URBAN REGIONAL ECONOMIC DEVELOPMENT IN ASIA: TRENDS, ISSUES AND FUTURE CHALLENGES[1,2]

Brian H. Roberts

Emeritus Professor, Centre for Developing Cities, University of Canberra, Canberra ACT 2601, Australia

Karen Fisher

School of Resources, Environment and Society, Australian National University, Canberra ACT 2000, Australia.

ABSTRACT: Currently just over 40 percent of the Asian population is urbanised; however, cities contribute to more than 80 precent of GDP. Some cities, such as Bangkok, contribute to almost 40 percent of the nation's GDP. By 2030 another 1.1 billion people are expected to be added to the population of Asian cities. With urbanisation rates in many Asian countries exceeding 3 percent per annum and urban densities falling by more than 5 percent the areas of cities in Asia will more than double. The growth of Asian cities poses significant challenges to the achievement of sustainable and equitable economic development. This paper examines some trends and issues affecting the future economic development of Asian cities. It explores briefly the changes in the structure of metropolitan economies and the causes for this. It highlights some of the reasons for the differential competitiveness and performance of Asian urban regional economies and the implication this has on sustainability. The paper concludes with some insights into what cities in Asia need to do to become more competitive and sustainable in future to ensure the benefits of urban economic growth and development are distributed more equitably.

1. INTRODUCTION

There is a climate change occurring in the economic development of sub–national regions in Asia. The traditional approaches to local and regional economic development based on centralist and nationalist policies and interventions are gradually giving way to a more Asian perspective of decentralised market-driven regional development stressing similarities and mutual links between regions within and between countries. The economic development of nations is becoming increasingly focused in cities (Omahe, 1996) with urban centres contributing to more than 80 percent of GDP in most Asian countries (World Bank, 2005). Some cities like Bangkok and Jakarta contribute to more than 30 percent of national gross domestic product (GDP).

Despite the growing important of cities as generators of wealth and

---

[1] Definitions of Asia vary depending on sources. In this paper we have not attempted to reconcile data to a single definition but rather to note the source.

[2] The authors acknowledge the support of the Asian Development Bank in funding the research for this paper under the Managing Asian Cities Project.

employment, the benefits of urbanisation are not being distributed equitably in Asian countries. Significant disparities are occurring in the rates and level of urban development between regions, resulting in development patterns for cities which are not sustainable. Some urban regions have benefited greatly from becoming more internationalised and through direct foreign and national government investment, while most continue to struggle to compete for new business and investment. Reducing regional economic development disparities and unlocking the development potential of poorer regions and cities, in particular, is a major challenge facing all governments in Asia.

This paper describes briefly trends and issues relating to regional urban economic development in Asian countries. The term regional refers to subnational economies. The focus of the paper is on urban regions which usually comprise a provincial capital, metropolitan regions and secondary cities. The paper is intended to provide a basis for ongoing work for the Asian Development Bank on improving the development of enabling environments in Asian cities which will help support improved and more sustainable approaches to the urban management and development of cities.

The paper commences with a discussion of the main trends in regional urban development in Asia such as decentralisation, specialisation, urbanisation, emergence of megacities and consumer verses production driven development and concentration of wealth and investment in a limited number of subnational regions. Reasons underpinning these trends such as globalisation, national fiscal imbalance, distribution of investment, remittances, spatial differentiation of poverty, skill losses and stability and security are discussed. Also discussed are issues affecting the competitiveness of cities and regions such as good governance, strength of enabling environments to support investment and development, security of tenure, efficiency of land and property markets and strategic infrastructure. The paper goes on to consider innovations to support regional development, drawing upon examples of regions which have developed innovative strategies, ideas and systems to enhance their competitiveness and improve the sustainability of development.

2. TRENDS IN URBAN REGIONAL ECONOMIC DEVELOPMENT

Significant changes have occurred to regional economies in Asian countries over the past 20 years. Many of these changes are the result of powerful forces acting on local economies brought about by internationalisation and the globalisation of trade and investment, and pressures for national economic, governance and social reforms. Both the rate of change and pace of economic development reforms have varied significantly between countries; however, there are common themes and trends emerging in response to these forces which are having a significant impact on national and regional policies and approaches to economic development. The following trends continue to have a significant affect on the economic development of regions, particularly urban regions, in Asian countries.

2.1 Urbanisation and Economic Development

One of the most powerful factors changing the economic development of Asia is urbanisation. In 1950, some 232 million people or 17 percent of the total population lived in urban areas. By 2005, the urban population was estimated at 1,562 million, or 40 percent of the total population. By 2030, it is estimated that 2,664 million people or almost 55 percent of the total population in the Asia region will live in urban areas. This will involve an increase of 1.1 billion living in cities. By contrast, rural population over the next 25 years is expected to decline by 6 percent on the current level or 133 million (Roberts and Kanaley, 2006).

There are wide differences in the rate and form of urbanisation between and within countries (Table 1). Countries like Cambodia and Bangladesh are urbanizing rapidly, while countries like China and India less so. However, in terms of numbers of people living in cities, these two countries are expected to accommodate more than half the total expected growth in urban population by 2030.

In general, there is a strong relationship between urbanisation and economic development. Higher-income countries are generally more urbanised than lower-income countries, and urbanisation increases more rapidly with economic growth in lower-income countries than in higher-income countries. Of the countries outside north Asia and Singapore, Malaysia has the highest gross domestic product (GDP) per capita and the highest percentage of urban population. Bangladesh, Cambodia, Lao PDR, Pakistan, and Viet Nam are each at an earlier stage of the urbanisation process but are projected to have the largest increases in their urban populations (over 100 percent) over the 25 years to 2030.

Within countries, population growth rates of cities vary widely (Table 2). Growth rates of the largest cities are often relatively modest while smaller and intermediate-sized cities frequently experience rapid population growth but are often poorly resourced to accommodate this growth. Even within cities, growth is not uniform and often occurs on the periphery sprawling into neighbouring areas and/or in spontaneous and unintended squatter settlements (Roberts and Kanaley, 2006).

The evidence on the population growth of urban centers suggests that medium-size cities in the order of 500,000 to 2 million will experience the highest urbanisation rates in the future. Growth rates in larger cities can be expected to slow both as a natural outcome of the arithmetic of growth—as city size expands, increasingly larger additional numbers are required to maintain the growth rate—and as congestion and environmental conditions make very large cities less attractive places to live. Also, as cities grow, most of the growth will occur in the peri-urban areas due to easier availability of land and to price and land tenure arrangements acting to restrict redevelopment of older inner city areas.

Table 1. Urbanisation Trends in Asia, 1950-2030.

