of social networks and the effectiveness of government responses

The research has demonstrated that local government response to changes in economic conditions resulting from global market forces is punctuated by fits and starts of activity in parallel with efforts by civil society actors. Politics plays an important role in local government ability to sustain action. Efforts by civil society, be it trade union negotiations with industry or citizen forums aimed at self-help, can play an important role in bridging the gaps and maintaining momentum during periods of lapsed government initiative. Government consortia also appear to be quite fragile and subject to political underpinnings. Partnerships with civil society can create resiliency to political oscillations; however, it is important to avoid co-opting civil society initiatives by ensuring that their own social networks and administrative structures remain distinct and intact. This observation points towards a facilitating role on the part of government-led consortia to enable civil society initiatives to establish sufficient capacity to ensure their ongoing performance in existing functions and initiatives.
Increasingly, consortia are being used to help address the economic, social and environmental challenges confronting the ABC Region. However, it is doubtful whether the efforts of civil society or government will be effective in maintaining the long-term viability of the automobile industry. For example, Rodriguez-Pose and Tomaney observe that in terms of economic development, the Council of the Greater ABC Region may be more successful in focusing on a transition strategy to enable future development of emerging economic activity catering to business and financial sectors (Rodriguez-Pose and Tomaney, 1999, 494). To address social and environmental challenges there appears to be two important factors for consideration of effectiveness. The first is the important role of social networks and informal arrangements and the potential for public consortia to help enable their use in affiliation with cooperative government initiatives. The second is the opportunity to resolve contradictions and related challenges of a complex legalistic and institutional framework among existing levels of government. The research has drawn attention to the potential for improved government effectiveness through a strategy of working with civil society. And this should be reflected in the approach adopted by local government to the formulation of public consortia. Neither government nor civil society working in isolation seems to be as effective as when the two are linked through cooperative effort.
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