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Service industries, globalization, and urban restructuring within the Asia-Pacific: new development trajectories and planning responses

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Abstract

While industrialization programmes have been central to the development of Asia-Pacific states and city-regions over the past half-century, service industries are increasingly important as instruments of urban growth and change. The purpose of this paper is to establish service industries as increasingly significant aspects of urban development within the Asia-Pacific, and to propose a conceptual and analytical framework for scholarly investigation within this important research domain. To this end the paper explores a sequence of related themes and issues, concerning the larger developmental implications of urban services growth (or *tertiarization*), the facets of urban transformation associated with tertiaryization, and a preliminary typology of urban service functions which acknowledges the rich diversity of service vocations and stages of development within the Asia-Pacific. The paper concludes that “advanced services”—specialized, intermediate service industries, advanced-technology services, and creative service industries—will be quite crucial to the development of city-regions within the Asia-Pacific, with respect to employment growth and human capital formation, to the urban economic (or export) base, to the operation of flexible production systems, and to competitive advantage. The development of these urban service poles will require innovative policy commitments and regulatory adjustments, as will the multi-centred specialized urban service corridors which function as engines of regional economic growth, and which provide platforms for national modernization and responses to the pressures (and opportunities) of globalization. To date, urban and regional development strategies for service industries within the Asia-Pacific have privileged globalization, industrial restructuring, and modernization aims, but there is also an encouraging record of more progressive planning

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experimentation in some jurisdictions, incorporating principles of sustainability and co-operative development. There is also increasing interest in policies to support cultural and creative industries among Asia-Pacific city-regions, informed by some recent urban policy experimentation in this domain. These experiences can offer models for further policy and programmatic innovation in the 21st century, as service industries continue to play larger roles in urban and regional development within the Asia-Pacific.

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CHAPTER 1

Introduction: service industries and urban transformation

Service industries have accounted for an increasing share of labour, output, and trade among the advanced economies of the Organization for Economic Co-operation and Development (OECD) over the last quarter century. This phenomenon of sustained growth in services (both in absolute and relative terms) can be observed at the national level among OECD member countries in terms of the changing composition of gross domestic product (GDP) and employment, but is especially pronounced at the urban or city-region scale. Final demand service industries (for example retail, education, and most government services) are strongly tied to large metropolitan consumer markets, while intermediate services are even more spatially centralized, reflecting the influence of urban and agglomeration economies on the locational pattern of specialized, contact-intensive services. Following the protracted decline of traditional manufacturing, service industries have led employment growth among most advanced city-regions over the last three decades.

But the significance of service industries to urban (and especially metropolitan) development extends beyond measures of growth, as important as these are, to encompass comprehensive processes of change. At the broadest theoretical level we can discern intimate associations between service industries and redefining urban socio-economic processes and stylistic innovation over the past century. The growth of high-rise office complexes was an integral feature of the production of modernist urban landscapes, while advanced service industries have been central to the experiences of post-industrialism, flexible specialization, and post-modernism which have transformed urban landscapes, production sectors, and occupational structures over the past several decades. More particularly, service industries are directly involved in fundamental shifts in the urban economic base and industrial structure, but are also deeply implicated in the reconfiguration of regional structure, the metropolitan space-economy, and urban form. The rapid growth of service occupations among the most advanced post-industrial cities has also had profound implications for urban class structure and for the metropolitan social morphology, and is associated with the evolution of urban culture and even political preferences.

In addition to these internal facets of urban transformation, service industries are also influential in the repositioning of cities and city-regions within external networks and systems. Growth in urban service exports and trade may be significant in the recasting of city–hinterland relations, and in the reordering of national urban hierarchies, and is quite decisive in the emergence of global city-regions. At the apex of the global city hierarchy the most privileged status is associated with high concentrations of specialized banking and finance, and the projection of corporate power, as well as encompassing a more diversified ensemble of specialized service industries.

These far-reaching aspects of urban service growth (or tertiarization) are most pronounced within the mature societies of Europe and North America, but are increasingly relevant to an appreciation of urban growth and change within Asia-Pacific cities. The purpose of this paper is to propose a framework for investigating the influence of service

industries on urban development within the Asia-Pacific, with an emphasis on dimensions of transformational change, both within the metropolis, and at the broader urban systems level. This entails an assessment of economic implications of tertiarization for cities and city-regions within the Asia-Pacific, including the emergence of new urban functions or vocations, and constituent shifts in the urban economic base, employment structure, and mix of industries. Advanced or specialized services—especially, banking and finance, business and trade services, professional and ‘informational’ service activities, among others—are increasingly associated with *modernization* aspirations among the region’s post-industrial, late-industrial and transitional societies, as reflected in development strategies and programmes. However, the parameters of urban change within the Asia-Pacific associated with tertiarization extend beyond this economic dimension to encompass impacts of service industry growth on urban structure and form, the built environment, social class and social morphology: i.e. the comprehensive facets of transformation (and re-imaging) of cities increasingly engaged in advanced services production, exchange, trade and consumption.

Our conceptual point of departure is that the expansion of services activity within Asia-Pacific cities and city-regions represents not only incremental urban growth and change, but, rather, consequential shifts in the role of urban areas within advanced production systems, in the globalization of trade flows, and in new social divisions of production labour. Accordingly, the analytical focus will be on service industries and activities which the research literature has identified as ‘propulsive’ in urban growth and development; i.e. intermediate (rather than final demand) services, specialized service industries, and knowledge- and technology-based or informational services. At the same time, the record of urban services growth within the Asia-Pacific region discloses wide variations in stages of services development and mixes of service activity from place to place, and this variegation must be acknowledged in the interests of presenting a more rounded perspective on the experience than an exclusive discussion of leading edge examples would allow. Indeed, some of the most interesting and instructive stories of urban tertiarization within the Asia-Pacific concern the juxtaposition of informal and advanced services in transitional societies, with ensuing social, land use, and planning conflicts.

Following this introduction, the paper offers a discussion of contrasts in developmental trajectories between the ‘mature’ Atlantic core regions and those of the dynamic Pacific core (Chapter 2), including an acknowledgement of *industrialization* as the dominant development paradigm for much of the Asia-Pacific since the 1960s. Defining elements of advanced urban tertiarization are identified, and are constituted within a taxonomy of global cities’ service functions. The following section (Chapter 3) addresses both commonalities and contrasts in service industry developments among city-regions of the Atlantic and Pacific cores, and identifies five principal implications of service growth for urban change within the Asia-Pacific. These include the role of service industries in reshaping urban development trajectories, in the reconfiguration of urban space, and in urban social and cultural change, as well as the ramifications of accelerated tertiarization for the everyday experiences of city life and for urban identity and image.

Next, the paper offers a typology of urban services development within the Asia-Pacific (Chapter 4), derived from levels of services specialization as well as from urban scale. The spatial development of specialized services production within the Asia-Pacific

is described, including both polarized patterns and more extended territories of tertiary sector growth, observed in the form of incipient urban corridors. These corridors (or clusters) represent a functionally specialized form of territorial development which exhibit features of co-operation as well as competition, and in part express policy responses to the pressures of globalization.

The two final substantive chapters address planning issues and experiences associated with the development of the urban service sector. The first (Chapter 5) describes the basic evolution of local policy responses to urban tertiarization over the last quarter-century, from early development control policy regimes imposed to manage negative externalities of rapid service industry growth, to more balanced approaches, which combined developmental as well as regulatory elements. This chapter concludes with a set of important processes and events which have shaped a new policy environment for urban service industries in the early 21st century. Next, Chapter 6 extends this discussion, by introducing a framework of six strategic urban policy models which are deployed in cities within the Asia-Pacific, including experiments in progressive planning (co-operative regional development, sustainable city-regions), as well as familiar models associated with globalization and restructuring objectives. The paper concludes with suggestions for a research agenda, emphasizing developmental and transformational implications of service industry growth for city-regions within the Asia-Pacific.

CHAPTER 2

Services and city-regions in a global context

Among the defining attributes of economic globalization is a perception of increasing convergence and co-dependency of industrial production and exchange systems, impelled by factors which include market deregulation and integration, technological innovation and diffusion (notably production and telecommunications technologies), investments in strategic transportation infrastructure, and international migration. Salient features of this globalizing economic environment include the well-documented rise of multinational corporations (MNCs) and enterprises (MNEs), a range of public and non-governmental organizations (NGOs) designed to support, foster, or (in some cases) negotiate international trade and investment (as well as a growing roster of NGOs which vigorously resist globalization), and a new international division of labour (NIDL) engaged in product fabrication and assembly, organized and directed by MNCs and MNEs (Cohen, 1981; Ho, 1991). A related phenomenon is the rise of a hierarchy of ‘world’ (Friedmann and Wolff, 1982) or ‘global’ (Sassen, 1991) cities, at the apex of which are (by convention) New York, London and Tokyo, within which multinational head offices, intermediate banking and finance, and supporting specialized services are concentrated. These world cities direct industrial production on a global basis, are increasingly linked by air travel networks and sophisticated telecommunications systems, and perform strategic gateway roles for international trade and investment. Nor is the influence of these world cities confined to the economic sphere: globalization processes increasingly incorporate the production and dissemination of culture, in the broader sense. The capitals and dominant metropolises are both signifying elements of national culture (vide Paris and Beijing), and also centres of innovation, ideas, knowledge and creativity, therefore constituting key points in the exchange and diffusion of cultural values, norms and trends (Zukin, 1995). The dominance of these world cities in both economic and cultural domains entails notions of imposition, hegemony and exploitation, so there is to be sure a contested aspect to the global roles of metropolitan cities, and the transnational corporations and institutions domiciled within.

The formation of continental (and even supra-continental) trading associations may also be viewed at least in part as a feature of, or response to, the pressures and opportunities of economic globalization. These associations, which include the European Union (EU), North American Free Trade Association (NAFTA), and Asia-Pacific Economic Cooperation (APEC), were established at different times, with a mix of motivations, and exhibit quite different levels of organizational maturity. However, support for freer trade and market integration within some of these associations reflects not only an attempt to enable member country firms to achieve economies of scope and scale in order to compete more effectively internationally, but also a desire to establish a stronger bulwark against the more destabilizing effects of globalizing trade and capital flows. In these respects, at least, the emergence of large, multinational trading blocs can be interpreted as a feature of globalization (see Scott *et al.* (1999) for further discussion of this important phenomenon).

The two dominant geo-spatial spheres of this globalizing economic production and trading system can be construed as follows: first, the advanced industrial (or post-industrial) nations and regions of an ‘old core’ centered on the North Atlantic, including

the EU, and the mature, highly urbanized areas of eastern North America; and, secondly, a dynamic (and over much of the past quarter-century, rapidly growing) ‘new core’ situated within the Pacific Basin, incorporating East and Southeast Asia, Australasia, and those nations or regions of the Americas within the Pacific littoral (Daniels, 1998), an aggregation of nations which roughly corresponds to (and perhaps enjoys a measure of validation from) the APEC designation.¹ Together, these massive economic spheres contain an overwhelming preponderance of the world’s industrial production, advanced technology capacity, banking centres and financial assets, and specialized service industries. The leading nations and constituent regions of the Atlantic and Pacific spheres share or exhibit (albeit unevenly) important attributes of advanced economic and socio-economic development, including skilled and productive labour, high-value industrial outputs, and leading-edge production and distribution infrastructures, in contrast to many of the developing (or underdeveloped) countries of the ‘south’, the latter comprising much of Africa, South Asia, and Latin America, which are relatively deficient in these assets.²

There are also important spatial expressions of developmental convergence or commonality between the nations and regions of the Atlantic-centred core and those of the Pacific Basin. These include processes of advanced urbanization and the emergence of city-region systems which embody aspects both of competition and complementarity, and which feature first order world cities such as New York, London and Paris, within the Atlantic sphere, and Tokyo and Los Angeles situated within the Pacific realm. While these powerful world cities (first described by Hall (1966)) have attracted the greatest attention from scholars and urban policy specialists, there are also globally significant second- and third-tier world cities within each of these dominant zones, including, for the purposes of illustration, Frankfurt, Milan, Chicago and Toronto, situated within the Atlantic zone or ‘old core’, and, within the ‘new core’ of the Pacific, Hong Kong, Osaka, Taipei, Sydney and Seattle. The process of urbanization is of course at a more mature stage within the

¹ There are of course different approaches to conceptualizing the units of ‘world geography’ apart from the standard continental divisions, as a spectrum of historical, socio-cultural, political and economic considerations can be imposed upon the standard geo-physical patterns. For much of the post-war period the idea of a tripartite structure of spheres organised crudely along ideological lines and developmental progress emerged as a descriptive convention, including a developed, essentially democratic-capitalistic ‘first world’, comprised of a hegemonic US bloc and its allies in North America, western Europe, Japan and Australia; secondly, the COMECON (Council for Mutual Economic Aid) group of nations, largely dominated by the USSR and concentrated within Eastern Europe and Asia, but also including Cuba; and, finally, a ‘third world’ of ‘developing’ countries, ostensibly non-aligned, but including many de facto client states of either the US or the USSR. With the collapse of the ‘second’ (COMECON) world 1989–1991, and the increasing pluralism within the first and third worlds implied in the post-modern viewpoint, there has been a renewed interest in (re) conceiving global geography or world regional patterns. In this regard Lewis and Wigen acknowledge the tendency of world regional frameworks “to grossly flatten the complexities of global geography”, but assert that “some form of baseline heuristic scheme is necessary for teaching and thinking about metageography” (Lewis and Wigen, 1997: 186). To this end their conceptual preference is to ignore political and ecological boundaries, and to instead focus upon historical processes, to give primacy to “the spatial contours of assemblages of ideas, practices, and social institutions that give human communities their distinction and coherence” (Lewis and Wigen, 1997: 187), and to consider not only internal attributes but external relations. See Martin W. Lewis and Karen E. Wigen, *The Myth of Continents: A Critique of Metageography* (Berkeley, University of California Press: 1997).

² It has been estimated that the aggregate economic output of Europe, North America and Asia account for about 70% of global GDP (World Bank).

Atlantic core, due in large part to earlier industrialization, and a longer record of tertiarization, but there is now a well-developed pattern of higher-echelon global cities within the Asia-Pacific (Rimmer, 1986; Preston, 1998) (Fig. 1).

These cities are centres of advanced industrial and services production, and are linked by capital flows, technology transfer, transportation and communication networks, and patterns of cultural exchange and diffusion, typifying aspects of international and global co-dependency. The second-order world cities achieve a level of global reach via the presence of certain specialized industry groups, propulsive firms, or influential international institutions, and thus comprise essential elements of the global economy. Global city status is conventionally associated with comparative concentrations of intermediate banking and finance, headquarters of MNCs, ‘producer’ services (Stanback *et al.*, 1981) and international gateway functions. However, increasingly global city status encompasses other suites of specialized service industries, including design, knowledge, and technology-based activities, in part reflecting Scott’s thesis concerning the transformational convergence of culture and urban economic development (Scott, 2000), as well as the competitive advantage of metropolitan cities for creative and informational services (Table 1).

This city-centred growth pattern is complemented by complex and distinctive forms of regional development, which include (1) multi-centred urban growth corridors or ‘megalopolitan’ regions, such as the classic New York–New Jersey conurbation (Gottmann, 1961), and the Randstat urban corridor in the old Atlantic core, and the example of the ‘extended metropolitan regions’ (McGee, 1990) of East Asia and Southeast Asia, such as Jakarta–Bandung, Beijing–Tianjin, and Tokyo–Kawasaki–Yokohama,



Fig. 1. Global cities with the Asia-Pacific.

