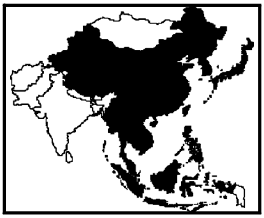

From global intercity competition to cooperation for livable cities and economic resilience in Pacific Asia

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1. Pacific Asia is defined here in geographical terms to consist of East and South-East Asia, Japan, North Korea, South Korea and China, including Taiwan and Hong Kong.

SUMMARY: *The Pacific Asian urban transition is part of a process of globalization that is pitting city against city during intensifying games of competition for internationally footloose investment. The major dilemma posed by this form of globalization is how to make cities more livable and environmentally sound as vagabond capital demands higher levels of subsidies and giveaways, and lower impositions of environmental costs on business. Intercity cooperation within and among nations is proposed, to overcome the "grow now, clean up the environment later" syndrome, by using livability as a means of securing global investment and gaining greater local economic resilience.*

I. INTRODUCTION

THE TWIN PROCESSES of globalization and rapid urbanization continue to transform all dimensions of economic, social and political life in Pacific Asia.(1) In several countries, they have helped to achieve high rates of economic growth with rising per capita incomes and new patterns of consumption linked to world consumer markets. Affluence and increased access to global sources of information have also combined with the rise of civil society to create unprecedented success in political reform towards democratic governance.

There are nonetheless a number of undesired elements of globalization that have emerged over the decades. Its spatially polarizing effects have concentrated benefits of economic growth in a handful of cities, while provincial towns and rural regions have experienced slow growth or stagnation, with economically debilitating population losses in some regions. Pacific Asia's urban transition is now the most intensive in the world. Cities in East and South-East Asia will gain 700 million people between 2000 and 2025. Most urban growth is concentrated in a small number of metropolitan regions, usually capital-city regions. Recent estimates of these mega-urban agglomerations in Pacific Asia show populations crossing beyond the 25 million mark in several countries.(2)

Environmental degradation, intense crowding and congestion, and other attributes of polarized growth that threaten the livability of cities, but have been downplayed as inevitable consequences of rapid economic growth, continue to worsen.(3) The provision of basic community infrastructure, including environmental infrastructure and services, has fallen further behind needs and standards.

Economic crises are also more profound in their impacts. Although frequently experienced in the past, economic crises over the past 30 or 40 years in Pacific Asia were usually relatively short-lived and far enough apart in time to allow most affected economies to recover. Since 1997, however, compounding global economic and political crises have hit Pacific Asian countries with repeated shock waves year after year. Seemingly random, the crisis-upon-crisis experience is now a pattern, intricately part of the globalization process that is, itself, moving towards greater concentrations of economic power and greater local turbulence.

A major source of the turbulence is at the global scale rather than in the countries themselves. Much of the swing in local fortunes has to do with the heightened mobility of "vagabond" capital that finds highest returns by accelerating the velocity of its circulation through time and over space. Unlike a few decades ago, when trade could still be said to be among nations, the global economy is now integrated by flows of resources, goods and services within very large-scale transnational corporate networks. At least two-thirds of world trade takes place within these networks, in which prices are based not on free markets at arm's length but, rather, on contracts, licensing, monopolistic control of distribution and internal prices devised to transfer the accounting of revenues to tax havens.(4) Along with the expanded globalization of finance capital through deregulation of developing country banking systems, which has taken place in Asia only since the mid-1990s, the capacity of corporations to switch investments rapidly over space has become a major factor in local instability.

The most startling recent episode in the geographical switching of investment occurred in late 1997 when billions of dollars were shifted out of Pacific Asia almost overnight, causing the greatest economic collapse of export-oriented economies since independence from (semi-)colonial rule.(5) This has been followed by a steep drop in foreign direct investment (FDI) in South-East Asia in favour of China, while investment into North-East Asia (Korea and Japan) has been principally in the form of buying bankrupt local firms at bargain prices. The subsequent evaporation of much of the "dot.com" economy further undermined the electronic component economies of Pacific Asia. With the US economy already in recession and the September 11 terrorist attack on the World Trade Center, which epitomized the spaces of global flows of capital, the double crisis of 2001 reverberated throughout Pacific Asia. Unemployment rates in Singapore, for example, are now at an all-time high.

Global crises are abetting the concentration of capital into fewer and fewer global corporations. As local corporations go bankrupt, as has been the case particularly in Korea and Japan, they are being acquired and integrated into larger enterprises headquartered in the high-income countries or being sold off and eliminated altogether. This is reflected in Figure 1, which shows that the buying of firms across international borders now accounts for approximately 80 per cent of all merger and acquisition (M&A) activity. This is a pervasive trend in all major sectors, from agriculture to industry and higher-order services.

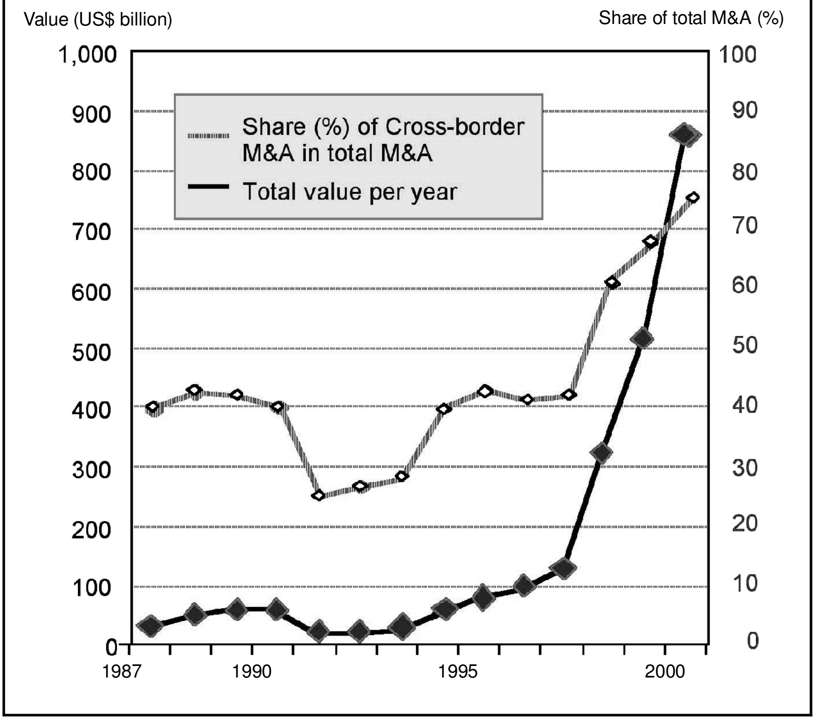
Although seemingly extending the fixed capital stock of transnational corporations (TNCs), this M&A activity is directed towards consolidating capacities to downsize global employment in a given sector, to reduce the number of competitors in the market, and to gain greater leverage over distribution channels linking local production with final consumption in North America and Europe.(6) Predictions are being made, for example,

