

Globalization and Urban Economic Prospects

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Globalization isn't exactly new. The ancient Greeks were pretty good at it for the part of the globe they knew, as were the Renaissance Florentine bankers and their successors in 19th-century London. More recently, as British General Motors employees in Luton, outside London, and Ford workers in London's Dagenham looked at their last pay checks, they might have reflected that globalization created their jobs in the 1920s and eliminated them in the 2000s. Capitalism, as Joseph Schumpeter famously said in 1942, is an endless process of creative destruction. That is its genius, and its curse.

Of course, globalization has vastly extended its reach over the last thirty years, as transnational corporations have extended their grip ever more widely across the world. Technological colonization means that low-wage countries can acquire state-of-the-art technology almost at the drop of a hat, provided they offer the right base of hard and soft infrastructure: highways and high-speed telecommunications and container ports, but also schools and universities and the rule of law. That requirement increasingly divides the former Third World into the high achievers (much of East Asia, including now the coastal provinces of China, plus part of Latin



Rome, Italy

America) and the still-struggling (most notably sub-Saharan Africa). The important point, as always, is that organized technology is the driver that makes poor countries and poor cities rich. If you doubt that, look at Hong Kong and Singapore, which achieved the trick in one generation, or Guangzhou Province in China which could do it in even less.

One important question is what this process of creative destruction does for the cities of the developed world. Some of the answers are clear, others a lot less so. It is already quite evident that in the last thirty years cities like London and New York, Manchester and Pittsburgh, have lost much of their manufacturing base. Indeed the cities generally recognized as the global leaders, like London and New York, have suffered just as grievously from this process as more archetypal industrial cities, since—a point often ignored—they were great centers of manufacturing. They have massively gained in advanced services—banking, insurance and real estate, specialized commercial services, design services like architecture and civil engineering and fashion, tourist services, cultural and creative services—thus helping to keep employment in some kind of equilibrium, but there have been massive shifts in

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Woodrow Wilson
International
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US Department of Housing
and Urban Development

Message from US Housing and Urban Development Secretary Andrew Cuomo

“May you live in interesting times.” For centuries, the Chinese people have used this expression as both a blessing and a curse. I would argue that this period may be among the most interesting and significant in human history.

As we begin the 21st century, unprecedented, fast-paced innovations in commerce, communications and transportation are blurring traditional national boundaries. Satellites allow us to see and talk to one another across oceans, and the advent of the Internet has revolutionized access to information and the ease of global commerce. Increased cooperation and trade have strengthened the links that bind nations and tie their fortunes to one another.

This changing global environment challenges us to reevaluate our relationships with—and responsibilities to—our global neighbors. Increasingly the line between domestic and international policy is disappearing. We can no longer afford to think and act parochially or provincially.

The rapid urbanization of the world's population poses special challenges. Twenty-five years from now, it is estimated that 60 percent of the world's population will live in cities. This demographic shift is already straining the resources of governments and communities around the world as they confront issues of economic development, environmental protection, affordable shelter, infrastructure development and urban sprawl.

In recent years, the United States has undertaken an innovative agenda to address these global concerns here at home. We have developed a sophisticated housing finance and construction system that builds strong, safe and affordable homes for most Americans. We have worked to revitalize communities that have been left behind in the booming new economy, by encouraging business development and expanding access to capital.

As an advanced and prosperous nation, the United States has a great deal of experience to share with other countries around the world. However, when millions of Americans

live with worst-case housing needs, and communities struggle to create economic opportunity, it is clear that we can learn a great deal from the varied approaches and experiences of our global neighbors.

In the past four years, the US Department of Housing and Urban Development has renewed its international presence. We have signed or renewed bilateral agreements with China, Israel, Mexico and South Africa. We have launched long-term disaster recovery projects in Honduras, the Dominican Republic and other neighbors in Central America and the Caribbean. We have initiated joint planning efforts in cities along our common border with Mexico. Our partnership with South Africa has contributed to the passage of landmark home mortgage disclosure legislation that will expand social justice to all South Africans.



President Wilson once said, “Friendship is the only cement that will ever hold the world together.” Today, with the *Global Outlook*, we are undertaking an initiative to foster that friendship.

But in the coming years, there is much more work to do. The learning, understanding, and cooperation that we have achieved with our international partners is just beginning. That is why we are pleased to partner with the Woodrow Wilson International Center—a respected voice in international affairs—to produce this quarterly urban research monitor. The *Global Outlook* will chronicle these ‘interesting times’ and provide a forum for thoughtful discussion. With this publication, we hope to increase awareness and understanding of critical global issues.

President Wilson once said, “Friendship is the only cement that will ever hold the world together.” Today, with the *Global Outlook*, we are undertaking an initiative to foster that friendship. Through our partnership with the Wilson Center, we hope to foster an honest dialogue about the common challenges that nations face around the world—and the shared solutions needed to bring justice and opportunity to people and communities in an increasingly connected world. •



Secretary Andrew Cuomo in Israel with Prime Minister Ehud Barak, after establishing the US-Israel Bi-National Commission on Housing and Community Development.

Message from Wilson Center Director Lee H. Hamilton

The Woodrow Wilson International Center is dedicated to bringing together scholars and practitioners, public policymakers and private sector leaders, to meet the challenges of promoting greater understanding of human interaction, public issues, and international relations throughout the world. We connect history and the future, academia and action, and most importantly, we do so based on our commitment to promoting a global perspective on meeting the future needs of people and places through policies, programs, and research projects. As part of our overall activities in scholarship and public service, we have for many years sponsored urban research and seminars, both through our Comparative Urban Studies Project, and through our Division of United States Studies. It is in fulfillment of this mission that we have enthusiastically entered into a partnership with the US Department of Housing and Urban Development to produce a new quarterly publication, *Global Outlook*.

This "International Urban Research Monitor" will be published quarterly and widely distributed both in printed form and electronically through the worldwide web. It will review the latest and most interesting ideas and activities in urban research and best practices from communities, cities, regions, and countries on every continent around the world. It is an outgrowth of an ongoing project at the Wilson Center, coordinated by Public Policy Scholar Marc Weiss, on the global future of cities and metropolitan regions. Dr. Weiss is serving as editor of *Global Outlook*, and many of

the Wilson Center's senior staff, fellows, and public policy scholars will be working closely with HUD staff and the editorial advisory board to develop this new publication. The inaugural issue includes two short articles on recent Wilson Center urban conferences and other major events on the horizon. We are pleased to share international information and insights with you, and look forward to your involvement with the Wilson Center, whether you visit us here in Washington, DC, or via the internet at our website: www.wilsoncenter.org. Thank you for your interest in creating and sustaining a brighter future for our increasingly urban world. •



Prague, Czech Republic

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both industrial and occupational composition. As a result, these cities exhibit the kind of structure Tom Wolfe caricatured for New York in *The Bonfire of the Vanities*: masters of the financial universe, juxtaposed with pockets of unemployment, poverty, and social problems.

Some have argued that the process of change in the new global marketplace destroys low-level jobs and generates only top-level ones: in economic terms, the rent to brawn declines to zero, as male muscles are replaced by forklift trucks, while the rent to brain constantly increases. In addition, some recent research on the American labor market suggests it is more complex than that: the real rent attaches to cognitive skills, which correlate only imperfectly with years of formal education. In other words, a B.A. degree may give you a handsome certificate but it doesn't necessarily give you the kinds of knowledge and intelligence you need to hold down a top job in banking or real estate. The resulting labor surplus hunts for jobs lower down the scale of skills and salaries, displacing high school graduates who in turn displace school drop-outs. Contrary to what most people think, the American economy has generated huge numbers of entry-level jobs, in such areas as catering and tourism and office support systems and health care; one problem is that a number of them are being performed by over-qualified and over-educated workers.

Something like this may be happening in European cities as well. The big difference is that there, with the possible exception of the UK, labor markets are more rigid and welfare programs more generous, resulting in higher levels of urban unemployment. Whatever the differences, urban labor markets display odd kinds of discontinuities: in the poorest neighborhoods, recent immigrants from Africa—many with college degrees or professional qualifications—find entry-level jobs in washing cars or cleaning offices, while third-generation Afro-Caribbeans remain among the long-term unemployed. There are some hidden stories concerned with the informal and underground economies, no doubt; researchers find that interviewees suddenly fall silent when questioned about critical aspects of their sources of income, or their neighbors'. People are getting by in such low-income communities, or even moving on, despite glaring lack of evidence as to the nature of their life support systems.



There is a question for the future. Technology never stands still, and creative destruction will again follow in its wake. The big changes this time could occur in the service industries. Already, the business school professors are telling us that the internet is beginning to have a huge effect on "B2B"—business to business transactions—by eliminating much of the transaction costs that have always been a bottleneck in our highly networked economic world. Consider one of the fastest growing sectors of the 1990s: the ubiquitous call centers, that take your inquiries for airline tickets or auto insurance. Already, a significant minority share of all this business has fallen victim to direct transactions on the worldwide web, and much more is to follow: British low-fare airline Easyjet does most of its business this way, and has just launched a web-based low-price car rental service. Significantly, most call center jobs seem to have been generated not in the large globally oriented cities, but in the medium-sized provincial cities: not in New York or London, but places like Salt Lake City, Omaha, Glasgow, and Newcastle upon Tyne. (It's well known that whenever you pick up the phone in London, it seems to get answered by a Scottish voice: even the new London Development Agency has located its call center in Scotland). These jobs, so rapidly generated in the 1990s, could be just as rapidly eliminated a decade later.

Clearly, other kinds of urban jobs will not soon disappear. The worldwide web might eliminate some kinds of teaching jobs, from elementary schools to universities, but it will most likely generate others in creating new educational materials. Personal services jobs—nurses, waiters in restaurants, gardeners, tour guides—are not going to be automated very easily. Growth sectors, like health care and tourism and culture, will continue generating more and more such jobs. In fact it is highly likely that these will be the key dynamic urban industries of the next two decades.

This means that cities should promote themselves above all as centers of excellence in higher education, in advanced health care, in specialized business and professional services which can be exported to other places, in culture and in tourism. What that implies is cities should be most concerned about their quality of life. As places like Glasgow and Bilbao have shown, formerly grimy, metal-bashing blue collar meccas can convert themselves into European cities of culture and tourism. As Birmingham in England demonstrates, a city can move from car-manufacturing to conventioning. And as its rival Manchester is busy proving, a city that promotes and develops its airport—now emerging as one of Europe's busiest—can compete as a magnet for advanced services. The possibilities are endless. But the race is constant, for the Schumpeterian principle will rule as long as capitalism survives—a great deal longer, it appears, than Schumpeter himself gloomily suggested sixty years ago. •

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Bratislava, Slovakia

HUD's New Global Initiative in Policy Development and Research: The Office of International Affairs

SUSAN M. WACHTER

US Department of Housing and Urban Development

More than 1.5 billion people will be added to urban populations across the globe during the next 25 years, when 60 percent of all the world's people will be living in or near major cities. Not only are the people and economies of rich and poor nations becoming increasingly urbanized, the cities of the world are becoming increasingly globalized. With the establishment of cross-national entities like the European Union, and the devolution of national power to cities and their surrounding metro areas, these city-states have become loci of political power and decision-making. Cities now function as focal points in international labor and financial markets, are subject to international regulations, and produce environmental impacts that are viewed not only as regional issues, but as issues that cross national borders.

Capital and labor are attracted to cities that perform well, and, with devolution, the quality of city governments is increasingly important for cities' own citizenry, as well. For citizens to hold government accountable for outcomes, it is first necessary to establish reliable measures of performance. With the establishment of urban performance indicators, local and national governments can monitor urban trends.