Table 1
Principal suites of specialized service industries for global city-regions

I (Suites of specialized service functions)	II (Service industries and institutions)
Banking and finance	Commercial, merchant, and investment banks; securities and brokerages; stock exchanges; non-depository financial institutions; insurance and re-insurance; industrial-commercial real estate and property development
Corporate control	Head offices of international and global corporations and multi-nationals; 'propulsive' corporations and firms
Producer services	Specialized, export-capable intermediate service industries and firms; corporate law and accounting firms; management consulting, consulting engineers
Gateway roles	Major international airports; major seaports; international telecommunications facilities
Capital functions	National capitals; state/province/regional capitals and administration; offices of international agencies
Tourism and conventions	International tourism and convention industries; major international fairs and expositions
Advanced-technology services	Software developers; IT firms; internet providers; 'dot.com' firms
Creative services and applied design	Architects; industrial design; graphic artists/design; fashion design; interior design; landscape design
Education and knowledge	Major national and international universities and colleges; R&D operations and science parks; major 'think tanks' and other research/knowledge-based institutions
Culture and heritage	Major museums and galleries; national libraries and archives; culturally defining heritage buildings, sites, and precincts

within the Asia-Pacific sphere; (2) 'lead regions' comprised of innovative industry complexes and propulsive firm networks, exemplified by Baden–Württemberg, the Veneto, the Ile de France, and the London–Oxford–Cambridge technology triangle within the old core (Storper and Salais, 1997), and the Kanto Plain, Orange County, and Silicon Valley (Scott, 1986) within the Pacific sphere; and (3) incipient trans-border 'growth triangles' (and other geoeconomic constructs), illustrated by the Singapore–Johore–Riau development triangle, and the Cascadia metropolitan bio-region of the Pacific North West, and, in the Atlantic old core, the Transmarche region, and the emerging Baltic development zone which aspires to foster mutually beneficial development in northern Germany, the former Soviet Baltic states of Latvia, Estonia and Lithuania, and Scandinavia. These new and emerging growth territories may exhibit positive spread effects of regional development generally lacking in less advanced zones

of the global economy, and suggest possibilities of functional complementarity and reciprocal specialization, as well as the familiar exigencies of competitive advantage.³

In the aggregate, these characteristics—technology-intensive production, high quality economic infrastructure, productive human and social capital, superior external trade mechanisms and capacity, and the distinctive spatial patterns of growth described above—constitute defining aspects of development within the world’s dominant economic spheres. These attributes affirm the exalted economic status of the mature Atlantic core and the dynamic Pacific core, define the trajectory of development at the leading edge of change and transformation, and suggest the power of convergence, interdependence, and hierarchy acknowledged as important facets of globalization.

2.1. Developmental contrasts between the Pacific and Atlantic cores

While important commonalities can be discerned, there are fundamental contrasts in the development experiences and transformational vectors of the Atlantic and Pacific spheres, as well as innumerable variations in the circumstances and growth paths of individual nations and regions within each of these dominant, supra-continental realms (see Yeung and Lo, 1976). The inexhaustible differentiation of regional histories, political traditions and structures of governance, culture and geographical and environmental factors are seen to underpin the persistence of variegation and exceptionalism among regions and localities within both the old and new cores. The confluence of exogenous forces, including the rise of MNEs, and increasing market integration and technological diffusion, has imposed some measure of developmental convergence and commonality across international space (as well as increasing disparities within urban social structures), but there are after all limits to the homogenizing effects of globalization, as the recent scholarly development literature attests. Without denying the impressive global sweep of MNEs and speculative capital, it is essential to acknowledge the significance of (largely) localized development influences, such as site and environment, the structures of social networks and civic institutions, and the quality of public policy and regulation.

In an insightful book aimed at ‘reasserting the power of the local’, a number of scholars enrich the discourse on globalization by an elucidation of factors which reaffirm the power of local identity, and which provide some friction to the movement of capital and firms. Storper, notably, asserts the significance of ‘territorialization’ in embedding some specialized forms of economic activity within specific locations, beyond the more generic considerations of urban agglomeration which can bind (especially contact-intensive) firms to central places, such as higher-order service enterprises which cluster within the corporate complex of the central business district (CBD). In this interpretation, a firm or activity is “fully territorialized when its economic viability is rooted in assets (including

³ In many cases of course these ‘possibilities’ are largely unrealized, or have (despite the formal policy objectives) delivered benefits (and costs) very unevenly. In cases where the partner jurisdictions are at very different levels of development, there are likely to be correspondingly asymmetrical levels of benefits and costs, as in the example of the ‘SIJORI’ (Singapore–Johor–Riau) growth triangle in Southeast Asia, where the narrowly defined economic gains must be set against significant social costs accruing to the population of Batam, within the Indonesian segment of SIJORI (Peachey, 1998). As is well-known, we can also point to high environmental costs of cross-border economic development and trading regimes even within relatively advanced societies.

practices and relations) that are not available in many other places and that cannot be easily or rapidly created in places that lack them” (Storper, 1997: 21). This concept of territorialization can also incorporate the quality of civic institutions and civil society as influences on economic development and socio-economic welfare, as disclosed in Putnam’s seminal study of regional and community development in Italy (Putnam *et al.*, 1993). Other important factors of locality that can influence differentiation in patterns of economic growth and development are exemplified by amenity attributes, which may include access to education and learning opportunities, and community levels of tolerance and equity, as well as air and water quality, leisure, and recreational opportunities. Thus, the forces of globalization, as powerful and pervasive as they demonstrably are, may be significantly tempered, mitigated, or renegotiated at regional and local levels.

This more nuanced interpretation of the interactions and tensions between global imperatives and local (or domestic) factors provides a useful backdrop for inquiry into the comparative developmental conditions between the Atlantic and Pacific cores, a task that has assumed greater importance both in the wake of the Asia-Pacific’s dynamism over much of the past three decades, as well as the serious downturn that commenced in mid-1997 in many East and Southeast Asian economies. This crisis, which delivered a major check to the continued growth and progress of many of the leading economies of the region, presents a complex set of economic, socio-cultural and political issues and underlying causes that vary widely from place to place, but certainly includes important structural factors (relating to governance, policy, regulation, and financial supervision), as well as more transitory or cyclical attributes (McLeod and Garnaut, 1998). An apparent recovery process can be discerned in some of the Asia-Pacific economies, but the experience is likely to be protracted and wrenching for many, as the (now decade-long) recession in Japan seems to attest. Sustained recovery (and, more pointedly, a shift from growth to development) will require major adjustments to the political structures of Asia-Pacific states, as well as to the governance of corporations and industrial enterprises, and to the supervision and regulation of banks and financial institutions. Both the depth and breadth of this economic downturn (and attendant social and political upheavals), and the quarter century or so of recurrent high growth levels that preceded it, raise questions concerning the contrasting trajectories of development within the mature Atlantic economies and those of the new core of the Pacific Basin, as well as the factors underlying these patterns of differentiation.⁴

⁴ In the wake of the economic crisis that commenced in the summer of 1997 attitudes toward the economic performance of East and South-East nations, including Japan, the four NICs, and ASEAN ‘near NICs’, have undergone shifts almost as—perhaps even more—dramatic as the fortunes of the economies themselves. As a classic example of logical inversion, some of the attributes that were formerly seen to be essential underpinnings of economic growth and progress, such as authoritarian (but more or less benign and even enlightened) structures of governance, patriarchal family and social hierarchies, and intimate relations between governmental officials, bankers, and corporate executives, are now widely seen as inimical to progressive and sustained economic development. While there is no doubt value in these ex post facto reflections, and certainly real need for reform in many aspects of economic management and policy, it may be as well to acknowledge the (still) quite impressive legacy of economic and socio-economic achievement which the record of the last three decades in many Asian states exhibits (to say nothing of the serious structural problems of leading economies within the Atlantic sphere, notably unemployment, poverty, increasing social disparities, and environmental degradation, *pace* allegedly superior forms of governance, corporate control, and social structures).

Certainly one of the most salient and defining contrasts in the post-war trajectories of the Atlantic and Pacific spheres concerns the relative status and roles of the secondary (manufacturing) and tertiary (service) sectors, respectively, and the ensembles of policy, market and socio-demographic influences on these distinctive sectoral specializations. Beyond the obvious reality that the leading states of both the Pacific and Atlantic spheres contain advanced industrial production sectors, and are experiencing growth in tertiary activity, it is important to acknowledge that while the growth of services represents a dominant motif of the economic and social reconstruction of western economies and societies, the accelerated growth of manufacturing industry and employment has been the principal story in the rise of the Asia-Pacific economies over the past four decades. Among the mature economies of the OECD, concentrated within the old Atlantic core, this same period has seen a massive contraction of production capacity and labour in basic industries, especially in Fordist mass-production manufacturing, manifested most dramatically by wrenching processes of industrial decline (consisting mostly of outright factory closures but also some measure of locational decentralization) within long-established inner-city industrial precincts of large- and medium-size cities, and consequent losses of employment, income and revenue (Noyelle and Stanback, 1984). New industries characterized by flexible specialization processes and technology-intensive outputs have emerged in 'lead regions' and 'new production spaces' (Scott, 1988) within the Atlantic core, so aggregate manufacturing output has held up or even increased (by value) in some areas (Coffey, 1996), but in general manufacturing activity has lost ground in relative terms in most OECD regions.

Over the past half-century, services have been essential features of the development of metropolitan cities (Gottmann, 1974). More specifically, intermediate services have emerged as increasingly strategic and propulsive elements of advanced production systems, as observed in successive rounds of industrial restructuring, in new divisions of labour, and in the rise of service-based global cities and new urban service poles (Table 2). At the same time, the post-war period has seen among the most advanced societies the sustained expansion of service industries which (with related shifts in industrial production processes) have profoundly changed the economic base, industrial mix, labour force, land use and physical form of city-regions within the Atlantic zone. Service sector growth has thus constituted a central feature of economic restructuring among advanced nations and regions, with service-type occupations leading employment formation not only in the tertiary and quaternary (or informational) sectors, but also in manufacturing, where the growth of management, clerical, sales and technical workers has exceeded that for direct production workers and operatives in most cases.⁵

⁵ In general scholarly attention to the growth and development of service activities has evolved as follows: (a) an early interest in the growth of high-rise offices in the CBDs of the largest metropolitan cities, including important theoretical and conceptual contributions (Gottmann, 1961), (b) a stream of empirical studies of office location, emphasizing regional policy implications and urban planning problems (Daniels, 1975; Goddard, 1975), (c) growing interest in the social ramifications of services growth (Bell, 1973), (d) a sharper analytical focus on business, 'producer' and other intermediate services, and their role in urban and regional development (Noyelle and Stanback, 1984), and in the operation of 'flexible' industrial regimes, (e) assessments of the global dimensions of services development, especially in banking and finance, as well as in producer services and communications (Daniels, 1993), (f) acknowledgement of the importance of specialized services in the emergence of the 'informational city' and urban society (Castells, 1989), and (g) explorations of the intersections between tertiarization, occupational shifts, urban class (re)formation, and community-level impacts, especially in the metropolitan core (Ley, 1996).

Table 2
Evolving role of intermediate services in advanced production systems 1950–2000

I (Administrative functions: ‘Lubricating’ effects)	II (Facilitating functions: ‘Productivity’ effects)	III (Strategic functions: ‘Propulsive’ effects)
Accounting Inventory control Public relations Stock exchanges	Management consulting Marketing consulting Consulting engineering Commercial and merchant banking Industrial/commercial real estate (ICI)	Informatics and IT Innovation and design Technology JV specialists Global financial intermediaries International mega-project consortia
1950s	1970s	1990s
<i>(A) Shifts in intermediate services with respect to (1) dominant industrial production regime, (2) sourcing arrangements, and (3) employment formation</i>		
(1) Expanding business services within Fordist industrial production modes (2) Internalized service production (3) Professionalization of service occupations	(1) Producer services as key to flexible specialization production regimes (Coffey) (2) Externalized service production (3) Accelerating divisions of labour; growth of professional, managerial, technical occupations	(1) Emergence of integrated service-technology-production systems (2) Globalized service production (3) Emerging international division of production labour; rise of ‘knowledge worker’ and ‘informational society’ (Castells)
<i>(B) Context for shifts in intermediate service production</i>		
Sustained periods of high growth and corporate expansion	OPEC shocks - OECD recession; recovery in mid/late 1970s	Collapse of COMECON system; de-regulation of financial and other service industries; GATT and NAFTA regimes
US–European economic hegemony	New production spaces within OECD and NICs	Competition for service investment and trade within global markets and urban networks (Daniels)
CBD ‘office boom’ in primate cities and large business centres (New York, Chicago, London)	Growth of ‘world cities’ (London, New York, Tokyo) (Friedmann); metropolitan service industry deconcentration strategies	Emerging service poles (Shanghai, Singapore, Fukuoka, Hong Kong, Toulouse, Seattle, Barcelona, Singapore, Vancouver)

Source: adapted from Hutton (2000).

But these structural consequences of tertiarization extend well beyond the economic dimension, as the sustained expansion of service labour (and concomitant decline in blue-collar workers) within the Atlantic core regions has led in turn to the reformation of urban society, in terms of social class, community and neighbourhood patterns, culture, and political values and preferences, as documented in scholarly treatments of post-industrial society (summarized in [Table 3\(a\)](#)). The tight spatial bonding of specialized, contact-intensive service industries within intricate input–output relations has been instrumental in the reformation of urban structure and land use within the metropolitan core ([Gottmann, 1970](#); [Hutton and Ley, 1987](#)). Tertiarization has also generated more comprehensive changes in metropolitan structure, as seen principally in the emergence of specialized service nodes and clusters which dominate the space-economies of advanced city-regions, and also in urban form and the built environment, exemplified in the growth of the central city corporate complex, new districts of services production and consumption on the CBD fringe and inner city (including design and technology-based services), regional office and retail centres, and proto-urban forms which incorporate advanced service industries within ‘edge cities’ ([Garreau, 1991](#))⁶ ([Table 3\(b\)](#)).

2.2. *The primacy of the industrialization paradigm within the Asia-Pacific*

While *tertiarization* stands as the definitive and most consequential feature of economic growth and social change among Western or Atlantic nations and regions over the post-war period, *industrialization* has represented the principal development modality for much of the Asia-Pacific since the 1950s and 1960s.⁷ (Although there have been to be sure important shifts in agriculture and other forms of primary and staple production in many Pacific nations.) There is of course considerable variation in the temporal sequencing, specific industry emphasis, scale and stage of manufacturing growth among individual nations (and even among regions and sub-regions), but accelerated industrialization, supported in most cases by state policies and programmes, has been central to the expansion of every high growth Asian-Pacific state ([Douglass, 1994](#)), including (1) the Japanese ascendancy, seen in the industrial development of the Japanese archipelago (especially within the principal conurbations of Honshu but also including urban centres in Kyushu and Hokkaido) over much of the present century, with accelerated development of production in industrial and consumer goods from the 1950s, including

⁶ See [Garreau \(1991\)](#) for an original contribution to our understanding of this spatial and socio-economic phenomenon.

⁷ I am making a broad distinction here between economic systems in which manufacturing or (alternatively) services are dominant. It is of course possible to perceive services as ‘industrial activities’, as detailed divisions of ‘service industries’ are conventionally depicted within sectoral aggregations in standard industrial classification catalogues, for statistical purposes. Moreover, there is a general preference for positioning service industries as co-dependent elements of integrated production systems ([Gershuny, 1978](#)). At the same time, industrialization as a development paradigm within the Asia-Pacific has certainly implied a powerful emphasis on the growth of manufacturing industries, industrial companies and conglomerates, factories and industrial labour, in the form of factory workers, assembly line employment, and operatives. Jonathan Rigg’s analysis of modernization and development in Southeast Asia includes a special chapter addressing the idea (and reality) of ‘the factory world’ as a defining feature of this experience ([Rigg, 1997: 202–238](#)).