2. In Japan, the close to 40 million people now living in the greater Tokyo region of Kanto account for almost one-third of the national population. Nearly half of Korea's population resides in Seoul, which hosts 95 per cent of corporate headquarter functions in Korea (see Kim Won Bae (1999), "Urban dynamics in Pacific Asia and the future of Korean cities", 16th Pacific Regional Science Conference, Seoul, July 12-16; also Douglass, Mike (2000), "Turning Points in the Korean Space-Economy - from the Developmental State to Intercity Competition, 1953-2000",Asia/Pacific Research Center, Institute for International Studies, Stanford University, discussion paper.
The Bangkok Metropolitan Region (BMR), with more than 200,000 additions to its population every year over the past two decades, has been the recipient of three-quarters of all foreign investment in Thailand (see Douglass, Mike (1995), "Global interdependence and urbanization: planning for the Bangkok mega-urban region" in McGee, T G and Ira Robinson (editors), *The New Southeast Asia: Managing the Mega-urban Regions*, University of British Columbia Press, Vancouver, pages 45-79. Other major cities in Pacific Asia display similar data and proportions. The World Bank estimates that as much as 80 per cent of Pacific Asia's GNP can be attributed to rapidly growing metropolitan regions (see World Bank (1996), "1996 regional perspectives; East Asia and Pacific", Washington DC).

3. Angel, David and Michael Rock (editors) (2000), *A Clean Revolution in Asia*, Greenleaf, Sheffield.

4. The world's 100 largest transnational corporations (TNCs) account for over US$ 2 trillion in foreign sales and 6 million foreign employees; 51 of the top

Figure 1:	Worldwide cross-border mergers and acquisitions, 1987-2000



Source: UNCTAD (2001), *Trade and Development Report 2000* (New York: http://www.un.org/publications)

that within a few years the world will have only about five major automobile manufacturers.(7) Corporations are also moving from single, vertically integrated lines of production to multi-product conglomerates, owning and controlling activities in many different sectors of a globalized economy.

With so many crises following on the back of each other over the past six years, the situation in cities in Pacific Asia is more like ripples in a single extended crisis that seems to produce yet another unanticipated cycle at every turn. A major reason for this new reality is that with the opening of national economies to all circuits of capital – trade in commodities, investment in production, financial flows – the territorial focus of economic growth is shifting downwards from the nation-state to the city regions.(8) Cities, now in cut-throat competition with cities at home and abroad, find few buffers from the turbulence caused by actual or threatened geographical switching of investment and the impacts of the economic turbulence in the higher-income economies of the world, which are their major markets.

II. INTENSIFYING INTERCITY COMPETITION

IN RESPONSE TO this situation, instead of finding ways of cooperating in order to balance the playing field between cities and vagabond capital, cities are increasingly drawn into hyper-competition with each other for

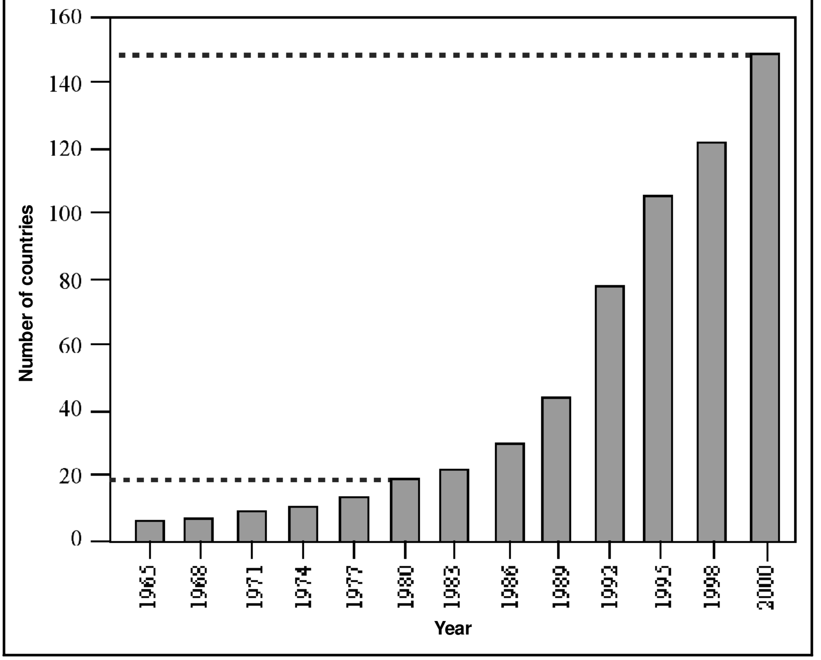
economic entities in the world are giant corporations – not nation-states (see UNCTAD (1999), "Foreign direct investment into developing Asia has weathered the storm", UNCTAD Press Release TAD/INF/2803, http://www.un.org/publications, 27 April, New York; also UNCTAD (2001), *Trade and Development Report 2000* (New York: http://www.un.org/publications).

5. From 1994 to 1997, US$ 700 billion was pumped into Indonesia, Malaysia, Philippines, South Korea and Thailand; see Kristof, Nicholas and David Sanger (1999), "How U.S. Wooed Asia to Let Cash Flow in", *New York Times* February 16, Page 1, Column 1. In late 1997, most of this portfolio investment was suddenly withdrawn in a panic following the devaluation of the Thai baht, leaving a wake of crippled economies, massive bankruptcies, unprecedented levels of unemployment and sudden pauperization of workers and segments of the middle class.

6. Rapid switching of investment over space is a growing tendency of TNCs, made possible by strategic shifts away from direct ownership of productive assets and toward control of value-added networks through sub-contracting, licensing, consolidation into name-brand distribution channels and strategic alliances with other TNCs. Cross-border mergers and acquisitions (M&As) reflect this process by TNCs divesting of lower-end production units and acquiring higher-level network-control functions (see reference 4, UNCTAD (2001)).