	Population	Urban Population	Proportion Urban			Estimated Increase in Urban Population	
	(million) 2005	(million) 2005	(%) 1950	(%) 2005	(%) 2030	(million) 2005–2030	(%) 2005–2030
World	6,453.6	3,172.0	29	49	61	1,772.7	56
Asia	3,917.5	1,562.1	17	40	55	1,102.2	71
Malaysia	25.3	16.5	20	65	78	10.8	66
Thailand	64.1	20.8	17	33	47	14.6	70
PRC	1,322.3	536.0	13	41	61	341.6	64
Philippines	82.8	51.8	27	63	76	34.8	67
Sri Lanka	19.4	4.1	14	21	30	2.4	59
Indonesia	225.3	107.9	12	48	68	80.0	74
India	1,096.9	315.3	17	29	41	270.8	86
Viet Nam	83.6	22.3	12	27	43	24.5	110
Pakistan	161.2	56.1	18	35	50	79.3	141
Cambodia	14.8	2.9	10	20	37	5.8	197
Bangladesh	152.6	38.1	4	25	39	48.4	127
Lao PDR	5.9	1.3	7	22	38	2.3	177

Lao PDR = Lao People's Republic; GDP = gross domestic product; PPP = purchasing power parity; PRC = People's Republic of China.

Sources: UN (2003); UN (2004); and UNDP (2005).

Table 2. City Size and Population Growth (For Capital Cities and Urban Agglomerations with 750,000 persons or more in 2000)

City Size	PRC Cities (No.)	PRC Av. Annual Growth. (%) 2005–2010	PRC Av. Annual Growth. (%) 2010–2015	INDIA Cities (No.)	INDIA Av. Annual Growth (%) 2005–2010	INDIA Av. Annual Growth (%) 2010–2015	INDONESIA Cities (No.)	INDONESIA Av. Annual Growth (%) 2005–2010	INDONESIA Av. Annual Growth (%) 2010–2015
0–0.5 million	126	1.80	1.91	157	2.04	2.18	14	2.38	2.47
0.5–1 million	127	2.03	2.08	45	2.45	2.36	10	2.78	2.54
1–5 million	93	1.25	1.45	33	2.79	2.52	5	2.78	2.45
Over 5 million	4	0.77	1.04	7	2.30	2.12	1	3.19	2.46

Sources: UN (2003) and UN (2004).

2.2 New Economic Geography of Cities

Cities are the production houses of wealth and the centres for innovation, trade, and productivity growth. The urban share of GDP in most Asia countries accounts for 50–90 percent of total GDP (Table 3). Many of the larger metropolitan centres are major export manufacturing centres with large industrial enterprise zones manufacturing goods for multinational corporations. City per capita output ("city product") is generally much higher than the country's per capita gross national product. For example, the GDP of Bangkok is more than 340 percent of the average for Thailand, and Jakarta 236 percent higher than average GDP per capital for Indonesia. GDP for capital city region can often exceed more than six times poorer rural regions.

Table 3. Urbanisation and Economic Output

Country	Urban Share of GDP 2004	City	City Product Per Capita 1998	GNP Per Capita 1998	City Product Per Capita as a Share of GNP Per Capita 1998
	(%)		($)	($)	($)
Bangladesh	79	Dhaka	500	255	96
Cambodia	64	Phnom Penh	699	260	169
PRC	85				
India	78	Chennai	547	341	60
Indonesia	83	Jakarta	1,932	575	236
Lao PDR	51	Vientiane	340	320	6
Malaysia	90	Penang	4,237	3,093	37
Pakistan	77				
Philippines	86	Cebu	1,277	1,050	22
Sri Lanka	83	Colombo	43	823	-95
Thailand	90	Bangkok	9,553	2,160	342
Viet Nam	78	Ho Chi Minh	898	310	190

GDP = gross domestic product; GNP = gross national product.

Sources: United Nations Human Settlements Program and World Bank databases.

The ability of urban areas to continue to improve productivity, therefore, is the key to growing higher wages and incomes and improving living standards. This unfortunately is leading to the continued widening of the production and wealth gap between capital and metropolitan cities and provincial capital cities.

There are also significant differences in the economic performance of cities within larger regions such as provinces and states. Table 4 shows differences in economic development of Guangdong Province China. The GDP per capita of Shenzhen is almost four times that of Zhaoging, for cities of similar size. These differences relate to the nature and competitiveness of the enabling environments and strategic infrastructure to support economic development as well as geography.

Factors such as the ability to attract direct foreign investment, industry structure, and leadership are also important. Similar variations can be observed in the provincial structure of other Asian countries (Roberts, Brodjonegoro & Mangahas 2005). Generally, the more internationalised city regions are, the higher the levels of GDP. However, scale and economies of scope are also important.

Table 4. Economic Indicators of Guangdong Province China (2004)

Cities	GDP growth (%)	Per Capita GDP (US$)	Gross Industrial Output* (US$ bn)	Retail Sales (US$bn)	Exports (US$ bn)
Guangzhou	15	7,034	63.0	20.9	21.5
Shenzhen	17.3	7,409	81.4	11.4	77.8
Zhuhai	13.8	5,231	15.8	2.3	9
Foshan	16.3	5,957	41.6	6.8	2.5
Huizhou	15.1	2,955	14.0	2.7	8.7
Dongguan	19.6	8,999	32.3	4.9	35.2
Zhongshan	18.7	5,501	21.2	2.2	10
Jiangmen	12.2	2,706	16.5	3.9	5.1
Zhaoqing	13.2	1,743	67.3	2.4	1.2

For all state-owned and other forms of enterprises with annual sales over US$0.5 million. Figures converted from Renminbi to $US @ 8:1

Source: Guangdong Statistical Bureau (2005).

Cities now dominate the economic geography of production and employment in Asia. As they develop they take on different economic characteristics and functional roles (Table 5). Many of the more well established and largest cities such as Tokyo and Hong Kong are changing their function from industrial to post industrial cities where services dominate.

Table 5. Characteristics and Roles of Cities in the Asia Pacific Function City

City	Economic Characteristics	Functional Role
Tokyo	Post Industrial	Central Management
Seoul	Industrial/Services	Central Management
Taipei	Industrial/Services	Central Management
Hong Kong	Entrepot/finance/regional HQ	Borderless
Singapore	Entrepot/finance/regional HQ	Borderless
Bangkok	Industrial	Industrial Production
Jakarta	Industrial	Industrial Production
Shanghai	Industrial	Industrial Production
Vancouver	Post-Industrial/port/immigration	Amenity
Sydney	Post-Industrial/port/immigration	Amenity

Source: UN web sourced unknown.

Cities are also dependent on the development of regional hinterlands to provide many of the resources needed for them to function properly (Lo and Marcotullio, 2001). The competitiveness and functionality of cities in Asia is, therefore, very reliant on sound regional management and support for sustainable development. These are critical issues that must be considered carefully in the planning and development of metropolitan regions.

2.3 Regional Specialisation and Agglomeration

Since the early 1980s, city and regional economies have begun to play a more dominant role in shaping the development of national and regional economies in Asia. Authors like Kenichi Ohmae (1996) argue that the nation state is no longer the primary driver of economic development. Part of the reason for this is the trend towards greater regional specialisation and integration of global production systems. Many factors have contributed to this phenomenon, including the multinational control of world trade, finance, communication and information dissemination; the deregulation of national economies and the embracement of capitalism, open markets and free trade; and, greater cultural, educational, knowledge and visitor exchanges and sharing between nations and their regions.