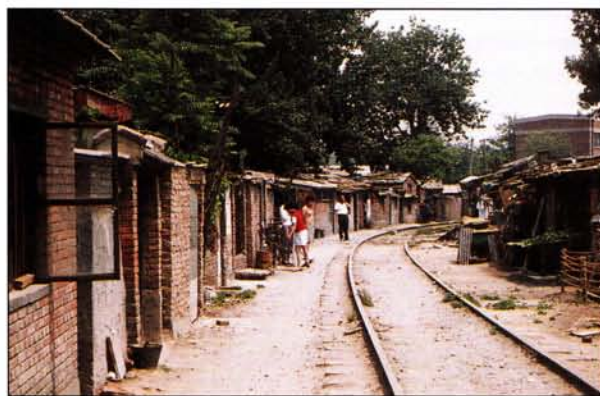
This burden falls with special weight on the Department of Housing and Urban Development (HUD), the agency responsible for urban and housing policy in the United States. To respond to calls for leadership from international organizations and partner countries, and to help the department better anticipate and meet the needs of people in America's urban communities, under the leadership of HUD Secretary Andrew Cuomo, HUD has established an Office of International Affairs within its Office of Policy Development and Research. Through its international work, HUD studies best practices abroad, adapting those practices to domestic policy formulation, and helps foreign governments and non-governmental organizations adapt successful American development models to their own needs. Through this inaugural issue of *Global Outlook* and future issues, we will be passing on the lessons we are learning through international exchange.

In order to gauge the success of cities in increasingly decentralized countries, moreover, and to set realistic development targets, we have a role to play in developing the benchmarks which citizens can use to hold their governments accountable for improving community outcomes. In subsequent issues of *Global Outlook*, HUD will publish a series of housing and urban indicators, such as the incidence of poverty, housing affordability, transportation services and environmental quality.

The global urban challenges before us span issues of rapid growth, affordable housing, environmental concerns, and employment opportunity. In all of these, good govern-

nance and community planning are vital. In much of the developing world, urbanization has magnified challenges traditionally faced by congested cities. Governments everywhere are pressed to keep up with increased demand for infrastructure and services, for example, maintaining potable water supplies. According to a recent study by the U.S. National Intelligence Council more than 3 billion people—almost half the world's population—will live in “water-stressed” regions in 2015.

Rapid urbanization also will keep the adequate supply of affordable housing at the top of municipal and national agendas for decades to come. The experience of the United States and other nations has demonstrated that a key to meeting the challenges of rapid urbanization is expanding opportunities for affordable homeownership. Homeownership empowers citizens to solve the problems of their community by giving them a financial stake in improving and maintaining their environment, and by giving them access to capital through real estate markets and supporting housing finance systems.



Laid-off factory workers in eastern Beijing, China, have built shelters next to their own homes, for renting to migrant workers.

Recognizing three major international needs—increasing homeownership, promoting community-based planning, and providing accurate performance data to monitor outcomes—HUD has structured and staffed its Office of International Affairs Office based on a matrix of three spheres of policy concern: housing finance, community development, and the use of information technology for data-sharing. HUD's international program also has a country specific focus, currently, in five geographic areas—Central America and the Caribbean, Mexico, China, South Africa, and Israel—where there is both great need and much to be contributed from our partner countries. In each of these countries, information is exchanged through academ-



ic research and also through the practical, hands-on knowledge gained from HUD's collaboration with national governments as well as local communities.

HOUSING FINANCE

HUD is working with officials in the Dominican Republic, Israel, and China, on housing finance pilot projects that tailor U.S. models to each nation's challenges. For example, in China, which is in the midst of the world's largest housing reform effort, HUD is working with the ministries of Construction and Finance to design a pilot project which will result in the issuance of mortgage-backed securities. This research project will assist in China's efforts to build primary and secondary mortgage markets enabling hundreds of millions of low-income urban renters to become homeowners.

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URBAN AND COMMUNITY DEVELOPMENT

Community development and community empowerment are key to the U.S. approach to addressing housing and urban development needs. An important component of HUD's international program is sharing HUD's successful programs in community development. In Central America, for example, where countries are recovering from the dev-



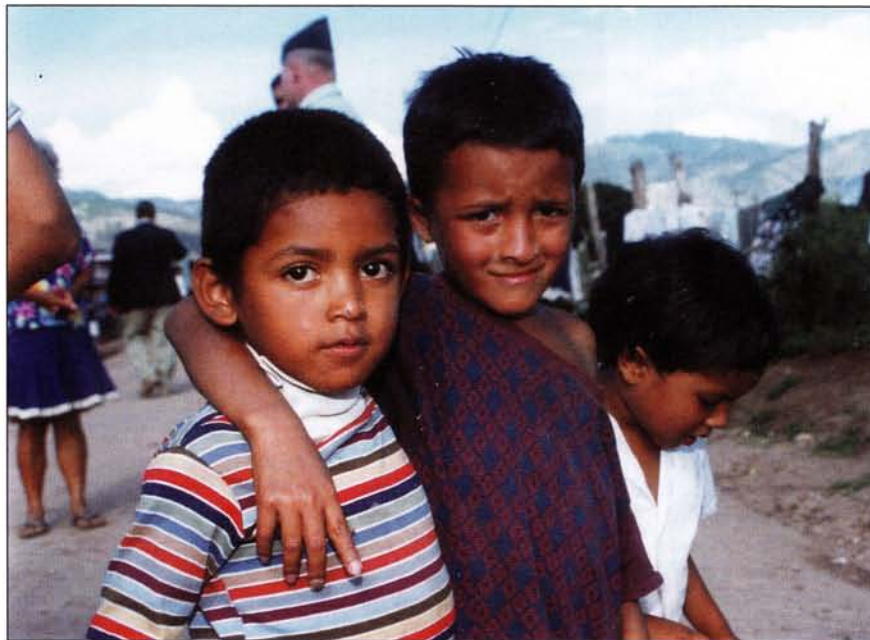
New housing construction in Chiapas, Mexico

astation of Hurricanes Mitch and Georges, HUD's Office of International Affairs has committed time and resources to improving municipal planning through effective disaster management, improved data utilization, and the development of integrated community development plans. HUD is involved in community development initiatives in countries throughout Central America, the Caribbean, in Mexico and in South Africa.

USING INFORMATION TECHNOLOGY FOR DATA-SHARING

To promote the use of the new information technologies in community planning, HUD is establishing a relationship with the University Consortium for Geographic Information Science. This project will pair American universities with universities in developing countries to create an international network for urban policy research based on GIS-linked indicators. The consortium will establish an extensive database with a wide variety of key variables and indicators, similar to HUD's State of the Cities project for US urban areas. By late 2001, urban indicator data-sets and GIS training materials from this project will be available on the internet, as well as preliminary outcomes from the developing countries. The goal of this new database is to enable governments throughout the world to better address urban problems.

HUD's UCGIS work will reinforce existing work being undertaken by the United Nations Center on Human Settlement (UNCHS). The Global Urban Indicators project is an ongoing effort by the UNCHS to create



Hurricane Mitch devastated communities throughout Honduras, leaving almost two million adults and children homeless.



standardized international data on urban areas. As part of this agenda, the UN General Assembly will evaluate progress on the "Habitat Agenda" from the Global Conference on Cities, or Habitat II, which was held in Istanbul in 1996. HUD's Office of International Affairs will take the lead in preparing for the follow-up conference, Istanbul +5, which is being held in June 2001.

HUD's Office of International Affairs office is collaborating with the Woodrow Wilson International Center to make this international urban indicator data available through the

Global Outlook. These data and, more generally, the analyses they will allow, will improve understanding of urban and housing issues and will inform scholars and practitioners about urban development trends throughout the world. •

Dr. Susan Wachter is Assistant Secretary of Policy Development and Research at the US Department of Housing and Urban Development in Washington, DC. She is on leave as a Professor of Real Estate and Finance at The Wharton School of the University of Pennsylvania.

New HUD-funded Research Project on Global Geographic Indicators of Urban Quality of Life

SUSAN MCDONALD JAMPOLER

University Consortium for Geographic Information Science (UCGIS)

The US Department of Housing and Urban Development's Office of Policy Development and Research recently granted \$240,000 to the University Consortium for Geographic Information Science (UCGIS) for a major project on "Global Urban Quality: An Analysis of Urban Indicators Using Geographic Information Science (GIS). The UCGIS is a non-profit organization of universities and other research institutions dedicated to advancing international understanding of geographic processes and spatial relationships through improved theory, methods, technology and data. UCGIS members include leading colleges and universities, research organizations, professional societies, and private affiliates that are devoted to fostering multidisciplinary geoscience research and education and promoting the use of geographic information science and geographic analysis.

UCGIS and HUD will be conducting two symposia to foster cooperative efforts between consortium members and other interested agencies and institutions. The first symposium will be held in Washington DC on February 2-3, 2001. This symposium will: 1) demonstrate the capacity of UCGIS member universities to analyze global urban quality; and, 2) investigate the availability of data in developing countries to be studied utilizing the various analytical models. The symposium will consist of invited presentations from UCGIS member universities describing work currently being done on urban indicators and on related geographic information science activities within developing countries. Additional participants are welcome at the symposia.

As part of the overall HUD-funded project, five UCGIS member universities will be paired with institutions in emerging nations to carry out internet-based training and analyses using urban indicators. These five international research teams will develop and disseminate new state-of-the-art GIS and urban indicators databases that can be used over the internet by local government policymakers, researchers, and national and global agencies involved with urban issues. By providing internet access to the maps and data, detailed information about cities, communities, and metropolitan regions will become much more widely available.

The long-term goals of this research project for HUD and UCGIS are to:

- Gain knowledge, for cities in developing countries around the world, of indicators that can be used to monitor change and assist in creating and evaluating policies and programs designed to improve the quality of urban life.
- Establish a quantitative baseline of data that can be used in the future to evaluate the effectiveness of new policies and programs designed to generate prosperity for communities facing economic difficulties, to expand affordable homeownership opportunities, and to reduce poverty and homelessness.
- Increase expertise in evaluating urban indicators using spatial analytical techniques and geographic information systems, and help transfer such enhanced knowledge from UCGIS universities to participating organizations within the emerging nations. This vital information exchange will primarily be through web-based training programs.
- Build a local capacity within developing countries for collecting and utilizing policy-related urban indicators.
- Establish relationships between the UCGIS member universities and their collaborators from emerging nations in order to increase the capacity within developing countries to continue urban indicator analysis on a long-term basis.

The five above-stated goals will require ongoing, long-term research and action. A second UCGIS/HUD symposium will be held August 10-11, 2001 to evaluate the success of this research program on global urban indicators. Invited participants will evaluate the effectiveness of training activities, provide recommendations for extending the program over the long-term, and identify resources and funding to expand the project during the second and third years. For more information contact UCGIS Executive Director Susan McDonald Jampoler by phone at (703) 779-7980, by fax at (703) 771-1635, or by email at execdir@ucgis.org.



Metropolitan Economic Strategy: How Urban Regions Innovate and Prosper in the Global Marketplace

MARC A. WEISS

Woodrow Wilson International Center for Scholars

POINT ONE

America's future prosperity depends on the productivity and competitiveness of its metropolitan regions, the key centers of innovation and business activity, where over 90 percent of the nation's job growth is currently taking place, and where nearly 90 percent of the nation's Gross Domestic Product is now being generated.

The nature and volume of investment, production, and trade in and through America's metropolitan regions is one of the basic structural building blocks of our country's macroeconomic growth and global competitiveness, and thus is at least as important as fiscal and monetary policy, international trade, education, and other economic issues regularly considered and debated by the executive, legislative, and judicial branches of the federal government, including the Board of Governors of the Federal Reserve System.

Metropolitan Economic Strategy is vital for national economic policy in the new global marketplace, both in the USA and in countries throughout the world.

POINT TWO

Communities, both cities and suburbs, can only thrive as part of a larger metropolitan economic dynamic, with the entire region becoming a center of advanced innovation and technological excellence in the production and distribution of various goods and services.

The competitive advantage of a metropolitan region comes from successfully mixing highly skilled and high-value specialization together with economic and social diversity, and by strategically investing in, improving, and sustainably utilizing the region's fundamental assets—its physical, financial, and human capital.

Metropolitan Economic Strategy is vital for urban policy.

POINT THREE

By emphasizing the interwoven economic destinies that bridge across families and communities within metropolitan regions, people begin to see themselves as "citizens of a metropolitan economy"—players on the economic "home team" competing with other metropolitan economic teams all over the world.

The real "city" of today and tomorrow is the metropolis. Metropolitan regions are the most economically organic components of urban geography and demography affecting people's daily lives at the local level, and the main access



Beijing, China

points for individuals trying to thrive in the global economy. Yet the greatest barrier to regional coordination, cooperation, and collaboration is the lack of a common metropolitan consciousness and citizenship. Therefore, promoting "teamwork" is essential for individual and collective success, by encouraging households and families to begin reaching beyond local political boundaries in pursuit of their common interests and goals of increasing prosperity and enhancing quality of life.