7. UNCTAD (1998), "New records being set in global foreign direct investment despite financial crises – some gain possible for 1998", UNCTAD Press

Figure 2: Number of low and middle-income countries with favourable FDI regimes



Source: UNCTAD (1999), "Foreign direct investment into developing Asia has weathered the storm", UNCTAD Press Release TAD/INF/2803, http://www.un.org/publications, 27 April, New York; UNCTAD (2001), *Trade and Development Report 2000* (New York: http://www.un.org/publications); and UNCTAD (2002) *Trade and Development Report 2001* (New York: http://www.un.org/publications).

global investment. The need to compete overtly has become so compelling that the past decades of non-aligned nations, anti-imperialism and national barriers against transnational corporate investment were distant memories by the 1990s. As shown in Figure 2, the number of countries promulgating favourable policies towards foreign investment has skyrocketed over the past two decades. In 1980, only 19 developing countries had regimes that were openly offering tax holidays, free infrastructure and other dispensations and subsidies to would-be international investors. By 2000, a total of 149 countries were doing so at higher levels of subsidies and relief from regulation and taxation than ever before.(9) When it is understood that cities within nations must now compete for this investment, the number of candidate locations for a given assembly plant exponentially increases. The limited competition faced by the first generations of "newly industrializing countries" in the 1970s has become virtually unlimited competition among thousands of actively campaigning sites by the dawn of the twenty-first century.

Competition among cities has potential benefits in terms of economic efficiency. Yet it has now become so high-risk and short-term in its horizons that it risks the longer-term economic resilience and viability of cities and regions. First, the fact that capital is hyper-mobile while territorial formations are geographically fixed has given global investors a significant advantage in leveraging subsidies and other benefits from localities, under the guise of choosing the best location. In extreme cases, this can negate the expected benefits in terms of employment-generation, new

Release TAD/INF/2775, http://www.un.org/publications, November, New York.

8. Scott, Allen J (editor) (2001), *Global City-Regions – Trends, Theory, Policy*, Oxford University Press, Oxford.

9. For example, in almost all Pacific Asia countries, land is made available to foreign investors in industrial zones at well below market prices – even in countries such as China and Vietnam that are instituting market land prices in cities for their own populations.

investment and local spin-off effects.

Subsidies and giveaways to investors are increasing, with actual costs of fixed investment shifting to localities. Hong Kong's "winning" a new Disneyland is indicative of these trends. With Hong Kong paying US$ 3 billion while Disney pays about 10 per cent of that level to build the amusement park, the risks of the project are overwhelmingly borne by Hong Kong; yet Disney is given 43 per cent ownership of the park and all profits from Disney trademark goods sold there go to the Disney corporation.(10) After being subsidized to an estimated US$ 100,000 per expected job, the head of Disney, in a public interview, worried that Disneyland might not succeed in Hong Kong due to the high levels of pollution from past export-oriented production, which would deter tourists from going there.(11)

Even in less spectacular episodes in Pacific Asia, public outlays are not recouped from investors but, instead, come indirectly through taxes on employees or domestic firms. Simply moving enterprises from location to location on the basis of which locality is willing to pay more than the last is questionable in terms of increasing global efficiency and prosperity.

Second, competition has led to an inefficient duplication and oversupply of infrastructure, facilities and services. To lure FDI, public finance is being shifted to mega-projects such as hub airports, high-speed trains and huge convention centres and sports complexes to host global spectacles that are used to symbolize top-level international status.(12) The construction of super-airports in Japan, Korea, Hong Kong and Malaysia is raising the issue of oversupply, with short- and even medium-term losses expected in some. Similarly, the region is filled with high-technology parks containing few enterprises, world trade centres with no tenants, and massive land development schemes with no clear prospects for future economic benefit.(13) Vietnam, for example, has constructed industrial zones to attract investors in about 30 provinces; yet 90 per cent of all non-energy FDI goes to Ho Chi Minh City and Hanoi while the vast majority of the remaining zones are heavily under-utilized or empty.(14)

Japan offers a revealing example of this trend towards inefficient oversupply of infrastructure. With the perception that Tokyo's "world city" status is being eroded by competition from Osaka and Nagoya, the government has devised a plan to integrate them all into a single world city by reducing the travelling distance between Tokyo and Osaka to one hour by magnetic-levitation linear motor railway. As explained by Ito:

"Upon completion of the linear shinkansen line, it will be possible to make Tokyo, Nagoya and Osaka an indivisible urban region... This will enable Nagoya and Osaka to perform world city functions besides Tokyo, which has long been serving as the sole world city in Japan and, as a result, the largest world city in Asia with a population of 80 million is likely to emerge in Japan in the first half of the twenty-first century."(15)

If realized, this new megalopolis will have six international airports, three major international seaports and almost all of Japan's corporate headquarters and producer services within a one-hour train ride, end to end. Some functions, particularly the seaports, are already experiencing steep declines throughout Japan as worldwide port consolidation has refocused North-East Asia container shipping on Pusan. Yet despite the high-risk replication of infrastructure through intercity competition, each city feels compelled to devote resources to very costly mega-infrastructure projects, to host segments of the world economy. This competition has no inherent mechanism for putting a ceiling on these efforts. No matter how

10. Orwall, B (1999), "Disney's Hong Kong deal is valued at over $3 billion", *Wall Street Journal*, September 15, B8.

11. *Honolulu Advertiser* (1999), "Disney treads carefully in Asia", November 3.

12. Douglass, Mike (2000), "Mega-urban regions and world city formation: globalisation, the economic crisis and urban policy issues in Pacific Asia", *Urban Studies* Vol 17, No 12, pages 2317-2337; also Douglass, Mike (2001), "Inter-city competition and the question of economic resilience – globalization and the Asian crisis," in Scott, Allen J (editor), *Global City-Regions: Trends, Theory, Policy*, Oxford University Press, Oxford, pages 236-262.

13. For example, Osaka's Rinku town and trade centre as well as Korea's monumental Saemankum landfill industrial site, equal to one-third of the land area of Hong Kong at a cost of US$ 11.4 billion.

14. Douglass, Mike, et al. (2002), *The Urban Transition in Vietnam*, Honolulu and Fukuoka: Department of Urban and Regional Planning, UNCHS.

15. Ito, Ttsuo (1999), "Making world cities in Japan", paper presented at the 16th Pacific Regional Science Conference, Seoul, July 12-16, page 6.

imprudent they might be for most cities, some will win investment and, by so doing, will raise the bar for the next round of expenditures.