In response to these change factors, there has been a progressive concentration, specialisation and integration of production and capital in regions which offer competitive advantage to investors, buyers, transnational corporations and other producers of wealth (Korten, 1995; Enright, 2000). This is demonstrated in cities like Singapore, Hong Kong, Shanghai and Tokyo, which dominate regional finance and regional transport logistics. Other cities like Bangkok dominate the gem and jewellery industry, while Bangalore and Kuala Lumpur are global centres of IT research and development. The growing specialisation of regions is leading to the emergence of powerful industry clusters, which often comprise very large agglomerations of interdependent industries and supplier networks (Busser and Sadoi, 2003; Fan and Scott, 2003).

The agglomeration and specialisation of industries has resulted in some regions in Asia countries deriving significant competitive advantage in attracting investment, especially in China. Public policy has played a key role in fostering patterns of investment, but direct foreign investment, access to capital and competitive strategic infrastructure have been important elements that have created an enabling environment favourable to investment and development.

The consequence of the move towards greater integration and specialisation of global production systems and supply chains, and national reform agendas, has been the emergence of four broad spatial patterns of urban regional development. These are: the large metropolitan and regional cities; special economic development zones; mineral/natural resource rich provinces and capital cities, and the marginal regions, with mainly consumption driven urban growth centres.

Industrialisation has had a major impact on the economic structure of cities in many Asian countries. There are almost no data providing reliable time series estimates of the structure of GDP for Asian cities. Table 6 shows data gathered from various sources providing estimates of GDP by primary, secondary and tertiary sectors. In the more advanced economies of north Asia, Hong Kong and Singapore the service sectors contribute to more than 65 percent of regional GDP. In many of these cities, export growth has been replaced by endogenous growth, as the cities develop a wide range of producer services.

Table 7 shows changes in GDP by three industry sectors for Beijing and Shanghai. The table shows clearly the change in the structure of the economy since 1978. The GDP estimates for 1990 provide a useful base line to monitor the shift from manufacturing to services in two of China's largest urban economies. It was about this time that internationalisation of industries in the larger Chinese cities (particularly the southern cities) began to occur. For Shanghai, the growth in services was very rapid between 1995 and 2000 as the city began to take greater control of financial services previously dominated by Hong Kong. However, neither city has seen much in the way of endogenous growth as is occurring in north Asian cities (Lee and Yu, 1998). The growth in services has flattened out in Shanghai and other Chinese cities, suggesting that opportunities for endogenous growth remained untapped. The growth of services has been driven by the demand for utility services, retail and real-estate, suggesting in future there will be a big rise in the demand for, health, creative industries and the arts, education and personal services as per capita income rise in these cities. As Chinese manufacturing production also switches from labour to technology based production, the growth in services can be expected to rise sharply. This is already happening as labour costs in China are rising.

Table 6. Sector Contribution to GDP for Selected Asian Cities.

GDP	Country	Primary	Industry	Services	Year
Soeul	Korea	3.3	40.3	56.3	2004
Singapore	Singapore	0	35	65	2004
Hong Kong	China	0	10	90	2004
Shanghai	China	1.5	50.1	48.4	2003
Beijing	China	2.6	35.8	61.6	2003
Shandong	China	11.9	53.5	34.6	2003
Osaka	Japan	1.3	25.3	73.5	2005
Jakarta (DKI)	Indonesia	1.3	22.1	76. 6	1990
Ho Chi Minh City	Vietnam	2.7	32.7	64.6	1997

Sources: Various WWW and statistical databases.

Table 7. Sector GDP Beijing and Shanghai (1978-2003)

City	1978	1990	1995	2000	2003
Beijing					
Primary	5.2	8.7	5.8	3.6	2.6
Manufacturing	71.1	52.4	44	38	35.8
Services	23.7	38.9	50.2	58.3	61.6
Shanghai					
Primary	4	4.3	2.5	1.8	1.5
Manufacturing	77.4	63.8	57.3	47.6	50.1
Services	18.6	31.9	40.2	50.6	48.4

Sources: Beijing Statistical Bureau (2004) and Shanghai Statistical Bureau (2004).

2.4 Spatial Concentration of Foreign Direct Investment

Concurrent with the trends involving specialisation and agglomeration, direct foreign investment has been driven by factors of competitive advantage. The historical pattern of regional economic development within Asia is related to five waves of spatially concentrated investments. The first wave began with the reconstruction of Japan in the 1950s with a substantial injection of Marshall Aid investment to rebuild Japan's industrial and economic base. Much of this involved a focus on specialised regional manufacturing industry development particularly in the Tokyo and Yokohama regions.

Over a period of 20 years Japan rebuilt and established a strong manufacturing export economy, but by the early 1970s Japanese firms experienced escalating labour and material production costs and began looking elsewhere to relocate Japan's manufacturing industries. This led to a second wave of Japanese-led investment to offshore sites in the Republic of Korea, Taiwan, Singapore, and Hong Kong. These countries welcomed the capital infusion, employment, and technological uplift that accompanied the investments (Lo and Marcotullio, 2001).

The third wave occurred in the 1970s and 1980s, when ASEAN countries began to attract Japanese investment. This led to the industrialisation of the Philippines, Thailand, Indonesia and Malaysia. The location of industrial investment was strongly related to the factor endowments and the comparative advantages of specific localities. Bangkok, Jakarta, Manila and Bintan become targets growth centres for Japanese investment. This industrialisation pattern became the catalyst for the "flying geese" or "cargo plane" pattern of development (Yamazawa, 1990).

The fourth wave of foreign investment and development began in the late 1980s and early 1990s and centred on China and to a lesser extent Vietnam. Four economic development zones (EDZ) in Guangdong and Fujian in southern China were given special privileges to encourage foreign investment. This EDZ policy has was subsequently expanded to create another 14 cities other along the coast in 1984 and later to Pudong area near Shanghai. The concentration if foreign direct investment (FDI) converged on its coastal cities resulted in them producing more than 53 percent of the total Chinese GDP (Lo and Marcotullio, 2001:37).

The fifth wave of investment began in the late 1990s with the opening of India to FDI, especially in the IT and communications sector. Much of this investment was Indian expatriate investment. Countries like Malaysia, Taiwan, Korea, and Singapore, with new found wealth, began also to invest in China, Vietnam, Bangladesh and Pakistan taking advantage of favourable labour costs and lenient environmental industry standards. There is emerging a new wave of investment where Chinese business is now experiencing higher production costs and is seeking to target investment in locations offering comparative advantage or opportunities for growth.

The effect of these five waves of investment has been the concentration and specialisation of industry development in national capital regions (Laquian, 2005), major cities with good transportation and communications systems and resource rich regions that supply raw materials to mainly north Asian countries. Subsequently there has been a massive imbalance of FDI and national investment. FDI has severely distorted spatial patterns of investment and development, especially in China, leaving some parts part of countries growing rapidly driven by export industry growth, and other lagging behind with national governments powerless to do much about it.