Metropolitan Economic Strategy is vital for regional identity.

POINT FOUR

Metropolitan Economic Strategy is not the same as regional economic growth.

Every metropolitan region experiences economic growth or decline, regardless of whether or not there are comprehensive plans or coordinated initiatives. Metropolitan regions function as fully integrated economies in terms of the production and distribution of goods and services, and they will function as such with or without a coherent economic strategy. A critical determinant of their success is the decision-making process of private sector executives, investors, entrepreneurs, and consultants making facility location commitments in the global marketplace, especially regarding the synergy and attractiveness of metropolitan regions as centers of innovation that can provide businesses with a competitive advantage.

Unfortunately, regional economic growth often occurs in an uncoordinated and haphazard fashion, and conse-

quently may be missing opportunities to produce greater investment, higher incomes, and more equitable distribution of the benefits of prosperity among people and places. Most regions do not have any viable mechanisms for promoting metropolitan economic development, in terms of either developing a common vision, formulating a collective strategy, or jointly cooperating to implement such plans. Most of the contemporary debate centers on the impacts of regional economic growth, including whether growth is too fast or too slow, the problem of disparities and inequities, along with harmful effects on the environment. This discourse is primarily about analyzing trends and reforming policies.

Metropolitan Economic Strategy, on the other hand, is a proactive organizing principle that depends on regional teamwork and citizenship. It is explicitly designed to bring together the public and private sectors across the entire region to formulate and carry out a coordinated set of targeted investments in people and places, consciously designed to enable businesses to thrive, jobs to expand, and quality of life to improve. Each of the major constituencies—business, government, and community leadership, must closely collaborate for the metropolis to thrive economically, socially, physically, and politically. In just the same way that communities, cities, counties, and states use economic development plans to guide their actions, so also must the communities that constitute the metropolitan region farsightedly engage in such comprehensive planning and united action if they are to compete effectively and win in the global economy.

POINT FIVE

Formulating and implementing an effective Metropolitan Economic Strategy requires focusing on two key elements:

1) Investing in the fundamental assets and activities that will help fuel productivity and innovation.

Among these are:

- transportation and infrastructure
- education and workforce development
- research and technology
- venture capital and other forms of business financing
- services and amenities
- economic development incentives
- trade promotion and market expansion
- business and employment attraction and retention
- entrepreneurial culture and business-friendly institutions
- regional coordination and civic leadership
- taxation and regulatory policy
- environmental preservation and restoration
- community and family development
- amenities and quality of life

2) Promoting modern and dynamic industry networks that accelerate the pace of innovation and growth. These broad-based groups of interconnected firms and organizations, also called clusters, are best able to fully capitalize on the mix of specialization and diversity in the

region's firms and assets, and to foster a climate of technological innovation in design and production of goods and services that can compete globally and generate substantial growth in jobs and incomes.

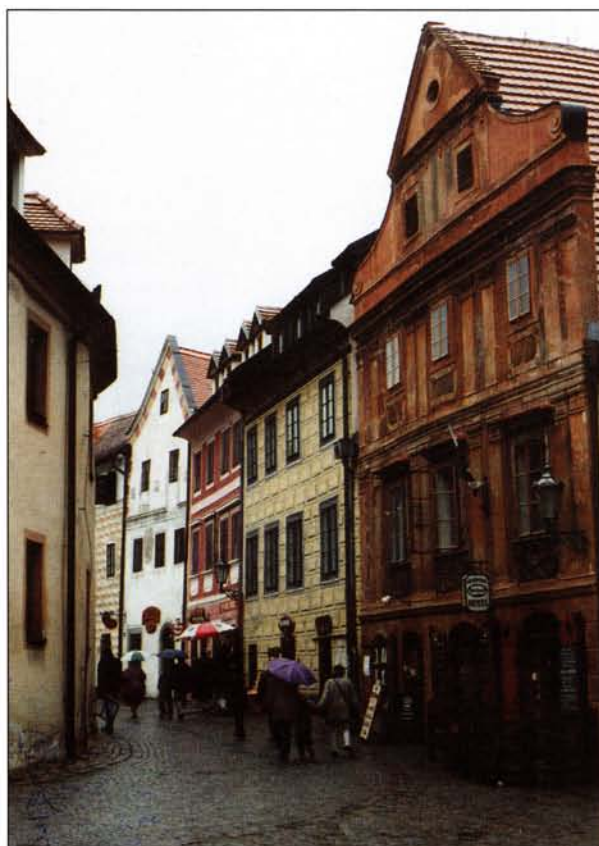
POINT SIX

Metropolitan Economic Strategy must be home-grown and tailor-made in order to succeed.

The fundamental assets and the key dynamic industry networks will vary from region to region. Polymer science and engineering is a winner for Akron and northeast Ohio, but not necessarily for Austin, Texas, where computer hardware and software are the leading edge, or Atlanta, Georgia, where telecommunications and transportation are the fastest-growing economic engines.

At the US Department of Housing and Urban Development in 1996, we identified 18 key industry networks nationwide that in different combinations play major roles as export-based economic generators in 114 metropolitan regions across the country, with wide variations from one region to the next:

- Business and Professional Services
- Health Services



Cesky Krumlov, Czech Republic



Cape Town, South Africa

- Entertainment and Tourism
- Financial Services
- Housing and Construction
- Medical Products
- Transportation and Trade Services
- Industrial Supplies
- Printing and Publishing
- Electronics and Communications
- Transportation Equipment
- Materials Supplies
- Aerospace and Defense
- Agriculture and Food Processing
- Natural Resources
- Industrial Machinery
- Consumer Goods
- Apparel and Textiles

In the 1998 Strategic Economic Development Plan for Washington, DC, we identified six key industry networks for the city and the metropolitan region:

- Business/Professional/Financial/Association Services
- Hospitality/Entertainment/Tourism/Specialty Retail
- Universities/Educational/Research Institutions
- Biomedical Research/Health Services
- Media/Publications
- Information Technology/Telecommunications

In the 1999 Baltimore Economic Growth Strategy, we identified four key industry networks for the city and the metropolitan region:

- Business, Professional, Financial, Non-Profit, and Information Services and Products
- Biomedical Research, Medical Products, and Health Services
- Hospitality, Entertainment, Tourism, and Specialty Retail
- Transportation and Trade Services and Equipment

One size definitely does not fit all. Each metropolitan region must find the right mix and most important assets that work best for generating innovation and prosperity.

POINT SEVEN

Comprehensive and effective Metropolitan Economic Strategy necessarily involves central cities, by maximizing the urban contribution to regional prosperity, and by spreading the benefits of metropolitan wealth creation to increase incomes and quality of life for the people who live and work in and near cities.

Industry networks operate across regions and always include significant business operations located in cities. The smooth functioning of metropolitan economies, with their highly interrelated business activities involv-

ing thousands of private firms and public sector organizations, requires healthy central cities to serve as focal points for regional identity in the global marketplace, and to engage in many key aspects of the production and distribution of goods and services. Cities remain a major source of creativity and innovation, and they will continue to play a vital role in ensuring that regional businesses and job opportunities can compete in international markets.

The six key roles for central cities in the metropolitan economy are:

- centers of innovation and advanced services
- centers of culture, sports, entertainment, conventions, and tourism
- centers of education, research, and health care
- centers of transportation and trade
- market centers
- workforce centers

The best way for cities and older inner-ring suburbs to succeed is by working collaboratively with their regional neighbors, organizing coordinated public-private partnerships to develop and carry out a Metropolitan Economic Strategy

POINT EIGHT

Metropolitan Economic Strategy is the best way for cities and their residents to prosper in the new global marketplace.

In today's global economic context, cities simply cannot survive in isolation from their regional surroundings. Urban economies increasingly extend far beyond the traditional city boundaries. Central cities, even the largest and fastest-growing ones, are physically constrained by artificial boundaries

that divide them from the rest of their natural economic growth area, and they can only revive or continue to thrive by directly linking their future direction to the overall prosperity and competitiveness of the surrounding metropolis. The best way for cities and older inner-ring suburbs to succeed is by working collaboratively with their regional neighbors, organizing coordinated public-private partnerships to develop and carry out a Metropolitan Economic Strategy that includes three major elements:

1) Build on the city's strengths in the context of metropolitan economic growth.

Growing the city's key industry networks also inherently involves strengthening the region's economic vitality. Cities both currently possess and can create major assets to increase their competitiveness. By doing so they expand the overall metropolitan economic pie, even as they work to capture a larger share of that pie for city-oriented business activities that utilize to best advantage the existing transportation and communications infrastructure, accessibility of the central location, the urban-oriented lifestyle attractions, the diversity and depth of experts and specialists, and the quality of major knowledge-based institutions.

2) Reinvest and repopulate downtown and neighborhoods.

This must be based on marketing the city's potential appeal to businesses and residents from throughout the region and around the world, with coordinated public and private investments, and concentrated efforts to create or bring back commerce and jobs, high quality stores and services, safe streets and good schools, better housing and attractive amenities.

3) Connect urban residents to regional jobs.

Such initiatives necessarily include targeted training, placement, transportation, child care, and other incentives and services that eliminate barriers to the smooth functioning of the metropolitan job market and help fill suburban job shortages by expanding employment opportunities for the low-skilled, low-income population living in and near central cities.

POINT NINE

Preserving and enhancing a good physical environment and quality of life is essential to the long-term success of a Metropolitan Economic Strategy.

No region can compete globally and sustain itself as a center of innovation without attracting and retaining talented people. These highly skilled professionals are increasingly lifestyle-oriented and will only live and work in places that offer a very high quality of life. Today's environmentalism and related movements for smart growth, sustainable development, and new urbanism are more than just compatible with economic growth. Environmental protection and restoration are fundamentally necessary for generating prosperity in the new global economy. Preserving and enhancing

the physical and natural environment of cities and metropolitan regions includes cleaning up and redeveloping brownfield sites; renovating historic structures; improving clean air and water; maintaining the beauty of natural landscapes, the accessibility of pathways and open space, and the availability of agricultural land; curbing sprawl and traffic congestion, reinvesting in older urban and suburban centers; expanding transit and other pedestrian and transportation alternatives; and generally strengthening community planning and design of cities and suburbs.

POINT TEN

Finding the right mechanisms for governance is critical to the success of Metropolitan Economic Strategy.

Each region must make its own way, navigating the complicated challenges of bridging across many levels of separate jurisdictions and governing units, including communities, cities, counties, special districts, public authorities, states, and even nations. This challenge is made even more complex because the role of the private sector is absolutely critical. Forming the right kind of partnerships, establishing the



Budapest, Hungary

right type of leadership, creating the right form of cooperative governance structures—these and many other issues must be resolved for Metropolitan Economic Strategy to make a visible and long-term difference. There is not one best solution, and again, one answer certainly does not cover every situation. •

Dr. Marc A. Weiss is a Public Policy Scholar at the Woodrow Wilson International Center for Scholars in Washington, DC. He is author of The Rise of the Community Builders, and The Economic Resurgence of Washington, DC, and coauthor of Charter of the New Urbanism, and Real Estate Development Principles and Process.

Recent Wilson Center National Conference on Metropolitan Economic Strategy, and Upcoming International Conference on Metropolitan Quality of Life

KENT H. HUGHES

Woodrow Wilson International Center for Scholars

More than 100 senior practitioners and distinguished experts from across the nation gathered at the Woodrow Wilson International Center on September 20th through September 23rd. They focused on creating new policies and partnerships that enable America's metropolitan regions to implement coordinated public and private investment strategies designed to enhance technological innovation, productivity, and competitiveness.

"The conference—*Metropolitan Economic Strategy: How Communities, Cities, Counties, and Regions Innovate and Prosper in the New Global Marketplace*—facilitated in-depth discussion among national policymakers to generate fresh and creative approaches for expanding prosperity and improving quality of life in metropolitan regions," said Marc Weiss, Public Policy Scholar at the Wilson Center and conference coordinator.

The main conference themes are drawn from a book entitled *Teamwork*, that Marc Weiss is co-authoring with Henry Cisneros, former Secretary, US Department of Housing and Urban Development. "Our book," stated Henry Cisneros, "is exploring and promoting the best ways that public, private, civic, and community leaders can work together to ensure that cities and suburbs will thrive in the fast-changing international economy of the 21st century."