Table 3
Defining attributes of advanced urban tertiarization

Attributes	Defining conditions within highly tertiarized cities
<i>(a) Urban industrial structure, economic base, employment and class</i>	
Sectoral/industrial structure	Tertiary sector larger than secondary sector; service industries growing faster than manufacturing industries both in relative and absolute terms
Industrial output	Services share of urban/regional GDP growing faster than manufacturing share
Market orientation/production linkages	Intermediate sector services growing faster than final demand services; specialized services and manufacturing co-dependent elements of advanced production systems
Urban economic base	Services comprise large and increasing share of urban economic base; significant and growing volume of specialized service exports and trade
Employment	>75% of urban employment in service industries
Occupational structure	Rapid growth of executives, managers, professionals; emerging social division of service labour favouring knowledge- and technology-based service workers, design, creative and cultural services
Urban class structure	Emerging hegemony of 'new middle class' (Ley, 1996) of upper-tier service cohorts
Urban social morphology	Extensive social upgrading (gentrification) in older inner city neighbourhoods; growth of inner city loft housing and 'live-work'/'work-live' studios; increasing social displacement and inter-group tensions
<i>(b) Urban spatial structure, space-economy, form, image and identity</i>	
Urban/metropolitan structure	Service industries dominant elements of urban core and (established or incipient) metropolitan sub-centres
Urban space-economy	Specialized service clusters and corridors dominant features of urban/metropolitan space-economy (CBD corporate complex, seaports and airports, distribution centres, retail centres, higher education institutions, government and public administration, business parks, R&D parks]
Inner city landscapes	New and emerging precincts of specialized services: applied design, creative and cultural services; internet providers and 'dot.com' firms; cultural centres; higher education; professional sports and entertainment; public recreation; live-work studios and new artist/artisan neighbourhoods
Urban form	Mix of modernist–post-modernist urban forms: high-rise office precincts in CBD and metro sub-centres, as well as new services domiciled in 'reconstructed' services production and consumption landscapes within inner city and inner suburbs; 'edge cities' and proto-urban forms on the metropolitan periphery
Infrastructure	Derived demand for transportation and other infrastructure associated with urban tertiarization
Identity	Post-industrialism; post-modernity
Image	'Global' or 'world' city (Hall, Friedmann, Sassen); 'Informational city/society' (Castells); 'Transactional city' (Gottmann)

the expansion of global-scale industrial conglomerates and MNCs; (2) the origins of takeoff growth among the Newly Industrializing Countries (NICs), with accelerated industrialization initiated in Taiwan and Hong Kong in the 1950s, and Singapore and South Korea about a decade later (McGee and Lin, 1993); (3) the later emergence of the ‘threshold’ or ‘near’ NICs, notably Malaysia and Thailand, which retain important bases of agriculture and staple production outside the principal metropolitan zones, but which have experienced substantial manufacturing growth over the past two decades; (4) the tumultuous growth and transformation of China, dating from the ideologically impelled industrialization programme enunciated in the series of 5-year economic plans commencing in the period 1953–57, to the industrial stimulus generated by the economic liberalization policies launched in 1978, and then to the more recent expansion of advanced manufacturing in the Lower Yangtze, Pearl River Delta, and certain other coastal regions; (5) the larger role played by industrial development in the transition of other populous agrarian nations, notably Indonesia and the Philippines; and (6) the current economic restructuring programme in Vietnam, associated with the ‘doi moi’ policy of economic and social renovation. In addition to these important examples, industrialization also represents a goal (or ideal) of lagging states within the region, such as Laos, Burma and North Korea, although the realization of these industrial aspirations has been seriously impeded by a prejudicial *mélange* of factors including war, flawed development models, governmental corruption and administrative incompetence, lack of capital and other resources, and isolation.

These national industrialization programmes and trajectories also featured important urban and regional dimensions. By the 1970s, the Asia-Pacific sphere included a number of world-scale industrial metropolises, such as Tokyo, Nagoya, Osaka, Seoul, Taipei, Hong Kong and Shanghai, while by the 1980s manufacturing emerged as an important feature of the metropolitan space-economies of Southeast Asian primate cities, including Bangkok, Jakarta, Kuala Lumpur, and Manila (Douglass, 1989). Beyond these large-scale urban industrial complexes, manufacturing activity increased within the metropolitan periphery, exurban areas, and even rural zones, for instance in the Lower Yangtze region, within the Chinese special enterprise zones (SEZs), within designated receptor areas (such as Penang) for Japanese foreign direct investment (FDI), and within *desakota* areas of East and Southeast Asia, proliferating the spatial milieux for industrial production in the region.

Even in Pacific America, within which urban tertiarization processes are generally advanced, some city-regions have exhibited greater buoyancy in manufacturing than many of the older industrial cities of the Great Lakes region and Eastern Seaboard, within the broadly defined Atlantic core. Over the past two decades, Los Angeles, the San Francisco Bay area, Seattle and even Vancouver have experienced significant growth in advanced manufacturing such as aerospace and electronics (and in some basic production industries as well, such as garment production) within their regional territories, in contrast to the record of industrial decline in many other North American metropolitan areas, although to be sure they have also experienced high growth in service industries, and contractions in some traditional industries. At the end of the 20th century, then, industrialization represented the dominant trajectory for many states and regions within the Asia-Pacific, constituted a significant aspect of growth (together with specialized services) in some of

the more advanced economies of the Pacific realm, and remained an aspiration of less-developed, agrarian and staple-dominated countries in the region. These industrialization trajectories will continue to be highly influential in the development of Asia-Pacific city-regions in the new century, but it is equally clear that service industries will emerge as increasingly significant features of urban growth and change, a theme we will explore in the following chapters.

CHAPTER 3

Contours of urban tertiarization within the Pacific Basin

To date there has been relatively little scholarly attention paid to the development of service industries and employment within the Asia-Pacific, with the notable exception of case studies of cities within which services (especially advanced or ‘higher-order’ services) are playing significant roles (Taylor and Kwok, 1989), and specialist studies of banking, finance and investment, and transportation and communications. The research emphasis has tended to be on multinational service corporations and international trade in services (Waelbroeck *et al.*, 1985; Thrift, 1986; UNCTAD, 1990; Sieh-Lee, 1992; Lasserre and Redding, 1995), rather than on services development and associated issues for cities and city-regions. This situation reflects, to some extent, the pervasive influence of industrialization as a development paradigm within much of the Pacific realm, emphasizing the primacy of manufacturing and industrial production within the growth trajectories of many Asia-Pacific states, regions and societies.⁸ The hegemony of the industrialization paradigm has created a kind of shadow effect within the scholarly literature on the economic development of the Pacific Basin, within which services are customarily treated as elements of the traditional urban retail or commercial sector, as essentially ancillary activities which can be effectively subsumed within industrialization processes and systems, or as special, almost aberrant features of exceptional cases such as Hong Kong and Singapore. Indeed, many of the region’s leading service industries and corporations (notably banks, trading companies, and ocean freight lines) were established to facilitate manufacturing growth and the expansion of trade in goods, thus comprising essential features of the Asia-Pacific’s industrialization experience. Moreover, service industries, including modern, advanced services, are now sufficiently well-represented in a broad sampling of national and regional jurisdictions, and are now so increasingly central to the economic and social transformation of Pacific cities, that a more incisive investigation of services growth trends and associated impacts is clearly merited (O’Connor, 1998).

3.1. *The growth of intermediate services*

The centrepieces of urban service sectors within the Asia-Pacific are of course the large national and multinational service industry corporations, including the major banks and financial institutions (including brokerages and securities companies), trading houses, property firms, integrated construction and development corporations, and the leading airlines and hotel groups. These are, as is well known, highly concentrated within

⁸ To illustrate, Rigg’s generally excellent and insightful treatment of ‘modernization and development’ in Southeast Asia offers only a single index reference to ‘services’ (and that one brief discussion in the text pertains to informal service activities), in the interest of focussing on the very important developments in agriculture and manufacturing, although modern service industries have certainly been instrumental to the growth of Singapore, are of more than marginal significance to the development of Malaysia and Thailand, and are important features in the economic landscapes of the primate cities of Southeast Asian nations, including Indonesia, the Philippines and Vietnam.

the region's first- and second-tier global cities, especially Tokyo, Osaka, Seoul, Taipei, Hong Kong, Singapore, Los Angeles, San Francisco, and Sydney. Many of these financial corporations and other large service enterprises have become extensively globalized, enhancing the status of the cities within which they are domiciled; but a significant proportion of these corporations have been seriously damaged by the events of 1997 and after, and there have already been a number of major bankruptcies, with, no doubt, more to follow. The corporate power of cities within the Asia-Pacific is therefore pervasive, but by no means immutable.

At a smaller scale, we can identify the full range of intermediate or producer services which, as in the mature economies of the Atlantic sphere, typically include corporate legal firms and accountancies, management consulting firms, public relations and personnel companies, technical service operations, as well as planning and architectural firms which cater wholly or in part to the corporate sector. At the vanguard of growth and change there are also an expanding number of firms in the computer software and knowledge industry groups that are so crucial to the progress of advanced, information-based economies. In general, however, this intermediate services subsector (comprised mainly of small- and medium-size firms) is somewhat less well-developed in Asia than is the case among the leading regional and national economies of Europe and North America, where the producer services are seen as essential to the efficient operation of flexible production regimes, and have constituted the most dynamic elements of these economies and labour forces over the past two decades. This disparity is reflected in the large balance of trade deficits in specialized services incurred by most Pacific Asian nations (Daniels and O'Connor, 2000).

We can provisionally attribute the (relatively) less developed nature of intermediate services within the Asia-Pacific to a number of factors and conditions, including the perhaps obvious observation that services are generally at a less mature stage than among the more advanced Atlantic core economies. However, there are also important structural factors as well. These include, notably, contrasts in the regulatory conditions and legal and contractual regimes between countries, which impose different kinds and levels of requirements upon firms domiciled within these jurisdictions. Within many of the Western societies these regulatory and legal regimes have become exceedingly complex and demanding, giving rise to specialized intermediate service firms which provide expert advice to corporations on a subcontracting basis, as the demand arises. Within the Asian realm, as we have already noted, many of these specialized service inputs are generated either internally within the corporation, as is the case with some of the larger Korean and Japanese conglomerates; or, as is the practice in many firms in China and Southeast Asia, are supplied by a network of advisors defined by kinship and social relations. Moreover, there has been a substantial (if spatially and temporally uneven) growth of producer services within the Asia-Pacific, reflecting "the wide socio-cultural heterogeneity in this region and the distance between trade centres" (Ho, 1998: 179).

At the leading edge of change among a growing number of Asia-Pacific societies, the implications of service industry growth may at least selectively reflect the experience of the mature economies of the Atlantic-centred core, within which specialized service industries (1) represent both agents and outcomes of economic restructuring, as well as leading elements of overall urban and regional transformation;

(2) constitute (with technology and manufacturing) co-dependent elements of advanced, flexible production systems; (3) are associated with important, and in some cases defining, new divisions of labour and social class reformation; (4) reflect, in part, increasing income levels and consumption rates within host societies; and (5) have become significant elements of inter-regional and international trade flows, reflecting inter alia externalization tendencies and aspects of competitive advantage for specialized services production, export, and trade.

As observed among the mature industrial (or post-industrial) societies of the Atlantic sphere, too, service industries within the Asia-Pacific tend not to be distributed evenly across national territories, but are instead concentrated within urban regions, reflecting the spatial association between consumer services and their residentiary markets, and the even more centralized patterns of highly agglomerative intermediate (or producer) services. There is also a tendency toward greater levels of specialization in services production among larger cities, although there are to be sure some notable exceptions to this. This correlation between tertiarization levels, growth rates and degrees of specialization is of course most easily observed among the region's major corporate centres, such as Tokyo, Hong Kong, and Singapore, but the familiar spatial manifestations of service industry growth (CBDs, corporate complexes, commercial strips and nodes, and the like) are features of a growing roster of Asia-Pacific city-regions, although their specific form may be locally distinctive. The study of specialized service industries within the Asia-Pacific, then, as in the Atlantic sphere, necessarily implies an urban emphasis.

These important commonalities notwithstanding, even at the most generalized level of analysis we can readily identify some defining distinctions between current services growth rates, development patterns and interdependencies within the new core of the Asia-Pacific, and those observed within the Atlantic-centred old core. As in other facets of urban development, it is essential to achieve an appreciation of signifying contrasts in urbanization experiences in the Asia-Pacific, as distinct from the patterns of urban development within the Atlantic core (Lin, 1994). These contrasts include the following:

1. Generally higher growth rates of service industries and employment among Asia-Pacific nations and city-regions over the past decade and a half, reflecting more incipient stages of tertiarization in many Asian jurisdictions and, broadly, more buoyant economic conditions over the past two decades or so. By way of contrast, service growth in Europe has been (as Daniels notes) slow or even stagnant (Daniels, 1993). (It must, however, be acknowledged that the depressed condition of certain Asian currencies and financial markets are diminishing growth expectations in financial and service sectors among certain business centres over the short- to medium-term, and ensuing political instability and social unrest will almost inevitably exacerbate those impacts. Moreover, urban service sector growth *rates* will inevitably slow among advanced cities with high existing *levels* of services labour, including Singapore, Hong Kong, and Japanese cities).
2. Highly differentiated trajectories of tertiarization and economic restructuring among Asia-Pacific city-regions, which represent in many cases significant departures from the more linear patterns of service industry growth common to the old Atlantic-centred

core. These contrasting tertiarization trends and processes are in part a consequence of the widely varying stages of overall development among specific national and regional jurisdictions, but are also associated with important (and in some cases decisive) policy factors and local development strategies.

3. The diversity of services-production linkage patterns among Asia-Pacific economies, which to some extent may follow the services externalization and subcontracting processes widely documented among European and North American firms, but are also exemplified in other respects by the distinctive nature of industrial organization in 'lead' Asian economies in which large integrated corporations (keiretsu in Japan, the chaebol in South Korea) maintain internalized service supply; by the intricate entrepreneurial networks based on kinship relationships in parts of East and Southeast Asia (Hsing, 1995); and by the intimate spatial linkages between industrial production and service providers observed in exurban or countryside production regimes in certain regions of China (Marton, 1996).
4. Variation in the reconfiguration of metropolitan space-economies to accommodate the introduction of new, specialized service industry nodes and clusters, which follow to some extent the locational tendencies of services in advanced economies and city-regions; while at the same time exhibiting persistent spatial patterns derived from more traditional systems of urban and regional economic development, as exemplified in the *desakota* areas of Southeast Asia and Japan, and, at a smaller scale, the intimate juxtaposition of advanced and informal service activities in central areas of developing societies (Leaf, 1996). In the most advanced cases, new spatial patterns of specialized services production include clusters of design, creative services, and advanced-technology service industries within reconstructed inner city precincts.
5. Distinctive divisions of labour within urban service industries, which may appear to mimic the Western model at the apex of the occupational hierarchy (i.e., the growth of managers, professionals, knowledge-based and advanced-technology workers), but also display substantial variation, derived in large part from localized culture, class structures and traditions, the pre-existing base of service workers, and region-based entrepreneurial or mercantile cultures.

To these broad points of contrast in the tertiarization experiences of the Asia-Pacific and Atlantic spheres, it is essential to highlight important differences in policy approaches and roles. Within the Asia-Pacific, we observe a spectrum of (sometimes quite assertive and even grandiose) developmental policies and programmes designed wholly or in part to promote the growth of specialized service industries. These include the highly *dirigiste* approaches of Japan (Shapira *et al.*, 1994) and Singapore (Ho, 1994), within which central governments have assigned leading roles to advanced service industries in support of urban and national economic transformation, and enhanced roles for service industries in local economic development strategies and policies. In contrast, public policy approaches toward services among Western societies have tended to emphasize regulation, including zoning, development control, and growth management, in addition to mostly episodic experiments with developmental

policies, and only very exceptional attempts to undertake service industry ‘mega-projects’ on the heroic scale of numerous Asian cities.⁹

3.2. *Five categories of tertiarization impacts*

Although there are profound differences in stages and levels of tertiarization among Asia-Pacific city-regions, as we shall shortly see, the implications of urban service industry growth can be structured within five broad categories: (1) a set of essentially propulsive and transformational impacts, within which services (especially advanced intermediate and knowledge-based service industries and institutions) are assigned leading roles in urban, regional and even national development; (2) the (direct and indirect) impact of services on the internal restructuring and reconfiguration of the city-region, including regional structure, the metropolitan space-economy, and built form; (3) services and the reformation of urban class and the city’s social morphology (or ecology); (4) implications of rapid tertiarization for the experiences of everyday life; and (5) the role of services in the transformation of the city’s image and identity. It must be emphasized that these are by no means neatly compartmentalized, discrete categories of consequence, however, as there are innumerable interactions and interdependencies between and among them.

First, rapid tertiarization may have the potential to significantly accelerate the processes of urban growth and change, and to quite fundamentally modify basic urban economic functions or vocations, as reflected in the recomposition of the metropolitan industrial structure, economic base, and regional GDP. At one level, this process evokes the idea of *post-industrialism*, which positions service industries and occupations as ascendant features of the urban economy in a context of (relative or even absolute) contractions in basic manufacturing. However, in the Asia-Pacific setting the growth of specialized services can be seen as a concomitant element of advanced production systems, national modernization programmes, and globalization strategies of central and regional governments. These strategic aspirations are by no means fully realized, but they do underscore the importance of advanced services to the future development of the region.

