

The Big Cities Series

CDE
R E S E A R C H
POLICY IN THE MAKING

**CITIES AND
THE GLOBAL
ECONOMY**

**NEW CHALLENGES
FOR SOUTH AFRICA**



3

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THE **C**ENTRE FOR **D**EVELOPMENT AND **E**NTERPRISE

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POLICY IN THE MAKING

CDE Research: policy in the making is a vehicle for disseminating the results of research, and suggested policy options, on critical national challenges. Each issue is based on in-depth research, involving a single commissioned paper or several such papers written by experts in the field. The original research papers are published separately as CDE Background Research Reports, and can be ordered from CDE.

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This issue started with a conversation with Professor Nigel Harris, Development Planning Unit, University College, London, and a subsequent report written by him.

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The Big Cities Series

ver the past two years, the Centre for Development and Enterprise has conducted a major study of South Africa's largest cities. This project has been guided by certain core ideas. The first is that South Africa's future will be determined in its large cities, and that developments in them are thus very important for the country as a whole. The second is that the country's leaders and policy-makers do not know enough about the economic, developmental and other dynamics in these cities, and that they need to pay far more attention to the large cities than they have until now. The third is that the abolition of apartheid has cleared the way for a much more intensive focus on cities as arenas of economic growth than ever before. By developing strategies to become more competitive in the global and regional economies, South Africa's cities will more readily discover the means to cope with racial reconciliation and reconstruction.

CDE's Big Cities Series will consist of six executive reports. This first report explores the implications of an increasingly integrated and global world economy for South Africa's major cities. This will be followed by detailed case studies of four of the country's major metropolitan areas: Durban, the East Rand, Pretoria and Johannesburg. The last report will spell out a practical strategy and national policy framework for South Africa's large cities and metropolitan regions.

This first report – *Cities and the global economy: new challenges for South Africa* – explores the implications of globalisation for South Africa's cities. It deals with the role played by cities in economic development; the effects of globalisation on urban economic functions and city performance across the globe; the shift in policy thinking on cities in the developing world, and the particular challenges which face such cities; identifies core analytical and policy themes arising from this international review; and then isolates important implications for South Africa and its cities as the country reintegrates into the world economy.

Cities are the new arenas for economic activity and competition. This has enormous implications for their governance and management. South African cities now need to view their priorities through an economic lens. Globalisation holds enormous new opportunities as well as dangers for our major cities. ***No city can afford to rest on its laurels. No city can assume that the future will be like the past.***

CITIES AND THE GLOBAL ECONOMY:

new challenges for South Africa

INTRODUCTION

The rise of an increasingly global economy since the mid-1970s has focused renewed attention on the economic role of cities. As a result, new approaches are emerging in urban policy and management. This issue of *CDE Research* explores the implications of globalisation for South Africa's cities and their economic development.¹

A new era of global, knowledge-intensive and technologically sophisticated capitalism has emerged. This takes the form of 'an increasingly integrated economic system, with globe-straddling networks of transnational corporations and high levels of foreign direct investment between and among nations.'² A growing proportion of the world's wealth is now being produced and distributed via such networks of inter-linked firms.³

National economies are increasingly incorporated into an integrated global economy. Globalisation is exposing national manufacturing industries and many services to competition. In this way it simultaneously influences the geographical distribution of economic activity and the growth paths of local and regional economies. Cities nonetheless remain the crucial, indeed the prime, locations for the production of goods and services.⁴ About 45 per cent of the world's people live in cities, as do 75 per cent of those in the developed world. More than half of the gross domestic product (GDP) of most countries derives from urban-based economic activity, and the figure tends to rise in lock-step with the level of urbanisation.⁵ Cities, in the words of a popular slogan, are where 'the global meets the local.'

The productivity of cities is thus crucial to national growth, development and welfare. Any national economic growth strategy must have the role of cities as a top priority. To neglect cities is to jeopardise national development.

A rethinking – and a reinforcing – of the economic role of cities in an era of globalisation is particularly relevant to South Africa today. About 80 per cent of GDP is already produced in our cities and towns, making their economic role and performance central to national development. After decades of isolation, South Africa is rapidly being reintegrated into the world economy.

Membership of a new global trade regime, in particular, is putting pressure on South Africa's goods and service

producers as foreign competitors re-enter what are now less protected local markets, and government subsidies to exporting firms are phased out. The economic prospects of cities, towns and regions are affected by this new situation, making strategies for economic development a priority for any locality.

Globalisation is thus hugely important for the way in which South African cities are managed and planned. This makes it even more important to devise new management and planning approaches in which cities are envisioned as the engines of local and national economic growth. Two issues are crucial here. First, the productive activities concentrated in cities must be supported by effective urban management; cities must be made into good places to do business. Second, cities themselves need to become actively entrepreneurial places; for the benefit of all urban dwellers, city stakeholders must identify and then build on their distinctive competitive advantages in the global economy.⁶

Accordingly, this issue of *CDE Research* focuses on the implications and challenges of globalisation for South African cities. The document is divided into five sections:

- the role played by cities in economic development;
- the effects of globalisation on urban economic functions and city performance all over the world;
- the shift in policy thinking about cities in the developing world, and the challenges facing them;
- a summary of key elements of the international experience; and
- a concluding section that identifies the implications for South Africa and its cities arising from this international review.

The section on South Africa will be supplemented and expanded in forthcoming issues of *CDE Research*. In these, the results of four detailed case studies of South African metropolitan areas are reported on and analysed. The policy and strategy implications of this body of work on local and international examples will be pulled together in 1997 when CDE will publish a practical strategy and policy framework for South Africa's large cities and metropolitan regions.

This document contains numerous case studies which illustrate how cities have adapted to the new global dynamics, and how they are simultaneously shaping the new global economy in a variety of ways.

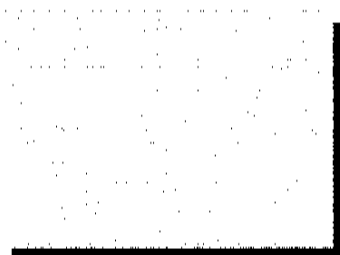
At this stage, it is important to clarify certain issues. This document does not spell out a new urban strategy.⁷ What it aims to do is highlight the new and important context within which cities all over the world – South African cities included – are having to operate. South Africa is already a part of the global economy, and the government intends to promote greater integration with world markets. This will have enormous implications for the country's cities. This report describes and analyses this new and challenging reality, its impact on cities, and then attempts to draw out the implications for action. The new global context is one of many factors that need to be considered in thinking through the country's national urban strategy. But there should be no doubt as to its centrality.

Although the experiences we consider here are relevant to all South African cities and towns, this document is about our larger cities. The importance of our large cities should not be underestimated, and the need to pay greater attention to them in national, provincial and urban policy-making must be emphasised. The country's future will depend on what happens in its largest cities.

This is not to say that smaller urban places and rural areas and their people are unimportant. The country needs a well thought out, properly implemented rural development strategy.⁸ Neither urban nor rural development can be thought about in isolation from each other. It is critical to understand the dynamic interaction between urban and rural sectors. Indeed, far more national attention needs to be paid to the linkages between the urban and rural sectors of our society (such as migration issues, small towns at the bottom end of the urban hierarchy, and peri-urban and urban agriculture, to name just a few). As CDE has stated elsewhere:

"It is important to remember that what South Africa has is a dynamic single continuum all the way from deep rural areas to the heart of the largest city. This linkage needs far greater attention both in terms of our currently limited understanding of the nature and volume of the interactions but most importantly in terms of the policy implications for national policy and strategy. A better understanding of the South African urbanisation process and its outcomes will have important consequences for many aspects of current policy: from where social and physical infrastructure should be invested, to housing and land policies, to transportation expenditures."⁹

This does not mean that every document which deals with urban issues must simultaneously analyse rural and urbanisation issues as well. It is possible, and indeed desirable, to focus on a specific aspect of a complex dynamic in order to understand it more fully. South Africa's large cities are the most important component of our national settlement system, whether this is assessed in terms of the number of people living in them,



their contribution to the national economy, or their contribution to technological innovation, education, health care or national political leadership and dynamics.

A final introductory point: we have used the word 'cities' very loosely in this document. Sometimes we are talking about

large multi-nodal metropolitan conurbations or sprawling urban regions; at other times we are referring to more contained, traditional notions of a city or city-state. The key point we are trying to emphasise is the importance of large urban agglomerations, and their relationship to economic growth. Of course, how particular cities apply what we are saying and the lessons they derive from international experience will fundamentally affect what kind of urban complex they are, and the particular way in which it is governed. But whatever kind of urban agglomeration a city is today, or will become, it will nonetheless have to confront the challenges of the global economy, and an increasingly competitive environment for investment and growth.

This document, then, primarily emphasises the economic dimensions of the challenges and opportunities that face our large cities. In the new context of a democratic South Africa, where government at all levels faces enormous backlogs and where there are huge and immediate needs-driven pressures, this publication aims to place the country's socio-economic development challenges squarely in a broader context. The country's attempts to transform its previously segregated and unequal cities, and to provide adequate services and infrastructure in its local government areas, must be seen in the light of a changing world economy and South Africa's role in a global marketplace. This is the broader economic context within which urban policy-makers, local and national, must think about priorities, and make their choices.

CITIES AND ECONOMIC DEVELOPMENT

Cities and productivity

To begin with, we need to explore why cities are important for economic development. Simply put, cities provide a concentration of services and infrastructure; productive labour; management skills; organised work environments; complimentary and competing businesses; and large and varied markets.

These highly concentrated elements generate what are called agglomeration economies for businesses: this occurs when individual productive units benefit from being situated in large clusters of economic activities. These economies of scale help enterprises to become more productive, and hence promote economic development.

Concentration is thus a precondition for the movement from low productivity to high productivity which results in economic development. The economist Paul Krugman expresses this by arguing that concentrations within cities produce increasing economic returns because they offer technological spillovers, the pooling of labour, and a supply of specialised inputs.¹⁰

It is in cities, then, with their economies of agglomeration, where economic productivity increases. Urbanisation and economic development are thus mutually reinforcing, and cities, as Krugman further observes, tend to be self-sustaining arenas for economic development. Therefore, companies have a direct interest in the quality and efficiency of the cities in which they operate, because this will affect their productivity and potential for growth.

High levels of physical concentration in cities can also reach the point of creating diseconomies of scale, where the adverse consequences of population density, congestion, and the scarcity of resources become so severe that the benefits of agglomeration are negated. In larger cities in both developed and developing countries, geographical shifts or the closure of some activities can result where the costs outweigh the benefits of location in these cities. Generally, however, the economies of agglomeration provided by cities outweigh such diseconomies, which can – and must – be minimised with effective urban management.

Cities are more productive than rural areas. In developing countries, an average of 60 per cent of output is generated in urban areas, although a large proportion of people still live in rural areas. The gap between urban and rural productivity is growing. In India, the contribution of urban areas to per capita GDP rose from 29 per cent in 1950 to 47 per cent in 1990 – and was projected at 58 per cent in 1995. The situation in Turkey is starker: urban areas contributed 19 per cent to per capita GDP in 1950, with a dramatic increase to

75 per cent by 1980. The economic miracle that has doubled Thailand's GDP in seven years is really the miracle of Bangkok, a city which contains one sixth of the Thai population but contributes more than half the country's GDP and more than two thirds of its tax revenue.¹¹ This reality – that cities tend to produce a disproportionately large share of national income in relation to their populations – is illustrated in the diagram below.

The proportion of the 'poorest of the poor' is also lower in cities than rural areas. In Nepal, the seventh poorest country in the world, according to the World Bank, 14 per cent of the urban population is poor, as against 33 per cent of the rural population. City households in Nepal also have levels of expenditure 40 per cent higher than rural households, and a higher ownership of assets. Moreover, as city populations increase, in Nepal as elsewhere, the overall proportion of the poor tends to decline.¹²

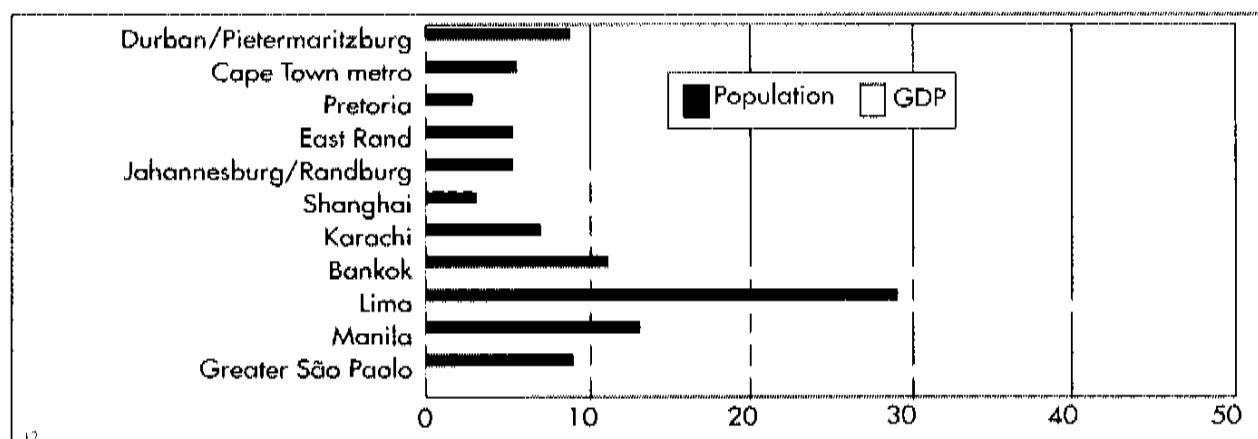
As Hank Savitch summarises it: 'The truth is that cities are extraordinarily efficient. They optimise the use of human and mechanical energy: they allow for fast, cheap transportation; and they provide flexible, highly productive labor markets ... Cities facilitate a diffusion of products, ideas and human resources between urban, suburban, exurban and rural spaces. ... Cities are the international growth machines of the new economy ... cities are the workhorses of the world.'¹³

Cities and economic specialisation

Specific economic activities develop in a city because of distinctive conditions that enable them to do so. As Michael Porter argues, 'Each location – whether it be a nation, a region, or a city – has a set of unique local conditions that underpin the ability of companies based there to compete in a particular field ... competitiveness emerges out of unique local conditions and occurs in businesses where a region can

Punching above their weight

Population and GDP as a percentage of national totals



City specialisation: some examples

Larger cities tend to have several specialisations; these are often clustered around a particular focus. Smaller cities typically harbour fewer specialisations.