Featured speakers included Philip Angelides, Treasurer, State of California; Earl Blumenauer, Member, US Congress, from the City of Portland (Oregon), and Co-Chairman, Livable Communities Task Force; Henry Cisneros, Chairman, American CityVista, former Secretary, US Department of Housing and Urban Development, and former Mayor, City of San Antonio (Texas); Brent Coles, Mayor, City of Boise (Idaho), and President, US Conference of Mayors; Lee Cooke, Chairman, Habitek International, and former Mayor, City of Austin (Texas); Richard Erickson, President, Regional Business Council of Northeast Ohio, and former President, Akron Regional Development Board; Parris Glendening, Governor, State of Maryland, and President, National Governors' Association; Stephen Goldsmith, Domestic Policy Adviser, Bush-Cheney 2000, and former Mayor, City of Indianapolis (Indiana); Javier Gonzales, Commissioner, Santa Fe County (New Mexico), and President-elect, National Association of Counties; Lee Hamilton, Director, Woodrow Wilson International Center;

Kevin Hanna, President, Atlanta Development Authority; Alice Rivlin, Chairman, District of Columbia Control Board, and former Director, White House Office of Management and Budget; Gene Sperling, Director, White House National Economic Council; Susan Wachter, Assistant Secretary, US Department of Housing and Urban Development; Marc Weiss, Public Policy Scholar, Woodrow Wilson International Center; and Anthony Williams, Mayor, City of Washington, DC.

The conference participants spent many hours each day in breakout discussion groups developing recommendations for new policies, programs, and research efforts. The results of this conference will be summarized in a 32-page conference report to be published and widely disseminated by the Wilson Center. The *Metropolitan Economic Strategy* conference received financial support from the US Federal Conference Fund, and the Fannie Mae Foundation.

"We had a full agenda and tackled some very tough issues, such as workforce development, smart growth, and urban reinvestment," said Marc Weiss. "It is so important that we focused on this fundamental challenge, because America's and the world's future prosperity—the success and vitality of our nation's families and communities—depends on creating a state-of-the-art metropolitan policy agenda."

The Wilson Center will be holding a follow-up international conference—*Metropolitan Quality of Life: How Communities, Cities, Counties, Regions, and States Sustain and Improve Transportation and Infrastructure, Housing and Services, Land-Use and Environment, and Urban Amenities*—to be held on September 12-15, 2001 in Washington, DC. This conference is also being coordinated by Marc Weiss.

For additional information on the conference and to receive copies of the conference overview materials and summary report, please contact Marc Weiss by phone at (202) 691-4229, by fax at (202) 691-4001, or by email at weissma@wwic.si.edu. •

Kent H. Hughes is a Public Policy Scholar at the Woodrow Wilson International Center for Scholars in Washington, DC. He is currently writing a book on America's global economic competitiveness.



An Economic Vision for the Caribbean

CONGRESSMAN CHAKA FATTAH
US House of Representatives

At first glance, the Caribbean appears to be a collection of poor island nations, many of which rank near the bottom of the list of nations by every statistical measure of economic capacity, including population, national and per capita income, rates of investment, and industrial growth. In addition, these nations face the immediate challenge of responding to the demise of the Lomé Convention, a trade agreement between the European Union and their former colonies which provided protected markets for their banana exports. A third of the Caribbean economy is tied to international banana exports, but these islands are not economically efficient producers of bananas in global terms, so they will not be able to hold on to their market share without the special trade protections provided by the Lomé Convention. It is tempting and justifiable to decry the WTO interventions that led to the demise of these protections, but it is also arguable that any effort to continue them will delay the type of economic diversification in the Caribbean that is necessary for its independent survival in the face of global competition. I would like to suggest instead, that visionary and effective interventions are necessary to create an entirely new and better future for the Caribbean economy and to enable it to diversify, grow from within, and establish itself as a competitive player in the global economy.

The interests of the United States are inextricably tied to the Caribbean. On the one hand, more than \$35 billion in goods and services flow annually between the US and the Caribbean islands, so that growth of the Caribbean economy will expand American business and employment opportunities. On the other hand, with over one-third of the Caribbean workforce employed in banana production, failure to initiate positive economic alternatives to the declining banana trade will generate an economic disaster of such proportions that crime rates could skyrocket, massive numbers of new immigrants may flood Florida's east coast, and the doors to the Caribbean corridor for drug smugglers could be thrown wide open.

During the past several decades the United States has made a number of efforts to strengthen the Caribbean economy. The Caribbean Basin Economic Recovery Act, enacted in 1983, instituted the Caribbean Basin Initiative (CBI). Until the North American Free Trade Agreement (NAFTA) was ratified in 1994, most Caribbean nations enjoyed significant US trade preferences through their participation in the CBI. After the implementation of NAFTA, the earlier trade advantages of CBI for these Caribbean

countries were severely eroded. The phased implementation of NAFTA is further deepening the trade disadvantage of CBI countries, and without adjustments, the trade gap will continue to widen until January of 2008 when NAFTA will be fully implemented.

The Caribbean Basin Trade Partnership Act (CBTPA), passed recently by the Congress and signed by President Clinton in May of 2000, provides for the trade adjustments necessary to accomplish so-called "NAFTA parity" for the Caribbean. This legislation provides eligible Caribbean island nations trade status equivalent to the NAFTA signatories (US, Mexico, and Canada). The CBTPA is a temporary arrangement that anticipates the negotiation of free trade agreements between the individual Caribbean nations and the United States by 2005. In any case, its provisions expire in 2008.

It is important to realize that all of these measures follow the format, and operate within the context established by the US generalized system of preferences with its commodity specific tariffs and quotas. Thus they are driven by the strategic imperatives of the US economy, not by the development needs of the Caribbean islands. In addition, these trade agreements are tied to traditional elements of the old Caribbean economic production system, and therefore help perpetuate neocolonial dependency. It is doubtful that such trade policies alone can serve as tools for diversified business development and substantial economic transformation. The question becomes what policies can be followed and what actions can be taken that will enable the Caribbean nations to diversify and transform their economies in a manner that will allow them to function effectively and independently, so that they can grow, compete, and prosper in the global economy.



Puerto Rico

Viewed as a whole, the island nations constituting the Caribbean Basin already have all of the infrastructure necessary to support a dynamic, modern economy—airports, sea-ports, electrical generation capacity, fresh water distribution systems, paved road networks, and telecommunications transmission systems. With a total population of 26 million, and a combined Gross Domestic Product of \$35 billion, if the Caribbean islands were all one country, they would currently rank 40th from the top among 226 nations worldwide. The Caribbean Basin has a generally well-educated and industrious workforce, supported by literally dozens of colleges and universities. Among the various islands there is now a global economic presence in a variety of industries, including textiles, metal manufacturing, chemicals, agriculture, food processing, and tourism, and a financial infrastructure with at least one major international bank in every Caribbean nation. Finally, there are a number of cities and highly urbanized areas that can serve as centers of innovation and advanced services for the entire Caribbean Basin. Although it is most desirable to view these vital economic assets in Caribbean-wide terms, they are in fact under the control of the many individual countries, most of whose populations and markets are too small to make very efficient use of them. Currently, individual Caribbean nations are competing in the global marketplace alone, and doing so through trade channels and business relationships that were institutionalized long ago during their colonial periods. How much more powerful would each Caribbean country be if it functioned through these same channels, and many others that they might establish, as part of a unified region with an integrated vision, consolidated resources, and coordinated investment and export strategies?

Importantly, there are a number of long-standing institutions that have as their goal the enhancement of economic cooperation among these island nations. One such institution is the Organization of Eastern Caribbean States (OECS). The OECS has established a strong central bank, The Eastern Caribbean Central Bank, providing for a common currency, the Eastern Caribbean dollar. This currency is used by Antigua & Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, St. Vincent & Grenadines, Anguilla, and Montserrat. According to *Newsweek*, these Caribbean nations together in 1999 offered the second most successful fixed-rate currency in the Northern Hemisphere. The Caribbean Community and Common Market (CARICOM) is another important multinational treaty organization with its own region-wide elected parliament. CARICOM's goal is to evolve into an EEC-type international entity with a common currency, freedom of movement among sovereign states, and unrestricted free trade. However, at the present time CARICOM involvement is voluntary among the various countries, and thus its decisions do not carry the force of law. An additional regional entity is the Association of Caribbean States, a pan-Caribbean organization which serves primarily as a regional communications and identity vehicle.

With such significant interest in regional cooperation, and favorable region-wide assets that can stimulate and support economic development, why has progress toward diversifica-

tion and strengthening of the Caribbean economy been so slow? Some would argue that the fractured nature of Caribbean's island geography is a problem. But there are industries, notably tourism, telecommunications, information processing, and financial services, for which this geography is not a liability, and in some instances is considered a major asset. Others argue that the cultural diversity of the region created by its fragmented colonial heritage is a serious problem. But the diversity of the United States is a defining element of our national character, and that diversity does not seem to have stifled our economic growth. Still others suggest that insufficient investment capital limits the growth potential of the Caribbean. The truth is that the potential investment capital currently available in global markets is more than enough for developing the Caribbean economy, and abundant capital will flow to any location or investment opportunity that it expects to generate an adequate return. Therefore, the task facing those who would promote economic growth in the Caribbean is to create the global perception that investment in the Caribbean islands will generate highly competitive returns without undue risk.

I do not mean to suggest that the geography, the cultural heritage, or even the infrastructure of the Caribbean do not present substantial challenges. However, it is clearly possible to design and implement a successful Caribbean economic development strategy based on existing assets, and taking fully into account these special challenges. What is presently hampering Caribbean economic growth is that the individual countries cannot escape the grip of former colonial trade connections, external sources of private finance, and dependent relationships with international financial organizations that together diminish their freedom of movement to build critical mass and internal momentum. They still remain trapped within the gravitational pull of these traditional subordinate relationships. Although leaders in each country are aware of the possibilities for Caribbean-wide economic cooperation, and some may even wish to participate in regional initiatives, the status quo of dependent international relationships still represents basic economic survival, and these isolated island nations simply do not have the financial resources individually to build the new capacity needed to escape the stranglehold of the past and create a more dynamic and self-sufficient future.

There are three steps the world community can take, working in close cooperation with the Caribbean Basin nations, that could catapult them beyond the threat of the economic collapse they are currently facing and move them rapidly into the brighter future that their many valuable physical and human assets make possible. The first is to provide 100% international debt relief. To strip the Caribbean of its trade protections and other rights and privileges of colonial status, while leaving them saddled with the remnant financial obligations thereof would be unconscionable and unjust. Further, the institutional, human, and financial resources that such a dramatic international action would free up would help create the room and opportunity to build a modern and dynamic Caribbean economy.

The second step is the construction of a public/private partnership to mobilize and manage huge new infrastructure investments. Today the Caribbean infrastructure is in relatively decent shape. But if our objective is to launch the Caribbean region into the high-energy world of global competition, then the infrastructure must be upgraded to total excellence: create greater electrical capacity, extend utility coverage, improve transmission lines, repair and strengthen roads, eliminate unpaved airport runways, dredge harbors to improve shipping access, modernize port facilities, upgrade water distribution and sewage treatment. Such an aggressive investment program would both create many new jobs for workers left unemployed by the collapse of the market for Caribbean bananas, and at the same time create the platform to generate high value-added economic growth.