Table 8. Regional Share of Foreign Direct Investment in China

Region and Sector	1998	1999	2000	2002	2003
Beijing	4.8	4.9	4.2	3.3	4.1
Tianjin	4.7	4.4	2.9	3.0	2.9
Hebei	3.2	2.6	1.7	1.5	1.8
Shanxi	0.5	1.0	0.6	0.4	0.4
Inner Mongolia	0.2	0.2	0.3	0.3	0.2
Liaoning	4.8	2.7	5.1	6.5	5.3
Jilin	0.9	0.8	0.8	0.5	0.4
Heilongjiang	1.2	0.8	0.7	0.7	0.6
Shanghai	8.0	7.1	7.8	8.1	10.3
Jiangsu	14.6	15.2	15.9	19.4	20.0
Zhejiang	2.9	3.1	4.0	5.9	9.4
Anhui	0.6	0.7	0.8	0.7	0.7
Fujian	9.3	10.1	8.5	7.3	4.9
Jiangxi	1.0	0.8	0.6	2.1	3.0
Shandong	4.9	5.7	7.4	9.0	11.4
Henan	1.4	1.3	1.4	0.8	1.0
Hubei	2.1	2.3	2.3	2.7	3.0
Hunan	1.8	1.6	1.7	1.7	1.9
Guangdong	26.5	9.2	28.0	21.6	14.8
Guangxi	2.0	1.6	1.3	0.8	0.8
Hainan	1.6	1.2	1.1	1.0	0.8
Chongqing	1.0	0.6	0.6	0.4	0.5
Sichuan	0.8	0.9	1.1	1.1	0.8
Guizhou	0.1	0.1	0.1	0.1	0.1
Yunnan	0.3	0.4	0.3	0.2	0.2
Tibet	0.0	0.0	0.0	0.0	0.0
Shaanxi	0.7	0.6	0.7	0.7	0.6
Gansu	0.1	0.1	0.2	0.1	0.0
Qinghai	0.00	0.01	0.00	0.09	0.05
Ningxia	0.04	0.13	0.04	0.04	0.03
Xinjiang	0.05	0.06	0.05	0.04	0.03

Source: Chinese Statistical Yearbooks, 1999-2004.

China currently receives the greatest volume of FDI inflows in Asia, with its global share of net inflows increasing steadily from 2.5 percent in 2000 to reach nearly 9 percent in 2004 (World Bank, 2006). This places China well ahead of India at less than 1 percent, Japan (1.2 percent in 2004) and all of Southeast Asia. Table 8 illustrates the uneven spatial distribution of FDI into China over the period 1998-2003. During this period, Guangdong, Shandong and Jiangsu were the targets for nearly half of all regional FDI although the share of individual provinces has been subject to variation. Jiangsu is the latest leader amongst these provinces to dominate FDI while the share of FDI to Guangdong reduced by half in less than four years (1999-2002).

In 2003, more than two-thirds of actually used FDI went to the manufacturing sector. In the provinces of Guangdong, Shangdong and Jiangsu, manufacturing comprised more than half of each province's regional GDP, with the contribution to GDP by these three provinces consistently exceeding 25 percent of the total national GDP since 1998 (National Bureau of Statistics, 2004).

Another example of the variability and spatial differences of FDI within countries is provided by the Philippines. Although the Philippines has a relatively low global share of FDI particularly when compared to China, the Philippine government has actively sought to promote and encourage foreign investment and, as a consequence, FDI is seen as a vital ingredient in economic growth. However, as in China, the spatial distribution of FDI in the Philippines has been highly uneven and is correlated at least to an extent to regional GDP and government incentives.

Table 9 illustrates the uneven spatial distribution of FDI into the Philippines from 1996 to 2000. In 2000, more than 90 percent of all FDI inflows into the Philippines went to the island of Luzon of which 83 percent went to the National Capital Region (NCR) alone. NCR comprises Metro Manila, which includes 14 cities and three municipalities namely the cities of Manila, Quezon, Caloocan, Makati, Marikina, Mandaluyong, Las Piñas, Pasig, Muntinlupa, Malabon, Valenzuela, Pasay, Parañaque and Taguig and the municipalities of Navotas, Pateros, and San Juan. The primacy of Metro Manila in the Philippines is reflected in its importance as the country’s centre of economic, financial, political and administrative functions.

Table 9. Regional Share of Direct Foreign Investment in the Philippines ($’000)

Region	1996	1997	1998	1999	2000
NCR (National Capital Region)	133,492	147,000	103,750	86,915	70,350
Region I (Ilocos)	1,054	1,081	12,911	237	225
Region II (Cagayan Valley)	1,671	213	57	52	72
Region III (Central Luzon)	4,840	6,168	3,713	21,729	2,568
Region IV (Southern Tagalog)	11,322	14,182	18,128	16,409	9,634
Region V (Bicol)	5923	86	1,364	57	21
Region VI (Western Visayas)	360	333	211	258	1,358
Region VII (Central Visayas)	2,157	1,785	1,355	1,073	268
Region VIII (Eastern Visayas)	238	70	5,717	21	26
Region IX (Western Mindanao)	15	22	11	119	53
Region X (Nothern Mindanao)	402	631	596	19	249
Region XI (Southern Mindanao)	1,025	140	98	169	382
Region XII (Central Mindanao)	28	121	30	28	3
CAR (Cordillera Autonomous Region)	140	89	4,745	529	41
ARMM (Autonomous Region of Muslim Mindanao)	0	0	3	3	2
CARAGA	0	0	23	197	13
Several locations	22	24,633	7,762	0	0
Not indicated	1,193	10,249	0	346	0
Total all regions	158,552	206,893	159,765	128,126	85,264

2.5 Decentralisation and Regional Development

Decentralisation has become the catalyst for renewed interest in regional development in Asia. It has also taken on different forms. There are three basic forms of decentralisation: deconcentration (e.g. physically shifting functions within the central government out of headquarters to regions); delegation (e.g. transferring some responsibilities to another tier of government or agency to administer on behalf of central government) and devolution (e.g. transferring full responsibilities to subnational governments and agencies). Many countries in Asia have applied all three forms in implementing policies for decentralisation.

The level of decentralised in Asian countries varies significantly, but the fiscal revenue sharing arrangements (discussed later) are a good indication of progress in decentralizing. Cross-country comparison studies on the impact of decentralisation on regional economic development are difficult to undertake since some countries are further advanced in the process than others and the structure and function of the levels of government tend to be quite different.

Decentralisation is a relatively new phenomenon which has been driven by many factors. Until the mid-1980s most countries in the region had highly centralised and relatively stable governments with strong, but dictatorial, leaderships. Economic development strategies were based on nationalism and focused on developing self sufficiency in agriculture, energy and industry development. The exceptions were Korea, Singapore and Japan, which were highly dependent on materials, technology and energy imports to support the development of new regional export industries.

The countries that began to decentralise earliest were Malaysia (1985) and the Philippines (1992) in response to regime changes. Decentralisation gathered greater momentum after the 1997 Asian financial crisis. The financial crisis not only caused many countries to resort to major debt restructuring but also to a restructuring of their governments. Regions were incensed with the level of wealth and corruption that had amassed in national capital city regions and demanded more decentralised, open and democratic systems of government. The crisis forced Indonesia, Malaysia, Thailand, Vietnam, and to a lesser extent Laos and Cambodia, into a program of reforms which included decentralisation.