Bogota (Colombia)	Cut flowers (second largest world supplier in just a few years); important supplier of printing and publishing services to North America
Singapore	Major supplier of high-level medical services to South-East Asia; computer software
Barcelona	Medical services, especially medical 'package tours'
Bombay	Supplier of computer programming services to Silicon Valley; centre for foreign airline ticketing and accounting services
Boston	Computer hardware; computer software; financial services; medical research

Sialkhot (Pakistan)	Leather goods (most of the world's footballs, also Scottish bagpipes)
Sassuolo in Emilia-Romagna (Italy)	Ceramic tiles and tile making equipment
Heidelberg, Augsburg, Offenbach	Printing press machinery
Bayreuth, Salzburg, Edinburgh	Cultural activities and festivals

Economic specialisation can result from a specific strategy followed by a city. In most cases, though, markets create specialisations to which public authorities respond. The future situation might be different as more entrepreneurial city governments emerge.¹⁶

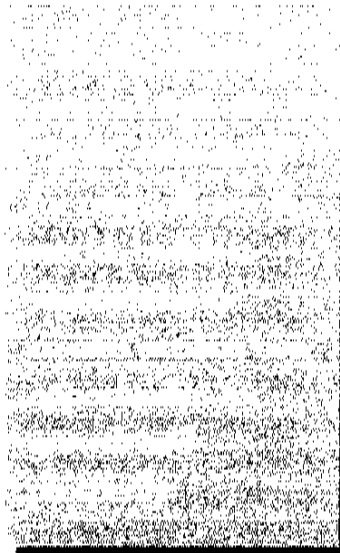
create areas of specialisation.¹⁵ Location is thus critical to the success or the failure of businesses. A city's economic activities are often not easily transferred elsewhere without an increase in costs. With some cities providing better conditions for certain activities and industries than others, the exact makeup of each city's economy differs: indeed, economic development may well enforce territorial specialisation (*see box above*).

Specialised activities benefit from being close to one another. Porter continues: "The competitive advantage of a location does not usually arise in isolated companies but in clusters of companies – in other words, in companies that are in the same industry or otherwise linked together through customer, supplier, or similar relationships. Clusters represent critical masses of skill, information, relationships, and infrastructure in a given field."¹⁷

Such clusters, geared to the distinctive conditions of a particular city and sharing specialised services and labor markets, drive both local and national economic development. They create, in Porter's words, "new capabilities, new companies, and new industries."¹⁸

It is hardly surprising, then, that several economists, including Porter and Krugman,

have argued that clusters are a conclusive source of competitive advantage for an economy. As *The Economist* puts it: "It is hard for a competitor from elsewhere to reproduce singlehandedly the combination of skills and incentives that exist in such a cluster. Burrowing yourself in a place where there are plenty of subcontractors and a pool of expert labour can often save a firm money. But the chief advantage is really to do with the informal knowledge buzzing around such places: ideas swapped in cafes, the rivalries between neighbouring firms that persuade workers to stay up all night on projects."¹⁹



In Europe, according to the same source, clustering works well and will probably be expanded. In both crafts and high technology sectors, special know-how has created clusters which can be surprisingly long-lived. But clustering has not been confined to high-end manufacturing alone. Denmark has long been a European centre for pork and bacon, thanks to a network of pig farms, abattoirs and processing plants. Mail order retailing has begun to gather around Lille in northern France because it has excellent rail and road connections to French-speaking Europe. In Vicenza in northern Italy, the jewellery

business depends on a host of specialised services: banks used to the paperwork involved with handling precious metals, security services, gemmologists and others all help to support the jewellers.²⁰

The economic bases of cities are nonetheless in flux as changes in pricing, technology and other factors reshuffle the pack of economic activities – sorting and resorting what should remain in the city, what should leave, and what new activities should locate there. Change is the essence of the city economy. The process of globalisation over the past 20 years has thrown this reality of change into dramatic relief.

GLOBALISATION AND CITIES

What is globalisation?

Globalisation consists of a bundle of interrelated ideas: economic, political, technological and cultural. We will focus on the economic aspects. Economic globalisation can be described in a number of ways. At the most basic level, it refers to the expansion of the world market economy during the past two decades: the rise of the South East Asian economies, the fall of communism in eastern Europe and the former Soviet Union and the emergence of market economies there, and the resurgence of some Latin American economies, notably Chile, Argentina and Brazil. More than ever before, there is a growing international integration of markets for goods, services and capital.

Globalisation involves a number of discrete but interrelated economic processes. It was not until the 1960s and 1970s that a true ‘global economy’ emerged, despite a long history of international flows of capital, labour, goods and services. Marking the difference was the intensity of such flows. The first of these is the massive growth in world trade in recent decades: since the mid-1970s world merchandise exports have approximately doubled as a proportion of world output, from 10 per cent to 20 per cent.²¹ Associated with this is an enormous expansion in foreign direct investment (FDI). Total FDI in the newly opened economies of Latin America, for example, rose from US\$6.1 billion in 1984–7 to \$10 billion in 1988–9, \$14 billion in 1991, and \$16 billion in 1992.²² FDI has not been confined to routine production facilities alone: increasingly it involves research and development facilities too, meaning an effective globalisation of innovation.

The ‘financialisation’ of the world economy is also a well-known phenomenon: this has involved both the deregulation and the denationalisation of financial markets and instruments. Capital now flows freely across national borders. This capital is joined increasingly by people, as both individuals and groups of people migrate between countries on an unprecedented scale. Finally, another recent and

accelerating process is the formation of a global consumer culture. One important aspect of this is the explosion in tourism in the past few decades.

While the developing world as a whole is becoming increasingly integrated with the global economy, the level and pace of integration varies widely between countries. In trade, the contrast is most marked between East Asia and Africa. East Asia’s integration in world trade has risen rapidly and in a sustained manner, whereas in sub-Saharan Africa the ratio of trade to GDP has been falling until recently and is still well below the level of 20 years ago.²³

Detroit: reversing decades of decay?

During the 1950s and 1960s, the American city of Detroit rapidly swung from prosperity to despair. Job losses were huge: in a 30-year period, Detroit lost 200 000 jobs and nearly one million residents. Racial tensions grew, culminating in the 1967 race riots.

Now, after several false starts, Motown appears to be reversing the decades of decay. Many of the initiatives have been led by a new black mayor. Although the city still has a long way to go to improve its bad image and lower its high crime rate, there are signs of hope. These include:

- the establishment of ‘turnaround teams’ of city employees, trade union members and the corporate community to look for ways of improving the city’s operations;
- forming a public–private coalition which has lobbied the federal government and has been successful in getting Detroit declared an ‘empowerment zone’. This was accompanied by a grant of \$100 million to relieve urban blight, and tax breaks to companies locating in Detroit;
- the pledging of \$2 billion in development funds for the private sector;
- the buying up of deserted buildings which are being demolished or refurbished as boutiques, offices, entertainment venues and middle-class accommodation;
- the building of new houses and a baseball stadium;
- a decline in unemployment.

Some of the ingredients of this turnaround include:

- leadership – a dynamic mayor;
- effective public–private coalitions on city issues;
- strategies to encourage local development; and
- a rallying of citizens around plans to reverse Detroit’s decline.²⁴

Globalisation nevertheless has profound implications for developing countries. It creates important new opportunities: wider markets for trade, an expanding array of tradables, larger private capital inflows, and improved access to technology. The outward-oriented reforms being adopted by more and more developing countries make the latter both agents and beneficiaries of globalisation – these reforms both contribute to globalisation, and expand opportunities for developing countries to participate in its benefits. By promoting efficiency and productivity, and providing a friendlier environment for exports and foreign investment, outward-oriented reforms have been key to recent improvements in the economic prospects of developing countries.²⁵

The new opportunities for developing countries are accompanied by tough new challenges of economic management. Integration with the global economy requires a liberal trade and investment regime. In trade, competition is increasingly stiff, and the rapidly changing possibilities favour the more agile. A classic example of a state that responded creatively to changes in global trade and investment patterns is Hong Kong (*see box below*).

In finance, international capital market integration and the potential volatility of capital flows that comes with it are making macro-economic management in developing countries more complex. Policy-makers are increasingly confronted with a new discipline – the need to maintain the confidence

of markets, both domestic and, increasingly, international.

In this setting, sound economic policies command a rising premium; the payoffs are larger, but so are the penalties for policy inaction or errors. Globalisation intensifies competition between policy regimes.

With greater capital mobility, investors increasingly explore opportunities worldwide and assess a country's policies not only in absolute terms but also relative to those of other countries. As Zia Qureshi has written: 'As markets become more open, it is the more efficient and competitive policy regimes that will win out.'²⁶

How do cities fit into this picture? As markets become larger and more open, so do opportunities for cities and the companies they house. The agglomerative features of cities make them natural centres for co-ordination and direction.

Singapore: entrepreneurial city state

Singapore is one of the great successes of the post-World War 2 era. It has transformed itself into an efficient island nation in which 3 000 multinationals make computer chips, TV sets and aircraft parts. It is a thriving financial and convention centre, and the average per capita income of Singaporeans is more than \$25 000 a year (more than that of Britons).

The secrets of its success include:

- promoting entrepreneurship by removing bureaucratic barriers to industrial development;
- creating a pro-business environment;
- providing an efficient infrastructure and effective management structures;
- co-operation between private corporations and public officials to advance Singapore's economy.

In order to keep Singapore's economy expanding in the context of limited and expensive land and high labour costs, a new role is envisaged. Singapore will act as a bridge between corporations of the west and the major frontier economies of the east. Singaporean officials now act as 'middlemen' to cut through red tape; make contact with the right people; and get deals done in other Asian countries.

'Mini-Singapores' are thus being set up in countries such as China, India, Indonesia and Vietnam. These industrial parks provide a favourable business environment for multinationals within often unstable and unpredictable new market economies. Although they are only in the early stages, these parks have already attracted more than \$2,5 billion in investments from nearly 200 leading companies.²⁷

Hong Kong: restructuring an 'open city' economy

Hong Kong displays a particular combination of factors: minimal controls on external trade and the movement of money, and government attempts to promote overall economic growth but not particular industries.

Consequently, since the 1950s changing patterns of external demand have driven Hong Kong's economy through successive stages:

- first a specialisation in garment manufacturing;
- then the production of electronic goods; and now
- the provision of high-value business services as manufacturing spreads into the neighbouring Chinese province of Guangdong, as well as to other locations in South East Asia.

Hong Kong is an excellent example of a city which has managed to sustain full employment while undergoing a continuous and radical decline in manufacturing employment. The expansion of financial and other services has more than offset this decline. Indeed, in the face of considerable labour shortages, workers have actually been imported from the Philippines.²⁸

As Savitch argues, 'In effect, cities have become the strategic nodes through which the new economy can be planned and facilitated. They provide the critical spaces needed to organise a dizzying array of functions; they hold the infrastructure needed to support millions of white-collar workers; and they furnish the conduits for the rapid transfer of goods, money and information.'²⁸

As with countries, globalisation has had different impacts on cities. In the competitive global economy not all cities share the same fate. The new era has sharpened urban differences and created multiple networks that carry out certain divisions of labour. Networks of cities span the globe, and underscore the relationship between national economic power and urban pre-eminence.

Globalism also produces different impacts *within* cities. Even the most powerful cities have their underside and are

blighted by unemployment, substandard housing and an underclass. By the same token, rising and less powerful cities have created industries, affluence and a growing middle class.²⁹

Globalisation thus poses real threats to 'business as usual' for cities all over the world – while it simultaneously creates exciting new opportunities for growth and prosperity. As *The Economist* saw it in 1995,

'The liberalisation of world trade and the influence of regional trading groups such as NAFTA and the EU will not only reduce the powers of national governments but also increase those of cities. This is because an open trading system will have the effect of making national economies converge, thus evening out the competitive advantages of countries while leaving those of cities largely untouched. So, in future, the arenas in which companies will compete may be cities rather than countries.'³⁰

Barcelona: the Olympic city

In the 1970s, older manufacturing districts in Barcelona declined, and unemployment rose sharply. In 1981 the mayor persuaded the city government to bid for the 1992 Olympic Games, and to use this as an opportunity to invest in infrastructure. A company set up by the city authorities and the Spanish government constructed a major sports stadium. In 1986, after the bid had been accepted, the city identified some 300 projects. These included:

- clearing derelict industrial and port areas, recovering the waterfront, and constructing an Olympic village;
- improving transport infrastructure, ring roads, the airport, the underground railway, and park and ride schemes;
- investing in telecommunications;
- expanding sports facilities;
- developing new parks, upgrading the physical fabric, restoring historical monuments; and
- developing new hotels, commercial areas and cultural facilities.