As is well known, tertiarization within many Asia-Pacific city-regions is impelled both by market and policy factors. This latter tendency is particularly marked in the region, as we can instance numerous examples of assertive public policy efforts both at central and local government and administrative levels designed to accelerate tertiarization (and/or deploy tertiarization as an instrument of broader economic and socio-economic transformation). Examples of the deployment of policies for services in the interests of

⁹ Principal examples within the Atlantic sphere include the La Défence corporate complex situated about four kilometres down the Seine from central Paris (Daniels, 1975), and the Canary Wharf office development in London’s docklands. Both projects constitute efforts to establish major new business centres some distance from the established CBD of these world cities, but offer stark contrasts in approach and planning styles: the La Défence project entailed massive investments in supporting infrastructure and services on the part of three levels of government, including housing and amenities as well as major transportation improvements, while the Canary Wharf development was initiated as a rejection of local planning preferences and sensibilities, conferring huge costs upon public bodies, and ultimately leading to the bankruptcy of the principal corporate interest, Olympia and York of Toronto (although the Reichmann brothers have recently regained control via new financial backers). See Hall (1998) for a compelling account of the London Docklands saga.

supporting or promoting transformational change include (a) synergies between national economic liberalization policies and local development strategies which have accelerated tertiarization processes (including advanced services) among designated Chinese city-regions, (b) intersections between national industrial policies and urban economic programmes which have supported specialized service functions among Japanese metropolitan cities, (c) ensembles of national development programmes and regulatory adjustments designed to enhance the growth of advanced, export-oriented services, as in the case of Singapore since the mid-1980s, (d) central government support for strategic service industries as instruments of national development, accompanied by complementary local land use initiatives, as in the case of finance, producer services and information technology in Malaysia, and (e) the more episodic (or less committed) support for service industries within (often somewhat schizophrenic) clusters of local development and growth management plans in Sydney, Melbourne, Seattle, San Francisco, Vancouver, among other cities.¹⁰

The second category of urban tertiarization impacts concerns the role of services in change within the internal form and structure of the metropolis or city-region, and reflects the profound and comprehensive impacts of service industry development on the space-economy of the contemporary city. The internal reordering of metropolitan space associated with rapid service industry growth incorporates processes which are multifaceted and interdependent: demand for services generates growth among service industries and firms to create a new sectoral mix within the city's economic base, and new patterns of services production and consumption as observed in the emergence of high-rise office complexes, secondary business centres, specialized service clusters (for example tertiary education and medical complexes), and new retail landscapes. These developments have visibly reconstructed urban structure and form in many American cities, but in some European cities have been situated more carefully within older districts, creating a more subtle and complex urban form, while in Asia (for example in Shanghai and Osaka), preservation has been subordinated to the imperatives of accelerated restructuring, and has been in policy terms an afterthought at best.¹¹

While market forces have constituted agents of urban respatialization, public authorities have deployed services as instruments of internal metropolitan reconfiguration within the Asia-Pacific, as in (a) the construction of new financial and corporate

¹⁰ This urban 'policy schizophrenia' is associated, typically, with institutional conventions and operational practice within city and metropolitan governments. In most cases the urban 'plan' is prepared by staff planners, with input from other professionals and the broader community, and often emphasizes regulation, in terms of statutory development control functions and instruments (such as zoning, developing by-laws, and land use policies) and modern growth management modalities. By way of contrast, local economic development strategies are formulated by separate economic advisory groups, business interests, community groups and NGOs, or special council committees or bodies appointed by (and accountable specifically to) the Mayor or Council chair, and are therefore often informed by quite different (and even oppositional) values and visions.

¹¹ A principal motivation behind the development of the La Défense corporate complex was to protect the historic built environment of Central Paris from the kind of massive demolition and displacement impelled by office development in many other cities, by initiating a new 'CBD' outside the metropolitan core. This has been to a large extent realized (apart from exceptions such as the Maine-Montparnasse office-tower on the rive gauche), but the preservation of buildings and streetscapes in the central core of Paris has been a series of struggles over the past century and a half (Sutcliffe, 1970).

complexes, both to accelerate economic restructuring at the local level, and to support national modernization goals (as exemplified by the massive Pudong project across the Huangpu River from the established central district of Shanghai) (Yeh, 1996), (b) the development of modern commercial and telecommunications infrastructure to support future world city aspirations (as seen in Kuala Lumpur), (c) the promotion of specialized financial and producer services in established CBDs and designated subcentres to support world city status, and to maximize regional competitive advantage (with Singapore presenting a vivid example), (d) the reclamation of land resources for accommodating the expansion of spatially or topographically constrained CBDs (Hong Kong), and (e) the development of commercial and business mega-projects to diversify local economies, advance international business and financial relationships, and compete more effectively against other (often larger) centres within regional settings (as is the case with the Minato Mirai 21 project in Yokohama) (Hutton, 1997). More generically, public authorities also respond to infrastructure demand (for example airports and transit systems) derived from growth in services industries and activities (Daniels, 1991).

The growth of service industries and occupations within Asia-Pacific city-regions also has important social implications, representing a third major set of urban tertiarization impacts. Here, the growth of (especially advanced) service industries and related occupational cohorts generates an increasingly tertiarized labour force, which Daniel Bell described as a pre-condition for the emergence of a post-industrial society, over a quarter century ago (Bell, 1973): a contested idea, to be sure (Gershuny, 1978), but a seminal and prescient contribution in many ways. Within the highly tertiarized city, the growth of specialized services leads to significant socio-spatial effects, including the familiar pattern of social upgrading within inner city neighbourhoods, and the formation of new suburban communities comprised largely of service workers, but also the recent emergence of a 'new middle class' of higher-echelon service labour (Ley, 1996). The rise of this new middle class of elite service workers (professionals, executives and managers, entrepreneurs and creative services occupations) as a presence in the inner city, a larger process than earlier, more incremental experiences of gentrification, comprises individuals who view the metropolitan core as a place to work, live, and recreate, leading to the transformation of the central city with respect to structure, land use, form, and lifestyles. There are also broader cultural connotations associated with the new middle class, as seen in shifts in tastes, values, behaviours, and even political affiliation. This new middle class enjoys a hegemonic status within the most highly tertiarized cities in the region, such as Vancouver, Seattle, San Francisco, and Sydney, and comprises the ascendant social cohort within Singapore, Tokyo, and Hong Kong, but is also observed as a growing presence (with some local variation in specific features) within the central districts of Seoul, Shanghai, Guangzhou, and Kuala Lumpur, among other cities.

The fourth set of impacts of service industry growth within cities of the Asia-Pacific concerns changes at the micro-level, what Braudel termed the 'structures of everyday life' (Braudel, 1982). Although much of the scholarly analysis of tertiarization has emphasized change within the three strategic categories described earlier, a more nuanced appreciation of the more intensely localized implications of growth in services

is essential to attaining an appropriately rounded profile of the process. These include, for the purposes of illustration, the impact of service industries and the growth of service occupations on the quality of working life, and on localized displacement and dislocation at the neighbourhood and household levels (Chua, 1989, 1991), especially within a context of industrial decline or restructuring. There is considerable potential for research on the important gender aspects of tertiarization, which may include the tendency for over-representation of females within many service occupations and industries. Within the highly tertiarized societies of the old Atlantic core, the past several decades have seen both the impressive progress of women within some of the credentialized service occupations, for example in law, accountancy, and planning, but also a more discouraging tendency for women to congregate in more menial, poorly paid and distinctly marginalized positions.

There are also important linkages between the growth of service industries in Asia-Pacific cities and international migration. Australian scholars have suggested that immigration can enhance the 'productive diversity' of economies, and more specifically that skilled immigrant professionals can support urban services exports, for example in sharing or transferring within the firm knowledge about overseas markets (Aislabee *et al.*, 1994). Lin observes that characteristics of mobility, flexibility and entrepreneurial skills are defining attributes of Hong Kong migrants (Lin, 2000: 13), enhancing their attractiveness to receiving urban societies and business communities. In certain cities, recent immigrants are over-represented both within entrepreneurial and management occupations, but also among more menial service occupations; this is especially the case in large global cities (Sassen, 1991). Again, as in other facets of tertiarization, we can discern within Asian labour markets some powerful resonances of trends initially observed in mature cities of the Atlantic core, but there are also quite distinctive, persistent traditional socio-cultural contexts to consider.

The importance of maintaining a perspective on the more localized implications of tertiarization also acknowledges the reality that the expansion of service industries by no means involves just the formal business, professional and managerial activities that have led growth among the Western urban economies, but also the full range of neighbourhood shops and markets, casual restaurants and bars, and personal and retail services (to say nothing of other service establishments that may operate on, or even over, the margins of legality and social acceptance). In many Asian cities, these smaller scale service operations may be viewed as an extension of the traditional population of informal service workers (itself a contested term), service activities which occupy the urban interstices between the more formal corporate business and retail structures. These can be seen as persistent features of the central city, not only among the megacities of Southeast Asia, such as Bangkok and Jakarta, but also within the downtown spaces of modern world cities such as Tokyo. They are not simply residual activities, but essential, if often undervalued, operations that support the more formal service economy in 100 different ways within the metropolitan core, including the provision of food and beverages (Yasmeen, 1992). These small-scale, low-return service firms survive by virtue of entrepreneurship, reliability, thrift, and knowledge of where the commercial niches exist in the modern city, and they contribute to the vitality and identity of the urban place.

A final aspect of urban transformation associated with tertiarization is derived from an accumulation of the changes described earlier—economic, social, cultural, physical, and spatial—and is commonly articulated as a metamorphosis of the city's character, as perceived by citizens (constructed as 'identity') or as reconstructed by government and corporate entities and external agencies ('image'). The perceived image of a city can be substantially altered by comprehensive processes of tertiarization, as seen in the repositioning of Singapore and Hong Kong as post-industrial, specialized service centres, although usage of decidedly obsolete nomenclature such as 'newly industrializing economies' is surprisingly persistent, as are outdated tropes like 'little dragons' or 'little tigers' (Cartier, 1999).¹² In some cases national governments have supported specialized service industry projects as quite deliberate instruments of urban re-imaging, as seen in the creation of international banking and producer services in the Pudong development in Shanghai, and in the construction of the Petronas Towers in the central area of Kuala Lumpur. These initiatives are designed in part to underscore a commitment to modernity, and by extension to symbolize national economic progress and aspirations to global status and engagement, but also to supplant traditional (or, more pejoratively, 'backward') industries and related social groups. These more grandiose visions can be contested, especially where the elite beneficiaries of advanced service industry growth (for example professionals and managers in financial and business services, as well as cronies of rulers and oligarchs) represent a particularly visible and privileged expression of dichotomous 'development' as set against the condition of the urban masses in places like Jakarta and Manila.

The issue of urban *identity* may also be deeply problematic, as the rapid growth of services elites within Asian-Pacific cities can presage decisive shifts in power relations (political as well as economic) within the urban community. In some cases the ascendancy of upper-tier service workers represents a new socio-economic and socio-political hegemony, implying a coincident subordination of traditional industrial-sector cohorts, as well as an exacerbation of income disparities. As in other aspects of urban tertiarization within the Asia-Pacific, contrasts in scale and stages of development are significant, as are tendencies toward exceptionalism when case studies are subjected to closer analysis. Thus, Baum concluded that the sustained growth of specialized service industries, advanced-technology activities and related occupations in Singapore, coupled with comprehensive public housing programmes and education investments, has resulted in a predominantly *professionalized* (as opposed to polarized) occupational and social structure within the city-state (Baum, 1999). In Hong Kong, where specialized services have also driven urban growth and socio-economic change (Kwok, 1996), the post-colonial record since 1997 includes growing poverty (about 600 000 residents earn less than \$600 per month), attributable in some part to the inadequacies of the secondary school system, a situation which one legislator fears may lead to 'serious social instability' (Lee Cheuk-yan, quoted in

¹² Cartier acknowledges the popular (as well as academic) usage of tropes such as 'tigers', 'dragons', 'growth triangles' and 'growth circles' in describing territorial features of development, but cautions that such usages can be problematic, in that they 'misconstrue the regional' and 'camouflage the local'. She proposes a more nuanced probing of the dialectics of globalization, and an associated recasting of transterritorial regions in more authentic ways (Cartier, 1999).

[Far Eastern Economic Review: 26 October 2000](#)). At a larger scale, a combination of market liberalization and selective tertiarization in certain Chinese cities, with attendant political and bureaucratic corruption, has generated income polarization rates approaching or even exceeding the American level. This striving for new urban identities in the Chinese case, with its repressed tensions and conflicts, can be seen in the Shanghai government's preference for 'high class' individuals (well-educated, with the right attitudes, outlooks and professional profiles) for the glittering new towers of the Pudong project ([Halliday, 1995](#)), a far cry indeed from the earlier Communist exaltation of the urban industrial worker and fraternal colleagues in the PLA and in rural peasant communes.

We can also discern highly localized intersections of globalization and tertiarization in the reconstruction of identity at the district level. The proliferation of transnational retail and food services within commercial complexes is of course a ubiquitous phenomenon, as observed in places like Shinkjuku and Shibuya stations (and commercial subcentres) in Tokyo. In Hong Kong, the incursion of service industry commuters in the New Territories has transformed the social identity of certain of the post-war industrial communities, as seen in the transformation of Tsuen Wan from 'Hakka enclave' to 'post-industrial city' ([Johnson, n.d.](#)). In the case of Singapore, the last decade has seen the demise of the *Kampung* Kopi-tiam (informal eating places, serving authentic local fare) as a result of relentless modernization ([Chua, 1995](#)), and the almost total disappearance of traditional rural life, while other local retail and shopping districts have been subject to the reformation of identity associated with the tastes and behavioural preferences of affluent expatriate populations. Chang deploys the term 'expatriatization' to describe a "spatial transformation in which land use increasingly reflects an expatriate bias", as typified in Holland Village, a local commercial centre within an affluent residential district of Singapore, but one which "reflects the influence and influx of global cultures" ([Chang, 1995:157](#)).

In the most highly tertiarized cities within the Asia-Pacific, exemplified by San Francisco, Seattle, Vancouver, Sydney and Singapore, a distinctive urban profile associated with dominant service industries and occupations within the financial and producer services now incorporates a more recent overlay of technology specialists, notably internet providers, software developers, and the so-called 'dot.com' firms. Many of these firms have been concentrated within "new service production landscapes" within or proximate to the central area, exemplified by 'Silicon Alley' and Telok Ayer in Singapore, Yaletown in Vancouver, Belltown in Seattle, and the northeast Mission and South Park districts of San Francisco ([Hutton, 2000](#)). These technology-based service firms (which also include graphic designers, who exemplify the production synergies of technology and culture in applied design) typically exhibit employment structures dominated by young entrepreneurs and 'techies', with distinctive skills and lifestyles, underscoring both the new social divisions of labour in the urban service sector, and the highly volatile nature of urban identity in the post-modern, globalized metropolitan order. Over the last 2 years, the number of these technology-intensive firms within inner city production districts has contracted significantly, as part of the crash of the dot.coms. However, new survey research

has disclosed the emergence of ‘hybridized’ firms combining creativity and technology toward the production of high-value goods and services, signifying a new phase of development within the metropolitan core of advanced societies (Hutton, 2003). These trends therefore demonstrate both the volatile nature of recent phases of service industry development, as evidenced by the accelerated processes of transition and succession, as well as the distinctive role of the inner city as site of innovation.

CHAPTER 4

Stages of urban service industry development within the Asia-Pacific

The preceding narrative described important distinctions in the broader tertiarization experiences as observed within the old Atlantic core and the new core of the Pacific realm. At the same time, there are also quite profound differences in stages or levels of service industry development among (and within) Asia-Pacific nations, just as there are important contrasts in levels and rates of industrialization.

The construction of typologies of urban tertiarization among Asia-Pacific city-regions is hampered by data constraints and conceptual problems, and more recently by the short-term impacts of the crisis of currencies and financial markets of 1997 and afterwards. Although this crisis was seen to depress prospects for the Asia-Pacific generally, the impacts have been spatially quite uneven, and as the fiscal-economic malaise spread within the regions of the Asia-Pacific, and within social and political domains, it is by no means beyond the realm of possibility that the medium- to long-term outlook for certain urban centres has been seriously compromised. Thus, to the overall perception of dynamism among the urban service sectors and industries of the Pacific region, we must add considerable uncertainty.

There is also a clear need at the outset to acknowledge the increasing complexity of overall urban development patterns, within which (we are arguing in this paper) service industries are increasingly playing larger roles. To illustrate, Terry McGee, in a retrospective paper on his concept of 'The Southeast Asian City' published in 1967 following years of extensive fieldwork, observed that "while urbanization levels will continue to rise there will be much differentiation between countries which will make the construction of any one model of the Southeast Asian city impossible" (McGee, 2000:10). In this interpretation, models (or typologies) cannot reasonably function as templates of "supposedly universalizing tendencies" (McGee, 2000:10), but rather should reflect the importance of specificity and exceptionalism in urban development experiences.