Thailand introduced decentralisation under its 1997 Constitution and followed with legislative changes in 1999 to increase the total share of national government expenditure disbursed to local government (ILO, 2003). Cambodia introduced decentralisation in 2002. Japan has undergone a progressive program of decentralisation that began in 1947, but involved a massive program of subnational local government alliances in 1996. Malaysia has devolved numerous economic development functions to states to encourage greater competition for growth between states.

3. ISSUES AFFECTING THE ECONOMIC DEVELOPMENT OF CITIES

3.1 Economic Growth Development Strategies

There are many factors which influence the growth and development of cities. However national and regional economic growth policy and management strategies adopted by Asian governments have had a significant influence on economic development performance. These range from export driven strategies designed to stimulate foreign direct investment and export development, to a focus on endogenous growth to develop the base and depth of value adding service industries. Many of the fastest growing urban regions in Asia are driven by a range of export growth strategies. However, for many regions, economic development has become consumption and welfare driven.

Growth pole and growth node strategies have been used very successfully in the newly industrialised countries of Asia. Most of the Economic enterprise and free-trade zones are focused on the development of export industries have been very successful, especially in the south and east of China. The Japanese also developed technolpoles in the 1980s which had a strong focus on the development of technology centres and knowledge sharing. However, many export processing zone economies have not experienced substantial local demand driven endogenous growth, and still rely heavily on imported services. In southern China the manufacturing sector relies heavily on import of financial, logistical, environmental and management services from Hong Kong.

3.2 The Competitiveness of Cities

The focus on the competitiveness of cities is becoming increasingly important as cities compete for trade and investments. The Philippines and China have recently conducted competitive analyses of cities with the Philippines developing an index to measure the competitiveness of cities in regions. The index developed by the Asian Institute of Management[3] uses 14 indicators of competitiveness to measure large, medium and smaller scale cities. The 2003 edition of the study covered 50 cities nationwide and included 23 cities in Luzon, 11 cities in the Visayas, and 16 cities in Mindanao. The cities were categorised into metropolitan cities (cities comprising Metro Manila, Metro Cebu and Metro Davao), mid-sized cities (non-metro cities that had populations greater than 200,000 inhabitants) and small cities (cities with populations of less than 200,000).

The study based its methodology on Swiss-based International Institute for Management Development (IMD) model as presented in the World Competitiveness Yearbook (WCY), which is published annually and ranks of the competitiveness of 59 nations and some cities. Some 70 indicators used by the IMD were used for data collection, which were grouped under seven major drivers of competitiveness: cost of doing business; dynamism of local economy; linkages and accessibility; quality of human resources and training; infrastructure; responsiveness of local government to business needs; and quality of life. Each category is comprises city statistics culled from official publications of various government agencies and survey data gathered from executive surveys administered to small and medium enterprises (AIM, 2003). The ranking in the competitiveness of 50 cities surveyed are shown in the Table 10.

The results of the study point to the importance of available resources for the local government units, local leadership and the interplay of the following factors: presence of a strong supporting environment (e.g., responsive local government with business-friendly policies and regulations, support services); human capital; accessibility and linkages; presence of good infrastructure;

---

[3] Pinoy Cities of the Future 2: http://www.policy.aim.edu.ph/publication.asp.

quality of life; and proximity to surrounding local and/or international growth formations (AIM, 2003).

Table 10. Competitiveness Rankings of Selected Cities in China and Philippines

The overall average competitiveness scores and rankings of the 50 cities are as follow:

METRO CITIES			MID-SIZED CITIES			SMALL CITIES					
RANK	CITY	SCORE	RANK	CITY	SCORE	RANK	CITY	SCORE	RANK	CITY	SCORE
1	Marikina	6.58	1	Bacolod	6.62	1	Koronadal	6.17	14	Roxas	5.49
2	Pasig	6.36	2	San Fernando, Pampanga	6.24	2	San Fernando, La Union	6.09	15	Malaybalay	5.47
3	Davao	6.34	3	Cagayan de Oro	6.18	3	Tagaytay	6.05	15	Cavite	5.47
4	Makati	6.30	4	Batangas	6.14	4	Legaspi	5.93	17	Puerto Princesa	5.41
5	Las Pinas	6.11	5	General Santos	6.05	5	Sta. Rosa	5.82	18	Dumaguete	5.35
5	Cebu	6.11	5	Iloilo	6.05	6	Dagupan	5.80	19	Pagadian	5.31
7	Mandaluyong	6.09	7	Baguio	5.87	7	Tacloban	5.73	20	Ozamis	5.29
8	Muntinlupa	6.03	8	Angeles	5.73	8	Surigao	5.70	21	Cadiz	5.27
9	Quezon City	6.00	9	Lipa	5.71	8	Ormoc	5.70	22	Oroquieta	5.22
10	Mandaue	5.71	10	Iligan	5.44	10	San Carlos	5.67	23	Cotabato	5.07
11	Manila	5.63	11	Zamboanga	5.32	11	Naga	5.66	24	Tagum	4.89
12	Lapu-Lapu	5.49	12	Butuan	5.30	12	Dipolog	5.61	25	Marawi	4.80
			13	Tarlac	4.98	13	Olongapo	5.51			

Source: AIM (2003).

More recently the World Bank has conducted a study of the competitiveness of 23 Chinese cities using the ESO-WB survey of 3900 firms (Dollar, et al., 2003). The study attempts to analyse how the investment climate affects firm performance. The characteristics of the investment climate involved a measurement of ten competitive elements: infrastructure; domestic entry and exit barriers, skills and technology endowment, labour market flexibility, international integration, private sector participation, informal payments, tax burdens, court efficiency, and finance. The results of the analysis were used to compare each city, give a ranking for each element. The most competitive cities in China were Hangzhou, Shanghai, Guangzhou and Shenzhen, all in the Yangzeriver and Pearl-river Delta areas. The laggard cities included Harbin, Lanzhou and Benxi.

Indonesia has conducted a similar audit of 140 local governments. Information on this research is not yet published.

One of the problems with assessing the competitiveness of Asian and other cities is the indicators used to measure competitiveness are not the same for the cities or the countries studied. The IMD provides a good framework for collecting and analysing the competitiveness of countries; however, data for Asian cities is very difficult to gather. A second problem is that measures of competitiveness tend to measure the private sector factor costs related to production. There is not a good set of indicators which can be used to measure the performance of public institutions. For example, there is very little research undertaken to measure the competitiveness of public assets and institutions in terms of service delivery. For cities to be truly competitive, the effectiveness and efficiency of public utilities and administrative services need to be measured. The measurement of these factors enables governments and public utilities to measure factor costs of competitiveness of enabling environments. The competitiveness of enabling environments is critical to encouraging investments and development, but also in creating the climate that fosters endogenous growth.