Other initiatives since then have included:

- the setting up of Barcelona Activa by the Consorcio (the development agency of the city), with the support of the National Employment Agency. This programme is aimed at countering unemployment by developing the inner city for incubator firms, and providing premises and training for the unemployed;
- the establishment in 1987 of the Barcelona Development Agency (a public-private partnership) with the task of attracting foreign investment and suggesting projects for the Consorcio to undertake;
- aiming to become an 'entrepreneurial European metropolis' in the new Europe of regions;
- the creation of a major commercial health sector, with a consortium of clinics, for example, entering into an agreement with a bank, various hotels and the state airlines to offer package tours to Barcelona for medical treatment;
- the development of a business park at Reus (100 kilometres south of Barcelona) which exploits the inter-modal junction located there (air-

port, port, north-south highway and railway container terminal);

- a new downtown commercial development located at the intersection of three main city highways – those to the waterfront, the airport, and the city's ring road; and
- attracting businesses to the convention and exhibition centres.

An attempt has been made to evaluate components of the Barcelona investment programme. The city claims that Catalonia received \$5.5 billion in foreign investment in 1990–1 as a result of the Olympic Games, and that the total economic impact of the Games expenditure between 1987 and 1992 was \$28 billion, creating 128 000 jobs.³¹ Other studies confirm the positive rates of return on both the ring road and the Olympic Village.³² However, the still-important manufacturing base of the city has not been totally secured, and major manufacturing plants closed down in the severe recession of the early 1990s. The city is also struggling with a major debt burden, and high taxation levels.³³

The economic role of cities redefined

As the global economy opens up and expands, previously dominant patterns of city economic specialisation are shifting, necessitating new efforts on the part of cities to stimulate and foster their economies. Indeed, in any country one might think of, globalisation has re-emphasised the role of cities as primary territorial production units. Big metropolitan areas are now seen as the crucial focus of national eco-

Cleveland: how business bosses saved a sick city³⁷

In the 1960s and 1970s, manufacturing jobs in Cleveland declined rapidly; in fact, from 1967 to 1977 jobs were lost at a rate of 1.4 per cent per year:

- In 1980 the Cleveland Foundation sponsored a major study of the region's economy which found that:
- although aggregate losses in the two largest sectors (steel and motor car parts) were serious, a number of smaller manufacturing sectors had actually grown;
- Cleveland's diverse manufacturing base was well supported by the region's growing service sector.

In response to this, it was decided to:

- focus on high skill, manufacturing related services and to build on the production-service linkage;
- form a large self-help organisation for small enterprises where know-how could be pooled;
- expand the health services industry, which then became Cleveland's top employer.³⁶

A 'benign conspiracy' of executives and entrepreneurs in the form of Cleveland Tomorrow – a strong business coalition of executives of the top 50 companies in the city – was the key to Cleveland's turnaround. This grouping played a significant role in:

- recruiting and electing a dynamic and competent mayor;
- imposing corporate efficiency on the operations of city government;
- securing new investment projects;
- improving labour relations; and
- modernising manufacturing technology.

The Greater Cleveland Round Table, a separate group of chief executive officers, union leaders and political leaders, fostered labour-management co-operation. A key feature of Cleveland's success was not that business simply dominated economic development in its own interest, but that mechanisms were put in place to change the whole civic culture and spread the benefits of recovery to the whole community.

conomic activity – and as anchors for broader regional economies. Analysts thus refer to the rise of the 'entrepreneurial city region' or the emergence of the 'citistate' (See, for example, box on Singapore, page 8).

The journalist Neal Peirce has widely popularised the latter term: the central theme of his recent influential book is that 'across America and the globe, citistates are emerging as a critical focus of economic activity, of governance, and of social organisation for the 1990s and the century beyond'³⁸

As primary production sites, cities swiftly reveal the effects of changes taking place in the wider economic environment. This has led many cities to attempt to adapt their patterns of economic specialisation. Cities have begun to gear their choices more to the needs of global markets, and to try to specialise in goods and services which enable them to gain advantage over other competing cities in the global economy. This lends great importance to decisions about which clusters of industry or other economic activities to concentrate on and support.

Looking closely at the redefined economic role of cities in the new global economy, it can be argued that:

- Cities should no longer be seen just as places where people live and governments provide services, but as dynamic arenas for economic, social and cultural development;
- with greater mobility for people and economic activities both within and between countries, cities are becoming more competitive with one another;
- the role of any city is therefore being defined in terms of the role of other similar cities within the 'borderless' global economy, rather than in isolation as a local economy within a closed national economy;
- cities act as barometers for pressures in the wider global economy. As a city becomes integrated into the global economy, it is disciplined by the growing strength of external markets and by the activities of other competing cities; and
- cities in the global economy must link flows of products, people, information and finance between often distant sources and destinations. Managing these flows as well as retaining fixed sources of production has become the essence of the city's economic function.

The new roles assumed by cities have enormous implications for them: how they conceive themselves, and how their futures are managed:

- City leaders and managers now need to confront such issues as: 'why should people and businesses stay in our city?' and 'how do we attract new investment and people to our city?'
- Officials need to act entrepreneurially in promoting the economic growth of their city. The change in approach

of the Sheffield local authority is illustrative (*see box, page 21*). Barcelona's bid for the 1992 Olympic Games, and other initiatives by local officials to stimulate economic growth, also provide an example of such an entrepreneurial approach (*see box, page 9*).

- Officials need to choose the right bundle of specialisations, in which they have an obvious competitive edge. In developing these specialisations or clusters, they need to be sensitive to the dangers of becoming too reliant on specific markets and hence becoming vulnerable to sudden changes in demand.
- In this environment, successful cities must be increasingly flexible and innovative. They must be able to adjust to changes in the global economy. The 'flexi-city' requires initiative and direction from an alliance of forces – official and unofficial, public and private, professional and voluntary. This requires a radically new style of action from government and all other role players. For example, the private sector has played a significant role in the revitalisation of Cleveland and Baltimore (*see boxes on pages 10 and 24 respectively*).

CITIES IN THE DEVELOPING WORLD

An important policy shift

These changes in the role of cities have particular resonance for those in the developing world. For much of this century, it was commonly believed that cities and the concentration of poverty they contained would undermine property, society and civilisation. In the 1950s the avalanche of people seemingly unleashed on cities in developing countries led to concerns that governments might be swept away by uncontrollable urbanisation.

By the 1960s a hostile approach to urbanisation was part of the conventional wisdom of governments and international agencies. Too many people were considered to be located in the 'wrong place' and cities were said to be marked by 'overpopulation' or 'population saturation'. Virtually every country responded to the 'urban explosion' by trying to limit the growth of their largest cities. These efforts ranged from restricting in-migration, to dispersing the would-be migrants and stimulating regional and rural development in the hope of equalising the level of living in the countryside and the city. Aid agencies focused on rural development and agricultural production, which they hoped would stem the tide of migration towards the urban areas. At the same time, many governments attempted to redistribute urban populations by shifting employment to smaller centres, and by zoning city areas for lower densities. In China during the 1960s and 1970s

urban dwellers were removed en masse, and migration was tightly controlled. Similar measures were employed in Tanzania and Indonesia. In the Philippines, in-migrants to Manila were charged a fee for entry into public schools. In reality, however, many of the sectoral projects promoted by governments – industrialisation, transportation, energy – nonetheless implicitly favoured urban development. As one analyst noted:

'These efforts have had limited success. Some such as rural development have proven counterproductive, actually hastening out-migration from the countryside. The fundamental reason for the failure of these policies is not only the

Cities in India: changing approaches

In the post-war era, India launched a suite of policies aimed at controlling the spatial distribution of development:

- 1950s: the development of master plans for all cities larger than 100 000 people;
- 1960s: curbs on the growth of the largest cities;
- 1970s: industrial location policies and the creation of new towns, as well as attempts to develop backward areas through regional policies. In 1975 the development of large-scale industry and the expansion of existing industry in metropolitan areas were banned. From 1977 any new office development suffered the same fate. Another explicitly anti-big-city initiative was a 1979 programme entitled 'Integrated development of small and medium towns'.

While some of these programmes as well as substantial World Bank funding for infrastructural development led to an improvement of the physical infrastructure in many cities, they had no demonstrable effect on the distribution of the country's population. This did not prevent the Indian authorities from continuing to pursue spatial controls. Instead of improving the efficiency of cities and national economic development, policy was aimed simply at preventing the growth and/or reducing the size of major cities such as Bombay/Mumbai.

However, in the 1980s these attempts at spatial control ended when the national government began to recognise that instead of controlling the size of cities, they should allow them to grow and fulfill their economic potential. Instead of fitting into national master plans, cities needed to start confronting how they could function effectively in order to compete with cities outside India. This new approach is encapsulated in the 1993 programme entitled 'Central scheme for megacities'.³⁹

lack of resources, enforcement mechanisms or political will, but also the fact that cityward migration benefits the individuals, families, communities of origin, cities and the nation as a whole. Going against urbanisation is going against the tide of national development and all of the socio-economic and political forces that spur that development.³⁸

By the 1980s, perceptions were changing. Cities were viewed less as problem areas, and more as instruments of economic growth. At the end of the decade and into the early 1990s, a critical shift in policy toward urbanisation and the economic role of cities was spearheaded by the World Bank and the United Nations Development Programme.

The World Bank currently estimates that 60 per cent of

The World Bank shifts its view on cities

The World Bank has recently begun to see cities as the means of economic development for countries as a whole, emphasising the link between urban productivity and macro-economic performance. The bank recommends:

- moving beyond isolated projects which focus on housing and residential infrastructure towards integrated city-wide efforts which promote urban productivity and reduce constraints on efficiency;
- increasing the demand for labour, with a focus on generating jobs for the urban poor;
- improving access to basic infrastructure and social services, emphasising the needs of women and the poor;
- addressing urban environmental problems; and
- increasing the understanding of urban issues through international research.

For cities to be engines of growth, obstacles to growth need to be tackled, among them:

- infrastructural deficiencies;
- inappropriate urban regulatory policies;
- weak municipal institutions (financial and technical);
- unclear divisions of responsibilities between local, regional and national governments;
- urban poverty; and
- environmental degradation.

To summarise, the bank's emphasis has changed to city-wide policy reforms; a focus on institutional development; good management of existing infrastructure; and a number of high-priority infrastructural investments. Development assistance and urban development now need to be understood in the broader context of economic development and macro-economic performance.⁴¹

economic output and 80 per cent of increases in output for developing countries are generated in urban areas. The productivity of cities is therefore deemed crucial to national development. The bank's new policy agenda for cities in the developing world now revolves around a triad of emphases:

- enhancing urban productivity;
- reducing urban poverty; and
- improving the urban environment.

As Michael Cohen of the World Bank argues, 'urban footings -- what are now the necessarily city-based structural and sectoral foundations of economic growth, given the primary contribution of urban areas to national GDPs -- must urgently be put into place in each and every developing society in order 'to withstand the short-term effects of the changing tides of global economic forces, and to assure the stability needed for growth in the longer term' ⁴⁰

In this perspective, cities are seen as critical instruments for a country's economic growth, as well as for overall social advancement and development.

This new economic agenda also emerged at the second United Nations Conference on Human Settlements -- Habitat II -- held in Istanbul in June 1996. Indeed, the shifts in approach to urban policy emerges clearly when one compares the issues addressed at Habitat II with those raised at Habitat I in 1976. Habitat I focused narrowly on the state's responsibility to ensure the provision of shelter in the form of low-cost housing. As the conference report stated: 'It is the responsibility of governments to prepare spatial strategy plans and adopt human settlement policies to guide socio-economic development efforts.'⁴² Although Habitat II still emphasised poverty reduction and the right to shelter for all, it also attempted to convince the world's political leaders of the importance of urban issues in achieving global and national economic and development objectives. Habitat II thus also considered the economic performance of cities; the mutual interdependence of urban economic performance and environmental quality; the necessity of jobs as a means of tackling urban poverty; the importance of political decentralisation; and local participation in urban initiatives.⁴³

Different paradigms are thus starting to emerge. The 1976 perspective of Habitat I can be described as one that placed faith in a rational, comprehensive, government-centred strategy. As Savitch has pointed out, in 1976 government and centralised planning were regarded as major instruments for bringing about social and economic opportunity. At the time the primary responsibility for problem-solving was placed on government agencies, because of their perceived ability to plan, cajole and command. The substance of problem-solving centred on the redistribution of wealth and resources. If people were poor, the solution lay in transferring assets from one group to another. If environmental degradation threat-

ened the planet, the idea was to arrest the threat by government regulation.

Much has changed since 1976. A new paradigm is starting to dominate international development thinking and best

Atlanta: an unusual public/private partnership

Atlanta, Olympic City of 1996 and the communications capital of the south-eastern United States, has a buoyant image. It has been a growth area for the past 20 years. The Central Atlanta Progress (CAP), consisting of chairpersons and CEOs of companies and institutions, has played a key role in city planning since 1941. CAP has close links with the mayor's office, and city officials have used its organisational powers to influence government. CAP has been involved in significant projects during the 1980s and 1990s, including:

- the renewal of the lower downtown area as a centre for local and federal government offices;
- the development in 1989 of the festival shopping complex Underground Atlanta; and
- the construction in 1993 of the Georgia Dome stadium which hosted the 1994 Superbowl and was financed in part by a tax on hotel residents.