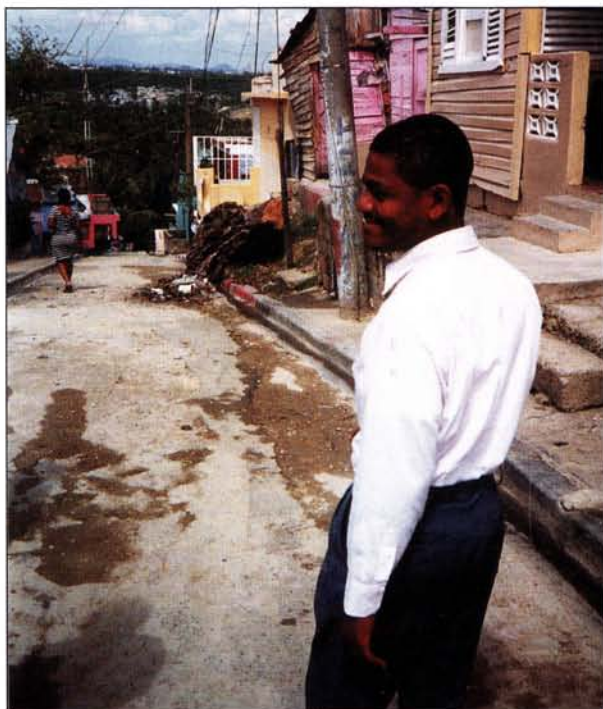
The third major step is to organize a university-led economic development consortium. This consortium would include the academic, corporate, civic, and political leadership of the Caribbean islands. It would invite the participation of interested American and other international universities and private sector executives and entrepreneurs, and it would engage in a broadly based participatory strategic planning process designed to create and promote a new, popular, exciting, and realistic vision of the Caribbean's future. This process would address strategic industries, education and workforce training, research and technology development, capital availability, business formation and growth, community and environmental issues, and other important assets from the perspective of the entire

Caribbean Basin, toward the goal of harnessing and focusing all available resources—public and private, local and international—in pursuit of the widely shared vision that emerges from the strategic planning process.

In the new global economy every nation is a “developing country.” Technology has a way of leveling the playing field of opportunity and reducing the gap in development potential between high and low income nations. The accessibility and rapid dissemination of information and innovation means that through strategically guided leadership, economic success can be created virtually anywhere. The shaping opportunity of developing countries derives from the character of the new economy: knowledge and information-based, technology and communications-intensive, and globally oriented. The ubiquitous and globally penetrating worldwide web empowers newcomers and start-ups, so niche players have a real chance to create and control brand new product markets which can grow and spawn entirely new industries. There are literally thousands of products on the market today that did not exist just one or two decades ago. These new products have created wealth sufficient to finance development of the entire Caribbean, if not the entire so-called Third World. The term of art that has evolved to describe the combination of circumstances likely to give rise to such outcomes is “the innovative milieu.” New places, by properly configuring their assets, can become centers of innovation and invention, and can both take advantage of and produce new technological and organizational breakthroughs that will give them a competitive edge. My last proposal is designed to gather the leadership and creativity that can reinvent the Caribbean as a magnet to attract talented people, and a greenhouse for growing economic innovation.

In conclusion, the Caribbean has an abundance of valuable assets with which to compete successfully in the global marketplace, but the many small and independent island countries must work together as an economically unified region in order to utilize their combined assets effectively and to their best advantage. The highly developed nations of the world, led by the United States, can assist the Caribbean in establishing its new international identity by releasing the financial constraints imposed on these individual nations through 100 percent debt relief. Investing in the full development of the Caribbean's many physical and human assets is in the best interests of the global economy, and it will help overcome the looming hardship and deprivation that will follow the elimination of old colonial trade protections. Development opportunities are not so much a matter of rich and poor as they are of vision and leadership. My hope is that the global community joins hands with the Caribbean and rises to the occasion. •

Congressman Chaka Fattah is a Member of the US House of Representatives in Washington, DC, representing the Second Congressional District of Pennsylvania, which includes part of the City of Philadelphia and some of its western suburbs. He served as Co-Chairman of the Livable Communities Task Force, and Co-Chairman of the Web-Based Education Commission, in the 106th Congress.



Dominican Republic



The Cities Alliance: A New Global Challenge to Urban Poverty

MARK HILDEBRAND

The World Bank

Affordable, community-based solutions exist to provide the urban poor with access to basic services. Why then do 40 to 50 percent of city residents in many developing country cities—including the vast majority of the urban poor—live in slums and squatter settlements without access to clean water, sanitation, health care, roads, and schools?

Slums and squatter settlements are the result of failures in governance and public policy in coping with rapid urbanization. Given this terrible legacy of failed policies and faced with the doubling of the urban population of developing countries over the next 25 years, how can we possibly hope to respond to this challenge? How can we ensure that the next generation of urban poor will benefit from the enormous opportunities for human development that urban life offers?

First, we must take up the challenge of urban poverty reduction as a global public policy issue. Strategies to improve the urban poor's access to city services must be developed beyond the boundaries of sector strategies and within the broader frameworks of both city development strategies and national poverty reduction strategies.

Second, we must capitalize on the trends of decentralization and democratization by working more directly with local authorities to help them respond to the issues facing the urban poor. Many local authorities now have the responsibility and authority they need to take decisions at the local level. Moreover, democratization has strengthened their accountability, and since the urban poor are voting in ever increasing numbers, their demands for basic urban services are now frequently showing up as political priorities for local leaders.

Third, to achieve the above we need to invest in a collective effort to harness the power of existing networks of local authorities, private sector institutions, and development agencies. Investing together in a focused effort to broaden the benefits of local solutions through global learning will create a coherent effort necessary to dramatically scale-up the impacts of urban development investments.

The Cities Alliance is building a coalition of cities and their development partners to meet these challenges. It will draw upon the vast experience of community-based urban upgrading programs, while addressing the public policy, regulatory, and institutional issues that have in the past constrained replication and scaling-up. Its strategy is to address inequities in the provision of basic infrastructure and services within the framework of broad-based city development strategies. This strategy has been inspired by courageous mayors in cities of all sizes and in all regions who are demonstrating the political will to invest in this opportunity.

The World Bank and the United Nations Centre for Human Settlements (Habitat) together launched The Cities Alliance in May of 1999, to generate a new international public-private partnership committed to making unprecedented improvements in the living conditions of the urban poor. The Alliance aims to achieve this goal by mobilizing commitment and resources for citywide and nationwide upgrading programs which are conceived by local stakeholders within the



Nicaragua



broader framework of strategic urban economic development. Working together with cities and their national and international associations on new tools and knowledge sharing, public and private sector partners in the Alliance will marshal their experience and knowledge to support both the formulation and implementation of city development strategies.

The Cities Alliance Consultative Group will serve as a global public policy forum to share the lessons learned and agree on policy orientations and standards of practice in areas related to the Alliances' goals. The Cities Alliance will draw upon the existing capacity of its partners for implementation. The objective is to catalyze partners' actions in ways that go beyond their individual actions and to help create a new coherence of effort in urban development cooperation.

Whether new urban residents over the next 20 years will live as disenfranchised citizens in conditions of misery and degradation, or in conditions of dignity and well-being, will depend to a great extent on decisions that we collectively make now. In a globalizing world, it is clearly in our self-interest to join forces to meet this challenge. •

Mark Hildebrand is Manager of The Cities Alliance at The World Bank in Washington, DC.

The Cities Alliance Fact Sheet

WHAT IS THE CITIES ALLIANCE?

- A global coalition of cities and their development partners committed to pro-poor policies and prosperous cities without slums.
- Launched in 1999 by the World Bank and the United Nations Centre for Human Settlements (Habitat), with two areas of focus:
 - Linking the process by which local stakeholders define their vision for their city, analyze its economic prospects, and establish a **city development strategy** and priorities for action;
 - Making unprecedented improvements in the living conditions of the urban poor by supporting city-wide participatory urban upgrading programs and nationwide scales of action—with targets set in *Cities Without Slums* initiative.

WHY FOCUS ON THE URBAN POOR?

- Over the next two decades 90% of population growth in developing countries will be urban.
- Already close to 30% of the developing world's urban population lives below poverty lines.
- Pro-poor policies are needed to cope with this explosive growth of urban poverty and growing inequality because they threaten the social cohesion and political stability needed for social development and economic growth.
- Demand is high—the urban poor are influencing investment priorities since they are voting in increasing numbers, and decentralization has put pressure on local governments to be more accountable.

IMPACT TARGETS

- *Cities Without Slums* action plan—improve lives of 100 million slum dwellers by 2020.
- Holistic city development strategies—define roles of all stakeholders in implementation.

- Citywide and nationwide scales of action—focus on scaling-up and sustainability.
- Build political will—demonstrate that slums are not inevitable.
- Partnerships—expand the level of resources reaching the urban poor by improving coherence and by more directly linking grant funded technical cooperation to investment follow-up.

BUY-IN TO-DATE

- Integral to World Bank's urban sector strategy—Bank's initial investment \$3million.
- Integral to United Nations global campaigns on secure tenure and good urban governance—initial commitment by Habitat \$1.5 million.
- The world's major international associations of cities sit on governing board as equal partners.
- Ten governments—including all of the G-7—have committed initial \$15 million.
- President Nelson Mandela committed to serve actively as "patron" of *Cities Without Slums* initiative; action plan strongly endorsed by Secretary-General of United Nations and incorporated in United Nations Millennium Declaration adopted by 150 Heads of State in September 2000.
- Regional development banks, United Nations Development Programme, United Nations Children's Fund (UNICEF), International Labor Organization, European Union, and several other multilateral and bilateral agencies are considering joining partnership.

FUNDING GAPS

- Gap of \$19 million for the Cities Alliance 3-year business plan.
- Gap of additional \$75 million for *Cities Without Slums* first 5-year plan.



The Future of the World's Megacities

ELLEN BRENNAN-GALVIN

The United Nations

According to the United Nations Population Division, the world passed the historical six billion mark in October 1999. One of the most striking features of world population growth is the rising predominance of the developing world. During the past 50 years, nearly 90 per cent of all population growth at world level occurred in the developing regions. Within less than 50 years, by 2045–2050, all population growth is expected to be concentrated in the developing regions, since the developed regions (which include Europe, Japan, Northern America, and Australia/New Zealand) will most likely experience a net reduction of their overall populations. Despite the HIV/AIDS pandemic, Africa is expected to be the fastest growing region, probably doubling in size over the next half century—from 751 million to between 1.5 and 2.1 billion persons by 2050. The population of Asia is expected to increase from 3.6 billion persons at present to somewhere within the range of 4.3 to 6.3 billion by 2050. Latin America and the Caribbean is likely to increase from 505 million to somewhere between 654 and 994 million by 2050.

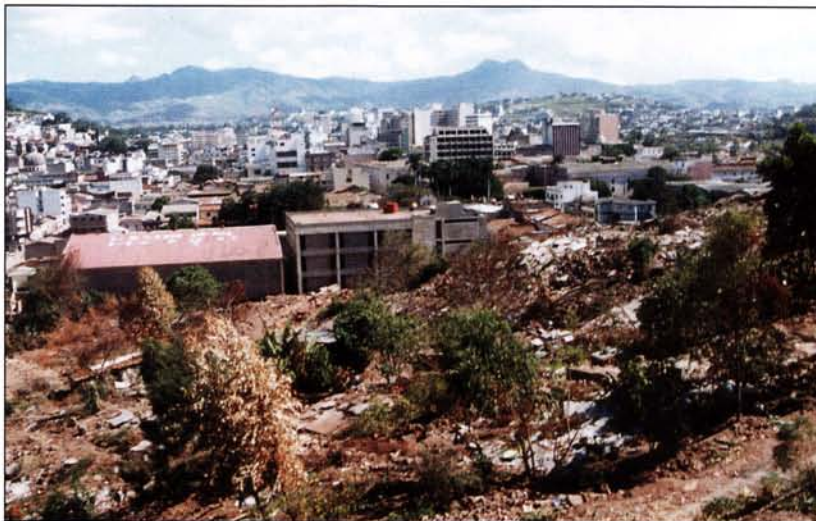
The second striking feature is related to urban growth. Although the growth of world urban population has been slower than what was projected 20 years ago, its scale has been unprecedented. Over the past 30 years, world urban population more than doubled, increasing by 1.5 billion inhabitants. In the next 30 years, virtually all of the world's population growth will be in urban areas. During that period the urban population is expected to increase by 2 billion persons, the same number that will be added to the whole population of the world. Most of this growth will take place in the urban areas of the developing world, whose growth will likely increase from 1.9 billion in 2000 to 3.9 billion in 2030. The urban areas of the developed regions are expected to increase very slowly, from 900 million in 2000 to 1 billion in 2030.

As in the case of total population, there will be a significant redistribution of world urban population between the developed and the developing regions. Between 1950 and 1975, 32 million new urban dwellers were added annually worldwide—about two-thirds in the developing countries. During 1975–2000, 52 million new urban dwellers were added each year—87 percent in developing countries. By 2000–2015, 65 million will be added annually—93 percent in developing countries.