It may at least, however, be possible to structure a basic and highly simplified typology of tertiarization stages among representative classes of Asia-Pacific city-regions, as a means of gaining insights into the range of urban tertiarization trajectories, the nature of specialization in services among city-regions, and the association between service development and urban hierarchy in the region. Here, a typology of urban service centres within the region, while inevitably masking considerable nuance, may at least serve to depict some basic features of functional differentiation. While tertiarization stages and levels vary widely among Asia-Pacific city-regions, service industries are certainly performing significant roles in urban growth and development across a range of city types and urban scales.

4.1. A typology of Asia-Pacific urban service centres: hierarchy and specialization

There is by no means a strict correlation between urban rank-order and level of service industry specialization within the Asia-Pacific region. To illustrate, there are medium-size cities with considerable global reach in terms of corporate power and important

specializations in strategic service industries, such as finance and information technology (notably Singapore and Seattle), while a number of mega-urban regions (for example Jakarta and Manila; see [McGee and Robinson \(1995\)](#)) contain limited advanced services capacity relative to their overall urban scale. Therefore, a typology of cities engaged in specialized services production and trade should incorporate ‘suites’ of services specialization and developmental progression, as well as attributes of scale and hierarchy. Accordingly, [Table 4](#) positions 50 Asia-Pacific cities and settlements within seven principal categories of specialized tertiary activities, distributed spatially within urban clusters, corridors, or ‘outposts’ within the western and eastern littorals of the Pacific Basin (depicted cartographically in [Fig. 2](#)).

At the peak of the Pacific urban hierarchy we find Tokyo and Los Angeles, the dominant corporate control centres within this extensive economic and trading zone. These massive city-regions contain to be sure huge concentrations of manufacturing, and, indeed, exhibit greater industrial strength than many of the first order global cities of the Atlantic realm, such as London, Paris, and New York. Both Tokyo and Los Angeles have important, global scale advanced-technology industrial sectors, situated within their metropolitan and immediately proximate territories, including Orange County (in the case of Los Angeles) ([Scott, 1988](#)), and the new production spaces of the Tokyo Metropolitan Region (TMR) ([Fujita and Hill, 1996](#)). However, while both Tokyo and Los Angeles retain an impressive base of modern manufacturing capacity, their most insistent claim to global

Table 4
A typology of Asia-Pacific urban service centres

I (Services classification and hierarchy)	II (Representative cities)
First-order global cities: primate Asia-Pacific financial and corporate centres	Tokyo, Los Angeles
Second-order global cities: major Asia-Pacific financial and business centres	Hong Kong, Singapore, Seoul, Osaka, San Francisco, Sydney
Second/third-order global cities: important Asia-Pacific business and industrial centres	Nagoya, Kobe, Taipei ^a Shanghai, Beijing, Guangzhou, Bangkok, Kuala Lumpur ^b
Third/fourth-order global cities: advanced, highly tertiarized medium-size cities	Seattle, Melbourne, Yokohama ^c Vancouver, Portland, San Diego, Honolulu, Kyoto, Fukuoka, Brisbane, Adelaide, Auckland ^d
South-east Asian mega-urban regions: services and developmental dualism	Jakarta, Manila, Ho Chi Minh City
Important Asia-Pacific port/industrial cities	Pusan, Kaohsiung, Dalian, Vladivostok, Kitakyushyu, Tsingtao, Surabaya, Haiphong, Oakland, Long Beach, Tacoma
Specialized Asia-Pacific travel/tourism centres	Sapporo, Macao, Gold Coast, Denpasar, Santa Barbara, Kona, Victoria, Whistler

^a ‘Advanced’ business-industrial city-regions.

^b ‘Transitional’ business-industrial city-regions.

^c Highly tertiarized, medium-size cities with substantial manufacturing sectors.

^d Highly tertiarized, medium-size cities with limited industrial production sectors.

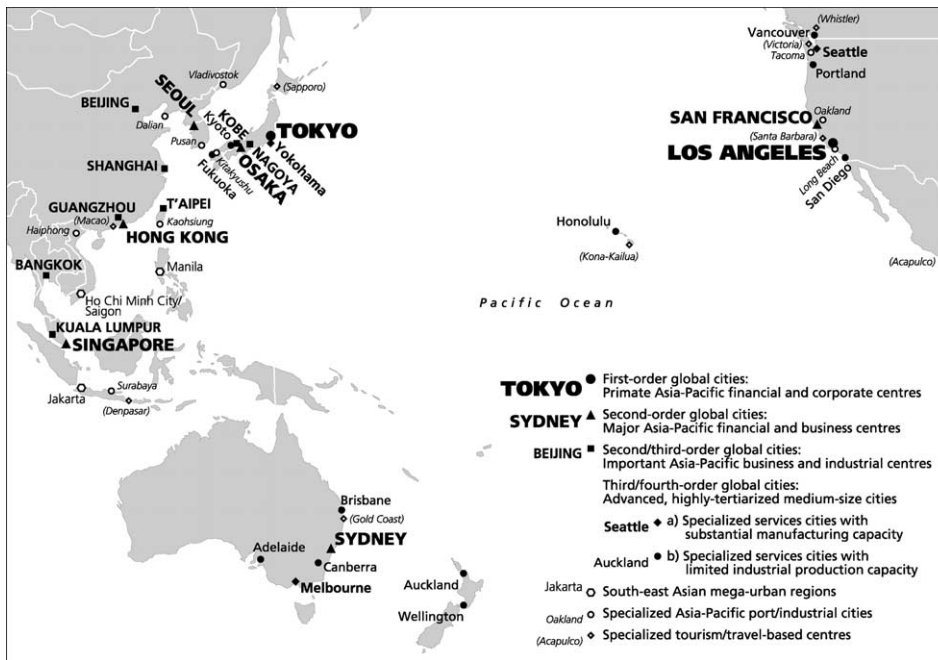


Fig. 2. Asia-Pacific urban service centres: hierarchy and specialization.

city status rests on their downtown complexes of international banking and finance, and headquarters of MNCs, supported by highly specialized producer services and superior international communications systems and transportation networks. Los Angeles and Tokyo are also global centres of cultural production and dissemination, media concentration, and applied design and creative industries. They contain major universities of high international standing, including UCLA and USC (Los Angeles), and Tokyo University and Waseda within the Japanese capital. Of these two Pacific regional first-tier global cities, Tokyo has conventionally been ranked as the leading centre, in view of its base of multinational head offices, and more particularly, its concentration of major banks, securities firms and trading companies, but this status may need to be reconsidered in light of the fall-out from the 1997 crisis (and, indeed, the failure to effectively address structural and institutional problems in the national banking and financial sector over the last decade). Tokyo has considerable underlying industrial and overall economic power, but there is certainly the prospect of serious erosion in its financial sector over the medium-term at least, which may jeopardize its position within the triumvirate of highest-order world centres (which also includes London and New York).¹³

¹³ Doel and Beaverstock (1999) observe that despite the claims and assumptions of fully globalized capital markets, the Asian financial crisis has had relatively little negative impact on London and New York banks and financial corporations. Indeed, many of the European and North American investment banks, for example, have (at least quietly) rejoiced in the misfortunes of the Japanese banks in particular, as the Asian financial crisis has (at least for the moment) 'seen off' their Japanese competitors.

Category 2 within our provisional typology includes six second-tier global cities: Hong Kong, Singapore, Seoul, Osaka, San Francisco, and Sydney. Despite significant contrasts in urban scale (to illustrate, there is Seoul with a population of over 13 million; and Singapore at 4 million), each represents a major Asia-Pacific financial, corporate and business centre. They are all characterized by (1) very large CBD corporate complexes of head offices, multinationals, international banking and financial activity and producer services; (2) strategic gateway functions and major international airports; (3) major universities and knowledge-based institutions; (4) large concentrations of executives, professionals, managers, entrepreneurs and other higher-order service occupations within the metropolitan labour force, and (5) a powerful international corporate 'reach', competing in some sectors or areas with other second- (and even some first-) tier global cities. In each of these six Asia-Pacific financial and business centres, we also observe new precincts of specialized services within the inner city, including design and creative services, multimedia and post-production firms, internet providers and dot.com firms, reflecting the 'advanced tertiarization' stage of urban spatial development depicted in Table 3(b).

This typology serves to highlight very broad variations in tertiarization levels among selected city-regions within APEC, but even a cursory examination of individual cases discloses considerable variation in the trajectory of restructuring and service industry development within each category. For example, both Singapore and Hong Kong specialize in advanced service industries, including finance and banking, producer and other high order services, tourism and convention activities, and higher education. Each is now a major exporter of services; Hong Kong is ranked as the 10th leading exporter of services globally (Hang Seng Bank, 1996). Manufacturing has declined from 29.5% of Hong Kong's employment in 1989, to only 12.2% in 1998, a level comparable to that of the most highly tertiarized Atlantic core societies (Asian Development Bank, 2002). Upper-tier service industry professionals, managers and entrepreneurs constitute the dominant social class in Hong Kong (Kwok, 1999). However, Hong Kong's emergence as a centre of specialized service production and trade has been impelled principally by an exceedingly liberal regulatory regime, while Singapore's restructuring trajectory has been enhanced by a more direct application of policy measures. Following a brief but sharp recession in 1985, the Singapore government resolved to transform the city-state from a branch-plant industrial enclave to a regional (and world) centre of tertiary production and trade, with the aim of becoming the 'Switzerland of Asia' by 2000. This overarching economic development and transformation goal has been to a large extent realized, and Singapore now represents a policy experience that other nations (notably China) are endeavouring to emulate.

Although Hong Kong's classically *laissez-faire* approach contrasts sharply with Singapore's explicitly *dirigiste* development strategy, selective public policy initiatives have facilitated Hong Kong's economic restructuring. As observed by Taylor and Kwok (1989), Hong Kong experienced an accelerated transformation process over three decades, from an 'industrial metropolis' (export manufacturing phase) in the 1960s, to a 'post-industrial' status (information service phase) over the 1970s, and emerging as an 'international metropolis' by the 1980s. A sequence of policy and (especially) physical planning measures were deployed to promote economic transition and transformation,

including the industrial new town programme of the 1960s, the expansion of the Hong Kong CBD eastward toward Wanchai and Causeway Bay in the 1980s, and the recent investments in transportation infrastructure, as in the linking of Hong Kong with Guangzhou by expressway, and the construction of the international airport at Chek Lap Kok. There have also been substantial new public investments in tertiary education, training and housing, underscoring a substantial government commitment to upgrading the quality of Hong Kong's human resources and social capital. These investments and land use policy initiatives suggest that contrasts between Singapore's and Hong Kong's approaches to economic transformation which insist on sharply dichotomous contrasts may be somewhat overstated, although the extent (and sustained commitment) of direct policy intervention in the Singapore case is in many respects singular.¹⁴

Our third category includes second- and third-tier global cities, which feature large and generally fast-growing service sectors, established on a base of world-scale manufacturing and industrial production capacity in each case. We can identify two sub-categories (Table 4) within this aggregation: first, three 'advanced' business and industrial centres (Nagoya, Kobe and Taipei) situated within leading east Asian economies; and secondly, a set of 'transitional' urban centres which still possess some features of early phase industrialization and a relatively large informal sector, including 'floating' or transient labour contingents (Beijing, Shanghai, Guangzhou, Bangkok, and Kuala Lumpur). However, each of these large cities exhibits relatively high growth in producer services, including engineering and business services. Other defining attributes of these centres are (1) important international gateway roles, (2) major public and private sector investments in higher-order services infrastructure, and (3) ambitious local/metropolitan strategies for new, specialized service industry roles and 'vocations', supported in most cases by national government policies and projects.

The Japanese experience of tertiarization provides particularly instructive case studies, in light of the priority accorded industrial development up to the 1980s, the lead role of the central government and its constituent ministries over the last decade in assigning new development roles incorporating specialized service and technology-based industries for the major cities, and the outcomes of these initiatives among different Japanese cities (Edgington, 1989). In general, the central government has been concerned both with the need to maintain a leading edge position in industrial production within the Asia-Pacific, while preparing the large cities for more advanced roles in specialized services industries, both for the domestic economy, and for trade purposes. Much of the research on economic restructuring in Japan has emphasized 'hard services,' notably technology, and its role in transforming both industrial production modes and urban economic structures (Glasmeier, 1988), while another major body of scholarship deals with the transformation of Tokyo,

¹⁴ While Hong Kong has initiated over the past 15 years numerous specific projects and programmes to support the expansion of service industries, Singapore has enunciated policies and programmes to promote strategic services (e.g. banking and finance, producer services, and IT) within more formal policy statements and structures, consistent with the city-state's distinctive policy culture and administrative styles. The recent expansion of design and technology-based services in heritage districts outside the CBD represented one of the few 'spontaneous' (or unplanned) economic phenomena in the city-state's recent history (interview with Urban Redevelopment Authority official, July 2000), although there is now policy support for cultural industries administered by the Tourism Development Board.

Japan's first-order 'world city' (Masai, 1989). Important themes concerned with Tokyo's transformation include tensions and conflicts between the capital's international roles and local functions (Fujita, 1992), and the problems of accommodating (or, prospectively, relocating) central government functions from Tokyo's metropolitan core (Isomura, 1990). However, there has also been some important work focusing on the restructuring (and, more specifically, tertiarization) of other principal Japanese city-regions. These experiences include the economic restructuring of Tokyo (Machimura, 1992), the expansion of advanced services such as finance, information services, and education in the major industrial city of Nagoya over the last two decades (Hayashi, 1992), and the new emphasis on advanced knowledge-based service industries for the transition of Yokohama from gateway port (and 'shadow city' for Tokyo), to a more independent role as international business centre (Edgington, 1991).

The experience of metropolitan transformation among the largest Chinese city-regions over the past several decades represents a striking example of the influence of policy priorities within a command economy, and the potential for accelerated tertiarization following an adjustment of central government policy direction. Following the industrialization policies and programmes of the period over the 1950s, 1960s, and 1970s (including the ruinous 'Great Leap Forward'), Chinese cities "were endowed with a massive and diffuse manufacturing capacity, and provided with few incentives (until the last decade) to develop the services sector" (Hamer, 1995: 11). The economic policy reforms of 1978 (and more specifically) the mid-1980s embodied a recognition that modernization would require the more efficient deployment of cities and their resources, and thus heavy manufacturing was increasingly decentralized to outlying areas, and services (especially financial and producer services) were encouraged, both by economic planners in Beijing, and by local authorities. In order to achieve growth in advanced production and transition to a more knowledge-based economy, Hamer estimates that "up to 40% of the local labour force will have to be employed in the producer services sector" (Hamer, 1995: 11), a proportion that seems high even by the standard of more advanced OECD cities, but is perhaps nonetheless indicative of municipal aspirations. Lin also underscores the crucial role of cities in the modernization of the Chinese economy as represented by their concentrations of advanced service industries and occupations which enable higher levels of creativity, efficiency, and internationalization (Lin, 1998:111–112).

Recent trends in Beijing, Shanghai, and Guangzhou serve both to generally underline the growing importance of service industries within the development trajectories of major Chinese cities, while at the same time demonstrating the exceptionalism of specific cases. In Beijing, an acknowledgement of the inappropriateness of the Soviet-style heavy industrialization of the ancient capital, with its attendant environmental and displacement impacts, sets the stage for a new development strategy reasserting political, administrative and cultural roles. The goal of the 1991–2010 Master Plan (approved October 1993) is to develop the "historic city into a modern, economically prosperous and socially secure international metropolis of first class world standard in services, infrastructure and environmental quality" (Mao and Jin, 1996: 7), representing an abrupt departure from the industrial city model of the 1960s and 1970s.

As the contemporary Beijing Master Plan invokes the re-establishment of the capital's traditional administrative and cultural roles, Shanghai's current transformation recalls

financial and trading functions de-emphasized following the ascendancy of the communists to power. Immediately prior to the ascension of the Chinese Communist Party in 1949, Shanghai's financial sector included 14 foreign banks, 128 private and government banks, 13 trust companies, and 79 currency exchangers: "with such a large number of financial institutions, representing a high degree of concentration of capital, Shanghai was in a position to control the economy of the entire nation" (Fung *et al.*, 1992: 129). A succession of Five-Year Plans emphasized the primacy of manufacturing for Shanghai's industrial transformation, with a particular emphasis on heavy industry and the production of capital goods. By the completion of the First Five-Year Plan (in 1957), Shanghai had experienced a transition from an outward-looking financial centre to the leading industrial centre of an almost autarkic Chinese state.