Other significant initiatives, all of which involved partnerships between private and public sectors, include:

- The Atlanta Project (IAP), which formed around the Olympic bid;
- The Atlanta Downtown Partnership;
- the Georgia Research Alliance, which supports Atlanta's role in high-technology economic sectors; and
- Atlanta's bid to become a national telecommunications centre through the formation of the Georgia Centre for Advanced Telecommunications Technology.

Atlanta has a well-earned reputation among American cities for boosterism. The message Forward Atlanta puts out illustrates why:

'What makes this city special? Maybe it's the inherent geographical advantages that make Atlanta so attractive. It could be the superior international airport, or the robust international community that is growing and thriving here. Possibly it is the incredible spirit of co-operation and progressive leadership ...'

Although Atlanta is not free of the blight of poverty or poor education and training, the message it conveys to the world is that public-private partnerships have worked there, and the city has something really special to offer.⁴⁶

practice. As Savitch states: 'This new paradigm is centred on incrementalism, entrepreneurship and markets as the best way to promote social progress. The approach is inductive, and views problems piece by piece.'⁴⁷ Prosperity is to be propelled by the actions of discrete participants. Solutions cannot be commanded, but should be produced by voluntarism and free trade. While governments can be enlisted in this venture, they are best suited to acting as *facilitators and enablers*. Solutions can best be discovered through individual or group initiative, flourishing within an environment of deregulation, privatisation, and a market economy.

Some of the events and processes around Habitat II reflect this new paradigm. The participation of a broad range of non-governmental and business organisations as well as local government participants showed a new emphasis on the importance of local initiative, the limits of the public sector, the value of public-private partnerships, and the role that many different agencies can play in fostering socio-economic development.

The coupling of the incremental, entrepreneurial, market-centred paradigm to globalism fits the character and basis of cities. After all, Savitch writes, 'cities are corporations. From the time of the ancient marketplace to the Italian and Hanseatic trading ports up through modern office complexes, cities have specialised in promoting enterprise. By their nature, cities are small, flexible collections of economic activities and are quite capable of flourishing in this new environment.'⁴⁸

Entrepreneurial cities

As discussed earlier, cities are the most dynamic components of the territorial economy. They reveal most swiftly the functional effects of changes taking place in the broader economic context. The wider the economy – the larger the market – the more elaborate the patterns of specialisation which external markets impose upon the city. And as an economy opens up, so are its cities disciplined – often painfully so – by the growing strength of external demand, which absorbs only some of the output of the city and supplies more competitive imported alternatives for other parts of the output.

A city that operates in a global economy links the flows of goods, people, information and finance between distant sources and destinations, most of them outside the control of the national government concerned or even that of the city itself. Thus the city as a junction in movement combines with the city's continual adjustments to external demand. Urban economic activity seems to be permanently involved in 'structural adjustment' reacting to many more unknowns than existed before in partially or fully closed economies. The new 'flexi-city' requires a fundamental shift in public conceptions and action, from *providing* for people to *facilitating* what people do. This new approach requires initiative and direc

tion from an alliance of forces in the city, official and unofficial, public and private, professional and voluntary. These

Monterrey, Mexico: an entrepreneurial city

Monterrey has always been Mexico's strongest regional centre of heavy industry. New economic policies and the North American Free Trade Agreement (NAFTA) have turned it into the financial centre of Mexico, and the main hub of north-south trade on the subcontinent. Monterrey is home to seven of the top 10 industrial conglomerates in Mexico. More than half the country's major banks and financial groups are also headquartered there.

It is Monterrey's entrepreneurial spirit which makes it stand out from the rest of Mexico. Some of the competitive advantages which Monterrey is exploiting include:

- a spirit of enterprise;
- an educated and skilled workforce, including production workers with experience in complex manufacturing operations;
- a well-developed supply and service network;
- a good commercial infrastructure;
- a high concentration of capital;
- a location near the United States border, which straddles the main roads and rail lines that connect the eastern United States with Mexico City and central Mexico; and
- export orientation, with significant foreign investment.

Monterrey entrepreneurs have developed 15 industrial parks to cater for electronics production in the city. Growth in this sector since the early 1980s has occurred alongside more traditional industries: steel, glass, concrete and beer.

In 1994 the Urban Land Institute convened a panel of experts to devise a 50-year plan for Monterrey. The thrust of this plan is to co-ordinate rapid urbanisation in a way that will minimise the decline in the quality of life of its citizens, and maximise its economic development. Three strategies within this plan are:

- the establishment of a regional planning commission, with substantial representation from the private sector;
- the founding of a public-private consortium to manage the initial implementation of the plan; and
- the acceptance of plans by state and municipal governments as the guide for development action.⁴⁰

embody a new style of action compared with the 'old omnipotent state'.⁴¹

As seen previously, the global forces operating on cities forced local authorities to pay increasing attention to the local economy. In the 1970s and 1980s, city authorities throughout Europe and the United States endeavoured to respond to a new economic environment, and to reshape themselves as 'entrepreneurial cities'.

Many of the same forces were acting upon cities in developing countries, and produced some of the same effects. But because developing countries were generally slower to embrace growth led by manufactured exports, such effects were less dramatic. However as the 20th century draws to a close, almost all governments in developing countries are moving towards liberalisation in their external economic relationships. The parallels between cities in developed and developing countries will thus grow. Since each city's output is unique, and external liberalisation actually enhances this,

The private sector's role: Mumbai/Bombay, India

Some chambers of commerce in cities in developing countries have taken the lead in assessing the implications of the opening of national economies for their own cities.

In a context where liberalisation and decentralisation have imposed new responsibilities for local economic development on city authorities, the Mumbai/Bombay Chamber of Commerce established a forum for continuing discussion of the city's future. A series of seminars were held in February 1994 under the title 'Bombay: the emerging global financial centre'. The chamber of commerce then set up Bombay First, a coalition of city role players, to:

- monitor the city economy under reform conditions; and
- encourage more accountable urban governance and more effective urban institutional arrangements.

A Bombay City Policy Research Foundation has been proposed. This will bring together urban specialists to help create new policies.

Bombay First also took part in a symposium held in Mumbai/Bombay in late 1995 which brought together people from around the world to present papers on how their cities coped with structural adjustment. Included here were Mexico City, Santiago, Monterrey, Accra, Kingston, Johannesburg, Birmingham, Glasgow and London.⁴²

cities will react from a different base to common influences.

Insofar as these processes undermine formerly negative attitudes to urbanisation and the growth of big cities, the old agenda of anti-urbanism and physical planning to control the size, distribution and density of populations within closed or semi-closed national economies becomes redundant. To use Mexico as an example, 'The key question for the survival of Mexico City, within a North American Free Trade region, becomes its competitive strength vis-à-vis Los

Angeles, Chicago, Toronto and New York, rather than how many people it contains relative to the rest of Mexico's urban and national population.'⁴⁹

A new global hierarchy

Cities around the globe are connected with each other to a greater extent than ever before, through various economic linkages. These linkages include transnational networks of affiliates and subsidiaries of multinational corporations in manufacturing and specialised services, and rapidly expanding international financial markets and transactions. With the intensified globalisation and re-centralisation of some strategic functions in major cities, a new global urban hierarchy is forming. At the top of this hierarchy are such contemporary world cities as New York, Tokyo, London, Paris, Los Angeles and Hong Kong. These cities now function as focal points of the global economy.

The geography and composition of the global economy has changed so as to produce, as Columbia University's Saskia Sassen puts it, a 'complex duality: a spatially dispersed yet globally integrated organisation of economic activity'.⁵¹ This combination of dispersal and integration has created a new strategic role for major cities. Beyond their long history as centres of international trade and banking, these cities now function in four new ways: first, as highly concentrated command points in the organisation of the world economy; second, as key locations for finance and specialised service firms which have often replaced manufacturing as the leading economic sectors; third, as sites of production, including the production of innovation in these leading industries; and fourth, as markets for the products and innovations produced.⁵²

One result of this global urban hierarchy is an elevated competition in which the largest cities compete directly with each other to attract high-level functions, while other cities fall on different points along a steep hierarchy. However, it is important to recognise that this global hierarchy is not all-encompassing: subcontinental or regional nodes are still important pivots. Trends similar to those evident in global cities are also emerging in other major cities, though at a smaller geographical scale, at lower levels of complexity, and based on regional rather than global processes. For instance, Singapore now serves as the financial and business centre of the East Asia region, as does São Paulo for Latin America (*see box, page 8*).

Shanghai's aggressive competition for the mantle of China's and the East Asian region's premier metropolis is a notable example. Santiago's experience in economic recovery is also encouraging for cities in developing countries. Furthermore, if Barcelona can pull out of its downward spiral of industrial restructuring and regain prosperity, other old industrial cities may very well be able to follow suit (*see box, page 9*). In fact, some have already shown signs of vitality,

North Carolina: the research triangle

In the 1950s North Carolina's industrial base relied on tobacco, textiles and furniture, all of which had bleak market prospects. But the state did have a strong and creative group of leaders in both the public and private sectors, who realised that modern industry relied heavily on the linkages made to research capacity. They sent missions to other cities to see how such linkages were developed and operated, and decided to develop a large triangular research park, bounded by three major universities. The committee driving this venture raised public and private funds and launched a strategy which included:

- sending 'academic salespersons' from the universities to relevant industries to induce them to set up new plants in the triangle;
- encouraging companies needing research in chemistry, electronics and pharmaceuticals (the strengths of the universities) to locate there;
- setting up three organisations: a foundation (owned by the universities with profits reverting to them), a park (a profit-making subsidiary that would sell land to private companies), and a non-profit research institute.

Initially the strategy managed to attract a textile fibre company (Chemstrand), a computer component manufacturer (Technitrol), IBM, and several government research labs. By the 1980s a total of 32 facilities had been established, supporting 20 000 employees with annual salaries totalling almost half a billion dollars. Although the economy of North Carolina as a whole has not been transformed, the state has a powerful base from which to promote continued economic growth. Key to the success of the North Carolina Research Triangle initiative has been the sustained sense of ownership by several leadership groups within the community, including business leaders, government officials and university academics and administrators.⁵⁴

among them Pittsburgh, Rochester, and Dortmund (*see box on Pittsburgh, page 22*). Clearly, cities in the developing world must identify their regional competitive advantages (and potential), and build their future strategies around these.

INTERNATIONAL EXPERIENCE: key analytical and policy themes

In the future, success will come to those companies, large and small, that can meet global standards and tap into global networks. And it will come to those cities, states and regions that do the best job of linking the businesses that operate within them to the global economy.⁵⁵

Thus far we have tried to summarise the international literature and experience in three large areas: cities and economic development; globalisation and cities; and cities in the developing world. We have tried to illustrate a number of the trends and ideas via compact case studies of different cities and countries, and their response to the increasingly global world in which they are trying to survive and prosper. Before moving on to explore and highlight the implications of these global trends for South African cities, we now isolate the most important analytical and policy themes emerging from this review thus far.

An increasingly urban world

The 1980s and 1990s saw a remarkable increase in the number of countries showing dramatic urban growth, the sprawl of cities into wider geographical areas, and the mushroom-

Common city strategies

- Promoting new high-technology manufacturing, including:
 - business parks, technology parks or science parks (Sheffield), sometimes linked to multimodal transport junctions (Barcelona);
 - creating centres for new technologies (Pittsburgh, Atlanta) and the retraining of staff of small businesses (Barcelona);
 - holding national and international trade fairs (Birmingham, Lyons).
- Office centre development and the refurbishment of old central business districts (Glasgow, Barcelona); the redevelopment of old port or derelict industrial areas as business centres (Rotterdam, Baltimore, London Docklands).
- Attracting head offices (London, New York, Tokyo), branch plants (Spartanburg and Greenville, South Carolina), regional offices, or even back offices, which will employ large numbers of data processors (Bridgetown and Manila).
- Attracting financial or governmental institutions; bidding for government contracts such as defence institutions or even prisons as a means of attracting spending initiated by higher levels

of government.

- Establishing health facilities as an export industry, with hospitals and clinics supported by medical research and training (Lyons, Barcelona, Boston).
- Emphasising education and research and development, which also stimulate the development of cultural facilities and tourism. In Lyons the old university quarter is being redeveloped as a key focus for tourism. Specialised research institutes and universities have also been encouraged (Berlin).
- Building sports facilities, often employed by cities making Olympic bids, which also creates tourism potential (Barcelona, Los Angeles, Manchester, Seoul).
- Building cultural facilities such as opera houses, theatres, concert halls, symphony orchestras, ballet companies, television and film studios, radio stations.
- Organising prominent events, such as World Cup tournaments, expositions, garden festivals (Glasgow, Liverpool), dance festivals (Lyons), music and drama festivals (Edinburgh), book fairs (Frankfurt) or political summits (United Nations, New York, and

European Union in Maastricht). The Millennium celebrations about to be launched in Rome provide a current example of this strategy.