Looking at the regional breakdown, Africa has the lowest level of urbanization and the fastest urban growth. Currently, 38 percent of Africans are urban dwellers; by 2030, the percentage will be 55 percent. The problem facing much of Africa is that very rapid rates of urban growth make it exceedingly difficult to provide services. The urban growth rate for Africa as a whole currently is around 4 percent. East Africa is growing at more than 5 percent per annum, with individual countries growing at considerably higher rates. Projections show that Africa's urban growth rate will stay around 3.5 percent through 2010 and above three percent until 2015–2020.

Latin America and the Caribbean is the most urbanized region in the developing world, with three quarters of its inhabitants living in urban areas—roughly the same percentage as in the United States. Between 2000 and 2030, 213 million people will be added to the urban population of this region, bringing the percentage of people living in urban areas to 83 percent. Asia has a level of urbanization very similar to that of Africa—currently 37 percent. Asia as a whole, however, will have to absorb huge population increments—a total of 1.3 billion new urban inhabitants by 2030. South Asia faces particularly daunting prospects, with India having to absorb as many as 345 million new urban inhabitants between 2000 and 2030, Pakistan 99 million, and Bangladesh more than 50 million.

A central characteristic of current world urbanization trends is that megacities—cities with populations of ten million or more—are becoming larger and more numer-



Managua, Nicaragua



ous, accounting for an increasing proportion of urban dwellers. Currently, there are 19 cities in the world with over ten million inhabitants, 15 in developing countries. By 2015, there will be 23 cities with over ten million inhabitants—19 in developing countries (13 in Asia, four in Latin America, two in Africa) (Table 1). These megacities, which currently shelter 263 million inhabitants, are projected to gain more than 100 million inhabitants by 2015, increasing to 375 million inhabitants. Bombay is expected to become the second largest megacity in 2015, followed by Lagos, Dhaka and São Paulo.

The emergence of megacities is a modern phenomenon, occurring over the last half century. In 1950, only New York had a population of ten million or more. In addition to the increase in their number, megacities are becoming consider-

ably larger. The minimum population size for a city to make the list of the world's 15 largest urban agglomerations was 3.6 million in 1950. By 1990, a population of 9 million was required as the threshold. By 2015, Buenos Aires, with 14.1 million, is expected to be 15th on the list.

Whereas the average annual rate of population growth was one percent or less for megacities in the developed world during 1970–1990, megacities in developing countries have exhibited significantly higher rates of population growth, as well as a larger range of rates, than those in developed countries. Some megacities are continuing to grow very rapidly. Dhaka, for example, grew by 6.9 percent per annum during 1975–2000, while Lagos grew by 5.6 percent annually.

Contrary to the alarmist predictions, however, about “exploding cities,” the growth of most of the world’s megac-

ities has been slowing down, in some instances quite dramatically. Mexico City is a case in point. Whereas projections prepared by the United Nations and the World Bank during the 1970s forecasted a population for Mexico City in the range of 27–30 million by the year 2000, Mexico City’s population is currently 18.1 million—projected to reach 19.2 million in 2015. One explanation for the decline in megacity growth rates appears to be a deceleration in rates of national population growth. Indeed, a simple regression indicates that the national population growth rate explains nearly half (47 percent) of the variation in megacity growth rates in developing countries. Of course, the fact that India’s three megacities grew at rates of between 2 and nearly 4 percent per annum during 1975–2000 indicates that other forces must surely be involved. Still, the relationship between megacity and national population growth rates is quite remarkable, given that megacities generally comprise only a very small proportion of their national populations.

It is difficult to generalize about the factors behind the slowdown in the growth of many of the world’s megacities, as numerous complex factors are involved. Again, Mexico City provides an example. In addition to voluntary emigration after the 1985 earthquake, factors making Mexico City less attractive have included rising housing prices, the increasing cost of living, and quality of life considerations. Indeed, one

Table 1—Recent and Projected Growth of the World’s Megacities, 1975–2015

Megacity	POPULATION (millions)			GROWTH RATE (percentage)	
	1975	2000	2015	1975–2000	2000–2015
1. Tokyo	19.8	26.4	26.4	1.2	0.0
2. Mexico City	11.2	18.1	19.2	1.9	0.4
3. Bombay	6.9	18.1	26.1	3.9	2.4
4. Sao Paulo	10.0	17.8	20.4	2.3	0.9
5. New York	15.9	16.6	17.4	0.2	0.3
6. Los Angeles	8.9	13.1	14.1	1.5	0.5
7. Shanghai	11.4	12.9	14.6	0.5	0.8
8. Lagos	3.3	13.4	23.2	5.6	3.7
9. Calcutta	7.9	12.9	17.3	2.0	1.9
10. Buenos Aires	9.1	12.6	14.1	1.3	0.7
11. Dhaka	2.2	12.3	21.1	6.9	3.6
12. Karachi	4.0	11.8	19.2	4.3	3.2
13. Delhi	4.4	11.7	16.8	3.9	2.4
14. Osaka	9.8	11.0	11.0	0.4	0.0
15. Beijing	8.5	10.8	12.3	0.9	0.9
16. Jakarta	4.8	11.0	17.3	3.3	3.0
17. Metro Manila	5.0	10.9	14.8	3.1	2.1
18. Rio de Janeiro	7.9	10.6	11.9	1.2	0.8
19. Cairo	6.1	10.6	13.8	2.2	1.7

Source: United Nations Population Division, *World Urbanization Prospects: The 1999 Revision*.

third of a sample of Mexico City residents interviewed in a migration survey conducted in 1987 indicated that they expected to move away from the city in the future; more than 75 percent of the residents sampled referred to problems related to metropolitan life, such as delinquency, stress, and air pollution. Of even greater importance is the fact that more dynamic growth has occurred elsewhere. Indeed, the rapid economic growth of Mexico's border states—which accounted for 62 percent of national job growth from 1985 to 1990—is a major explanation for Mexico City's relative decline.

REGIONAL OVERVIEW

There is a great diversity of experience among the world's megacities. Broad differences in patterns of megacity growth persist among the major geographical regions. In Latin America, the rate of population growth of most major cities in the region peaked during the 1960s, when fertility levels were still relatively high and governments in the region were pursuing policies of import-substituting industrialization that drew large numbers of migrants to the cities.

In recent years, a dramatic and unanticipated slowdown in the growth of megacities in the Latin American region sur-

Global Trends 2015: A Dialogue about the Future with Nongovernment Experts

The following text is an excerpt (pp. 16–17) from a publication with the same name, published December 18, 2000 by the US National Intelligence Council and the US Central Intelligence Agency

Movement of People

Two major trends in the movement of people will characterize the next 15 years—urbanization and cross-border migration—each of which poses both opportunities and challenges.

Growth in Mega-Cities

The ratio of urban to rural dwellers is steadily increasing. By 2015 more than half of the world's population will be urban. The number of people living in mega-cities—those containing more than 10 million inhabitants—will double to more than 400 million.

Urbanization will provide many countries the opportunity to tap the information revolution and other technological advances.

The explosive growth of cities in developing countries will test the capacity of governments to stimulate the investment required to generate jobs and to provide the services, infrastructure, and social supports necessary to sustain livable and stable environments.

Regional Population: 1950–2015

Divergent demographic trends, the globalization of labor markets, and political instability and conflict will fuel a dramatic increase in the global movement of people through 2015. Legal and illegal migrants now account for more than 15 percent of the population in more than 50 countries. These numbers will grow substantially and will increase social and political tension and perhaps alter national identities even as they contribute to demographic and economic dynamism.

States will face increasing difficulty in managing migration pressures and flows, which will number several million people annually. Over the next 15 years, migrants will seek to move:

- To North America primarily from Latin America and East and South Asia
- To Europe primarily from North Africa and the Middle East, South Asia, and the post-Communist states of Eastern Europe and Eurasia.

- From the least to the most developed countries of Asia, Latin America, the Middle East, and Sub-Saharan Africa.

Regional Population by Age Group: 2000 and 2015

For high-income receiving countries, migration will relieve labor shortages and otherwise ensure continuing economic vitality. EU countries and Japan will need large numbers of new workers because of aging populations and low birthrates. Immigration will complicate political and social integration: some political parties will continue to mobilize popular sentiment against migrants, protesting the strain on social services and the difficulties in assimilation. European countries and Japan will face difficult dilemmas in seeking to reconcile protection of national borders and cultural identity with the need to address growing demographic and labor market imbalances.

For low-income receiving countries, mass migration resulting from civil conflict, natural disasters, or economic crises will strain local infrastructures, upset ethnic balances, and spark ethnic conflict. Illegal migration will become a more contentious issue between and among governments.

For low-income sending countries, mass migration will relieve pressures from unemployed and underemployed workers and generate significant remittances. Migrants will function as ethnic lobbies on behalf of sending-country interests, sometimes supporting armed conflicts in their home countries, as in the cases of the Albanian, Kurdish, Tamil, Armenian, Eritrean, and Ethiopian diasporas. At the same time, emigration increasingly will deprive low-income sending countries of their educated elites. An estimated 1.5 million skilled expatriates from developing countries already are employed in high-income countries. This brain drain from low-income to high-income countries is likely to intensify over the next 15 years.





Johannesburg, South Africa

prised even local observers. Whereas a process of intra-metropolitan employment dispersal has been taking place for a number of years in such cities as Buenos Aires, São Paulo, and Mexico City, the scale has increased greatly. Manufacturing plants have been moving much greater distances and often beyond metropolitan boundaries (within a 200km radius from the central core of São Paulo, for example). In addition, profound changes have taken place over the past decade in Buenos Aires, Mexico City, Rio de Janeiro, São Paulo, and other large Latin American cities as a result of economic recession and structural adjustment programs.

Despite its relatively low level of urbanization (37 percent), Asia accounts for nearly half (48 percent) of world urban population. Amounting to 1.4 billion persons, this number is 50 per cent higher than the current urban population of the developed world. As noted, a majority of the world's megacities are located in Asia. Many megacities in Asia have experienced dramatic economic growth in recent years. Seoul, with a Gross Domestic Product (GDP) of \$93 billion in 1990—the 12th highest in the world—is rapidly moving away from “developing” country status. Until the Asian economic crisis in 1998, Bangkok and Jakarta had booming economies. In the Southeast Asian countries as a whole, urbanization has been penetrating deep into the countryside, resulting in extended and dispersed mega-urban regions encompassing hinterlands as far as 100 km from the central core.

In recent years, China's megacities have been growing at very rapid rates, although this growth is partly due to reclassification. Of course, the meaning of “urban” in China is

now far different from the generally accepted meaning of that term. The use of official urban and migration statistics to measure levels of and changes in urbanization can be seriously misleading. Moreover, the experience of China's megacities has been fairly unique. Urban migration over the past several decades has been closely related to political swings, economic changes, and related policy shifts.

The largest cities of the Indian subcontinent (e.g. Bangalore, Bombay, Calcutta, Delhi, Hyderabad, and Madras in India; Karachi and Lahore in Pakistan; and Dhaka in Bangladesh) have followed a different pattern. Many megacities on the subcontinent have fairly stagnant economies, yet they will have to absorb huge population increments over the next several decades. Bombay, where at least half the population does not have access to adequate shelter, is projected to have a population of more than 26 million in 2015. Karachi, a city experiencing continuing political unrest, is projected to have a population of more than 19 million inhabitants. Dhaka, one of the poorest cities in the world where the average annual income for slum dwellers currently is around US \$150, is projected to have a population of more than 21 million in 2015.

Fueled by continuing out-migration from impoverished rural areas and by very high natural increase, despite years of sustained recession, cities in Africa are growing very rapidly. At nearly twice the world average, this growth puts incredible pressure on already strained economies. Whereas much of the academic literature stresses the strong link between economic development and urbanization, the relationship

between the two is much weaker in Africa than elsewhere in the developing world. Many countries in the region experienced negative or very slow rates of Gross National Product (GNP) growth in the last two decades. Yet almost all countries in the region exhibited high urban growth rates, including those with negative GNP growth. The two megacities in sub-Saharan Africa, Lagos and Kinshasa, are among the world's poorest yet most rapidly growing megacities and are expected to continue to grow at a similar pace over the next two decades.