Third, the heightening of intercity competition is associated with more rapid switching among regions, as localities rather than corporations bear the social, economic and political costs of relocation. The premier example of this phenomenon is Nike Shoes, which sub-contracts all of its production outside the US and has been able to switch quickly from higher-income to lower-income countries in Pacific Asia. More recently, increasing shares of enterprise M&As have moved into the sphere of portfolio investment, with companies being bought and sold for short-term investment rather than for longer-term contributions to production.(16)

16. UNCTAD (2000) *Trade and Development Report 2000*, New York: http://www.un.org/publications

Fourth, the heady atmosphere of competition is producing an overriding urgency to devote scarce public resources to economic growth through global investment, which has diverted attention away from the environment, social welfare and other social concerns. Such diversions for global pursuits are further shifting the balance away from daily living and community life spaces in cities towards economic spaces. These imbalances are accentuated by trends towards greater privatization of urban spaces, which are part of the adjustments required by the IMF for bailouts from the crises hitting the region. As a result, since 1997, budgets for environmental management and public welfare have been seriously eroded.(17) Public and civic spaces in cities are also being reduced through orientation of public expenditure towards global economic competition and through related processes such as the shift of main streets to private malls, anchored by global franchises that appear with unrelenting regularity in every mall.

17. See reference 3.

Many, if not most, cities either do not have the wherewithal to engage in global contests for investment or are too distant from major trunk transportation lines to be able to attract it. In most cases, local decision-making powers are very limited, budgets depend heavily upon revenue transfers from central governments, and personnel are insufficient in number and training. Not all cities are suffering from a lack of attention, however. Everywhere, national governments have adopted policies to steer public resources and private investment towards turning their principal metropolitan centre into a "world city", as a means of gaining advantage over competing candidate urban regions in other countries. This further promotes the polarization of the economy in these city regions.

Inefficient uses of public resources, larger subsidies at higher risks, geographical switching, and imbalances in the pursuit of social and economic objectives underlie many of the problems that cities are facing in trying to translate global linkages into local benefits. Most have become more acute following the 1997 crisis. Particularly when it is as unsuccessful in attracting investments as it has been in most cities located away from major metropolitan regions, hyper-competition adds burdens in a wide variety of areas. Observing that almost all FDI goes to only one or a few very large city regions in a given country, the "cookie cutter" model of attracting foreign investment with the same types of infrastructure and financial offerings regardless of local conditions means that, in practice, governments have no effective economic policy for most of their cities and are gambling on the success of one major world city to be the economic engine of the nation.

This putting of all eggs into one basket works against national economic resilience and fails to develop the full potential of people and the economy over national territory. The continuing spatial polarization of development throughout Pacific Asia, even in the highest-income economies of Japan and Korea, reveals the outcomes of lopsided intercity competition over national space. As major secondary regions, such as Pusan in Korea, see their mainstay industries being relocated to South-East Asia and China with nothing coming to replace them, the dis-benefits of globalization can also be high. These observations raise the question of whether cooperative engagement of cities would help to overcome the limitations of intercity competition. Among the purposes of such cooperation would be to make cities more economically resilient and livable.

III. LIVABLE CITIES

THE ATTENTION NOW being given to the idea of "livable cities" stems from the chronic degradation that cities as living spaces have been experiencing in the pursuit of economic growth and from the excessive attention given to intercity economic competition.[18] The concept of "livable city" is used here to indicate that the idea of development as improvement in the quality of life requires a physical as well as a social habitat for its realization. In this light, livable cities can be seen as resting on four cornerstones:

- Widening life chances through direct investment in personal talents and well-being. This includes health and education that can reach poorer as well as more affluent populations. It would also include the nurturing capacity of households and communities in providing havens for comfort, rest and re-invigoration, validation outside the economy and material wealth, and building social capital through daily interaction and problem-solving with others.
- Meaningful work and livelihood opportunities not only for the sake of income but, equally, as a source of self-esteem and personal fulfilment. This includes earning income-in-kind, self-employment and family enterprises, and labour devoted to the daily household needs as well as waged labour.
- A safe and clean environment for health and well-being and to sustain economic growth. Environmental degradation has become the signal manifestation of urban un-livability everywhere. In Pacific Asia, rapid urban-industrial growth has amplified all of the problems associated with deteriorating environments, including among the highest levels of air pollution in the world, unsafe drinking water, land and water pollution having both short- and long-term effects on human health, and land subsidence due to the depletion of groundwater under major cities.[19] Among the most affected are the urban poor who, unable to obtain land through private land markets, crowd into already heavily polluted, unserviced areas of cities.
- Good governance. Making cities livable is an eminently political and public endeavour that involves not just governments alone but also the engagement of community and private-sector interests. Inclusion, participation, partnerships and transparency are among the current vocabulary of good governance. Democratization and political reform movements in many Asian countries have been a vanguard in this direction.

Cutting across each of these dimensions of livability are the challenges of social and environmental justice, gender equality, poverty reduction and citizen empowerment.

18. Evans, Peter (editor) (1997), *State-Society Synergy; Government and Social Capital in Development*, International and Area Studies, University of California at Berkeley, pages 1-11; also Evans, Peter (editor) (2002), *Livable Cities? The Politics of Urban Livelihood and Sustainability*, University of California Press, Berkeley.

19. Douglass, Mike and Ooi Giok Ling (2000), "Industrializing cities and the environment in Pacific Asia: toward a policy framework and agenda for action" in Angel and Rock (see reference 3), pages 104-127.

IV. ECONOMIC RESILIENCE AND LIVABLE CITIES

THE CONNECTION BETWEEN livability and competitive advantage has become increasingly apparent. As intercity competition heightens, and with industries increasingly free to locate without reference to transportation costs, competition for investment has shifted away from conventional factor endowments such as natural resources, labour costs and past economic specializations. With cheap labour so abundant throughout the world, even comparative labour costs are not the most decisive factors in industrial (re-)location to developing countries. As the newly industrialized economies of Pacific Asia have already shown, past histories as agrarian societies gave no obvious advantages to them when they suddenly become centres of semi-conductor assembly, electronics or other light industry.