- Steps to stimulate tourism, including:
 - renovating districts;
 - refurbishing historical buildings, squares, etc;
 - reconstructing old industrial sites, docks, mines, or textile mills as tourist attractions;
 - stimulating restaurants, hotels, clubs, museums and craft markets;
- Developing street life, including street musicians and performers, street traders, and small markets.
- developing transport junctions, including international airports; fast rail and road routes connecting regional networks; seaports with container facilities, linked to rapid land routes; inner city highways and ring roads, and light and underground railways; fast multimodal junctions, where, as with Barcelona, the seaport is linked to the airport and the railway station, and road routes and business parks are strategically located in relation to this system.⁵⁶

ing of megacities. In 1975 only 25 per cent of the world's population was urbanised; by the year 2005 most of the world's population will live in urban areas.⁵⁶ The sheer pace and scale of this change is reflected in the United Nations prediction that world population will grow from 5.6 billion in 1995 to 8.5 billion in 2025; this growth will in large measure be sustained in cities.⁵⁷ Over the past four years alone, the world's annual urban growth rate has increased from 50 million to 80 million a year. This equates to adding a Rabat, Pittsburgh, Ibadan or Hanói to the world population each week.⁵⁸ Third world metropolises have absorbed four out of five of the 1.2 billion city dwellers added to the world's population since 1970.

It is increasingly recognised that the fate of nations and their cities have become closely intertwined. In fact, in the words of Dr Wally N'Dow, secretary-general of Habitat II, the fate of humanity has become directly tied to what is happening in our cities.⁵⁹ The economic performance of individual and groups of cities will determine many of the key patterns of globalisation, and ultimately the level of economic development and welfare likely to be achieved in nations in both the industrialised and developing world.⁶⁰ The quality of life in this new global economy is thus, says N'Dow, 'singularly dependent on the fact that cities work, that their institutions work, that their communications work, that their laws work'.⁶¹ Today no country can be successful if its cities are failures; national urban policy needs to facilitate the efficient functioning of cities. As one commentator put it, urban settlements 'will be the real challenge of the 21st century'.⁶²

Impact of the global economy on cities

The growing intensity of the global economy has important implications for cities. As more and more countries adopt liberalised trade and economic policies, cities will assume increasing importance as the primary arenas of global economic and national competition. Cities will represent countries in the global marketplace.

If the benefits of successful international integration are high, the costs of exclusion and increased marginality will be devastating. There will be winners and losers among the world's cities and towns. In this increasingly dynamic and fast-moving globally connected world, there can be no standing still. Cities that do not find their new local, regional or global niche will decline. Relations between cities, regions and towns will take the form of what has been called 'competitive interdependence' where ideas are shared, links made and networks formed in a very competitive environment.

Cities and nations – new roles, new debates

The increasingly uniform macro-economic policies across the nations of the globe will lead to increasing competition

between cities. Cities will become the arenas of competition in the new global marketplace. Some commentators have gone so far as to suggest a decline in the importance of nations, and a rising pre-eminence of cities. As Weiping Wu has stated: 'Global and local may not be contradictory phenomena, but rather linked responses to identical processes. The globalisation of the late 20th century may well prove to present a fatal challenge to the nation state. The local community especially at the level of the metropolitan region may prove to be a beneficiary of that contest.'⁶³ On the other hand, there are large groups left out of the benefits of the global economy in each country, and the political consequences of this exclusion could have important national implications.

Birmingham: battling with a poor image

Birmingham, in the heart of the British West Midlands, is the central city in a diversified manufacturing region. In the 1970s its vehicle manufacturing and engineering-based economy was hit by recession, and by 1981 the city had lost half of its manufacturing jobs. Although it still attracted overseas manufacturing investment during the 1980s, it entered a phase of corporate restructuring in the early 1990s. Birmingham's fundamental problem is that its economy is concentrated on sectors, such as vehicle manufacturing and heavy engineering, which will probably contract further.

In response to this, the city's Economic Development Unit, in consultation with local business, began to develop an overall economic development strategy for Birmingham. This included:

- consolidating the city as a service centre for business (focusing on services such as accounting, consulting, advertising and legal services);
- develop cultural facilities; and
- focusing on tourism.

The challenge was to market these services beyond the region, especially considering that the services sector would be in a precarious position if it relied on servicing the declining industrial sector in the West Midlands alone. Birmingham's image as a grimy industrial city is its main stumbling block to attracting highly qualified, potential high income earners from within Britain or continental Europe. Although the city supports cultural development financially and has a strategy to become the major European centre for services, it remains one where people would not want to live by choice. But the dogged determination of local actors in promoting their city and engaging in local economic development may well change this image.⁶⁴

These, too, would play out in the cities.

There is now a new urban discourse that renders earlier and heated debates practically irrelevant. The old question of the size of cities, based on the erroneous notion that there was some optimal size for a 'good city' has been replaced by questions relating to the efficiency of the city and its desirability as a place to live and work.

An equally heated question marking earlier urban debates concerned the relationship between the largest city or cities and other urban areas in a particular country. Although these connections and interactions are of some importance, this intra-national debate now takes place within a much bigger context. A country's cities need to be viewed within their larger regional and global role and competitiveness. 'Today Detroit's real competition is not its suburbs. Michael Stedman and Margery Turner write, 'but the metropolitan regions of Baden-Wurtemberg in Germany and Kyushu in Japan.'⁶⁶ Although cities and their suburbs may regard each other as rivals in a zero-sum struggle to capture economic growth, they are also partners in interregional competition to sell goods and services in national and global markets.

As cities break free of the national yoke, they are becoming -- or can become -- players in the global economy. They are not totally independent of their countries, but compete

separately from them. This has enormous implications for national urban policies and approaches. 'In a global marketplace, Ruble, Tulchin and Garland write, 'cities have become independent actors that must compete with one another for investment and capital in order to create employment opportunities for their citizens. The success of a city is a function of its ability to integrate itself in the global society as much as it is a measure of its ability to develop links to the nation or its immediate hinterland.'⁶⁷

Although country after country is embarking on economic liberalisation, and seeks to embrace globalisation, most sub-national and urban governments have not

been in the mainstream of these changes. At the subnational level, the gaps in knowledge about economic changes and their implications are numerous.

Macro-economic policy debates, including those on trade and industrialisation in many countries, frequently ignore the location of production itself. In almost every country, the impact of newly liberalised trade, monetary and other policies will be felt in the cities. And it is in the cities that the desired economic growth will mainly take place. The linkage between macro-economic reform and the management of the cities cannot be emphasised enough. Too often, it is not even considered by national economic policy-makers.

London First Centre: the one-stop shop

In London, London First -- a private sector consortium of more than 200 companies -- central government and local authorities are spearheading the development of an inward investment agency called the London First Centre. It is essentially a sales and marketing vehicle for London.

It has three key roles:

- to promote London;
- to provide advice and guidance to companies and organisations considering locating in the city; and
- to assist investors with all aspects of setting up business in London.

The London First Centre does not lure companies with financial incentives. Rather, it concentrates on understanding their particular needs and advising them on their most effective commercial base. It also advises companies working in Greater London on expansions, joint ventures, and moves within the capital.⁶⁸

No models for success, but a new paradigm at work

There is no model for successful urban development, and no single set of policy recommendations. Cities will have to innovate and draw upon their history, current circumstances and resources to respond to new challenges. Nonetheless, the concept of 'best practice' is a useful one from which every city can learn. 'Best practice' will be found in every aspect of urban development, encompassing issues of economic development and entrepreneurship, governance, infrastructure, and socio-economic development questions.

Again, there is no 'best practice' for all cities. The overarching emphasis guiding all attempts to become competitive in the global economy has to be to stimulate economic growth. After all, without economic growth there can be no social development.

When economic growth was threatened and jobs and income were lost, cities realised they had to devise a strategy and adopt policies which would reinvigorate growth. For this to occur, it became necessary to encourage local initiative and to create a policy environment in which all stakeholders could contribute to the benefit of their city.

Thus, those cities that are operating successfully in the competitive world system are operating within a new paradigm based on what was earlier termed incrementalism, entrepreneurship and markets. Says Savitch: 'As globalisation melts national borders and intensifies competition, cities assume new roles. They become progressively delocalised, and take up a place at the leading edge of the new social paradigm that preaches global action, market awareness and entrepreneurship.'⁶⁹

Cities where the global meets the local

There is a growing body of evidence and opinion that globalism and a concern for specific localities such as cities or regions are not the polar opposites once assumed, but rather two sides of the same coin. Cities will need to address the challenges they face as a result of globalisation and the competition that goes with it in the context of their particular history, circumstances, urban dilemmas and policy choices. Kanter writes: 'The greatest danger to the viability of communities is not globalisation but a retreat into isolationism and protectionism ... Ironically, the best way for communities to preserve their local control is to become more competitive globally.'⁷⁰

Business and cities

In a recent essay and book, Harvard Business School analyst Rosabeth Moss Kanter has tried to unravel the links between business and cities in the new global economy. For Kanter, globalisation is associated with four broad trends:

- mobility – of capital, people and ideas;
- simultaneity – goods and services increasingly available in many places at the same time;
- bypass – the availability of alternative channels and new technologies to go around established players rather than compete directly with them; and
- pluralism – the dispersal of activities to multiple centres of influence and expertise, and the relative decline of traditional centres.⁷¹

She argues persuasively that world-class businesses need the following elements:

- concepts – leading edge ideas, designs or formulations for products or services that create value for customers;
- competence – the ability to translate ideas into applications for customers (ie products and services), and to execute these to the highest standards; and
- connections – networks or alliances among businesses to leverage core capabilities, create more value for customers, or simply open doors and widen horizons.

Rotterdam: specialised port city battles unemployment

According to Hazel Duffy, the key to Rotterdam's strategy to maintain its competitive advantage in the face of the changing global economy has been a 'style of policy-making which seems to have evolved from an informal coalition of individuals, bureaucrats, financiers and community leaders, whose ideas were backed by the elected mayor and alderman, who form the working executive wing of the council'.⁷²

This sort of consensus between public and private figures is not the norm in the Netherlands. Rotterdam's Rotor (Rotterdam Ontwikkelingsraad, or Development Council) is an outstanding example of such a coalition. It is a permanent think-tank, made up of city officials, business people and voluntary organisations, which considers how the city should react to the increased competition between cities expected in the unified Europe.

One of Rotor's key reports, for example, resulted in the formation of a working party to devise a strategy for bringing more technology into different sectors of the city's economy. Improved port facilities and the specialised skills of port workers have enabled Rotterdam to retain a competi-

tive edge in handling petrochemicals and chemicals. Portplan 2010 is a significant agreement between the city, trade unions and other role players to continue upgrading port facilities. It is aimed at maintaining this advantage, and attracting related industries to the already existing concentration of chemical, petrochemical and related concerns.

More plans for job creation and training are needed if Rotterdam is to curb its high unemployment rate. The city is grappling with the dilemma of maintaining a competitively costed economy within a socially responsible system of local government. In the mid-1980s urban planners set themselves the task of changing Rotterdam's image and reality from one of a working-class city with few recreational and cultural facilities towards a city which could attract the head offices of multinational corporations. There is a plan to set up a new regional government structure for 1997 (Stadsregio Rotterdam) which will allow the whole region (ie Rotterdam and 18 surrounding municipalities) to formulate regional development plans that will foster global competitiveness.⁷³

Thinkers, makers, traders

Many cities have emphasised one core capability as a way of accessing global markets. Rosabeth Moss Kanter identifies three ways in which cities link into the global economy: as thinkers, makers or traders. *Thinkers* gain their competitive edge from continuous innovation, particularly focusing on the export of knowledge and knowledge-based products. Boston is a classic example of a city that specialises in creating new ideas and technologies. *Makers* have superior production skills, and an infrastructure which supports high-value, cost effective manufacturing production. The Spartanburg/Greenville region in South Carolina is a good example of world-class makers (see box below). *Traders* specialise in connections, and thus transport goods and services across all types of borders. Miami is quintessentially a trader city. Ideally, cities need to develop capabilities in all three dimensions.⁷⁴

In their turn, competitive cities and regions need to provide and create environments for business which connect their local population to the global economy in one of three ways: as thinkers, makers or traders (see box above).

Kanter argues that 'cities and regions will thrive to the extent that the businesses and people in them can develop better by being there rather than somewhere else ... Cities and regions must become centres of globally relevant skills to enable local businesses and people to thrive. World class businesses need concepts, competence and connections. World class places can help grow these global assets by offering capabilities in innovation, production or trade.'⁷⁵

Her argument is based on a number of case studies. The example of Spartanburg/Greenville, South Carolina (see box

below) particularly concerns business and its interests. She argues that business leaders need to understand how strong local communities, cities or regions can assist them in their drive for global and regional competitiveness.

Business benefits from investing in an area's core skills; it derives advantages not only from creating company-specific resources, but also from establishing linkages outside the company: local collaborations with international companies operating in their area can help smaller companies raise their standards of production and service, and propel them into wider more global markets; and leaders of large companies can strengthen their competitiveness by developing a supporting environment in the primary places where they operate, to ensure the availability of the highest quality suppliers, workforce, living standards for their employees, and opportunities for partnership with local leaders.⁷⁶

Another factor concerning business in cities is infrastructure. World Bank research shows there is strong evidence to demonstrate that deficiencies in the public provision of urban infrastructure, including water supply, sanitation, electric power, transport and waste collection and disposal, impose heavy financial costs on firms of all sizes.

In the 1980s, firms in Lagos, Nigeria, spent some 20 per cent of fixed investment on providing those services; in the process, they reduce profits and with them the likelihood of investment in firm growth and new employment.

