Globalization, Intercity Competition and the Rise of Civil Society: Towards Livable Cities in Pacific Asia

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Globalization and Intercity Competition

As nation-states become more open to international transactions, the ongoing worldwide urban transition is focused on a limited number of global city regions that now comprise the principal nodes that articulate the world economy (Scott, 2001). As sites where local and global forces are mediated, these city regions also host the aspirations of an increasing share of the world’s population for improved life chances, which does not simply include higher economic rewards, but also exercising one’s voice in public affairs, realizing general improvements in personal well-being and skills, and residing in a habitat that is environmentally sound, and safe from violence. All of these attributes comprise the “livability” of these cities. The challenge confronting the emerging urban-centred societies in Pacific Asia is how, under heightening intercity competition, livability can be pursued together with efforts to sustain local economies.

With the globalization of the industrial labour process of the 1970s, accompanied by the opening of finance markets in Pacific Asia in the 1990s, intercity competition for global investment has intensified in the region. The swift entry and withdrawal of billions of dollars of portfolio investments in banks and stock markets, which led to the infamous Pacific Asia finance crisis beginning in late 1997, was but one manifestation of the ways in which globalization is making local economies more competitive as well as more turbulent.¹ Deregulation under IMF reforms has pushed this competition into a more intensive realm; by shifting national economic regimes away from protecting domestic economies against foreign competition, and towards opening them to competition for global markets and foreign direct investment.² Local governments now view competing for international investment as their central concern.

Intercity competition is taking place in an era of corporate mergers and acquisitions (M&A), creating unprecedented concentrations of corporate control over global circuits of trade, production, and finance. As summarized by UNCTAD (1999), mergers and acquisitions have become the
“driving force” of foreign direct investment (FDI) around the world. Governments are assisting in promoting super-consolidations of financial institutions and industries, as mechanisms to create new behemoth enterprises capable of “competing” with those emerging from the ongoing North American and European mega-merger fever. If the trend towards consolidation continues to accelerate, entire industries in every major economic sector will be dominated by a handful of very large regional and global corporate enterprises that are in control of networks of production, distribution, producer services, and finance (Granitsas, 2000). More than half of the largest economic entities in the world are now giant corporations rather than nation-states, and as much as two-thirds of world trade is already taking place within these networks (UNCTAD, 1999).

Taken together, increasing concentrations of corporate control and intensifying intercity competition are producing highly uneven spatial patterns of economic growth. From 1990 to 1998, the share of total worldwide FDI going to developing countries grew from 15 per cent to 28 per cent, but the number that received the increases actually diminished, with just three countries — Mexico, China and Brazil — accounting for almost half of the total for the period, and only 10 locations accounting for three-quarters of FDI inflows to developing country. As amounts of FDI have skyrocketed, South Asia has remained at very low levels; sub-Saharan Africa has been steadily abandoned the oil economies of the Middle East have risen, then declined; and the once promising newly industrializing economies of Latin America have also seen FDI shares fall and somewhat level off (Figure 9.1). The main “success” stories in terms of steadily increasing shares have been in Pacific Asia, which has seen its share of FDI to developing countries move from under 20 per cent in the late 1970s to more than 50 per cent in the late 1990s.

However, the distribution in Pacific Asia is also uneven and subject to sudden geographical switching (Table 9.1). China has become the leading target of FDI in the region, capturing 58 per cent in 1997 and 62 per cent in 1998 in Pacific Asia. Several countries — Hong Kong, Singapore, Malaysia and Vietnam — witnessed notable drops in FDI when comparing 1998 levels over 1997 levels. Finally, a large share of FDI going to those countries that experienced increases in FDI, such as Korea and Thailand, is in the form of buy-outs of indebted enterprises rather than investments in new production. In fact, if China — which has very little M&A activity — is excluded from the data, 72 per cent of the total worldwide FDI for the 1992–1997 period was in the form of cross border mergers and acquisitions; a huge increase from the 22 per cent between 1988 and 1991 (UNCTAD, 1999). This data suggests that economies in Pacific Asia are steadily losing corporate command functions at the same time that they are engaging in ever more heroic efforts to win FDI in order to sustain their economies.