PATTERNS OF INTRAMETROPOLITAN POPULATION GROWTH

Just as there are widely divergent patterns of economic development and urban growth among the major geographical regions, there are striking demographic differentials within megacities. Aggregate rates of population growth for the megacities may be quite misleading. Megacities are spatially very extensive, with sizes ranging from the traditional core city of 100–200 sq. km to regions of 2,000–10,000 sq. km and more.

Population growth in large cities usually does not increase the population density of high-density areas, but promotes densification of less developed areas and expansion at the urban fringe. In particular, population densities in the central core frequently decline as households are displaced by the expansion of other activities. This finding is very robust in both industrial and developing countries and has been observed in cities as diverse as Bangkok, Bogotá, Mexico City, Shanghai, and Tokyo. Whereas the traditional urban cores of many megacities are experiencing very slow or negative population growth, areas on the periphery typically are experiencing rapid growth. For example, the city of São Paulo grew by one percent per annum during 1980–1991. The central core as well as the interior and intermediate rings lost population (at rates of -1.3, -0.9 and -0.4 percent per annum, respectively). The exterior ring grew by only 0.4 percent per annum while the periphery expanded by 3 percent.

In many megacities, periurban areas have grown or are continuing to grow at staggering rates, making it impossible to provide services. In São Paulo, for example, the growth of the peripheral ring was nearly 13 percent per annum during 1960–1970, declining to 7.4 percent during 1970–1980 and to 3.8 percent during 1980–1987. It is not uncommon for peripheral areas of megacities to be growing by rates of 10–20 percent per annum. However, because of the rapidity of growth in these newly developing areas, sometimes as a result of sudden land invasions, the magnitude of this growth is unrecorded.

Such rapid population growth in periurban areas has serious implications for infrastructure provision and land markets. A major reason why local administrations in many developing country cities have not coped successfully with urban population growth is that they simply do not know what is going on in their local land markets. Most megacities lack sufficient, accurate, and current data on patterns



Beijing, China

of land conversion, infrastructure deployment, and land subdivision patterns. Frequently, urban maps are 20 to 30 years old and lack any description of entire sections of cities, and particularly of the burgeoning periurban areas. Clearly, the typical ten-year census interval is a problem in the analysis of megacities, as the metropolitan population might easily grow by more than two million within a five-year period.

THE COMPONENTS OF MEGACITY GROWTH

Even if all in-migration to the megacities were somehow to cease, cities would have to absorb huge population increments as a result of natural increase. This point is often lost in the popular literature. In many megacities, natural increase is and will continue to be the most important factor explaining population growth. At world level, net migration from rural to urban areas accounts for less than half of the population growth of cities. Around 60 percent of urban growth is due to the excess of urban fertility over urban mortality.

A study of the components of urban growth prepared by the United Nations Population Division found that, where-

as internal migration and reclassification was the source of 64 percent of urban growth in developing Asia during the 1980s (around 50 percent if China is excluded), it accounted for only 25 percent of urban growth in Africa and 34 percent in Latin America. These findings have important implications for policymakers and planners. In regions characterized by economic stagnation, where rates of rural out-migration have declined over the past decade, such as Africa and Latin America, the contribution of natural increase has been strengthened. Consequently, if the growth of urban areas is to be significantly reduced, more emphasis needs to be given to the reduction of fertility.

Interestingly, for all of the theorizing about the linkages between urbanization and fertility decline over the past several decades, detailed work in this area has been quite sketchy. Using Demographic and Health Survey (DHS) data collected between 1987 and 1993 in 14 African countries, recent research on fertility behavior in African cities has found that high levels of female in-migration have reduced total fertility rates in African cities by about one birth per woman. This influence of migration on fertility appears consistent throughout sub-Saharan Africa, suggesting that migration to cities may be promoting national fertility transitions in Africa. This situation is all the more ironic since most African governments currently are quite serious about reducing aggregate rates of population growth. Yet they are quite insistent on curbing the growth of metropolitan areas, mainly by retaining population in the countryside.

In a sense, the richness of this research highlights how little has been known up to now about the complex factors involved in recent urban fertility behavior in developing countries. Factors such as the volume and permanence of migration, the effects of age structure, spousal separation, exposure to modern ideas, and the changing opportunity costs of childbearing remain understudied. Despite the widespread acknowledgment 20 years ago that family planning was one of the most cost effective means of reducing urban growth, virtually no work has been done on family planning use and needs among the urban poor. Indeed, from a policy perspective, the limited knowledge of the linkages between rural-urban migration and, in particular, contraceptive behavior has hampered the efforts of policymakers and program workers to design and implement effective family planning programs which might have a significant impact on reducing urban growth.

ATTEMPTS TO CONTROL MEGACITY GROWTH

While a considerable knowledge gap remains regarding the complexity and future implications of demographic change in the world's megacities, there is a generally accepted body of ideas in the policy arena for controlling megacity growth. For example, the anti-urban bias finally appears to have dissipated. It is now widely acknowledged that cities are, in general, productive places that make more than a proportionate contribution to economic growth. In retrospect, it is perhaps astonishing that the anti-urban bias of planners, some scholars, and government officials has continued for so

long despite apparent grounds for discrediting it. For years, planners made futile attempts to "contain" urban growth on the assumption that rural to urban migration could be stopped or slowed down and that people could be relocated from the existing urban areas. These views no longer are accepted widely, except perhaps in Africa.

Early attempts to "contain" megacity growth ranged from the "closed city" policies of Jakarta (1970) and Manila (1960s), which were notorious failures, to China's household registration system. It was long assumed that direct controls on residential mobility had little chance of success, except perhaps in a collectivist society such as China; even this turned out not to be the case. Despite decades of restrictions, China's "floating population" in its largest cities now numbers in the millions.

A number of developing countries have devoted considerable efforts to devising strategies to reduce metropolitan growth, primarily by fostering the growth of secondary cities and promoting regional development. Mexico is a prime example. Since the early 1970s, Mexico has had one elaborate plan after another—typically a new one in each six-year presidential term of office. It is generally acknowledged, however, that these plans have had minimal impact on influencing Mexico's patterns of spatial distribution.

How the world's megacities are managed in coming decades will shape patterns of national economic growth, the settlement of vast populations and the social and political stability of many developing countries. The stakes are high.

The great paradox is that profound changes have occurred in patterns of spatial distribution in Mexico and in other developing countries, yet regional policy is considered to have contributed very little to it. Indeed, deconcentration has occurred in practice when regional planning has been at its weakest, with few governments in heavily indebted developing countries having any funds to invest in infrastructure in the poorer regions, or to offer incentives for industrialists to relocate to the periphery.

It is now widely acknowledged that it is counterproductive to talk about how to "control" the growth of megacities, whether through coercive measures or by channeling growth to secondary cities. Moreover, despite the rhetoric that still abounds, megacity size per se is not a critical policy variable. Since the 1980s, there has been a remarkable shift of research attention from the demography of cities to the polity of cities, with particular focus on issues of urban management and, in the 1990s, urban governance. With respect to management, a virtual consensus has emerged among urban scholars that the costs and benefits of cities are not merely a product of population size (hence growth), but are primarily a consequence of the commitment and capa-



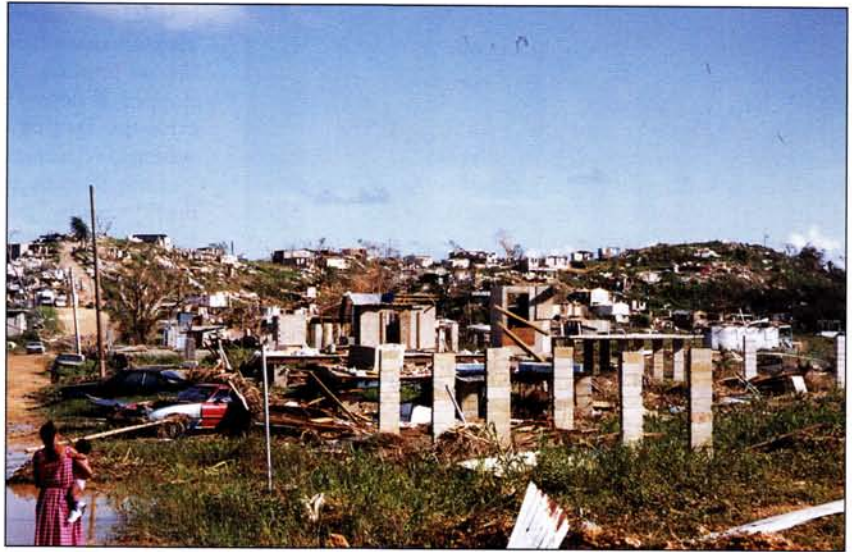
bilities of municipal governments to implement policies that improve population welfare. The assumption that good management overcomes population constraints of cities would appear tenable based on recent history. Many cities of the world, for instance those of recent origin in sub-Saharan Africa, are too big relative to their managerial capacities. Yet some of these “oversized” cities are quite small, e.g., in the range of 100,000 to 200,000 inhabitants. Similarly, many megacities—Tokyo is cited most often—are seemingly well-managed and, therefore, not too large.

CONCLUSION

In calling attention to the growth of megacities, the US Central Intelligence Agency’s *Global Trends 2015*, noted that “the explosive growth of cities in developing countries will test the capacity of governments to stimulate the investment required to generate jobs and to produce the services, infrastructure, and social supports necessary to sustain livable and stable environments.” In coming decades, large cities will be at the forefront of globalization and will be the principal nodes generating and mediating the flow of capital, people, trade, greenhouse gases, pollutants, diseases, and information. If both urbanization and decentralization continue in the decades ahead, cities will carry a heavy charge of responsibility for political stability, openness, economic progress, and the quality of life in many nations. Megacities that can become and remain more competitive in international trade and investment are likely to grow in the future, whereas those that cannot are likely to stagnate or decline.

The necessity for megacities to be internationally competitive in order to sustain their economic vitality in the 21st century may well create new and wide economic chasms if governments in cities with lagging internal competitiveness do not improve urban conditions. Megacities that continue to grow in terms of population, but lag behind in international competitiveness and economic development, may become less able to support large influxes of population or alleviate urban poverty.

It is important to emphasize that the population of the world’s megacities will continue to grow over the next sev-



San Juan, Puerto Rico

eral decades, whether or not they become more internationally competitive—indeed regardless of whether their economies grow at all. Economically lagging metropolitan areas in developing countries continue to attract migrants because the “push factors” of rural poverty make even subsistence living in poor cities a more attractive alternative. Among the megacities with the highest rates of population growth are poor cities with sluggish economies such as Cairo, Calcutta, Dhaka, Kinshasa and Lagos.

How the world’s megacities are managed in coming decades will shape patterns of national economic growth, the settlement of vast populations and the social and political stability of many developing countries. The stakes are high. Without extraordinary efforts to develop urban economies, especially in such a critical area as infrastructure, a segregated world economy may emerge where those megacities that have the necessary prerequisites for integration prosper, while others fall farther and farther behind. Unless such trends are reversed, the urban landscape in many developing countries will be bleak, chaotic and impoverished. ●

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Recent Wilson Center International Workshop on Urban Governance in Major World Cities

BLAIR A. RUBLE, JOSEPH S. TULCHIN, AND ANDREW D. SELEE

Woodrow Wilson International Center for Scholars

The Workshop on Urban Governance in Major World Cities, sponsored by the Woodrow Wilson International Center's Comparative Urban Studies Project and the US Agency for International Development, brought dozens of leading experts from cities around the world to meet on December 7-8, 2000, at the Wilson Center in Washington, DC. Speakers addressed emerging governance issues in ten large metropolitan areas: Bombay, Manila, Tokyo, Abidjan, Johannesburg, Sao Paulo, Santiago, Moscow, and Kiev, and discussed common themes emerging in state-society relations in these cities.

In his introduction Wilson Center Fellow Richard Stren dubbed the workshop's central theme as "The Irresistible Force Meets Godzilla." Based on his humorous metaphor, "the irresistible force" is the emergence of large, complex metropolitan areas affected by globalization, migration, and the diffusion of economic and political power. "Godzilla" is the growth of citizen mobilization which is placing increasing social demands on these cities. The meeting point between these two dynamics is the challenge of urban governance: how to address complex problems while remaining responsive to citizen concerns.