While this large cost will vary across cities and according to the level of economic development of countries, it is clear that public failures impose heavy private costs which in turn may lead to a reduction in public revenues over time. In Nigeria, for example, 92 per cent of private firms have their own generators to supplement the inadequate public power supply, while in Indonesia this figure is 66 per cent.⁸⁰ Not surprisingly, smaller firms are least able to absorb these private costs in their efforts to maintain production and operations.⁸¹

Spartanburg and Greenville, South

The cities of Spartanburg and Greenville, with their populations of 46 000 and 58 000 respectively, are part of an urban region with a diversified economic base which includes textiles, metalworking and motor vehicles. They have unemployment rates well below the national average, and their nationally recognised worker training programme is so effective that the competence of their workforce has become a selling point for these cities.

This exceptional blue-collar workforce has attracted more than 215 companies from 18 countries – including Germany, France, Britain and Japan – to the region over the past few decades. These companies include Michelin, North America (with \$1.5 billion investment in the region and 9 000 employees in the state); BMW's first ever manufacturing facility outside of Germany; and Hoechst, the German chemical giant. Since 1985 Greenville

has had a successful headquarters recruitment programme, and in 1993 alone 14 foreign companies announced that they would open new regional headquarters or expand existing facilities in the city. Examples of training institutions include:

- the South Carolina State Board for Technical and Comprehensive Education, which offers free, customised technical training to

What do businesses look for in cities?

According to *Fortune* magazine, the kinds of questions businesses ask before deciding to locate in a city or relocating to another one include:³⁶

- Does the city have:
 - a pragmatic approach to economic development?
 - a strategic economic vision?
 - an action plan?

- Is there office space available? If so, are rental rates reasonable?

- How reasonable are construction costs, and what is construction time?

- Is there an educated labour force?

- Can highly skilled professionals be recruited?

‘Top quality workers demand a top quality living environment. This means affordable housing, good infrastructure and plenty of opportunities for recreation and culture.’³⁷

- What are intercity and intra-city transportation networks like?

- Is there easy access to growing markets?

- Are there strong and efficient municipal institutions?

- What rates and taxes will be levied, and what services

will be rendered in return?

- How good is service provision?

- What regulations exist, and how costly are these?

- Is there a well-established business infrastructure?

- Are efficient financial services available?

- Is there the scientific and technological backup of a university or research institute to draw on if required?

- Is there an efficient telecommunications network?

- Is there access to and from numerous air destinations, and are there non-stop flights?

- Is the house price/income ratio favourable?

- Is there a high quality of life in the city?

- Is the city politically and socially stable?

- Does the city provide a safe environment?

- What are the predominant languages spoken, and what cultural practices prevail?

Other city policies which matter to business include transportation, policing, land use and zoning, rates assessment, taxation, and environmental policy.

As life and work become more intertwined, people will flock to cities that cater most appealingly to both.³⁸

Turning market forces – cities and strategic vision

History, culture and geography have all endowed cities with a diverse set of assets and liabilities that either help or hinder their efforts to engage the regional or global system, and find a place for themselves in the international economy. Henry Cisneros, US Secretary for housing and urban development, has put it thus: ‘There are limits to how local and

regional economies can change themselves. Powerful national and international market forces have an extraordinary influence on their potential ... Local leaders in many regions have learned how they can turn market forces to their advantage and aggressively develop their economies using that knowledge. But first they must understand how these forces work.’³⁹

Cities are often ill-equipped for their new role as economic players. One of the most substantial weaknesses concerns basic information on a cities’ economy, with the result

Carolina: a globally competitive region

prospective workers and supervisors of companies that bring new investment to the state;

- the Greenville Technical College, rated as one of the best technical schools in the United States, which offers training for the textile, metal-working, electrical and electronic trades, among others; and
- the area’s public education system, colleges and universities, which

strive to provide a good education with appropriate skills.

According to Kanter, both business and civic leaders in Spartanburg and Greenville have worked on shaping an economic development strategy that is almost a foreign policy.⁴⁰ Their model for success in the global economy has been a solid base of mid-size entrepreneurial companies which innovate continually in basic manufacturing and

employ a workforce whose skills are regularly upgraded against world standards’.⁴¹ Four factors which play a role in this success are:

- visionary leaders;
- a hospitable business climate and positive work ethic;
- customised training and upgrading of worker’s skills; and
- collaboration between business and government.⁴²

that leadership (and officials) are often surprised by economic shifts or new urban development trends.

Typically, local officials possess no information regarding the way local economic activity fits into the national picture – ie, what is produced in the local region, where it is

Pittsburgh: education and health as keys to competitiveness?

Pittsburgh is often quoted as the ultimate example of 'rust belt' type decline, but it also offers a model of the role of skilled leadership and effective coalitions in urban regeneration.³⁷ Pittsburgh is said to be the first American city to put together a well-organised coalition for urban renewal. As far back as 1946 the city was already grappling with a decline in manufacturing jobs by forming public-private partnerships. It has developed a public sector that is professional enough to act as a true partner with the private sector.

Tertiary education and health sectors in particular have played a prominent role in Pittsburgh. Public-private partnerships, forged in the 1950s and 1960s, were so well established by the 1980s that city leaders could begin to focus on creating co-operation between local government and local universities and hospitals as a foundation for the development of a high-technology economic base. Crucial in this initiative were the city's two major research universities (the University of Pittsburgh, and Carnegie-Mellon University) which began to play an enhanced role in attracting private high technology firms to Pittsburgh. The Pittsburgh Technology Centre is a concrete symbol of the new co-operative relationship between city government and research universities. This centre, built on the site of a closed steel mill, and with the two universities as its main tenants, formed part of a larger economic development package known as Strategy 21 which secured \$70 million in state funds for projects, including:

- the advanced technical research work of universities;
- a biotechnology centre;
- a robotics centre;
- the Carnegie Science Centre; and
- major airport expansion.

The growing economic role of the education and health sectors in Pittsburgh is illustrated by the fact that by 1988 the universities and hospitals in the area had become the biggest local employers, and had the potential to draw massive amounts of revenue into the Pittsburgh economy.³⁸

shipped and to what users, what the current cost-competitiveness of local production is and how it has changed in recent years, in what subsectors of the economy national demand is likely to grow fastest in coming years, who the locality's chief competitors (national and international) are, and what cost structures these competitors face.³⁹

Local economies need to adapt to external market forces which often cannot be reversed. A hard-nosed assessment of a city or region's competitive advantages – and disadvantages – must be the first step. This must be placed in the context of national and international market trends. This information can become a mechanism for bringing local leaders together to assess the current and future prospects of their city. Kanter has argued that cities need 'social glue' – a way of bringing people together to define the common good, create joint plans, and identify strategies that will benefit a wide range of people and organisations. She argues that, besides the physical infrastructure of a city or region, communities need an infrastructure for 'social collaboration'.

To compete effectively in a harshly competitive environment, a city's 'governing coalition'⁴⁰ (ie key leadership and stakeholders) will need to 'crystallise and endorse a vision of the future that is acceptable to both business and citizens. Public and private sectors,' writes Weiping Wu, 'must col-

Indianapolis: the privatisation of services

Many of Indianapolis's 60 municipal services, including street sweeping, managing the airport and running the waste water treatment plant, are privatised. It is claimed that this has saved the city \$300 million over three years. It also cut the tax burden on most households by reducing the municipal workforce and middle-management positions. According to the city's mayor, privatisation allowed Indianapolis to spend \$500 million on capital projects, especially roads, bridges and sewers. He stresses that these benefits accrue from running city government like a business.

The strategy adopted by the Indianapolis local government has evolved: it has moved from a belief in 'privatisation at all costs' to an approach where encouraging competition is a core strategy. Some services are simply contracted out, but others, such as garbage collection and some road maintenance tasks, are opened up to competitive bidding – with city crews which find ways to cut their costs winning contracts. The city government has thus become infused with the principles of efficiency and competition in its bid to compete with the private sector for service contracts.⁴¹

laborate so as to share the burden of risk."⁹⁰ They will need a strategic vision to guide realistic development for the future of the city.

New roles for city governments, business and national government

As Cisneros puts it, a city's strategic vision must emphasise retaining existing entrepreneurs and helping them to expand locally, rather than relying only on new firms from other regions to spur growth. But even here their focus is on helping entrepreneurs to change and adapt to new market realities rather than subsidising the longevity of their old product mix ... Private entrepreneurs, not local governments, are the primary agents creating economic growth.

"But local governments and other public institutions play a large role in creating the context in which development occurs and in shaping the background conditions that are

looked at as either attractions or detractions by prospective investors."⁹¹

Role players within cities have also had to forge new roles in implementing strategies. The private sector was forced into the public domain by the changing dynamics of the global economy. Previously, most business people were content to focus almost exclusively on their own businesses. But the sheer scale of economic restructuring, along with an often inadequate response from government, has placed new demands on corporations and business leaders. This has frequently meant that the private sector had to take the lead. This new leadership role has included involvement in the privatisation of public services (*see box on Indianapolis, page 22*); major area development schemes; and inner city revitalisation.

A focus on entrepreneurial cities should not be misunderstood. To repeat a point made earlier: the cities that are

Sheffield: from municipal radicalism to entrepreneurship

Sheffield's local economy was traditionally based on steel and heavy engineering. By the 1970s it was hit by a severe recession in the steel industry. During this period, more than 1 000 jobs were lost each month. The city, with its Labour Party-dominated local government, responded to this crisis with a version of local socialism which claimed 'the right for greater community and worker control and influence over employment and the local economy'.⁹² During this 'radical' era, the city government shifted its focus from consumption issues (such as housing, transport and education) to the local economy and the need for job creation. It created an employment department which focused its attention on public sector intervention to create new jobs; equity financing for small businesses; and efforts to promote equal opportunity employment. Although some creative programmes were initiated, the overall strategy did not work:

- it dampened down any enthusiasm the market had for investing in the city; and

- hardly any retail, commercial, or industrial development took place in the city in the first half of the 1980s.

By 1986 these programmes had given way to:

- an emphasis on co-operation between local government and private employers;
- the external promotion of the city as a 'good business environment';
- support for flagship projects in retailing, leisure and commercial development;
- the creation of the Sheffield Economic Regeneration Committee (SERC) in 1987, consisting of representatives from a range of local interests: the local authority; the private sector; trade unions; community groups; higher education; and the Sheffield Development Corporation (established by central government). It acts as a catalyst of a wide range of programmes which attempts to overcome the poor market perception of Sheffield.⁹⁴

This transition to market-oriented strategies and a belief that Sheffield should create a more service-sector-oriented industrial base are what now characterise the city's strategies to attract outside investors. Sheffield has had a degree of success with this approach, which includes:

- attracting financial investment in property development;
- a number of projects using government Urban Development Grants;
- development of a \$200 million retail and leisure complex on the site of a former steel works;
- development of a science park;
- staging the 1991 World Student Games, accompanied by a cultural festival;
- development of 4 000 properties for rent and sale in agreement with the United Kingdom Housing Trust;
- initiation of a number of innovative education and training developments by the Sheffield Education/Business Partnership.⁹⁵

competing successfully in the new global economy have embraced and applied the new paradigm for action: 'incrementalism, entrepreneurship, and markets'. Those that have tried a different approach have generally failed (*see box on Sheffield, page 23*).

What city governments must do is:

- understand the new global and regional realities in which their city functions;
- assess the prospects for growth or decline in their city's economy in the light of these new realities;
- ensure that all the key stakeholders in the city (this includes national as well as local players) are informed of the latest trends;
- enable a process of social collaboration between all the stakeholders, so that a shared vision of the future of the city can be formulated and implemented;
- ensure that city rules, regulations and operating procedures encourage entrepreneurial activity and do not

must become political entrepreneurs who garner resources and allies from the most unlikely places;

- not look for 'solutions' but rather for processes that enable and empower people to participate in solving problems and meeting challenges;

discourage it in any way:

- not try to become an entrepreneur itself;
- act entrepreneurially, however, in promoting the city, by identifying ways to support emerging business opportunities and local specialisation and helping to promote competitive niches for the local economy;
- ensure that 'foreign policy' and marketing is effective for the city (sometimes led by business leaders, sometimes a community figure, sometimes a city government leader);
- learn how to create new resources to overcome small budgets, legislative constraints and other obstacles. They

Baltimore: pro-growth coalition develops impressive image

Back in the 1950s, Baltimore had already started to respond to urban decline. During the 1960s it emphasised conventional headquarter-type office development. In the late 1950s the Greater Baltimore Committee (a business group founded in 1956) helped to initiate the development of the 33-acre Charles Centre (a complex of offices, shops, hotels and apartments). In 1964, at the request of the city's mayor, the Greater Baltimore Committee unveiled a second and more ambitious plan, the Inner Harbour development plan. This was a spectacular project which focused on a new combination of activities: recreation, culture, shopping, convention and research centres, mixed-income housing, and offices. By the 1980s there had been a fundamental change in Baltimore's reputation as a grimy sea port and industrial city.⁹⁶ It was now a popular tourist destination (Baltimore has 22 million visitors each year, 7 million of whom are tourists).

Harborplace, a two story, 3.1-acre eating and shopping complex, drew more than 18 million visitors in its first year. The completion of the national aquarium in 1981 gave the inner harbour a major tourist facility – it attracted 7 million visitors between 1981 and 1986.⁹⁷

Baltimore's turnaround was driven primarily by the private sector, in the form of pro-growth coalitions such as the Central City Development Corporation and the Baltimore Economic Development Corporation. They were often called Baltimore's 'shadow government'⁹⁸ in that they were in many ways public agencies which did not have to operate under the same constraints as public bodies. They were a non-bureaucratic alternative to city government, and were able to draw on federal and private funds for their renewal programmes.