3.3 Regional Public Sector Financial Management

Most governments in Southeast Asia have recognised the need for even spatial development to avoid social tensions (Sjöholm, 2000). As a result, an ambitious program for the inter-regional transfer of resources and regional policy frameworks has existed for many years (Hill, 1997). Unfortunately, what began as relatively efficient systems for regional development planning and transfers under unitary governments in the 1960s and 1970s became progressively undermined by political corruption in the 1980s. By the late 1980s significant distortions in regional transfers and development priorities had emerged, with disproportionate levels of public and private investment going into the region's capital cities. Capital metropolitan city regions grew to the detriment of other regions.

Decentralisation has led to the establishment of formula-driven approaches to regional transfers and national income sharing arrangements. Population, areas and other variables determined the formulas for revenue allocation. In the Philippines, the Internal Revenue Allotment (IRA) comprises 40 percent of national tax revenues. In Thailand, the regional government share of national revenue was set at 8 percent in 2000 but is to rise to 35 percent in 2006. In Indonesia, the general allocation fund (DAU) is set at 26 percent, with a special allocation fund (DAK), which involves a share of the nation's natural resource wealth. In Malaysia, states receive an allocation of approximately 20 percent of national revenues (Westcott and Porter, 2002). The formula for resource sharing is more flexible in some countries than others.

The regional transfer process has introduced greater transparency and accountability into development financing and provided a more equitable basis for the allocation of national tax and other income revenues. However, there is little evidence to demonstrate – especially in countries like Indonesia and the Philippines – that decentralisation has improved regional financial management or revenue collection. Regional financial management, particularly tax collection and assets appraisal, is poor. In the Philippines regional revenue collection dropped after decentralisation (Azfar, et al., 2001). Many regional governments are happy to receive the transfer allocation but do nothing to improve the local tax revenue base.

3.4 Urban Governance

National governments in Asia have a strong interest in urban development because economically dynamic cities are central to economic growth, and because of a strong interest in bringing improvements in standards of living and poverty reduction. Direct management of cities by national governments is almost impossible; the sheer number of decisions required, the inability to assess accurately local conditions and community preferences, and the difficulty of aligning infrastructure and service provision with local resource mobilisation inevitably lead to the delegation of some authority and administrative responsibility from the national to a more local level. In general, rapid urbanisation and economic growth in Asia have increased these political and administrative pressures for national governments to decentralise government decision making and service delivery to subnational, more local government and, in the case of such utilities as electricity supply, to special-purpose authorities.

Urban governance comprises the totality of national government, regional government, local government, and special-purpose authority policies and programs directed at managing or providing infrastructure and services within cities. Urban governance in Asia as elsewhere is a complex mix of interventions. National governments largely set the framework in which local governments operate and increasingly central controls are being balanced with greater local autonomy, allowing real local-level decision making. Even with decentralisation, national governments can be expected to continue to play an active role in urban governance, selectively intervening in areas considered to be of national interest or priority, setting national standards for service delivery, providing technical assistance for institutional strengthening and capacity building, monitoring local authority performance and intervening where local governments are deemed to have failed, and providing incentives for effective coordination, improved service delivery, and financial performance.

While details vary from country to country, national government laws, policies, regulations, financial arrangements, and directives set the enabling environment through which urban governance is established and operates. They establish what must be done, what can be done, what can't be done, and by whom. They establish the policy and program space within which local governments have the flexibility to operate. Parts of this enabling environment are directly related to local government (such as legislation establishing local government, local government revenue-sharing arrangements, and employment regulations governing local authorities); others are national policies that indirectly affect local government activities (examples vary but often include land titling and land markets, housing policies, poverty reduction programs, heritage protection, and resettlement guidelines); still other parts of the enabling environment comprise legislation and regulations establishing and controlling the operations of special-purpose authorities. The national government enabling environment for urban governance and its associated incentives structure is a key factor influencing the performance of local authorities and of urban areas.

3.5 Asset Management and Appraisal

One of the most difficult challenges for local governments is to determine how much to spend on infrastructure and other assets to support economic development. There is a propensity for governments to give a higher priority to provision of new and improved infrastructure and public assets than to focus on the maintenance of public assets. Most local governments do not know how much to spend on the maintenance of public assets, simply because they do not know what they own. Only in recent years have LGUs in developed countries began asset management and appraisal to develop inventories of assets.

Asset management an appraisal remains one of the biggest administrative and financial management problems for cities in Asia. Most LGUs are grossly underutilising their public assets. In many cases outgoings on public assets exceed returns on the capital invested, simply because the economic value of public assets are unknown. Valuation systems in most Asian countries do not concord with modern accounting systems and depreciation scales are unrealistic. The reform of asset management and appraisal process remains a high priority for all Asian cities.

Infrastructure

Determining the level of investment into infrastructure at the city level is difficult because of a lack of relevant data, however, some data concerning investment into fixed assets in China are available at the regional level. Data from 2003 again point to the significance of Shandong, Guangdong and Jiangsu whereby the proportion of public money spent on fixed assets in these provinces was substantially higher than all other provinces in China.

In the Philippines, the proportion of GDP invested in infrastructure is estimated as being less than 4 percent. In Metro Manila, the primary focus is on decongesting Metro Manila by improving public transport systems, building and improving road and rail systems (including the Clark-Subic Highway), as well as improving road and sea transportation networks which will also stimulate trade and economic opportunities beyond Metro Manila (NEDA, 2004). The emphasis is on expansion of physical infrastructure including telecommunications and energy rather than on maintaining existing systems. The Government of the Philippines has sought to engage the private sector in infrastructure projects through Build-Operate-Schemes, for example, and other modes of investment and management.

A notable example of private sector participation in physical infrastructure in Metro Manila is offered by the privatisation of water services. The inability of the public sector to invest in infrastructure and to recover costs served as one of the justifications for the privatisation of the Manila Metropolitan Waterworks and Sewerage System (MWSS) in 1997. The system in Manila was considered one of the oldest in Asia, having been established in 1897. The system suffered high losses through leakage and the network required improvements and rehabilitation in order to continue to serve household consumers, which in 2002 was estimated as being over 13 million people (Asian Water, 2002). The two concessionaires— Manila Water and Maynilad Water Services —both promised to provide 24-hour supply and universal connection across the concession areas, to reduce system losses, undertake a program of investment in the network of over US$7.5 billion, and assumed responsibility for MWSS's debts (Hall, et al., 2004).

Since commencing operations there have been numerous contract re-negotiations with the result that expansion targets have not been met, targets for reducing system losses have not been met, tariffs have increased and both companies have failed to meet their debt obligations citing financial difficulties as a consequence of foreign exchange losses particularly after the Asian financial crisis (Hall, et al., 2004; Public Citizen, 2003). Both companies continue to provide water to citizens in Manila; however, it is estimated that one fifth of residents in Manila still lack water connections. This case demonstrates how problems are compounded when there is a lack of investment in basic infrastructure coupled with massive population growth and urban sprawl.