The emergence of mega-cities, and the concomitant problems of urban governance on a very large scale, is a relatively new phenomenon. The social energies unleashed in these mega-cities can be described as a "Fourth Wave." However, while Samuel Huntington's "Third Wave" focuses on regime change at the top levels of national governments, the "Fourth Wave" is driven by grassroots expressions of political enthusiasm and involvement in large urban regions. Increased social mobilization directed at urban issues may lend a high degree of legitimacy to local governments which can respond favorably to these demands, but it also creates problems for metropolitan leaders who are accustomed to non-participatory planning approaches.

Tensions naturally emerge between the need for government coordination of large metropolitan regions and the importance of democratic participation in smaller units within these same regions. In some cities in the developing world, this is further compounded by the prevalence of informal networks that have emerged to supply needs that are not met by local governments. In many cities new strategies for participatory governance have been initiated to involve citizens in urban management. These initiatives have provided encouraging, though highly uneven experiences. However, the way to approach participatory governance differs from city to city and there is no single strategy to build effective participation. In some cases, municipal institutions in developing coun-

tries, which have been patterned after those of the United States of America or of European nations, may not be fully harmonized with local traditions and practices and thus should be reexamined and potentially restructured.

Participants in the workshop stressed the need to find local government mechanisms that generate civic participation and create public accountability to citizens and communities. While they acknowledged that the combination of participation and accountability may not always lead to more efficient city management and effective economic performance, it will at least make the highly challenging governance of complex, dynamic, and problematic megacities a shared enterprise between citizens and the state, and provide greater opportunities for people and places that are traditionally marginalized to have their voices heard and their concerns addressed. •

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*Dr. Joseph S. Tulchin is Director of the Latin American Program at the Woodrow Wilson International Center for Scholars in Washington, DC. He is coeditor of *Preparing for the Urban Future: Global Pressures and Local Forces*.*

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Mexico



Decentralization, Democratization, and Urban Management: The Case of St. Petersburg

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All cities, especially the largest ones, have to manage huge problems at the beginning of the 21st century: economic, ecological, and social. These problems become even more complicated if the city also is searching for the right balance between effectiveness and democracy while simultaneously making major reforms both in the economy—moving from planned and centralized to market-driven and decentralized—and in politics—going from totalitarian regime to democracy—as is the case in the city of St. Petersburg and the entire Russian Federation.

The city of St. Petersburg is the second biggest city in the Russian Federation, with Moscow being by far the largest. Its current population is over 4.7 million, down from nearly 5 million people a decade ago. As an autonomous part of a federative state, St. Petersburg has governing authority and political status similar to a state government in the USA.

The process of democratization began in 1989, when the citizens voted for their first democratically elected city council. In 1991, shortly after Anatoly Sobchak became the city's first elected mayor, and once the infamous Communist coup called the "August putsch" was defeated by Boris Yeltsin, St. Petersburg Mayor Sobchak gave back to the city its old name instead of the Soviet "Leningrad." The further development of the political process led Russia to attempt to create a system of local self-government for cities and other local municipalities as a third level of public administration, beneath the federal government and the various states that comprised the federation. In this situation two major problems connected with the largest agglomerations were addressed:

- 1) How many levels of administration do the cities of Moscow and St. Petersburg need as both "states" and "municipalities?"
- 2) What kind of responsibilities should be set for each level of city government as determined in question one above?

The first problem was solved very simply: the 1993 Constitution of the Russian Federation forbids the connection of both tasks—that of state government and local government—in the same authority. Moscow simply ignored the Constitution and the subsequent 1995 federal "Local Government Act" by connecting both governmental functions in the same authorities: the "City Duma" (combined state parliament and city council), and the city administration.

St. Petersburg created different kinds of governance structures than Moscow, deliberately designed to be

much more decentralized in terms of authority, responsibility, and local accountability. The authorities of the all-city level only perform the functions of "state government". The "state government" also oversees the second level: 23 district administrations covering the entire city.

The new third level was created during 1997-98 to fulfill the functions of local self-government. There are 111 municipalities inside the large city of St. Petersburg: some of them are formerly independent smaller cities and towns, but others are simply urban neighborhoods or districts, created artificially at different times without specific historical, cultural or other distinction.

What are the main challenges and opportunities of this relatively new and complicated multi-level management structure? On the one hand, the city administration has too many functions to fulfill them effectively, especially ones connected with collecting and articulating the wishes and needs of citizens, and is responsible for too large of a geographic area and demographic base to administer it properly. On the other hand, the district level is nearer to the citizens, but has no legitimacy as a local government; it only implements the decisions of the city-level. And the municipalities are too small and too weak, lacking the necessary fiscal resources to accomplish key tasks as the main element of the city's democracy. At this grass-roots level of urban governance, it is possible only to speak about problems, without the means to actually solve them.

CONCLUSION

One can envision creating different systems and structures of administration in large cities and urban regions, but all of them need clearly definable characteristics, which the governance system of St. Petersburg is currently lacking: 1. Rational distribution of power, resources and functions between the levels of government; 2. Citizens' belief that they can truly and effectively work with the local government to generate economic prosperity and improve quality of life in the city. Such a belief does not yet exist in St. Petersburg, as evidenced by the recent municipal election results in March, 2000: *in most municipal districts the citizens voted against all of the candidates and for none of them!* •

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Urban Housing in Asia: A Perspective from Singapore

BELINDA YUEN

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THE HOUSING CHALLENGE

Since the first worldwide conference on housing problems in developing countries (Habitat I) was held in Vancouver in 1976, housing has continued to be an important research concern in the urban literature on developing countries. Approximately one-half of all urban dwellers in general are living in housing that may be qualified as sub-standard, either in (authorised) slums or in (unauthorised) squatter settlements. Asia is generally considered the worst region in terms of housing with national studies giving urban slum population figures of 54% for Indonesia, 47% for Bangladesh and 36% for India.

Most Asian countries reportedly invest no more than 3% of their Gross National Product in housing compared with 4% in developed countries. Most are plagued by the absence of unified housing agencies and the prevailing problem of competition for scarce financial resources stemming from multi-agency delivery of affordable housing for low-income people. Against this backdrop, Hong Kong and Singapore by contrast have made significant progress in meeting the housing needs of their population. Both cities are widely known for their successful housing and urban development transformation in recent decades. Their experience in this achievement offers lessons for improving the housing conditions of the urban poor and has been widely analysed and documented. The focus here is almost exclusively on Singapore housing though the research challenge is of wider application.

Singapore's post-independence national housing production has responded in a timely fashion to the needs of the growing urban population. After 39 years of uninterrupted effort and seven 5-year building programmes, Singapore has completed more than 800,000 public housing units and associated infrastructure. Everyone is housed with a separate unit for every household. There are poor families in the public housing estates but there is no observable homelessness. According to a recent report in the local newspaper, *The Straits Times*, while the poor elsewhere are homeless, the poorest 20% of households in Singapore are well housed, and 75% of them are home owners. The scenario in Singapore is that the majority (86%) of the country's 4 million population are living in public housing, of which 90% are owner-occupied on 99-year leases. No other industrialised country, in Asia or elsewhere, has combined so much public provision with so much private and individual ownership.

Although initially built as low-cost housing for low-income families, progressive improvements have been made to housing space and quality over the years to the extent that today's public housing has become synonymous with comfortable, middle-class housing for most Singaporeans. Public housing in Singapore is more than providing shelter. It is also about enhancing social integration and national development. Affordable housing is available to all and targeted

subsidies are available to help households that cannot afford minimum housing. Housing sector policy is integrated into national economic and social planning. The housing sector contributes towards the broad social and economic objectives of alleviating poverty, controlling inflation, generating employment and income growth, enabling social and spatial mobility, and improving the quality of life. The achievement has attracted the attention of policymakers and researchers alike. The attraction is encapsulated by Y.M. Yeung, who observed that "from the viewpoint of urban development, Hong Kong and Singapore are fascinating case studies because their urban policies have been painstakingly designed and successfully implemented. Many urban planners and policymakers from developing countries visit the city-states and come away with the conviction that they have seen the future and it works."

Research has a crucial role to play in this process, it relates directly to public policy questions at every level. It is with such an understanding of the significance of housing research that I and two of my colleagues have compiled an annotated bibliography on housing in Singapore and identified possible future lines of inquiry. A few of these are of particular significance to the policy sphere. To take one example: a common starting premise characterizing much of the Singapore housing policy analyses is the success of its public housing. But whatever the past successes of housing policy and however functional it has been to the country's economic and national growth, it cannot be assumed that the policy will be equally successful or functional as the country moves to a different stage of economic development. In other words, housing delivery systems can be evaluated—as good or bad—only in the specific social, political and economic context pertaining in a particular country at a particular time. In a world increasingly obsessed with the notion of best practices and transferability of lessons, it is imperative that each country seek to gain a better understanding of the way the housing sector actually works and to know which instruments work and which do not in their own particular context.

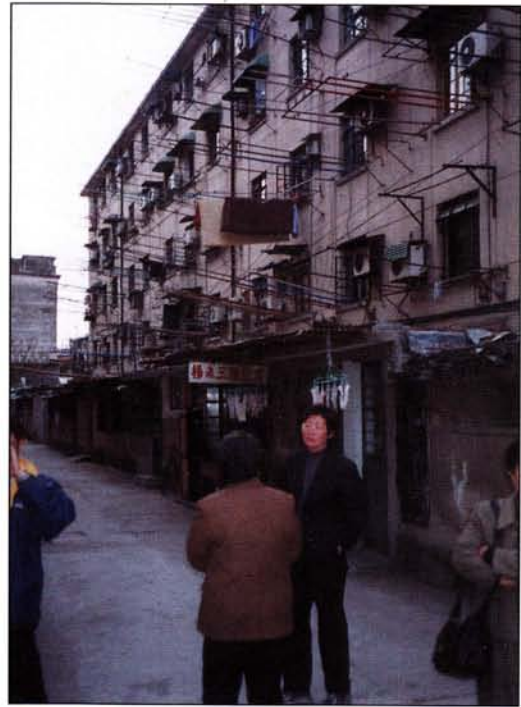
At present, as Singapore policymakers take strategic decisions about how the country is to most appropriately respond to the new order of globalization and information technology development, it will become important for them to also re-examine—and perhaps change—their social development strategies. When faced with the challenges of transferring the Singapore economy into a knowledge-based economy, questions arise as to the future role of the housing sector: what the housing market can do to adjust itself to the new economic development scenarios. It brings to focus policy issues necessary to facilitate this role. The question of who, precisely, should pay for housing provision, and how, remains one of the important issues.



Given the strong links between housing policy reforms and concerns to reduce poverty and to reverse the deterioration of the urban environment, the focus of research on urban housing, its role and working in the new global order, is increasingly urgent. The results have direct bearing on housing sector performance. It is the poor who are most disadvantaged by poorly functioning housing markets. As pointed out by the World Bank, policies that constrain market efficiency and responsiveness of the housing delivery system could result in reduced investment, housing which is less affordable and of lower quality, and a less desirable neighborhood environment. The housing sector must thus be seen and managed as an important sector of the urban economy. The economy is a major loser when the housing sector fails.

Recognition of the demographic and cultural dimension of the housing challenge is no less important. Demographic factors including residents' preferences, attitudes, and circumstances are key considerations in housing supply and demand. Changing population profile and the oncoming trend of aging population will over time affect the housing sector outcomes. In addition to physical design and infrastructure supply implications, there are also the macroeconomic conditions that affect household incomes. Making appropriate housing provision for the changing population profile thus requires a better understanding of how the residents use and relate to the spaces and buildings. It raises questions regarding the formulation and the power of various groups in the population on the formulation and distribution of housing provision. By elucidating the provider-consumer dichotomy, research can enable the careful allocation of scarce financial and land resources.

Another related area that I see offering a considerable research challenge is high-rise, or "skyscraper" multifamily housing. In Singapore, the national land stock of 647 square kilometers and the needs of a growing population have led to the deliberate choice of building high-rise, high-density housing which is a general departure from the traditional cultural norm of living. As cities adopt the high-rise option to meet growing population needs, it would inevitably suggest a wider extension of research into high-rise housing. In



Beijing, China

addition to research on the technical aspects of load, wind, ventilation, maintenance service and green design, there is also the equally important stakeholder analysis of user needs and perception. This is a relatively understudied field in Singapore and elsewhere. •

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