But there is a cautionary note in the success story of Baltimore: there are what have been referred to as

'two Baltimores'⁹⁹ – large areas of dilapidated housing and areas of poverty and social decay exist just a few blocks away from the redeveloped areas. This has led to a debate on:

- the impact of redevelopment on the majority of the population;
- the distribution of benefits generated from renewal;
- the appropriateness of the techniques and strategies used to implement programmes; and
- the quality and number of new jobs that have actually been created.

This debate has highlighted one potential danger of a development programme driven almost entirely by the private sector: a lack of public accountability in respect of the direction that such development takes. As result, Baltimore has shifted back towards greater neighbourhood redevelopment, and greater public control over future physical development.¹⁰⁰

- think big and have an inspiring vision for the future. It is only with such a vision that the necessary trade-offs will be made between the growth and development challenges that face cities.

Cities wishing to be successful in the new global economy will have to behave like 'reorganised corporations' exhibiting flexibility and adaptability in order to insert themselves in the global and regional system. The key to successful urban practice will be flexibility.

Solutions to problems at the local level as well as urban success in the global environment require a non-ideological and multisectoral approach that welcomes popular participation in decision-making; uses existing networks and organisations to define the agenda for action and determine how limited resources are to be used; and that uses those same networks or civic groups to carry out decisions and distribute resources to citizen-residents.

Policy-making that affects economic competition often remains in the public domain. But effective urban governance

British City Challenge initiative

The British City Challenge of the early 1990s is a classic example of a national policy initiative aimed at using competitive bidding to promote an entrepreneurial culture in local government, and to stimulate innovative approaches to economic and social development in cities. It is widely agreed that 'City Challenge marks a revolution in urban policy. The stimulus of competition has transformed the way in which local authorities and their partners have approached the task of urban regeneration.'¹⁰¹

In terms of the initiative, cities were encouraged to bid against each other for urban funding from central government. Bids had to demonstrate:

- effective local partnerships;
- targeted, area-based regeneration strategies; and
- integrated approaches to problems of economic decline and social deprivation.

Thus the British City Challenge initiative encouraged the formation of a new institutional framework whereby local government works in partnership with business, the community and the voluntary sector. Michael Heseltine, minister of the environment, stated in a press release that the City Challenge was 'about the vision of the local authority, and its ability to bring about the regeneration of its area. Above all, it's about involving local people, with councils forging partnerships with community organisations, voluntary groups, and the private sector.'¹⁰²

does not always lie in the hands of elected government. What often exists is a governing coalition or urban regime where by public and private agents come together to make and carry out decisions. Private agents include not only business interests but also labour unions, NGOs, community groups and religious leaders.

The extra challenges for developing world cities

Cities in the developing world have to reassess their priorities. Too often they have been overwhelmed by burgeoning populations, enormous service needs and limited human and financial resources. Like cities elsewhere, cities in less developed countries need to assess their future in global economic terms. They need to ask what they offer investors, and how they can persuade them to invest in the city. So, besides having to face the harsh realities of economic competition on a regional or global basis, these cities also have to deal with enormous backlogs of services and facilities that seem to grow every day. They have to determine priorities, which must be seen through an economic lens. The only way in which the quality of life in these cities will improve is if economic growth can be sustained and improved. They can no longer only see themselves in terms of the other cities in their country, but need to think and plan strategically with

Data processing: new niche for developing country cities?

Data processing may prove to be a cornerstone of future economic growth for many developing country cities. Cities such as Bridgetown, Manila and Bombay feature significantly in this growth industry. When AMR, the parent company of American Airlines, reorganised its flight information processing system, it started Caribbean Data Services (CDS) in Bridgetown. It employs 1 100 people, and is currently the largest non-governmental employer on the island. This data processing industry brings about US\$30 million in foreign exchange earnings to Barbados.

In the long term, given the way in which technology is changing, developing country cities currently focusing on data processing will probably be able to take on simple programming, and eventually play more sophisticated roles in information technology. These cities could evolve from being processors of information to becoming its creators.

The potential of data processing as a means of stimulating economic growth and development in cities in developing countries is immense.¹⁰³

regard to their role in the regional and global economy.

The new global economy is built on access, communications, and connections. This means that infrastructure, particularly transport and communications, is a top priority for developing cities. These areas must move higher up the scale of priorities, as against other needs. Ruble, Tulchin and Garland write: 'In Latin American cities, the issue is not how to reach the entire population with the spectrum of services provided by industrial cities, but how to open the institutional space of the city to create the possibility of improving the urban population's quality of life. The solution turns on improving the cities, creating ties to the global economy, opening them to modern technology, and facilitating innovation and the populations' access to education. No Latin city has the fiscal and juridical independence to deal with the crisis of education and employment. Latin American cities appear to be falling further and further behind on the crucial dimensions of urban adaptability – communications and transportation. Of large cities in the region, only São Paulo has been able to sustain a high correlation between population growth and the creation of jobs in industry. Not coincidentally, São Paulo has the best communications and transportation network in the region.'¹⁰³

Transport is crucial for any city serving emerging markets. The success of one seems to threaten the well-being of others in the same region. For example, Miami has become the gateway to Latin America, taking traffic away from cities such as Caracas, Panama and Santa Marta that lie on the edge of the Caribbean Basin. Houston's growth may be undermining economic activity in New Orleans.

Developing world cities do not have to see themselves as competing with the peak cities in the global urban hierarchy such as London, New York or Tokyo. Cities need to see their future in their own regions, and look for a competitive role in the geographic and economic sphere which makes sense in terms of their competitive advantages. It is possible, therefore, for a city to direct its efforts at a surrounding region rather than the global economy as a whole. But it can only do that while bearing in mind the mobility with which trade and investment can move around the globe. A city can focus on a region and have more modest ambitions than becoming 'the Paris of the South' – but this can only be done with a realistic knowledge and understanding of the economic trends and factors which are important in that region.

Cities are different from nations, and developing world cities – like those elsewhere – will have to think hard about the implications of the new roles they are required to play in the global economy. Cities will need new powers and

authority to become successful global competitors. For example, a key ingredient in comparative advantage will be the education and skills of the city's workforce, but in most countries this area is controlled by national government. Promotion of the city is also crucial, which means cities will need their own 'foreign policy'. Often airports are national government responsibilities, yet the accessibility of cities within the global marketplace is crucially important, so cities will need a much greater say in this sphere too.

All of this has enormous political implications. Large cities will need to lobby national governments for the powers and authority they need. Collective action by cities within a country or a region can strengthen their chances of success. Cities will thus need to put much greater effort into national policy issues, and how such issues affect them, than has hitherto been the case.

The importance of leadership

Leadership in the entrepreneurial city must combine management skills for dealing with the city's and citizen's needs; entrepreneurial skills to make the city competitive in the regional and international economy; and political skills that can garner power and resources for the city from national authorities, and mobilise its social capital.

In this respect, the international literature on the experience of many cities and regions point to one common denominator: all the successful cities and regions have had a person or group of people with a vision for their city. Individuals are important, and leadership will affect whether a city can and does compete in a tough, competitive world. Leaders in successful cities and regions have come from both the private and the public sectors. They have had a vision for their city, and they have gone about harnessing the necessary resources and energy to realise that vision. Without leadership – from wherever it comes – it is very difficult to see how cities can arrest decline, identify and capitalise on new opportunities, and generate interest and enthusiasm for sustained periods.

This conclusion has important implications. A city can take many of the steps suggested in this review. But without someone to lead, it is unlikely to become a global competitor. This is especially the case in cities in the developing world. For those trying to revive cities, turn around depressed inner cities, or promote cities as global players, the first priority has to be to identify and then support leadership figures who can mobilise the resources, energy and image necessary for success.

THE CHALLENGES AND IMPLICATIONS FOR SOUTH AFRICA'S CITIES

What does the international experience mean for South Africa? What can South African decision-makers learn from this review of cities and their responses to the global economy that is relevant to this country and its cities? Generally, when people think about government and policy in a given country, they tend to look at the country as a whole. We often forget, in the heat of national debate, that policies take effect somewhere, that history is made in particular places and under specific circumstances. Increasingly in the modern world, this means in cities. It is surprising, then, that so little attention is being paid to the effect of national economic and other policies on these cities.

The international message is clear:

- Cities are the prime arenas for new and fierce global competition.
- Global economic actors are attracted to places which can serve their needs for skills, concepts and connections,¹⁰⁵ and are attractive places in which to live.
- The fortunes of cities are not static – they change with the needs of the regional and global economy.
- Cities themselves need to look to their comparative advantages, and how to maximise and market these.
- Debates about urban policy are now far less about national comparisons of city size, and much more about regional and national niches and how to compete as a desirable site for investment in the tough global marketplace.

In a final section, we offer some thoughts and conclusions on the implications of the international experience for South Africa and its cities. These conclusions will be supplemented and expanded in forthcoming issues of *CDE Research*, in which the results of detailed case studies of four South African metropolitan areas will be reported and analysed. They are Durban, the East Rand, Pretoria and Greater Johannesburg. The policy and strategy implications of this large body of work will be pulled together in 1997 when CDE will publish comprehensive proposals for a strategy and policy framework for South Africa's large cities and metropolitan regions.

1 South Africa's future will be decided in the big cities

South Africa's prospects for growth and development hinge on events, trends, perceptions and dynamics in the country's largest cities. Urban crime, urban joblessness, urban politics and urban perceptions will be most important in determining South Africa's future. This insight must determine the priorities of national leaders in both the public and private sectors. It must determine both economic and development pri-

orities. The government's macro-economic programme must link up with, and indeed depends on, a successful approach to the big cities. The RDP should balance its focus on rural land reform and water provision with significant initiatives in big cities.

2. Big cities need much more national attention

South Africa's cities are the engine rooms of the national economy, and will continue to play this role. The future of the country depends upon them becoming globally competitive.

National decision-makers need to understand the urban implications of their policies and actions. The future of the cities will not be incidental to national success. Macro-economic reforms will have enormous implications for the country's urban areas, and particularly its largest cities. These implications need to be thought about, debated, and creatively managed. Macro-economic thinkers and policy-makers in government, business and trade unions need to start taking the 'where' of production and trade very seriously indeed. The future of the cities is their business. Central government departments should actively include the big cities in their strategies and national projects. National policies should be assessed for their impact on the big cities and their competitiveness.

At present urban issues are dealt with in many central government ministries. Is urban strategy and policy being given sufficient attention by the cabinet? Is urban strategy and policy a top priority for the government? What are the objectives, timetables and targets in this sphere?

At the same time, the large cities need to understand their own importance and put concerted effort into persuading national players of the importance of big cities in national economic development.

3. New issues eclipse tired old debates

The history of urban issues in South Africa has seen three recurring themes often emanating – in different ways – from both the left and right of the political spectrum. In the context of the competitive global economy, and the demands and opportunities that now face the cities, these three themes are no longer very relevant – if they ever were.

Apartheid thinking concentrated on how to keep black South Africans out of the urban areas. One of the rationalisations for this policy was the dangers of rapid urbanisation, and the growth of large cities. Similar policy ideas have operated in other authoritarian societies (such as China, the former USSR and Indonesia). The international experience is clear. Such control policies do not work, and have negative side effects on individuals, urban policy and economic devel-

opment. The issue is no longer how to control the growth of cities, and migration to the cities, but how to make those same cities economically efficient and attractive to current and new investors.

A similar concern relates to an explicit facet of apartheid policy, but also an implicit fear in many people's minds. It is thought that if the cities were to improve their facilities and services, particularly to the poor, this will attract unmanageable floods of migrants to the urban areas. Again, the international experience and new realities destroy this old idea. Firstly, migrants are attracted to cities because of the economic and other opportunities they provide. A lack of housing and services are not a deterrent, as the millions who live in unplanned, unserved shack areas testify. Secondly, policies deliberately aimed at making cities unattractive for migrants make them increasingly unattractive to everyone else as well, thus discouraging the very growth that can help to improve the city and its services. Thirdly, this old notion is based on the belief that most city

growth comes from new migrants to the city, and ignores the reality that in most developing country cities it is the natural growth of the existing urban population that contributes most to the city's expanding population.

The third idea, and probably the most important in current South African thinking, concerns the 'problem of city size'. Some analysts believe Johannesburg, the Central Witwatersrand or Gauteng is too big for the country's good. Thus, efforts must be made at all costs to curb growth in these places and divert it elsewhere. This argument makes many erroneous assumptions. They include the following: Johannesburg's growth is assured, so the policy emphasis must be to curb it; the size of a city is more important than its efficiency and ability to create wealth and opportunity; growth diverted from Johannesburg will necessarily go to some other, more 'policy desirable' South African location. As Professor Nigel Harris has argued, the old issues of comparative city size within a nation are rendered insignifi-

What should your city do?

It is impossible to give cities a 'step-by-step' guide to becoming competitive in the global economy. It is nonetheless possible to provide some practical guidelines as a means of stimulating debate within South African cities about strategies for economic competitiveness.

Three useful preconditions are:

- relative autonomy of regional and local authorities (including a degree of financial independence);
- healthy city image, which recognises the uniqueness of the city;
- effective decision-making, dynamic, charismatic leaders, and co-operation between local stakeholders.