Rather than these factors, the decisive elements in international competition now centre on socially created assets such as urban infrastructure and amenities, the overall image of a nation and city, including political stability and relatively low levels of corruption, and the vitality of social and cultural life. Concerning infrastructure, as discussed above, governments are still competing by preparing industrial sites, transportation and communications infrastructure and related services that are directly provided at specific deregulated, transnationalized zones. As important as these outlays continue to be, they have become so widely available that they are losing their edge as tools for attracting investment. In 1997, for example, a major jump occurred in the number of Export Processing Zones and Free Zones, adding a substantial number to the 800 government-sponsored zones already in place around the world.[20] China alone has 124 such zones and has continued to add to its stock.[21] Yet, as noted, a high number of these are heavily under-utilized as only a few urban regions continue to account for the majority of international investment in any given country. Among the new forms of economic resilience through global linkages are: cultural and social vitality; social capital and innovative capacity; high-quality environment; low levels of poverty; amenities; participatory governance; and political stability.

Cultural and social vitality. Recognizing that even local sources of investment are now able to seek global opportunities to realize highest return, cities are searching for new ways of gaining a competitive edge in winning investment. One way is to present cities as being culturally intriguing, unique and friendly with healthy, well-educated populations. Hospitality to foreigners and an "international" flavour are important elements of cultural representations. Cities are now busy competing to host world expositions, the Olympics and other spectacular events, along with festivals and parades, with welcoming faces inviting investors to be part of the "ancient" traditions and "exotic" locales. However, when such promotions are too far from reality, investors eventually see through the simulated cityscapes and make judgements based on actual cultural vitality and hospitality.

Social capital and innovation. While cultural vitality is important in attracting investment, unless the investment increases capacities for social learning and innovation that can be translated into new, localized sources of economic growth, the same type of shallow development with high potential for sudden investment flight that has been typical in the past will continue to be reproduced.[22] Research and development capacities are heavily concentrated in the hands of TNCs, most of which are head-

20. See reference 7.

21. *Asia Pulse* (1999), "China development zones to attract more foreign capital", June 28.

22. Sachs, Jeffrey (1999), "Missing pieces", *Far Eastern Economic Review*, February 25.

quartered outside Pacific Asia. Approximately 90 per cent of all technology and product patents worldwide are held by TNCs headquartered in Europe, North America and Japan.[23] In Pacific Asia, both government and the local private sector have low levels of investment in creating the kind of technical training and social learning capacities needed in Pacific Asian cities. Increasing these capacities for innovation can lead to the creation of what Florida and others[24] refer to as "learning regions" that can create knowledge and continuously reinvent their economies.

In other words, local economies need capacities to generate continuously innovative responses to a world that is now in a mode of constant novelty, as product cycles accelerate and flexible production systems replace the fordist factory. They also need sources of innovation that are independent of transnational corporate ownership. This includes creating new technologies, new products and new organizational capacities to respond speedily to changing global markets as well as impending crises. More than just science parks or specialized technology centres, emphasis is needed on institutional innovations that create horizontal networks between, for example, universities and regional firms that benefit all participants and generate spin-off economic opportunities in the local economy.

Making technical training available to greater shares of the population is only one aspect of creating a broad social capacity for innovation. As developed by Putnam and others,[25] society-wide practices in cooperative engagement in daily problem-solving activities are the foundation for sustaining an innovative social learning process. Termed social capital, this capacity is deeply embedded in local culture and is contingent on the openness of local social and political institutions to inclusive participation. As such, building longer-term capacities for innovation rests on transforming political and social structures rather than on higher learning in technical fields alone. The vitality of social interaction in creating innovative approaches to problem-solving is thus one of a city's most important economic attributes. Its basis is in the everyday conviviality of cities as people interact, exchange ideas and cooperate with each other in their work and leisure activities.

Studies of new industrial geographies organized into production networks also find that they are held together not by competition but by the trust between the various actors who must rely on each other to coordinate production, delivery schedules and assembly activities. Such relations of trust are not ubiquitous but, rather, are found to occur in some societies and locales more than in others. The same can be said of communities and households, the bedrock of society and economy, which must also engage in reciprocal rather than competitive forms of exchange to secure the material and social means for reproducing and improving their existence.[26] Cities that nurture these relationships, rather than simply drive economic performance through hyper-competition for investment, will be the thriving cities of the twenty-first century.[27]

Environment and poverty. Cities can no longer be presented as they were a century ago, with smokestacks billowing black clouds into the air as a sign of industrial might. Rather, they are now being shown with green hills, high-technology "parks," blue skies and blue waterways. As with cultural attributes, where the reality is substantially at odds with these images, reputations will be established ultimately on the basis of the realities.

The economic and social costs of environmental deterioration are on

23. Karliner, Joshua (1997), *The Corporate Planet: Ecology and Politics in the Age of Globalization,* Sierra Club Books, Los Angeles.

24. Florida, Richard (1995), "Toward the learning region", *Futures* No 27, pages 527-536; also Storper, Michael and Allen J Scott (1995), "The wealth of regions: market forces and policy imperatives in local and global context", *Futures* No 27, pages 505-526; and Edgington, David W (1998), "'Learning regions': lessons for developed and developing countries", UNCRD Global Forum on New Directions in Regional Planning, Nagoya, Japan, 1-4 December.

25. Putnam, Robert (1993), *Making Democracy Work,* Princeton University Press, New Jersey; also Putnam, Robert (1995), "Bowling alone: America's declining social capital", *Journal of Democracy* Vol 6, No 1, pages 65-78; see reference 18, Evans (1997); and Woolcock, Michael (1997), "Social capital and economic development: towards a theoretical synthesis and policy framework", *Theory and Society* Vol 27, No 1, pages 1-57.

26. Friedmann, John (1992), *Empowerment: The Politics of Alternative Development*, Basil Blackwell, Cambridge, Mass.

27. Thurow, Lester (1999), "Building wealth; the new rules for individuals, companies and nations", *Atlantic Monthly*, June, pages 57-69.

the rise in Pacific Asian cities and, without substantial reversals of current trends, these costs to people and enterprises will be increasingly critical variables in their economic future. Urban regions that cannot successfully sustain their environments may be abandoned in favour of those with good environmental management.[28] Health impacts and the costs of urban environmental deterioration, which are now estimated in billions of dollars per year, are directly threatening economic growth. The average cost of all known pollution in Pacific Asia's metropolitan regions is estimated to be close to 10 per cent of urban GDP. Pollution levels are increasing by 10-20 per cent per year in key economic sectors. With as much as 80 per cent of Pacific Asia's expected industrial structure not yet in place, if unattended the rising costs of environmental degradation will be immense and possibly irreversible for cities and nations alike.[29]

Environmental degradation has most direct impacts on the urban poor. While poverty, when defined by basic-needs food lines, has been greatly reduced in most countries in the region, it persists in the form of high risks from environmental deterioration. Affordable housing for the poor remains out of reach even for households above nominal poverty lines. Lack of sufficient attention to the environment has seen slum population numbers living in environmentally degraded communities far greater than poverty statistics suggest.[30] Moreover, the 1997 crisis lingers in the form of homelessness and precarious living situations for large segments of the population in affected countries. Street people have grown substantially in number in cities in Korea[31] and very large homeless camps have appeared in major cities such as Tokyo, Nagoya and Osaka in Japan.