Weakness of Local Institutions

The rapidity with which some countries in Asia have decentralised has left many regional/local institutions ill prepared to conduct the business of government. The bureaucratic nature, largeness and complexity of organisation structures, and the overlapping of agency functions hamper the efficiency and effectiveness of many institutions. There is strong resistance to institutional reforms and the introduction of technologies and systems that threaten job security, hierarchies and established work place practices. There is a lack of corporate planning and identity consultation on matters of public interest and concern, and customer and client orientation. Many have little experience partnership and business development. Many of these issues can be addressed locally, with limited central agency involvement. Improvement in the performance of regional public and state owned enterprise institutions are vital to enhancing the competitiveness and sustainability of regions.

Weakness of Local Policy

Few regional administrations appear to understand that decentralisation calls for greater autonomy and responsibly on policy development and a reduced dependence on central government for resources and other advice. For most regions in Asia, policy on regional development since the 1997 Asian crisis is weak and ambiguous. This is due to a number of reasons such as: the role and importance of regional development policy is poorly understood; many regions continue to look to central/provincial governments for advice and direction on policy development; limited skills and experience in policy analysis and development; information and data are poor; ambiguity in national policies, laws and regulations, and there is confusion between the role of policy planning, budgeting and financial management. There are significant weaknesses in monitoring and evaluation of policies and plans. The weakness of policy frameworks significantly undermines the sustainability of public administration.

3.6 Strategic Architecture

Strategic architecture is a term used to describe a blue print or road map which seeks to integrate sector plans and projects and translate these into development projects and programs. Many regions have economic development plans but most are not realistic and have neither the resources nor the mechanisms in place for implementation. There are weak linkages between planning and budgeting and the integration of sector strategies is frustrated by the ‘silo mentality’ of agencies. The approach to economic development is supply rather than demand driven and the focus of many planning documents are on outputs rather than outcomes. There is also a lack of understanding of what strategic infrastructure a region needs to build to develop a competitive and more sustainable economy.

Stretching, Leveraging and Management of Regional Capital Stocks

There are four principle types of capital used in economic development: natural, economic, physical and social. The value of a capital base in most regions in Asia is generally unknown. With few exceptions regional/local governments do not know the value of their assets or have prepared a balance sheet suitable to establish a credit rating.[4] The extent of public and private investment and capital held by regional banks is unknown. A very large proportion of land and housing is not part of the formal property market. Subsequently, most regions are unable to leverage assets to create capital for strategic investments needed to fund development. There is a situation of regions being capital rich but cash poor, and few mechanisms for converting fixed capital into more liquid forms of capital.

Network Building, Strategic Alliances and Partnerships

The parochial nature of business in many regions has resulted in the inability of regional businesses and organisations to build the marketing, information and supply change networks necessary for regions to develop trade and investment opportunities. Network systems and mechanisms for developing partnerships in most regions of Asia are very weak, except in the trading sector, which is strongly dominated by Chinese and Indian business interests. For regions to diversify and develop more service-based economies with the potential to continue to grow, developing network systems, strategic alliances, and innovative public/private and community-based partnerships are critical elements of strategic infrastructure. Building these, however, takes time and is problematical as there are often cultural, social and religious barriers that need to be overcome.

Regional Financial Management

One of the biggest challenges facing sustainable development in regions is the inadequacy of the finance base, which is needed to support public and private sector investment. Most regions have weak financial systems; local tax revenue collections are low and the systems inefficient. Furthermore, public and private sector financial systems are highly centralised and controlled, giving local government and business little discretion over investment and funding options and the use of capital. In addition, private savings and investment in regions is low; what little capital is created often flows out of regions to the larger provincial or national capital cities because of the lack of bankable investment

[4] The Local Government of Sleman in the province of Yogyakarta is a good example of a local government that has a balance sheet of its assets.

projects in regions. Local governments have weak financial management and are highly dependent upon central government grants to support borrowings. Debt management is poor.

Focus on Best Practice

A focus on best practice is important to improve productivity and sustainability in regions. Unfortunately, there are few good examples of best practice regional economic development in Asia. Where they do exist, most pertain to the more developed nations of the region. A difficulty facing the region, therefore, is how to apply best practice, especially when many of the elements of best practice e.g. good infrastructure, skills and technologies are not available. Additionally, best practices are not always relevant in terms of geographic and cultural context so there is need to identify how best practices can be adapted to these sensitive contexts and to encourage innovation to ensure best practice is turned into leading practice. There is also a need to develop learning regions that continually focus on the development and application of leading practice.

The above issues are matters that significantly affect the sustainability of development and which local/regional governments can do something about. The decentralisation of political systems in most Asian countries has given regions greater autonomy, but there is not yet a realisation that they must take greater responsibility for initiating changes and driving economic development processes. Many are unwilling to do so and continue to believe in the old ways of central government providing direction and funding for the development of regions. Such an approach is no longer sustainable, but changing the paradigm and ways of doing business in regions is a real challenge.

Learning how to develop using more open, integrated and collaborative approach to development must be addressed by all urban regions in Asia if they are to achieve greater competitiveness and more sustainable paths to development. It is regions learning how to develop and adopt improved systems and best practices that is critical to the achievement of sustainable development in urban regions in Asia in the future.

4. CONCLUSION

This paper has examined some of the trend and factors related to urban regional economic development in Asian countries. The challenge of urbanisation and sustainable economic development in Asia is enormous. Accommodating the needs for housing, infrastructure and employment for the 1.1 billion people expected to be added to cities by 2030 will require major changes to the development and management of cities. The scale of urbanisation is unprecedented in human history. For many, when considering the magnitude of the needs and problems facing Asian cities, there is a tendency to despair.

But history shows that cities have a remarkable ability for resilience when faced with problems and adversity that threaten their very existence. Asian cities are slowly developing pathways to achieving more sustainable development outcomes, but now is the time to accelerate change to achieve these ends. To do this will require governments, and particularly central and provincial (state) governments, to provide the leadership to radically strengthen city governance and its ability to mobilise resources and provide infrastructure and services.

There are three essential pillars to strengthening urban governance and accelerating the sustainable economic development of cities in Asia. All are important to success:

- The first pillar involves <u>improving enabling environments</u> - the framework of institutions, policies, incentive structures and reporting requirements for urban governance. It will also involve further developing and deepening financial, and land and property markets. This is essential to allow urban governance to effectively operate and set cities on pathways towards more sustainable urban futures.
- The second pillar in building more sustainable urban futures for Asian cities is ensuring that <u>decentralisation and devolution</u> are made to work. Central governments have neither the resources nor local knowledge to effectively or efficiently provide local infrastructure and services and this is recognised in the movement towards decentralisation across the region. This is not going to change. Urban governance and particularly local governments have to have clear, unencumbered responsibilities and be provided with the ability to finance and provide citywide infrastructure and services. To date, decentralisation has had only mixed success and been held back by problems in the enabling environment and with the capacities of local governments and institutions.
- The third pillar in moving towards more sustainable urban futures is on-going programs of technical assistance and training for improving <u>urban governance and management</u>. These need to be fast-tracked and should be particularly directed towards local government. Their focus should be on improving the competitiveness of cities and the management of cities on a performance/results basis. Major investments are required in leadership development and human resource development programs for local authority politicians, management and staff. Institutional strengthening through the development and implementation of performance based systems of management and control is essential to improving urban governance.