The economic policy reforms of the late 1970s and mid-1980s presaged the onset of yet another fundamental change in economic priorities for Shanghai, and, more specifically, for the reconstitution of Shanghai's financial, trading and business service functions. To a considerable extent, this massive effort in economic restructuring is intended to offer China a strategic access to the global economy (Yeh, 1996), but (at least at a subtextual level) the question of achieving a competitive position vis-à-vis Hong Kong in financial and trade services must be acknowledged. In this respect, Shanghai has certainly attracted an impressive quantity of investment in banking and commercial (and supporting public) infrastructure, as well as a growing number of MNCs and MNEs, but has not yet achieved the high concentrations of domestic and expatriate professional expertise in specialized services that is a defining hallmark of highest-order global cities. (Indeed, as Kris Olds has observed, Shanghai's globalization strategy has been highly dependent on the engagement of the 'Global Intelligence Corps' of elite professionals; Olds, 1997). Here, Hong Kong is likely to hold a competitive advantage over other Chinese cities over the short to medium-term by virtue of the territorialization (Storper, 1997) of this expertise and specialized human capital. The two fundamental shifts in Shanghai's development trajectory over the past several decades can be interpreted empirically. In 1952, the 'tertiary sector' (i.e. commerce, finance, communications, science and technology, education and culture) constituted 42.3% of Shanghai's regional GDP. Following 20 years of investment in manufacturing capacity and employment, this proportion was reduced to only 17.3% by 1972. The intensive promotion of advanced service industries during the 1980s resulted in an increase in the tertiary sector's share of GDP to 30% by 1990, while Shanghai's economic development strategy called for an increase in this proportion to about 60% by 2000 (Fung *et al.*, 1992), led by the advanced services complex in the Pudong redevelopment mega-project. (Shanghai's service sector grew by 12% in 1992, and by 15% in 1993; Chreod Ltd, 1996) Overall, Shanghai's experience of accelerated industrialization and subsequent re-tertiarization must represent one of the most dramatic episodes of economic restructuring among large metropolitan cities in the post-war period.

Guangzhou is, of course, smaller than Beijing or Shanghai, but it performs strategic gateway roles for Guangdong province and Southern China as a whole, and has undergone significant processes of restructuring and tertiarization (Xu and Yan, 1996). As in other large Chinese cities, economic policy priorities following 1949 entailed the transformation of Guangzhou from a 'consumer city' to a 'producer city'. This strategy of large-scale industrialization was perhaps less fully realized than in the case of Shanghai, because of

the persistence of entrepreneurial traditions in the province, and Guangzhou's distance from the national capital, which enabled at least a degree of autonomy. Building on its well-established gateway and entrepôt functions, Guangzhou was strategically positioned to immediately benefit from the opening up of Chinese coastal cities. In the period 1978–1992, growth in services exceeded that for agriculture or manufacturing, with lead tertiary sector industry groups including finance and corporate support services (Nanjiang, 1996). Guangzhou is the urban centre for the Pearl River Delta economic region, which represents (with the lower Yangtze region and southern Fujian) major growth regions and access points for China to the broader Asia-Pacific and global markets (Johnson, 1996). The issue of whether Guangzhou can extend its regional role more fully into the national realm remains an open question (Tsang, 1995), as are the 'terms of co-existence' with Hong Kong following the latter's post-colonial status as a Special Administrative Region of the PRC as of July 1997. There is to be sure potential for complementarity as well as competition as characteristics of the relationship between Guangzhou and Hong Kong within the Pearl Delta extended urban cluster, a theme to be addressed in more detail below, but over time Guangzhou will aspire to greater shares of the region's international financial and business activity.

The fourth aggregation of city-regions depicted in Table 4 comprises metropolitan areas characterized by the advanced tertiarization of the urban economy and labour force. This fourth category of Asia-Pacific cities includes two sub-groups: first, advanced, highly tertiarized cities with substantial manufacturing capacity and associated labour cohorts, and propulsive corporations, notably Seattle, Melbourne, and Yokohama; and a larger contingent of specialized services cities with relatively modest industrial production sectors, including Vancouver, Portland, Fukuoka, and Brisbane. In many respects these jurisdictions embody features of service industry development observed within the mature urban and regional economies of the old Atlantic core, which typically include (a) a dominant status for services within the metropolitan industrial mix, export base, and occupational structure; (b) the formation of corporate complexes within the CBD; (c) the emergence of new, creative services (culture, applied design, multimedia) on the CBD fringe and inner city; (d) the influence of suburban business centres and 'edge cities' in regional multinucleation; (e) intersections between services growth and changes in urban housing markets; and (f) the increasing role of services in the reformation of urban identity, politics, and lifestyles (Ley and Hutton, 1991). At the same time, many of the city-regions within Pacific America and Australasia also exhibit tendencies common to other Asia-Pacific metropolitan areas, such as (relative) economic dynamism and higher growth rates in services, and are also linked to Asia-Pacific cities, markets and societies by increasingly diverse networks of trade, investment, immigration and travel. As a crucial intersection of two principal processes of urban development, large-scale immigration, especially from Asian societies, has in important respects augmented urban tertiarization processes, reinforcing entrepreneurial, professional and management occupations, and contributing to export services trade by enhancing the connectivity between trading centres. We can therefore position these cities as geographically peripheral, but functionally integral, nodes of the Asia-Pacific urban system and as important examples of a distinctive stage of urban tertiarization within the Pacific realm.

The fifth category within our provisional typology of Asia-Pacific cities engaged in services production includes several Southeast Asian ‘mega-urban’ regions, Jakarta, Manila, and (more tentatively) Ho Chi Minh City. The emergence of relatively small service sector occupational elites within mega-urban city-regions such as Jakarta, and Manila must be set against a vastly larger informal sector of hawkers, vendors, and peddlers, which McGee described as the urban ‘proto-proletariat’ (McGee, 1976). Even in second-tier cities, such as Bandung, economic restructuring incorporating both industrial development and tertiarization has promoted a deeply polarized social structure (Pribadi and Sofha, 1993). The imposition of advanced, high order services within the central and inner-city areas of Southeast Asian mega-cities has produced a distinctive juxtaposition of socio-economic classes, typified in part by the persistence of shanty towns, squatter settlements and informal sector activities proximate to high-rise office towers, high-end shops and boutiques, and other accoutrements of the later 20th-century corporate complex (Leaf, 1993). As Leaf observes, the explanation for this notionally incongruous pattern of traditional social morphology and modern capitalist development features “lies in the segmentation of urban land markets... Which is now most commonly expressed in terms of formal and informal sectors... derived from early patterns of land use not governed by market principles” (Leaf, 1996: 5). In the case of Jakarta, in which about three quarters of the population live in informal settlements (*Kampung*), social class differentiation is expressed “not so much by zone or neighbourhood, such as what one would expect in the capitalist city, but at a more minute scale, between streetside and inner block locations within the same neighbourhood” (Leaf, 1996: 5) underscoring the complex (and often deeply problematic) impact of economic restructuring on urban social structure within developing societies. The continuing economic crisis within Southeast Asian economies has no doubt impacted the poor disproportionately, but has also damaged the small service elite of professionals, financial and business services workers within the region’s primate cities. In addition to the direct effects of this crisis on the employment and incomes of the service elite themselves, it seems likely that wider ramifications may include the diminution of the advanced services production capacity of these developing economies, as well as an erosion of the (already small) middle and upper-middle classes within their respective societies.¹⁵

Ho Chi Minh City (formerly Saigon) also exhibits a highly dualistic socio-economic structure, but differs from Manila and Jakarta in some important respects. More particularly, the introduction of the ‘doi moi’ (renovation) economic policy has forcefully inserted a

¹⁵ Before the ‘crash’ of 1997 there was a generally growing constituency favouring economic, social, cultural and even political association among the nations of the Pacific Basin, derived in part from a shared vision of mutual economic interests and visions of progress, as well as a preference among some observers to view the ‘modernist project’ in Pacific Asia through the Western critical tradition (Preston, 1998). In the short term at least the fiscal and economic crisis of the past 5 years in Asia has diminished the enthusiasm of some in the Americas and Australasia to be associated with the wider concept of the ‘Asia-Pacific’. There are also signs of a more ‘inward’ (i.e. intra-Asian, as opposed to transPacific) sensibility on the part of (for example) Japanese corporations and the Chinese, Japanese and Malaysian governments, although the motivations for these attitudinal changes vary. Former Japanese vice-minister of finance Eisuke Sakakibara, for example, suggests that the membership of the US within APEC precludes the latter from being a ‘true regional organization,’ while vice-minister Ito observes that “[t]he task for Asian countries is to ensure that regionalism in Asian really complement global trading and financial systems, like other regional arrangements in North America and Europe” (quoted in T. Armstrong, ‘Asia is going it alone’, *The Globe and Mail*, Monday 12 February 2001: All).

market presence within an established socialist political and social order, with polarizing outcomes for Ho Chi Minh City's labour force and society. Advanced services are emerging as defining elements of the new Ho Chi Minh City as depicted in an approved mural extolling "300 years Saigon and Ho Chi Minh City: industrialization and modernization", the modernist imagery underscored by a dominant motif of point towers (Drummond, 2001). In this regard Ho Chi Minh City is something of a 'frontier city', characterized by significant autonomy from Hanoi, a situation somewhat analogous to that of Guangzhou in southern China, which operates as a bastion of market enterprise in contrast to the more formal cultural and political style of Beijing. At the same time, Hanoi too is endeavouring to expand its engagement with the global economy in its development strategy, while maintaining a measure of local policy protection for long-established informal services, implying a bipartite planning approach to service industries (Leaf, 1999).

The final two categories depicted in the typology of Asia-Pacific urban service centres comprise more narrowly specialized cities and settlements. Category 6 includes important port cities with (in most cases) substantial industrial sectors, and some service industries ancillary to port functions, but otherwise relatively underdeveloped advanced tertiary sectors. This set of port/industrial cities includes, to illustrate, Pusan, Kaohsiung, Kitakyushu, Oakland, and Tacoma. A number of these cities are aggressively pursuing industrial diversification strategies in order to escape dependence on older (in some cases distinctly obsolescent) manufacturing activity; these include Kitakyushu, Pusan, and Kaohsiung. Each of these cities is actively promoting new service industries which are seen as more progressive development modes or vocations for the 21st century, and at least two, Pusan and Kitakyushu, are joint signatories to official co-operation agreements.

The seventh category includes generally smaller cities and settlements specializing in travel and tourism. These include tropical centres, such as Denpasar and Kona, as well as the major skiing and winter sports centres of Sapporo and Whistler, the latter now the largest ski resort in North America. These centres may also be candidates for major international events: Sapporo has hosted a Winter Olympics, while Whistler is an integral part of Vancouver's bid for the 2010 Winter Olympic games.

4.2. The emergence of specialized urban service corridors

As we have seen advanced services exhibit strongly polarized spatial patterns within the Asia-Pacific, reflecting the power of urban and agglomeration economies, and the locational centrality of higher-order services in metropolitan areas. At the same time, we can envisage the emergence of spatially extended territories of specialized services production and exchange at the broader regional level, configured as multi-centred urban corridors. These corridors (or clusters) comprise in most cases regions with a dominant first- or second-order global city and a chain of interdependent, and generally smaller, but nonetheless important urban centres.¹⁶ The conceptual bases for the emergence of these

¹⁶ There is of course some ambiguity in this terminology, but in general corridors encompass essentially linear arrangements of cities, as exemplified in the Pacific North West Corridor (Vancouver–Seattle–Portland), while clusters can describe patterns of functionally linked (but dispersed or non-linear in form) cities within extended regional settings (for example the California Bay Area, which includes San Jose, the Silicon Valley, Oakland and Berkeley, as well as San Francisco).

specialized functional territories can be traced to Gottmann's seminal idea of megalopolis (Gottmann, 1961), Whebell's theory of corridors as urban spatial systems (Whebell, 1969), and McGee's notion of extended metropolitan regions (McGee, 1991). They perform strategic service functions (including finance, corporate control, administration, information and communications, cultural and gateway roles), are linked both to regional production systems and to global networks of services trade, and exhibit aspects of complementarity as well as competition.

Fig. 3 shows the location of 10 major urban service corridors or clusters within the Asia-Pacific sphere: five in East Asia (Central Japan–Honshu Corridor, the Lower Yangtze Corridor, the Pearl River Delta Cluster, and the Taiwanese and Korean Corridors); one in Southeast Asia (the Southern Malay Peninsula Corridor); one in Australasia (the Southeast Australian Corridor); and three on the Pacific coast of North America (the Southern California Corridor, the California–Bay Area Cluster, and the Pacific North West Corridor). Reflecting the corporate power of the Asia-Pacific's first-order global cities, the two most important extended urban services territories are the Central Japan–Honshu Corridor, which includes Tokyo, Yokohama, Osaka, Nagoya, and Kyoto; and the Southern California Corridor, incorporating Los Angeles, Anaheim, Orange County, and San Diego. These first-tier metropolitan services corridors contain truly global-scale concentrations of most of the specialized service industry suites listed in Table 1, including banking and finance, corporate control, producer services, gateway functions, advanced-technology and creative services, education and culture. However,

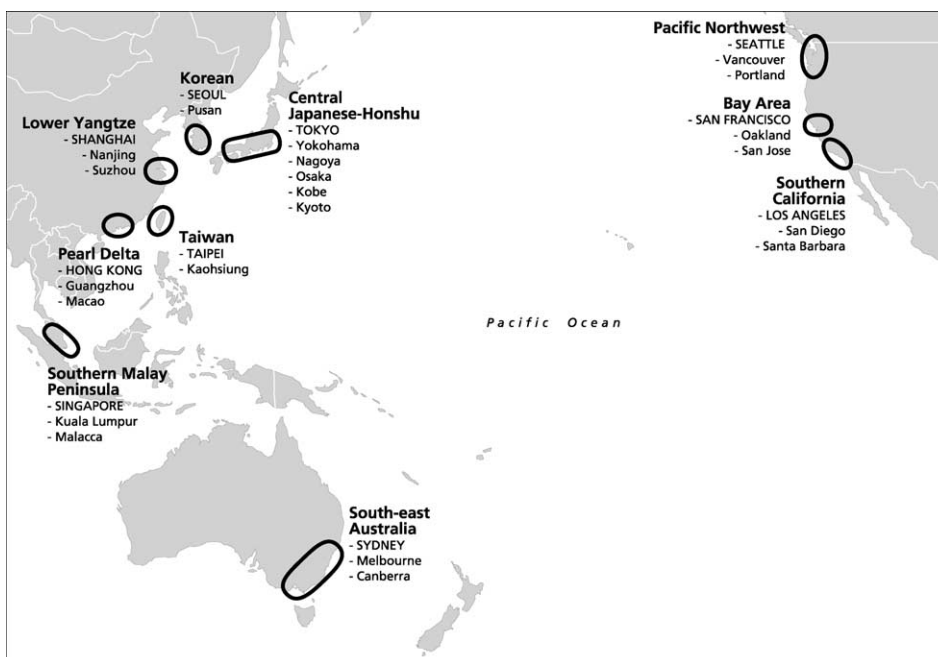


Fig. 3. Distribution of specialized urban service corridors within the Asia-Pacific.

there are certainly global- or international-scale service industry concentrations situated within other principal service corridors and clusters, as exhibited in [Table 5](#). These include, to illustrate, the California Bay Area (global-scale advanced-technology and creative services, higher education, tourism), the Korean Corridor (banking and finance, corporate control, gateway roles), the Pearl Delta (banking and finance, corporate control, gateway roles), and the Southern Malay Peninsula (banking and finance, gateway roles, advanced-technology services, education).

Within the more compact urban service clusters, the expansion of specialized services territories acknowledges the need to accommodate back-office functions and local services in smaller regional centres, and to situate new airports and port facilities, university sites, and research and development facilities in peripheral or exurban areas outside the dominant metropolis, with the Pearl Delta Cluster as an example. Culture, amenity and lifestyle may constitute supporting elements of intra-regional services development in some cases, notably in the transboundary Pacific North West corridor. Advanced services have been crucial to the post-staples development of the Pacific North West; at the same time, the amenity provided by wilderness areas is widely seen as a positive inducement to the specialized services and advanced-technology industries which increasingly define the economic base of this region, and is also embedded in social values and lifestyles.