Emblematic of the crises that have swept through the region, the old and new poverty in Pacific Asian cities means that significant segments of the labour force remain without the necessary levels of education and skills to compete effectively in the global economy beyond the provision of very low-cost labour. Alleviating poverty now is a key prerequisite for cities trying to move towards higher levels of endogenous capacities for social learning and social capital formation.

Amenities. City governments now recognize that catering to the lifestyle needs of investors has become a critical consideration to be added to providing production-related facilities for their companies. As a consequence, much of the infrastructure provision to attract foreign investment into production activities is now focusing on off-site infrastructure and amenities such as golf courses, international schools for children, urban spaces with motifs from sister cities in other parts of the world, and exclusive, high-security residential communities with parks and greenery. In part, this represents heightening competition to occupy key "world city" positions, with cities advertising themselves in magazines using snapshots indicating that they have all of the public amenities required for the business and personal lifestyles of transnational investors.

Amenities for livable cities need to go beyond the specific spaces created for investors, especially if the longer-term issue of economic resilience is to be addressed. Social learning and social capital formation also require the provision of public and civic spaces where people from different walks of life can meet to discuss ideas of the day, including social and political as well as economic subjects.

Governance. Building cities that foster livability and that can also build innovative capacities for local economic growth and resilience stands in contrast to the earlier model associated with the miracle "Tiger" (aka "Dragon") economies of Pacific Asia. In that model, internationally

28. See reference 2, World Bank (1996).

29. Brandon, Carter (1994), "Reversing pollution trends in Asia", *Finance & Development* Vol 31, No 2, June, pages 21-23; also see reference 19.

30. In Bangkok, for example, while levels of basic-needs poverty (defined by income needed to purchase daily caloric intake needs) have been diminishing over the past two decades, the number of people in slums has been increasing, to exceed more than one million people by the early 1990s (see Kaothien, Utis and Witit Rachatatanun (1991), *Urban Poverty in Thailand: Review of Past Trends and Policy Formation*, Government of Thailand, National Economic and Social Development Board, Urban Planning Division, Bangkok.

31. Cha, Hak-bong (1999), "Street people relocated to temporary houses", *Chosun Ilbo*, January 5.

competitive positions were sustained under the helm of the strong "developmental state" that actively suppressed popular participation in governance. This model inhibited social learning and could only be sustained as long as labour was cheap enough to attract global branch-plant operations. "Collective entrepreneurship" through social networking was marginalized. When labour costs increased, industries were sent out of the country, to others that were still able to supply cheap labour.

The prevailing model of industrialization has been romanticized as forming a "flying geese" pattern of industrial trickle-down from Japan to the first and then to the second generation of newly industrializing economies in Pacific Asia.(32) This model imploded when Japan suddenly hit its own economic slump, provoking another element of crisis for the entire Pacific Asian region as Japanese corporations – later to be followed by Korea's *chaebol* – retrenched or went into bankruptcy and were unable to sustain production or complete development projects that had become the leading source of economic growth in other Asian countries. With little internal capacity to cover the loss of external investment, including the vast amounts of portfolio investment being withdrawn, and having low capacities to create alternatives locally, the full-blown crisis of 1997 seems to have been inevitable.

32. Yamazawa, Ippei (1990), "Economic development and international trade" (*Nihon no Keizai to Kokusai Bungyō*), East-West Centre/RSI Discussion Paper, Honolulu).

Although externally orchestrated by currency speculators, the 1997 crisis was equally the result of decades of government-business collusion, authoritarian rule and many other trends that made cities unlivable, that were ignored under the "economistic" stylization of history that extolled the "miracle" economies of Pacific Asia. In a world in which labour reserves, notably those in China, are plentiful and coming on line at a very rapid rate, this is no longer the high road for development in most Pacific Asian countries. Moreover, social mobilization against the oppressive state has effectively created a new basis for accountable, democratic forms of governance that can, at least in the longer term, create the basis for a type of international competition based on endogenous capacities to translate global investment into more economically resilient processes of development.

Political stability. Studies have long shown that one of the most important considerations of global investors is the political stability of a candidate nation or sub-national locale. In Pacific Asia, for example, the perception of political instability and corruption at the highest levels in the otherwise investment-attractive Philippines has left it well behind other Pacific Asian nations in the circuit of global industrialization for most of the past two decades. Brown-outs, traffic jams and a generally polluted environment, with huge slums and the infamous "Smokey Mountain" garbage dump of Manila have added to the difficulties the city and the country have faced in attracting investment. Since 1997, Indonesia, previously a rising star among the new generation of industrializing countries, has fallen into a precarious position as political instability and communal violence continue. In contrast, the successful transition from military to elected civilian governments in Korea, Taiwan and Thailand has probably enhanced their positions. Security, personal safety and low perception of endangerment from criminal elements are also closely related to the political image of cities.

When seen together, the new ways of establishing the basis for economic resilience and sustainability are essential dimensions of livable cities: cultural and social conviviality, expanding social capital, environmental integrity, political stability with inclusive governance and social justice, complete with amenities for living, as well as a built environment for work. None of these can be treated as short-term policy variables but are, instead, the outcomes of sociopolitical processes that have more to do with political reform, new consciousness about the environment, tolerance of differences among social groups, and setting up of institutional means to support social learning and innovation.

There is no single way to approach all the needs of livable, economically resilient cities and regions. Efforts are obviously needed across all fronts of action. However, one of the most neglected policy areas is intercity cooperation.

V. INTERCITY COOPERATION

WHILE MAJOR CORPORATIONS are amalgamating and forming global alliances with each other, and recent thinking about innovation speaks of the benefits of exchanges of ideas across institutional boundaries, mainstream literature on urban economies continues to focus singularly on competition as the prescription for economic growth.(33) In contrast to these views, the foregoing discussion has argued that the hyper-competition among cities has become excessive and detrimental to the long-term resilience and livability of city regions. More positively, building intercity networks could have significant pay-offs in raising awareness of common issues and in finding opportunities to solve contemporary urban issues. Networks could also assist in working towards agreements or guidelines on, for example, incentives that are more likely to have positive local impacts.