Overall a shift is required in priorities for assistance to local government. The priority should be on developing the enabling environment, land titling and performance based institutions with less attention paid to local authority land use planning and infrastructure and service provision. Dynamic, performance based local governments are central to meeting the development challenge of rapidly increasing urban populations with rising standards of living.

Putting these three pillars in place is essential to moving more quickly to achieving sustainable development outcomes for cities in Asia.

REFERENCES

Asian Institute of Management (2003) *Pinoy Cities of the Future: A Competitiveness Ranking of 50 Philippine Cities.* (Makati City: AIM Policy Center).

Asian Water (2002) The Philippines - nowhere to go but up? *Asian Water*, 12(9), pp. 9-12.

Azfar O., Kähkönen S. and Meagher P. (2001) Conditions for Effective Decentralized Governance: *A Synthesis of Research Findings, Working Paper No. 256.* College Park, IRIS Center: University of Maryland.

Beijing Statistics Bureau (2004). *Beijing Statistical Yearbook 2004*. Chinese Statistical Publishing: Beijing.

Busser. R. and Sadoi, Y. (2003) *Production Networks in Asia and Europe: Skill Formation and Technology Transfer in the Automobile Industry*. Routledge: London.

Dollar, D., Shi, A., Wang, S., Xu, L C. (2003) *Improving City Competitiveness through the Investment Climate: Ranking 23 Chinese Cities*. World Bank: Washington DC.

De Soto, H (2000) *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else.* Basic Books: New York.

Enright, M. (2000) The Globalisation of Competition and the Localisation of Competitive Advantage: Policies Towards Regional Clustering. In Hood, N. and S. Young (Eds.), *The Globalisation of Multinational Enterprise Activity and Economic Development*, Macmillian Press: Backingstone.

Enright, M., Scott, E., and Dodwell, D. (1997). *The Hong Kong Advantage.* Oxford University Press: Hong Kong.

Fan, C.and Scott, A. (2003) Industrial Agglomeration and Development: A Survey of Spatial Economic Issues in East Asia and a Statistical Analysis of Chinese Regions. *Economic Geography*, 79 (3): 295-319.

Fu-Chen Lo and Marcotullio, P. J. (2001) *Globalization and urban transformations in the Asia Pacific region in Globalization and the Sustainability of Cities in the Asia Pacific Region.* United Nations University Press.

Guangdong Statistics Bureau (2005). *Guangdong Statistical Yearbook 2005.* Chinese Statistical Publishing: Beijing.

Hall, D., Corral, V., Lobina, E. and de la Motte, R. (2004) *Water Privatisation and Restructuring in Asia-Pacific*. Public Services International Research Unit (PSIRU): London.

Hill, H. (1997) Regional Development in Southeast Asia: The Challenge of Subnational Diversity. *Journal of the Asia Pacific Economy*, 2: 261-302.

International Labour Organization (ILO) (2004) *ASIST – Asia Pacific Mainstreaming Poverty Reduction Strategies. Forum on the Pro-poor Delivery of Rural Infrastructure Services: The Challenge of Decentralisation, 4-6 November 2003, Bangkok, Thailand*. International Labour Organization: Bangkok.

Korten, D. (1995). *When Corporations Rule the World.* Kumarian Press, Bennet-Koehler: California.

Land Administration and Management Project (LAMP) (2002) *Policy Studies Integration Report*. Department of Environment and Natural Resources: Manila.

Laquian, A. (2005) *Beyond Metropolis: The Planning and Governance of Asia's Mega-Urban Regions*. John Hopkins Press: Baltimore.

Lee, J.W. and Yu, G. B. (1998) *An Endogenous Growth Model Approach to Korean Economy Growth Factors.* Accessible at http://faculty.washington.edu/karyiu/confer/sea05/papers/lee_yu.pdf.

Lewis, B D. (2003) Local Government Borrowing and Repayment in Indonesia: Does Fiscal Capacity Matter? *World Development*, 31(12): 1047-063.

Lindblad, T.J. (1995) Current Trends in Economic History of Southeast Asia. *Journal of Southeast Asian Studies*, 26.

National Bureau of Statistics (2004) *China Statistical Yearbook 2004*. Chinese Statistical Publishing: Beijing.

NEDA (2004) *Medium-Term Philippine Development Plan, 2004-2010.* National Economic Development Authority: Manila.

Ohmae, K. (1996) *The End of the Nation State: The Rise of Regional Economies.* HarperCollins: London.

Public Citizen, (2003) *Water Privatization Fiascos*: *Broken Promises and Social Turmoil.* Public Citizen, Water for All: Washington DC.

Roberts, B. and Kanaley, T (Eds.) (2006) *Urbanization and Sustainability in Asia: Case Studies of Good Practice.* Asian Development Bank and Cities Alliance: Manila.

Roberts, B.H, Brodjonegoro, B, Mangahas, J. 2005. *Catalysts for Sustainable Urban and Regional Development in Southeast Asia: A Study of Best Practice Approaches*, Centre for Developing Cities, University of Canberra, Canberra. Accessible at http://hds.canberra.edu.au/cities.

Shanghai Statistics Bureau (2004) *Shanghai Statistical Yearbook 2004*. Chinese Statistical Publishing: Beijing.

Shin, R. (2001) Strategies for Economic Development under Decentralization: A Transformation of the Political Economy *International Journal of Public Administration*, 24 (10), pp.1083-1102.

Sjöholm F. (2000) *Economic Recovery in Indonesia: The Challenge of Combining FDI and Regional Development,* paper presented at the 2nd IRSA international conference on Indonesian Regional Development Policy: Challenges in the New Millennium, (Jakarta: Department of Economics at the National University of Singapore).

Stimson, R., Stough, R., and Roberts, B. (2002). *Regional Economic Development: Analysis and Planning Strategy*. Springer-Verlag: New York.

UN (2004) *World Urbanization Prospects: The 2003 Revision.* United Nations Population Division: New York.

UN (2003) *World Population Prospects: The 2002 Revision.* United Nations Population Division: New York.

UN Habitat (2005) *Local Economic Development (LED) series - Promoting Local Economic Development through Strategic Planning.* United Nations Centre for Human Settlements: Nairobi.

UNDP (2005) *Human Development Report. International Cooperation at a Crossroads: Aid, Trade and Security in an Unequal World.* United Nations Development Programme: New York.

Wescott C., & Porter D. (2002) *INDES Workshop on Fiscal Decentralization and Citizen Participation in East Asia.* Accessible at Asian Development Bank: http://www.adb.org/Governance/fiscal_decentralization.pdf.

World Bank (2006) *Global Development Finance: The developemnt Potential of Surging Capital Flows*, Washington, World Bank.

World Bank (2005) *World Development Indicators 2005*, Accessible at www.worldbank.org/data/wdi2005/index.html.

Yamazawa, I (1990) *Economic Development and International Trade: The Japanese Model.* East-West Center: Honolulu.