Three major action areas are:

- A co-ordinated process whereby city managers, business, voluntary organisations and research institutions participate in gathering information, including:
 - a city audit which examines what exists, where is it

located, whether it is used to its full capacity, and whether there are possibilities for expansion or more effective utilisation with public and/or private interventions. This audit could lead to the production of a statistical year-book;

- conducting a Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis of the city and its economy; and
- monitoring indicators of change in the city economy and more broadly in the national and international economies.

- A forum/think-tank where key stakeholders in the community participate in an interactive planning process. This should aim to:
 - develop a common vision for the city – for example, the Johannesburg forum may develop a vision of becoming

the leading communications, financial, media, telecommunications and service city in Africa;

- identify emerging comparative advantages of the city; and
- formulate policy options and scenarios for action.
- Create a local government economic unit to co-ordinate information-gathering, and to oversee, assess, and advise city managers on:
 - appropriate short-term reactions to economic changes;
 - implications of changes in government policy and ramifications of national and international events;
 - acting as a pressure group on issues which affect the city's economy; and
 - negotiating with national governments and foreign investors.

cant in the light of the new realities of regional and global competition.¹⁰⁶ Who is to say that growth diverted from Johannesburg, for example, will not go to another country altogether? The key questions for cities now are not how big they are or how they compare with other cities and regions in the same country, but whether they are globally competitive and able to find a niche in which they can build and market a comparative advantage, thus attracting investors.

We need to look at cities as arenas for economic growth, and assess their efficacy in the light of their competition in the regional and global marketplace. That is the critical policy issue now.

4. South African cities need new priorities

The present focus on issues in South African cities is lopsided. Too much attention is paid to the admittedly important issue of dealing with the service and other backlogs inherited from apartheid. Too little attention is paid to economic development issues which, after all, will be the only way in which resources will be found to meet the backlogs.

Cities need to realign their priorities. They must not just add a new focus on economic development to their current priorities of integrating the city racially and dealing with historic backlogs. The key lens for any large city must be economic growth, and what the city needs to do to retain current investment and encourage new growth. This prism will help cities to decide what the priorities are in the two other areas of functional/racial integration and backlogs. But expanded economic growth has to be the primary determinant – otherwise all else will fail, and there will be insufficient resources to meet development objectives; and the quality of life for all in the city will actually decline.

Thus far, the South African debate on urban policy has mainly focused on integrating local governments, and providing housing. And there are good historical reasons why this has been the case.

But within a new global economic framework, our development priorities have to be reassessed. There are new emphases for urban policy that flow out of the international experience, the realities of globalisation and its impact on cities. The nature of modern economic development must lead cities to focus on three areas:

- *Infrastructure for economic growth* becomes more important than ever. ‘The friction of distance’ needs to be overcome, and not only within a city or region. Questions must now be asked as to how effectively the city connects with other cities/regions and the rest of the regional and global economy. What kind of transport junction is the city (bus, tram, plane, boat etc), and is it good enough? How reliable and sophisticated is the city’s communications infrastructure?

- *The central importance of education issues* is also reaffirmed. There are two kinds of concerns in this area. The first relates to the labour force of the city, and whether it has the skills appropriate to new regional and global needs. The second concerns ‘centres of excellence and innovation’ in the city, as this is where the technology and ideas for the future will originate. Thus cities have a profound interest in the quality of education in the schools, adult training facilities, and the future of the universities. Urban policy needs to deal with these questions, and how cities’ needs intersect with national education strategies and priorities.
- *Health issues* also move further to the fore. Again, there are two dimensions to this. On the one hand, there needs to be adequate health care for the population as a whole, and especially for poorer people, as this will affect their productivity, the attractiveness of the city as a place in which to do business, and the health of the city as a whole. On the other hand, a city also needs to ensure the quality of its medical care at the higher end, as this will affect its desirability as a place where investors and senior managers want to live. Here again, big city governments and macro-economic planners have a vital interest in the impact of national approaches to health policy on the competitiveness of cities.

5. Cities need more powers

One of the characteristics of South Africa’s transition towards democracy has been an intensive debate surrounding the powers of the provincial level of government. This is an important issue, and deserves serious attention. But the focus on

City government roles

City governments need to:

- develop the capacity to monitor, manage and promote the city as a competitive arena for investment and growth;
- engage in a new style of action where it facilitates economic development through collaborative programmes and forums;
- engage with local actors to create political consensus around strategies for economic growth and development;
- develop a sound working relationship with business and the local community, in order to deliver on election promises; and
- create an environment in which new investments will be made and existing investments in the city will grow.

provincial powers has eclipsed any discussion of the powers of the large cities.

This is not synonymous with discussion on the powers of local government *per se*. The capacity and need for authority of a small urban area and those of the large metropolitan entities are fundamentally different. This omission needs to be remedied.

If one looks at the experience of cities in different parts of the world, it is clear that they use a number of different types of instruments to enhance their competitiveness. A city might decide to offer tax incentives to new investors; that it needs an international airport or an improved junction of different modes of transport; that it needs to improve the quality of its education system as a key component in its competitive strategy; or to attract leading health care providers to locate in the city and build a speciality in that area.

The list is much longer. The point is that South Africa's large cities currently do not have many of the powers (or influence) required to compete effectively with other cities in the world. They do not have the power and authority to become global players, because they are often too constrained in what they can do. The global economy requires entrepreneurial cities.

6 Not 'local government', but big-city government and management

Besides the powers of our cities, we need to reassess the kind of governments we elect in our 'local government' elections. South Africa's large cities control enormous budgets, and their actions influence the lives of millions of people. How can part-time politicians really represent millions of citizens

Cities need vision

Local government needs to play a role in developing a vision for their city. A participative process needs to develop around such questions as:

- what competitive advantages does our city have?
- what should our city become?
- what niches can our city fill in the global or regional economy?
- how does our city achieve this?

This vision needs to capture the imagination, and become the property of all key city stakeholders (communities, unions, businesses). Only when they agree on a vision for the city can city government begin to fulfill its role of moving the city in that direction, and begin to formulate strategies and action plans.

effectively in running big cities – with budgets bigger than many South African corporations and many small countries? How can part-time politicians provide the leadership and vision required to be regional and global competitors? Are there any other cities of the size of South Africa's largest metropolises that are governed in this way?

We must fundamentally rethink the way in which our cities are governed. The status and image of local politicians need to be raised if high-calibre people are to be involved in leading the country's large cities. Do we need executive mayors, for example?

7 Every city needs ...

Cities need to refocus not only their policy priorities but also their requirements.

First and foremost, cities will need *better information*. Every city will need to know what its economic base is, and whether this can be sustained. If a city is losing industry or jobs in any sector, what will replace this? Where does the city have a real or potential comparative advantage, and how can this be realised and strengthened? What do people dislike or like about the city, and what can be done about this? What can be learnt from other cities elsewhere that are similar to your own?

Cities also need what has been called *social infrastructure*. Cities need the institutions and mechanisms that can work to bring city stakeholders together to discuss the city and its economic future. Coalition-building and establishing political consensus around economic development goals and strategies are vital. As Cisneros puts it, cities need the formation of 'active public-private leadership coalitions to guide and promote local economic development and actively seek inclusiveness and collaboration.'¹⁰⁷

Cities need *vision and leadership*. City leaders can come from a number of different parts of the city (an elected politician, a senior official, a business or community leader). But without such leadership it is very difficult to envisage any city achieving success.

Cities will need to reassess their approach to the *functions of city government*. Local government policy and officials that enable development are required. City governments must play a facilitating role, an accountability role, a 'nudging' and pushing role. They must drive the vision of the city, and ensure that opportunities are continually created for private citizens and their energy to contribute to the city's growth.

8. Competitive interdependence

South Africa's large cities share some important common interests and concerns:

- big cities need to assert their importance, so that both

public and private leaders may become more aware of how central they are to national objectives;

- big cities need to gather information, assess new legislation and policy initiatives, and lobby collectively to advance their interests with other levels of government;
- cities can support each other in the inevitable political struggle for the necessary powers and influence they will need to become regionally and globally competitive;
- cities can usefully share experiences on how to focus city priorities around economic development rather than the previous emphasis on segregation and needs-driven physical planning; and
- internationally there are opportunities for common information-gathering and marketing strategies.

Appropriate organisational forms are required to give effect to the common interests that the country's big cities share.

9 Business should think more about cities

South African business has an interest in the future of South Africa's cities. National business leaders need to link urban strategy to their macro-economic vision. All their proposals and wishes for the national economy will have enormous impact on the cities. In turn, the success of macro-economic reform will be fundamentally influenced by how effectively our cities can compete as arenas for investment. The future of the cities is not incidental to business interests, but absolutely central to them.

In every city, business leaders need to strategise about the future of that place and how it affects their interests. Business has a critical stake in successful cities and towns; this requires that local business (perhaps spurred on by head office) play a leading role in promoting a local city vision and plan of action. National businesses and business leaders have an interest in a sound national urban policy, and an approach that sees cities as the key arenas for macro-economic growth. Cities must move up the list of priorities for South African business.

10. The irony of urban success – the need for an urbanisation strategy

One of the ironies of urban development in an urbanising country is that the better you do, the more people will come to the cities. How will South Africa deal with urbanisation and its link with cross-border migration? The country urgently needs:

- accurate information on migration patterns within South Africa (between provinces, between cities and towns, and rural/urban areas) and across its borders;
- an objective, non-emotive, understanding of the policy implications of these migration trends and patterns; and

- to integrate this new information into a national urban strategy.

Given a solid factual base of national and interregional trends and dynamics, South Africa can and must complement its focus on the large cities with:

- a growth strategy for secondary cities;¹⁰⁸
- a focus on developing the small towns;¹⁰⁹ and
- an effective rural development strategy.¹¹⁰

CONCLUDING REMARKS

There are dangers and opportunities associated with cities' role in the new global economy. Changes in technology and telecommunications mean that elements of production processes can be split between different locations. Thus SwissAir can move all its back-up systems and data processing to India. The reasons for particular industries locating in particular places have changed. For example, Johannesburg's city centre was once the only, and obvious, location for high-level professional and financial services. But this is no longer the case, and the economic effects of this new reality are seen in the economic change and decline of the inner city. No city can afford to rest on its laurels. No city should assume that the future will be like the past.

Cities are the new arenas for global economic activity and competition. This has enormous implications for how those cities are managed and governed. South African cities now need to choose their priorities through an economic lens.

Improving the management of cities and linking local urban management to economic development are vital for coping with the pressing problems of urban development and of expanding economic activity. A new world order is emerging, slowly and often painfully, based on an integrated global economy. It is still only half-fashioned, and many developing countries are only partially engaged.

South Africa and its cities are a late entrant to this emerging global economy. The temptation is for our cities to become preoccupied with basic survival strategies, because of the enormous problems facing them and because global competitiveness seems unattainable. The issue of striking the correct balance between investing in competitiveness and redressing poverty is indeed an important one. The analyst Saskia Sassen's contention that there is increased income differentiation and economic polarisation in global cities must be frankly confronted.¹¹¹

The argument developed in this document, however, is that by developing strategies to become more competitive in the global economy, South African cities will more readily discover the means to cope with the urban challenge. As Kanter argues, the greatest threat to the viability of communities is not globalisation but a retreat into isolationism and

protectionism.¹¹² Much evidence has been provided here that local leaders in many regions have learnt how to turn market forces to their advantage, and aggressively develop their economies using that knowledge.¹¹³ Economic policy initiatives should therefore be focused on the cities, because it is in major cities that economic growth finds its natural place within the global economy. This will have national development impacts in turn.

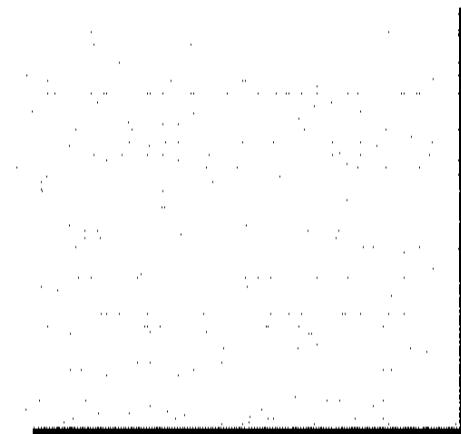
Strategies for global competitiveness include cities adopting a new style of action and an innovative approach to development. They also involve far-reaching strategies to create political stability and reduce crime and violence; establish fiscal discipline; and invest in training and education. In such strategies, national, provincial and city government have a role to play. As a matter of urgency, national and provincial governments need to create a context within which big city governments, urban businesses and urban organisations can work together to create cities that thrive economically, tackle poverty, and create environments in which people and firms want to live and invest.

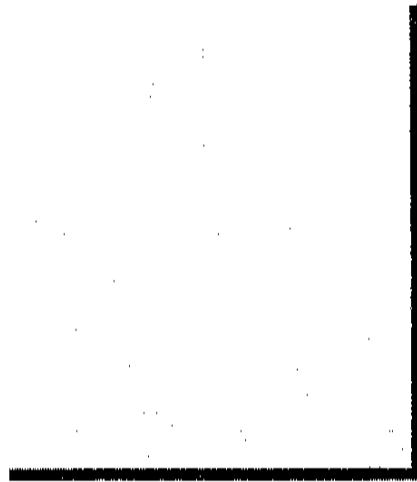
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