Given the prevailing views that exhort cities to compete against each other, little systematic research has been done on intercity cooperation. A preliminary framework for exploring the key dimensions of such cooperation is offered in Table 1. Although none of the categories is necessarily exclusive of the others, the degree of difficulty in forming cooperative relations increases from level 1 to level 4, with the latter requiring exceptional political will and circumstances.

33. Omae Kenichi (2001), "How to invite prosperity from the global economy into a region" in Scott, A J (editor), *Global City-Regions: Trends, Theory, Policy*, Oxford University Press, Oxford, pages 33-41; also Porter, Michael (2001), "Regions and the new economics of competition" in Scott (as above), pages 139-157.

Table 1: Types and levels of intercity cooperation

Type of cooperation	Sub-national	International
1. Information and cultural exchange/ friendship	Japan local government centre	Sister cities Korea Local Authorities Foundation for International Relations (KLAFIR) (Korea)
2. Infrastructure services sharing/ rationalization	Metropolitan management coordination bodies (Jabotabek, Bangkok)	International port city management agreements, Tumen river basin
3. Economic integration	Village and township enterprises with metropolitan enterprises (China)	Trans-border regions such as the Sijori growth triangle
4. Political association/ integration	Metropolitan governments Consolidated cities (Korea)	European Union

a. Information/friendship exchange

Information exchange and friendship (category 1) is undoubtedly the most prevalent and seemingly least problematic form of intercity cooperation. Examples abound and range from web site networks and occasional mayoral summits to formal councils of government that regularly meet to discuss issues of shared concern and often attempt to put forth common policy agenda. This type of cooperation has been proliferating in Pacific Asia.

Cooperation in this category is voluntary even when formally organized, and it rarely goes beyond sharing information and showing goodwill. Resolutions and proclamations may be issued but these are not binding agreements. It thus seems an easy step to take in initiating intercity cooperation. Yet in some regions of the world, notably North-East Asia, even this level can prove exceptionally difficult to realize. In this regard, networking among cities could possibly provide the lead to bridging divides that remain wide at national levels. While nations have faced diplomatic barriers to holding joint meetings, city governments have, in some instances, become the vanguard of international relations. The government of Taiwan, for example, is very limited in being able to present itself abroad but Taipei City, which practises what it calls "city diplomacy", has done so without the same type of inhibitions. Similarly, cities in Korea have been able to host representatives from cities in China and Japan in situations where national governments find this much more difficult.(34)

With globalization increasing the pressure on cities to secure a niche in the world economy, municipal governments are feeling a greater need than are national governments to foster cooperative functional and economic relations. Whether cities can move from a level of information exchange up to one of diplomacy and political agreements depends to a great extent on the relative powers devolved to them as political reforms continue in the region.

34. In 1994, a Korea Local Authorities Foundation for International Relations was established under the Ministry of Home Affairs. Its purpose is to cooperate with local authorities abroad to improve the "international competitiveness of local authorities". In July 1999, it hosted an international conference on strengthening international relationships between local governments in Korea, China and Japan (see KLAFIR (Korea Local Authorities Foundation for International Relations) (1999), Seoul: http://www.klafir.or.kr/eng/sub1/main.htm.

b. Infrastructure, facilities and services coordination/rationalization

Cities also commonly engage in cooperative relations with other cities to solve practical problems related to urban management. Economies of scale in the provision of public functions such as hospitals, airports, seaports and fire services give logic to such efforts among both contiguous municipalities and cities linked through networks, and have common issues such as port cities. In Pacific Asia, this type of cooperation has been promoted within countries through the creation of metropolitan planning and coordination boards and, at the lower end of the urban hierarchy, by placing smaller towns and their rural hinterlands under the jurisdiction of a single district or province. In many instances, however, responsibility for coordination is placed with central rather than local government, and jurisdictional powers, particularly in peri-urban areas which are now absorbing half of Pacific Asia's urban growth, are too weak to be effective.

The more successful cases have been those that have been able to establish systems of management or governance over the regions in question, as in the Tokyo metropolitan region and the capital region of Korea. But even in these cases, where rates of growth in population, industry and automobile-based transportation have been sustained at high levels for many years – as they have in every major Pacific Asian metropolitan region – the regions continue to be overwhelmed in their attempts to manage the environment, traffic congestion and urban sprawl.

Internationally, efforts are also underway to coordinate and rationalize infrastructure and services. Port cities represent one class of city that benefits from such coordination, which has already reached a high level of information exchange and organization. The World Ports Association, for example, has an Internet database for 2,863 ports in 132 countries and port authority associations are prevalent in all regions of the world. The wider question is whether such associations can help resolve the more difficult issues of which cities should be the sites for hub services and other higher-order world functions. This is particularly crucial in the current situation where there is an over-capacity of port warehousing while, at the same time, there is pressure to rationalize maritime shipping by creating larger regional hubs in a limited number of cities.

c. Economic integration

A central purpose of cooperation to integrate cities economically is to achieve complementarities in production in a manner that generates "win-win" outcomes for all. Because the division of labour has become quite marked among Pacific Asian countries over the past three decades, initiatives have been underway in key transborder regions to build these complementarities. The Sijori Triangle – Singapore, Johor Baru (Malaysia) and Riau (Indonesia) – is the most well known of these efforts. Singapore is able to sustain its service and management functions by relocating the labour-intensive industries in which it is no longer competitive to nearby provinces in neighbouring countries where wages and land costs are substantially lower. And neighbouring Johor Baru and Batam in the Riau Islands benefit economically through industrial decentralization from Singapore. A similar logic applies to the Bohai (Yellow Sea) Rim concept of integrating cities and provinces in south-western Korea with nearby cities and provinces in China.

As with metropolitan planning regions, almost all transborder regions are being created by national rather than municipal or local governments. This tends to lead to a neglect of social and environmental problems in these regions, which are typically far away from national government centres. Batam Island in the Sijori Triangle, for example, is managed by a special board appointed from Jakarta rather than placed under the jurisdiction of Riau province or having a locally elected governing body. While it has done reasonably well economically, it is deteriorating environmentally and increasingly being settled by squatters who have no access to urban environmental infrastructure or services.