Within certain of the larger territories, notably the Central Japan–Honshu Corridor, the recent development of metropolitan service centres reflects the changing division of production labour at regional and even national levels, presenting possibilities of reciprocal specialization in services within hierarchical and otherwise competitive urban systems. At the same time, there are to be sure examples of the ‘uneasy co-existence’ of national primate and second- and third-order cities within extended clusters, derived from hegemonic inter-city relations; the examples of Seoul and Pusan, and Tokyo and Osaka, come to mind. The dynamics of regional competition and complementarity can further be illustrated by reference to the Pacific North West Corridor, which includes the three major ports of Vancouver, Seattle, and Tacoma. There is to be sure considerable competition among the three ports (which is likely to increase as major shipping lines continue to rationalize their trans-Pacific rotations), but we can also observe aspects of specialization and complementarity: Seattle and Tacoma are major container ports, while Vancouver specializes in bulk commodity exports and cruise ship travel (The Port of Seattle has recently increased its efforts to attract cruise ship traffic, with at least a measure of success.). At a broader level, the reciprocal strengths of services specialization observed in Seattle, Vancouver and Portland enable the North West Corridor to compete in some trade sectors with the San Francisco Bay Area Cluster (for example in international gateway functions), about 1000 km to the south.

In each case the emergence of these multi-nucleated, interdependent services production corridors may presage the reorganization of regional economic space to enable economies of scale, scope, and specialization, in response to the pressures (and opportunities) of globalization. Within certain of these corridors, for example the Yangtze Delta Cluster, and the Southern Malay Peninsula Corridor (incorporating Singapore and the Kuala Lumpur–Putrajaya–Cyberjaya technology corridor) this developmental aspiration is a matter of quite explicit political strategy (see for example the discussion in [Corey, \(2000\)](#)). In the Japanese case, the central government has attempted to promote

Table 5
Principal metropolitan service corridors within the Asia-Pacific

I (Metropolitan service corridors)	II (Defining suites of specialized services)
<i>Southern California Corridor:</i> Los Angeles–Anaheim–Orange County–San Diego	<i>Global-scale</i> banking and finance, corporate control, producer services, gateway roles, tourism, advanced-technology and creative services, education and culture
<i>Central Japan–Honshu:</i> Tokyo–Yokohama–Nagoya Osaka–Kobe–Kyoto	<i>Global-scale</i> banking and finance, corporate control, producer services, gateway roles, advanced-technology services, education and culture, tourism; capital functions
<i>Bay Area–California:</i> San Francisco–Oakland San Jose–Silicon Valley	<i>Global-scale</i> advanced-technology and creative services, education and culture, tourism, gateway roles <i>International-scale</i> banking and finance, producer services, corporate control
<i>Korean Corridor:</i> Seoul–Taegu–Pusan	<i>Global-scale</i> banking and finance, corporate control, producer services, gateway functions <i>International-scale</i> advanced-technology services functions, education and culture; national capital
<i>Pearl Delta Cluster:</i> Hong Kong–Guangzhou–Macau	<i>Global-scale</i> banking and finance, corporate control, producer services, gateway functions, tourism <i>International-scale</i> education, advanced-technology services
<i>Southern Malay Peninsula:</i> Singapore–Malacca–Kuala Lumpur–Putrajaya–Cyberjaya	<i>Global-scale</i> banking and finance, corporate control, producer services, gateway functions <i>International-scale</i> advanced-technology and creative services, education, culture; national capital
<i>Southeastern Australian Corridor:</i> Sydney–Canberra–Melbourne	<i>Global-scale</i> banking and finance, tourism, culture <i>International-scale</i> corporate control, advanced-technology services, education and culture; national/state capitals
<i>Pacific North-West Corridor:</i> Vancouver–Seattle–Portland	<i>Global-scale</i> advanced-technology services, corporate control, gateway functions, and producer services <i>International-scale</i> banking and finance, creative services, education and culture, tourism
<i>Taiwanese Corridor:</i> Taipei–T' aichung–Kaohsiung	<i>Global-scale</i> corporate control, gateway functions <i>International-scale</i> banking and finance, producer services, education; national capital
<i>Lower Yangtze Corridor:</i> Shanghai–Pudong–Wuxi	<i>Global-scale</i> gateway functions <i>International-scale</i> banking and finance, corporate control, education and culture

complementary clusters or corridors of advanced-technology industries and services within three hierarchical levels, in order to maximize efficiency gains, and minimize damaging inter-regional competition (Edgington, 1994). There is a perceived need to transcend the everyday rivalries of regional competition, in order to promote powerful

services, production and trade platforms, along the lines of mature counterparts within the old ‘Atlantic core’, such as the US northeastern ‘Megalopolis’ corridor, the Paris–Ile de France region, and the London–Oxford–Cambridge triangle. A demonstration of the mutual benefits of inter-city complementarity and co-operation in this sphere may in turn facilitate broader efforts at inter-regional and international collaboration, as encouraged by [Douglass \(2000\)](#), among others. At the moment, cities within the region tend to see themselves as entities within essentially competitive international urban systems, with an obligation to devote more policy attention and public resources to fostering competitive advantage, at the expense of planning efforts designed to enhance local welfare ([Thornley, 1999](#)).

CHAPTER 5

Policy models for urban service industries

Over the last decade or so urban policy approaches to service industry development have evolved significantly, reflecting in part a more informed appreciation of the centrality of advanced services to urban development. However, in other respects shifts in planning approach in this policy domain incorporate responses to the challenges and opportunities of globalization, and innovation in planning styles, as well as efforts to reconcile regulatory and distributive issues with important developmental aspirations. As in the fundamental processes of urban tertiarization described in preceding chapters, we observe a number of important contrasts in urban service industry policies between societies of the Pacific and Atlantic ‘cores’, notably a much stronger emphasis on growth and development aspirations among the former, as well as some commonalities. Accordingly, this chapter will entail a discussion of defining shifts in urban policy approaches to service industries, leading to a presentation of six leading models of service industry models, together with illustrative reference cases, in the following chapter.

5.1. Evolution of urban service industry policies

We can identify several principal phases of local planning and policy responses to the growth of the urban service sector over the past quarter century. Broadly, the initial period emphasized development control policies, to manage negative externalities associated with growth in speculative office development; the second phase included developmental programmes, acknowledging the increasing significance of service industries to local economies and labour markets; and the third period has seen more assertive policies which deploy advanced services as instruments of industrial restructuring, modernization, and globalization, as well as increasing policy innovation and experimentation.

First, the rapid growth of offices within central city areas over the 1970s and 1980s gave rise to a suite of regulatory local planning policies toward the urban service sector (Daniels, 1975). Planning concerns during this period included the implications of rapid office development for the over-specialization of the urban economy, for the displacement of non-office industries and housing, and for long-distance commuting within the regional commuter shed. Indeed, the journey-to-work problem, shaped by the expansion of the CBD’s office complex, and the simultaneous decentralization of the urban residential population and labour force, was broadly seen as a defining metropolitan planning issue in many city-regions (Davis and Hutton, 1981). The planning response to high levels of central city office development over the 1970s and 1980s included both increasingly stringent development control policies for the core (including downzoning, the imposition of annualized development quotas or thresholds, and fiscal measures), as well as efforts to promote new office subcentres within suburban areas.

Local planning responses to office activity and other service industries in this critical policy phase at times took on a strongly ideological tone. In Britain and in other parts of Western Europe, left-leaning councils actively discouraged service industries, which were seen as displacing traditional manufacturing industries. This essentially prejudicial local

attitude toward service industries was in part conditioned by research which subordinated the tertiary sector to secondary manufacturing within the urban or regional economy, based on measures of export performance, productivity, and sales and employment multipliers. However, to some extent stringent local planning controls on (especially office-based) services were strongly influenced by political opposition to the speculative property market, which was seen to favour office development over industry and housing, reflecting higher returns on investment (ROI) for office development relative to other land use categories. Examples of this ideologically derived planning response to urban tertiarization included the Greater London Council and most inner city boroughs during the 1970s and early 1980s.

Urban authorities continued to experiment with development control options for service industries, but by the mid-1980s a more positive (or balanced) local policy approach was in evidence among a growing number of local authorities. This more favourable local policy posture toward office activity and other service industries was influenced both by the implications of industrial decline in many large- and medium-sized cities, impelled by the collapse of traditional Fordist industry, as well as by new research which underscored the key roles played by specialized services in advanced (Daniels, 1985). More particularly, the specialized intermediate (or ‘producer’) services were identified as crucial to the operation of ‘flexible’ production systems, to high-wage urban labour formation, to industrial productivity, to the urban export base, and to local revenues. In this new situation, urban governments and planning authorities began to introduce policies for (at least selectively) encouraging important service industries, notably banking and finance, transportation, business services, higher education, and tourism (Coffey, 1996).

Examples of more positive local planning and policy instruments for the urban service sector are depicted in Table 6, together with corresponding instances of development control and other regulatory measures, across a spectrum of local policy fields. Table 6 contrasts planning approaches toward service industries according to preferences for ‘developmental’ or ‘growth management’ policy objectives, although in practice many local authorities tended to implement a blended suite of promotional programmes and regulation (Daniels *et al.*, 1991). However, important examples of quite dramatic policy shifts can be referenced, notably within cities of the broadly defined Asia-Pacific region. In the well-known case of Singapore, a short, sharp economic downturn in the mid-1980s led almost immediately to aggressive new policies favouring specialized, high-value, exportable services, in part reflecting concerns about the prospects for Singapore’s manufacturing industry and regional entrepôt roles. In Hong Kong, the colonial government assertively supported the expansion of office activity and other key intermediate services, exemplified by the territorial expansion of the CBD, by public investments in education, and by increased international marketing (Taylor and Kwok, 1989). And in Vancouver, a centre-left City Council approved an economic development strategy which set out a series of policies and programmes to foster 10 important service sectors and industries, together with co-operative measures to be undertaken among key institutions, labour cohorts, and business groups (City of Vancouver, 1983). At the same time, the City of Vancouver continued to co-operate with the regional planning authority, the Greater Vancouver Regional District, in managing externalities of rapid growth in

Table 6
Basic approaches to metropolitan tertiary sector growth and development

Policy field/ programme area	I (Development approach)	II (Growth management approach)
Land use	Provision of an adequate inventory of land resources for commercial development and associated activities	Restrictions on central city land resources available for commercial development; rezone commercial districts to residential or public uses
Development control	Adoption of a relatively 'permissive' or market-oriented approach to development control for tertiary sector buildings and infrastructure (e.g. offices, hotels)	Adoption of a relatively restrictive approach to development control (may include, for example, development moratoria, quantitative thresholds or development 'maxima', phased zoning or periodic quotas, 'downzoning' of densities)
Strategic planning	Promotion of polycentric metropolitan structure, including both the fostering of the corporate complex within the CBD and other central city service activities, as well as suburbs secondary business and service centres in the suburbs	Active promotion of metropolitan multi-nucleation, with the emphasis upon designated suburban or regional town centres, in support of planning objectives (mitigating commuting pressures, promoting community self-containment)
Infrastructure and systems	Investment in port and airport infrastructure, telecommunications infrastructure and systems, upgrading of tourism and convention infrastructure	Adoption of 'capacity constraints' as an instrument of growth management; calibrate expansion of urban infrastructure for essentially local, community needs
Fiscal policies	Liberalization/de-regulation of fiscal frame-work; possible use of fiscal incentives to attract firms	Imposition of special development levies on commercial development, especially in the central city
Employment/labour	Investment in specialized 'human capital' for tertiary sector industries and occupations	Promotion of a better spatial balance between employment generation and housing growth a principal policy goal
Information services	Support for active marketing of tertiary services in domestic and international markets	Promote or market secondary centers in the suburbs (e.g. by publicizing CBD/ suburban rent differentials)
Government liaison/ 'Partnerships'	Lobbying of central/middle tier governments to promote tertiary industry development; including for changes in government policy/regulatory environments (e.g. in the sphere of finance and banking, air bilaterals)	Support for government decentralization policies involving public and private sector tertiary employment

Source: after Hutton (1989).

services, for example by supporting office development in designated regional town centres (RTCs), exemplifying the tendency to 'blend' both regulatory and developmental programmes within local policy suites.

5.2. New policy conditions in the 21st century

The experimentation with development programmes for urban service industries over the 1980s and 1990s marked a significant departure from the strongly regulatory

experiences of the previous two decades. However, major changes in urban development conditions in the most recent period have led to a new phase of urban policy innovation, with policies for advanced services at the heart of much of this experimentation. These new policy conditions include the following processes, trends, and events:

1. Continuing processes and pressures of globalization, stimulating local and regional policies promoting competitive advantage at the city-region level (as well as well-publicized protests and demonstrations), but also encouraging interest in the possibilities of co-operative programmes between cities and local governments situated within 'extended metropolitan regions' (McGee *et al.*, 1999).
2. The severe (although spatially differentiated) impacts of major exogenous shocks on regional and national economies, including the aftermath of the 9/11 experience in New York, the Bali night-club explosion of October 2002, and the lingering effects of the 1997 fiscal and economic crisis in the Asia-Pacific. These impacts have included inter alia sharply diminished air travel and tourism in many regions, increasing unemployment, and problems of corporate illiquidity and bankruptcies. We can also acknowledge the recent impact of sars (severe acute respiratory syndrome) upon major Asia-Pacific service industries, notably airlines, hotels and retail trade.
3. Economic and developmental implications of a series of unresolved security crises within Asia and the Middle East especially, including the apparently intractable Palestinian question, the Iraq crisis, and the problem of North Korea's incipient nuclear capacity. These implications include a more problematic investment climate within affected nations and proximate regions.
4. The rapid rise (and even more dramatic contraction) of the so-called 'New Economy', over the last 5 years. The collapse of the dot.coms notwithstanding, however, information and telecommunications industries constitute essential features of all advanced economies, and are playing increasingly central developmental roles within the Asia-Pacific region (Corey, 1998).
5. The emergence of the 'urban cultural economy', underpinned by what Allen Scott describes as the convergence of culture and urban development, and comprising both cultural production and consumption as leading sectors within a growing number of cities and city-regions (Scott, 2000). Cultural industries (including creative design industries, media and multimedia, and film, video and music production) represent increasingly important sectors of the urban economy, in cities such as Los Angeles, Tokyo, Kyoto, Singapore, Bangkok, and Melbourne.
6. Sharply divergent economic fortunes of the Asia-Pacific's major nation-states, including the remarkable growth of advanced industrial production and trade in China, the continuing Japanese economic malaise, and slow growth in the American economy (The stagnation of American consumer markets has also seriously retarded exports from other Asia-Pacific nations.).
7. Continuing processes of restructuring and transition among the advanced economies of east and southeast Asia, including Taiwan, South Korea, and Singapore, as well as in 'threshold' NICs such as Malaysia, Thailand, and Vietnam. To illustrate, an "important feature of ASEAN economic development has been the growth of their services sector" (Tongzon, 2002: 71), as reflected in GDP and employment data.

8. New phases of development within the industrial structures and space-economies of Asia-Pacific city-regions, exemplified by processes of accelerated tertiarization, decentralization, and multinucleation among major Chinese coastal city-regions (Yeh and Wu, 2001), and by the emergence of ‘new economy’ clusters within inner city sites of cities such as Tokyo, Singapore, San Francisco, and Vancouver.
9. Increasing awareness within the Asia-Pacific of ecological implications of accelerated development (and more particularly rapid industrialization), including resource depletion and overall environmental degradation, stimulating interest in principles of sustainable development.
10. Exacerbation of urban social problems (increasing income disparities, social polarization, and community dislocation), both in rapidly growing states (notably China) and also in some lagging countries and regions within the Asia-Pacific. These social costs are discounted by some as inevitable outcomes of rapid economic growth, but there has also been evidence of interest in exploring possibilities for reducing social inequities, both in terms of new socio-political ‘compromises’ at national government levels (Scott *et al.*, 1999), and also commitments to social planning as an integral feature of local government and administration.

This illustrative listing of new development conditions inevitably masks quite highly differentiated experiences at the national, sub-national, and local levels, but may provide a backdrop to a new phase of experimentation in policy formulation and institutional innovation.