Municipal governments seem to be surprisingly resistant to efforts towards economic integration within countries. Neighbouring cities, or cities and their surrounding provinces, are particularly known to see each other as rivals rather than as collaborators. As with infrastructure – and service-coordinating bodies, central governments in many countries have attempted to rationalize economic relations among constituent jurisdictions of major metropolitan regions by creating regional councils. Most have only advisory capacity. Yet the need for economic collaboration in expanding urban regions is self-evident, and efforts in this direction will undoubtedly continue.

d. Political association/integration

The form of intercity cooperation that is the most difficult to achieve is political association between cities which form entities with a higher level of decision-making power than that of individual cities. Within nations, cities tend to bypass provincial and other levels of government and interact directly with central government. In a general situation of insufficient local financial resources, the result tends to be cities becoming arch rivals, vying for central government allocations, with a marked inability to cooperate even – or especially – when located next to each other.

Weaker forms of experiment in this direction include the various metropolitan management coordinating bodies discussed above. Whilst municipal associations exist in several countries, these tend to fall into the realm of information exchange and solidarity rather than into the category of political association capable of policy-making. Even if policy-making leagues were to be formed, in most countries urban governments lack sufficient decision-making authority to make them effective.

In this regard, the recent initiative by the government of Korea to amalgamate lagging rural areas with nearby cities to form consolidated cities is promising. Some 33 cities and 32 counties were listed for amalgamation to become *shi-kun* (urban-rural) consolidated cities in 1995.[35] The purpose of this spatial reform is to incorporate economically depressed areas with neighbouring cities, which would allow for their more systematic inclusion in local development plans, a more explicit focus on extending basic infrastructure to remote rural areas, and strengthening through the combined economic potential of local cities and their rural hinterlands. Together, the designated areas comprise 26 per cent of Korea's land area, thus potentially representing a major shift in the political and administrative make-up of the nation.

35. KRIHS (Korea Research Institute for Human Settlements) (1994), "Consolidated Cities", *Space and Environment,* November, 4.

In Indonesia, the government has been developing a concept of regional clusters (*kawasan andalan*) that could move in a similar direction to that of Korea's consolidated cities. However, the country's continuing economic and political crisis has limited further development of this national spatial planning concept.

At an international level, the idea of a "league of cities" with some form of independent decision-making is a long way from any initiatives being undertaken at present in Pacific Asia. As noted, the intercity networks that are appearing remain in the realm of information exchange, knowledge production through research, and light diplomacy. Central governments continue to speak on behalf of cities, and major international agencies such as the UN and the World Bank are mandated to deal with local governments through national governments.

This brief review has been meant as indicative rather than a comprehensive coverage of the types of intercity cooperation issues and initiatives being undertaken in Pacific Asian countries. Much more research is needed to improve the classification and inventory of experiences and policy issues. In general however, it can be said that at the lower, information-exchange level of cooperation, intercity cooperation has substantially increased over the past few decades. Even the sharing of infrastructure and services has improved in several countries. Economic collaboration is also being widely promoted across international borders although it seems to remain weak within countries. There are few reference points in Pacific Asia for policy decision-making bodies among leagues of cities. As deregulation continues, issues in each of these areas are certain to become more prominent.

VI. CONCLUSIONS

AS A PACIFIC Asian network of cities emerges within and among countries,[36] the ease and frequency of interaction makes it possible for the first time to use a variety of media and venues to exchange ideas and information about shared problems and their possible solutions among cities locally and internationally. Yet, it appears that in practice these networks and the infrastructure that links them are used by cities principally to promote their individual efforts, in order to gain a competitive advantage over others. With the globalization and hyper-mobility of capital now a reality, and with more and more governments providing friendly incentives to investors, this competition is intensifying. A well-known concern about this competition is its tendency to produce diminishing, possibly negative, local returns as public resources are used to subsidize investors and environmental and other standards imposed on investors are continually lowered in order to attract and keep them.

Using intercity networks for more cooperative forms of exchange and support can potentially have high pay-offs in terms of raising awareness of issues, formulating innovative approaches to shared problems, and tapping opportunities to pursue joint policy responses to urban problems across urban and territorial boundaries.[37] They could also be used to try to limit the negative outcomes of intensive intercity competition for global investment. Through intercity agreements or guidelines that, for example, identify the types of incentives for foreign investors that are more likely to have positive local impacts, the "bidding down" process by which local governments lower standards and increase subsidies to attract investment can possibly be attenuated.[38] Putting into practice agreements on such matters can be expected to be difficult, and national governments would need to be involved in most instances. Yet, efforts in this direction need to be pursued if cities are to find ways of sustaining their economies without sacrificing their livability.

City networks in Pacific Asia and many other areas of the world are already appearing in a variety of forms. In some instances, for example in North-East Asia, urban networks are being promoted in situations where nation-states have seemingly insurmountable historical, political and diplomatic barriers that have inhibited cooperative interaction for decades and even centuries. The United Nations has also recognized the international role of cities by hosting the World Assembly of Cities and Local Authorities at the Habitat II Conference in 1996; and the International Union of Local Authorities has been gaining interest and recognition, in a more formal manner.

Intercity organizations and events can be expected to increase in number and scope as direct interaction between cities grows. Whether they can begin to develop a policy voice in the international arena remains to be seen. Yet, with globalization focusing policy attention on cities, the moment has come to promote international cooperation among cities for their mutual benefit.

36. Kim, Won Bae (1999), "Desperately seeking foreign direct investment: about-face of Korean cities", paper presented at the Third Inter-City Network Workshop on Urban Impacts and Responses to the Economic Crisis in the Asia-Pacific Region, Osaka, September 1-4.

37. Metzembaum, Shelley (1998), *Making Measurement Matter; the Challenge and Promise of Building a Performance-Focused Environmental Protection System*, Brookings Institution, Washington DC.

38. A study by the Upjohn Institute (see Bartik, T (1995), "Economic development incentive wars", *Upjohn Institute Employment Research*, Spring, pages 1-4) provides revealing findings about the "bidding down" tendency in the US. In noting that "*...state and local competition for business expansions and new plants has grown fierce*", it cites the case where the government of the state of Alabama provided to Mercedes US$ 168,000 per new job created as a subsidy to win the location of a new auto plant in 1993. This compared to "only" US$ 11,000 paid to Toyota per job created to locate in Tennessee in 1980. The study found that the effects of incentives on business locations were modest, with many decisions unchanged by higher offers of subsidies or tax relief. The costs to governments also exceed revenues generated by these subsidized activities.