Clearly, these development conditions will influence new planning choices and directions across the full range of local and regional policy domains. In the aggregate, these conditions tend to ‘stretch’ local policy capacity and to place increasing pressure on urban planning systems, staff and resources. However, there may be promising opportunities for policy experimentation within the realm of the urban service sector, in light of the increasing centrality of service industries to trajectories of urban development, and the far-reaching implications of tertiarization for urban form and the built environment, the metropolitan space-economy, and the city’s social structure (as well as derived demand for housing and transportation). In Chapter 6 we will explore some of the leading models of urban policy for service industry development within the broadly defined Asia-Pacific region.

CHAPTER 6

Planning for new trajectories of services-led urban development

As observed previously, urban planning and policy responses to tertiarization within the Asia-Pacific region include ambitious programmes which deploy service industries as instruments of development and transformation. A review of urban policy experiences over the last decade and a half discloses explicit associations between services (especially advanced, specialized and intermediate service industries) and plans for globalization, restructuring and modernization. While the mix of policy measures varies from place to place, these service industry programmes typically incorporate substantial public investments, inducements to attract private capital and the commitment of market players (foreign and domestic), adjustments to regulatory regimes, spatial planning elements, and sets of ancillary policies, notably in transportation and housing.

The record of these ambitious (and even grandiose) policy initiatives includes some significant successes, in terms of the basic transformational aims (and business objectives of market actors), although the experience is also replete with examples of institutional conflicts and tensions. These include ‘structural tensions’ in some cases between local agencies mandated to vigorously promote growth and change, which tend to embrace narrowly economic principles and objectives, on the one hand, and local planning departments which may prefer more holistic programmes, with broader, more inclusive public purposes. There may also be conflicts between central and local governments concerning policy preferences for service industries and economic development more generally.¹⁷

Aside from these institutional tensions there are also growing concerns about social and environmental implications of rapid urban economic growth and transformational change. These include social costs such as community dislocation and social polarization, as well as environmental impacts which may include the destruction of heritage buildings within areas undergoing rapid change, encroachment of cities on adjacent agricultural and natural terrains, and the degradation of air and water quality within the regional biosphere. There are also examples of growing awareness of the financial and ecological costs of intense inter-city competition for investment, new service industries, and employment generation, which in some cases takes the form of a proliferation of facilities within extended metropolitan regions (as exemplified by airport development within the Pearl River Delta).

These more problematic features of accelerated urban growth and transformation, coupled with the changing development conditions identified in the conclusion of Chapter

¹⁷ In Britain this institutional tension at the local level is exemplified by the (sometimes conflictual) relationships between local ‘regeneration’ agencies mandated to promote new investment, industry, and job creation, and the local planning departments which perform a range of regulatory and management functions. Similar tensions between local development agencies and municipal planning departments can be observed in West Coast cities of North America, including Vancouver. With respect to institutional tensions between local and central governments within the Asia-Pacific, we can cite the recurrent conflicts in development aspirations between the Okinawa Prefecture and Tokyo ministries over the nature of Okinawa’s growth and change, exacerbated by structural problems of core-periphery asymmetry and dependency, as well as the increasingly problematic US armed forces bases on the principal island.

5, have stimulated new interest in planning innovation at the metropolitan and local government levels within the broadly defined Asia-Pacific region. While urban policies emphasizing transformational growth and change, underpinned by globalization and modernization aspirations, and by imperatives of competitive advantage, are still pervasive within the region, we can also discern significant interest in alternative (and perhaps more progressive) urban planning models. These include, for the purposes of illustration, experiments in sustainable urban development, community economic development (CED), and co-operative regional development. The purpose of this chapter then, is to depict the breadth of urban policy initiatives involving programmes for service industries, at the city-region and local levels, underscoring the dominance of transformational policies throughout much of the region, but disclosing as well interesting (and potentially significant) policy experimentation and innovation.

6.1. A framework of urban service industry models

While a comprehensive description of urban service industry approaches (and the programmatic details of these policies) is beyond the scope of this paper, it may at least be possible to structure a number of the leading models for comparative purposes. Accordingly, [Table 7](#) depicts six strategic policy models which deploy service industries as important instruments or modalities, together with some representative programme elements, underlying principles and values, and exemplary reference cases within the Asia-Pacific urban network or hierarchy.

Accordingly the framework of urban policy models depicted in [Table 7](#) includes three ensembles associated with the dominant developmental paradigm of the latter period of the 20th century (associated with globalization aspirations, industrial restructuring, and modernization), and a set of three policy models which reflect current or emerging directions which seem to offer more progressive developmental possibilities. These latter three urban policy ensembles include policies for service industries which emphasize possibilities of co-operation with the broader regional setting, examples of initiatives which support the idea of the 'sustainable' city-region, and, finally, planning for the new urban cultural economy, acknowledging what Allen Scott describes as the strategic convergence between culture and urban development ([Scott, 1997](#)). What follows is a description and concise discussion of each of these defining urban policy models.

6.1.1. Service industries and globalization strategies

Over the past two decades both local and senior-level governments have deployed policies for certain service industries as key instruments of globalization (or internationalization) strategies within the Asia-Pacific region. Objectives in this policy realm have included overcoming scale limitations of local markets and regional entrepôt roles (e.g. Singapore and Vancouver in the 1980s); integrating regional and national economies within global markets, to attract foreign capital and promote modernization within the domestic economy (as in the case of certain Chinese coastal cities since 1978); and pursuing strategic trade and co-operation partnerships with selected foreign cities (for example Fukuoka since the early 1990s).

Table 7
Planning for services-led urban development within the Asia-Pacific

Development models and representative programmes	Principles and values	Reference cases
Service industries and globalization Deregulation/privatization Foreign direct investment Urban mega-projects (after Olds, 2001)	Inter-city competition, concepts of competitive advantage, urban hierarchy; discounting of social costs (Daniels, 1993)	Singapore (since mid-1980s); Shanghai, Osaka, Fukuoka
Service industries and 'post-industrial' trajectories Land use policy change Human capital investments Targeted industry support programmes	Pursuit of 'growth services' and propulsive intermediate service industries within context of industrial decline/obsolescence; acceptance of dislocation and displacement effects (Hall, 1991)	Nagoya, Hong Kong, Singapore
Service industries and the 'New Economy' Support for R&D Promotion of urban 'technopoles' Spatial planning and land use policy	Assertive technocratic vision which privileges the future; idea of IT as principal instrument of urban transformation and modernization; 're-imaging' of the city via policy-induced technological development (Bunnell, 2002)	Kuala Lumpur-Putrajaya, Singapore, Vancouver
Service industries and the 'co-operative regional cluster' model Institutional co-ordination Joint planning and marketing efforts Spatial rationalization of new investment	Acknowledgement of complementarity (as well as competition) among centres within extended metropolitan regions (EMR's), after McGee (Douglass, 2000)	Hong Kong/Pearl River Delta, SIJORI, San Francisco-Bay Area Region
Service industries and the 'sustainable city-region' model Planning for suburban service industry subcentres Services within 'compact' and 'complete' communities Extensive designated 'green zones'	Principles of social and environmental policy; idea of 'efficient and equitable' city-region; acknowledgement of sustainability as planning paradigm or framework (Goldberg and Hutton, 2000)	Sydney, Vancouver, Pearl River Delta
Service industries and the urban 'cultural economy' Public support of the arts Policy support for inner city clusters Heritage planning Promotion of the '24 h' city	Idea of strategic convergence between culture and urban development (Scott, 1997); significance of creative industries and workforce (Florida, 2002)	Los Angeles, Singapore, Vancouver

We can identify a distinctive range of policy modalities that have been introduced to exploit the globalization potential of advanced, specialized service industries and institutions within the Asia-Pacific region. These have included:

- (a) building capacity in strategic urban transportation and communication, infrastructure and facilities, such as seaports, airports, and teleports;
- (b) promoting the export of specialized services (such as ‘producer’ and other intermediate services), in order to exploit local comparative advantage in services to replace diminished goods export capacity, to improve terms of trade, and to achieve greater scale economies within regional industries;
- (c) stimulating the globalization of cities in situ, as exemplified by the series of urban-megaprojects (UMPs) within the region which have included important service industry elements, such as the Pudong UMP in Shanghai (Olds, 2001), and the MM21 UMP in Yokohama, which tend to promote the inflation of local land markets, the increased presence of foreign firms and multinationals in the central areas, and the comprehensive re-imagining of the city; and
- (d) exploring the possibilities of mutual benefit through reciprocal, two-way trade in services (including educational and cultural services, as well as in business services) with designated cities as elements of international ‘sister cities’ or ‘city partnerships’, exemplified by Fukuoka’s ‘Global Reach’ programme (Fukuoka Municipal Government, 1998), and the City of Vancouver’s ‘Strategic Cities’ programme (City of Vancouver, 1983).

Clearly there are important, substantive economic development and trade purposes associated with these globalization strategies, but there are also (explicit or implicit) re-imagining aspirations in many cases. The classic example within the Asia-Pacific is the restoration of Shanghai as a global centre of finance, corporate control, and business services, supported by assertive regional and central government policies and programmes, massive foreign investment, and the conscious engagement of elite international architects, planners, and developers in Shanghai’s accelerated transformation Olds (1995). Other examples include Yokohama’s goal of escaping a constrained role as Tokyo’s ‘shadow city’ by means of the ambitious MM21 docklands scheme, as well as Osaka’s search for a larger international profile, to be furthered in part by the redevelopment of the CBD and the massive Osaka–Kansai international airport project.

These urban globalization strategies have been centrepieces of local and regional development strategies for an increasing roster of Asian-Pacific cities over the past decade or so, with commensurate heavy commitments in local financial, policy, and human resources. In light of these major investments, a number of these globalization programmes have achieved a measure of success, in terms of accelerating growth, integrating cities within global markets, and other essentially economic goals. However, there have also been significant social and environmental costs associated with these programmes, and high levels of local exposure to a variety of risks, as social and ecological values have (despite policy rhetoric to the contrary) been substantially discounted against the perceived benefits of accelerated globalization (see Douglass (1993) for a treatment of the Tokyo case study). The single-minded pursuit of

transformational urban development through market integration, enhanced (or induced) comparative advantage in export service trade, and comprehensive local re-imaging has led to large-scale community displacement and dislocation (as in Shanghai), high corporate and municipal financial exposure (Yokohama's MM21 project, and Tokyo's waterfront development), and inflation in local property markets (many instances throughout the region).

These significant social and environmental costs tend to be associated with the more comprehensive, grandiose projects. Correspondingly, more selective, smaller-scale or 'managed' internationalization programmes are likely to generate fewer such costs. Again, examples of these more selective internationalization programmes would include the Fukuoka experience, in which mutual benefit between urban communities represents an explicit aim; and the Vancouver case, in which the City's internationalization programme in the 1980s included both considerable stakeholder input, and measures to ameliorate social costs of accelerated urban globalization (Hutton, 1998).

6.1.2. *Service industries and 'post-industrial' urban trajectories*

The development record of most cities within 'advanced' societies over the last three decades or so includes generally increasing shares of employment, GDP and exports accounted for by service industries. There have of course been debates about whether this trend toward the tertiarization of the urban labour force, output and trade represents a 'natural' process or progression, but what is incontestable is that some cities have endeavoured to *accelerate* the shift from basic manufacturing to services, especially specialized and intermediate service industries and employment. As noted briefly in preceding chapters, the Asia-Pacific region encompasses numerous case studies of this policy preference.

Central to the policy values underpinning urban programmes for restructuring which favour service industries and institutions is the (explicit or implicit) endorsement of the 'post-industrial thesis', first enunciated by the American sociologist Daniel Bell, which postulated a pronounced shift from goods to services production as a defining feature of advanced urban societies. (See Table 3(a) and (b) for a more comprehensive set of urban tertiarization attributes). As Kong Chong Ho has observed, cities have been obliged to respond to restructuring processes (Ho, 1993), including retraining programmes for displaced workers, and welfare programmes and transfer payments as well as policies to promote industrial restructuring as part of modernization strategies (Hall, 1991). In a number of cases, urban programmes of accelerated tertiarization have been undertaken within a context of urban-regional industrial decline or obsolescence. This has been observed within the Japanese metropolitan system, where the 'hollowing out' of the national industrial economy has been deeply felt, in terms of factory closures (or relocation offshore) and protracted structural unemployment. For some of these cities, new service industries and associated labour cohorts, production and trade constitute a possible new urban development trajectory or 'vocation'.

As noted earlier, too, urban development planning and programmes have been influenced by research which has established certain advanced services as urban-regional 'propulsive industries', based on associated productivity measures, input-output relations and sales and employment multipliers, export propensity, and skilled

labour formation. Here, the large-sample survey of export services undertaken by Beyers *et al.* in the mid-1980s for the Seattle-Central Puget Sound Economic Development District (CPSEDD) has been especially influential in providing an empirical justification for services-oriented metropolitan development strategies (Beyers *et al.*, 1985), complemented by theoretical work undertaken by Peter Daniels, Jean Gottmann, and others.

Important case studies of accelerated tertiarization within the Asia-Pacific include Singapore, Hong Kong, and Nagoya. In the case of the former, a short but sharp recession in the mid-1980s stimulated a comprehensive policy research exercise in Singapore, culminating in an important development policy shift favouring intermediate services with high export propensity (or potential). Underpinning this defining policy shift was the work of a special subcommittee exploring the merits of manufacturing—versus services-led urban development and growth. The subcommittee concluded that advanced, specialized services enterprises “contribute about twice as much value-added as manufacturing firms” (Clad, 1986), and constituted a more promising growth sector than most forms of goods production. Accordingly the Government of Singapore embarked upon a comprehensive programme to accelerate growth in specialized services in 1986, including incentives for foreign investors, new expenditures in education and training, sweeping fiscal changes (including major tax cuts, and reductions in payroll taxes), service industry support programmes, and marketing and information strategies.

In Hong Kong over the same period the Colonial Government was also engaged in policy support for an increasingly post-industrial economy and workforce. As observed by Bruce Taylor and Reginald Win-Yang Kwok, this accelerated tertiarization strategy comprised important policies for urban structure and land use, including major land reclamation in Wanchai and Causeway Bay to accommodate the expansion of Hong Kong’s CBD, the ongoing industrial new town programme in the New Territories to enable relocations from the Central District and Kowloon, and new investments in rapid transit (Taylor and Kwok, 1989). As a measure of the effectiveness of this programme (coupled with the influence of market-driven change), services now account for over four-fifths of Hong Kong’s labour force, and there is more employment in intermediate (or business) services than in consumer services (Asian Development Bank, 2002).

In both the Hong Kong and Singapore examples it can be argued that these policy shifts essentially reinforced (or accelerated) post-industrial urban vocations already in progress. However, the experience of certain Japanese cities offers a quite different set of policy conditions and experiences. David Edgington has written extensively about the role of industrial restructuring policies for the important Nagoya–Chukyo Region, a key part of Japan’s industrial heartland. He depicts schematically a progression of new industrial vocations for Chukyo over the second half of the 20th century, which includes (first) a mix of heavy industry (aircraft production and munitions) up to the 1950s; secondly, a shift to heavy industries (steel and petrochemicals) and consumer products over the 1960s; followed by strong growth in auto production (Toyota), heavy engineering, and light industries during the 1970s and 1980s. However, the last decade in the Nagoya–Chukyo region has seen new local (prefectural and municipal) policies and planning in support of a ‘new vocation’ of knowledge-intensive industries, including aerospace, advanced electronics, new ceramic materials, information technology, biotechnology, and fashion

design and production (Edgington, 1996: 67). This new vocation builds upon the Nagoya–Chukyo Region’s embedded excellence in advanced industrial production, but with greatly enhanced services, design, and technology inputs to production. Here, the role of local government (as distinct from the well-known national government industrial support programmes) has emphasized “strengthening regional culture, design and general amenity upgrading for Chukyo” as an “important part of regional restructuring” (Edgington, 1996: 69). The Nagoya–Chukyo experience represents an example of complementarity between central and local governments in promoting industrial restructuring at the regional level.

6.1.3. *Service industries and the ‘New Economy’*

The emergence of a ‘New Economy’ characterized by propulsive roles for advanced information and communications technologies (ICT), although to be sure a contested concept, has stimulated considerable interest among governments and policy communities within the Asia-Pacific. For a number of jurisdictions, policies for supporting ICT are seen as means of rejuvenating urban and regional industrial production sectors (notably in Japan), while in others investments in ICT, implemented by spatial planning, land use, and human capital planning programmes, provide a means of ‘leapfrogging’ stages of economic development (Malaysia). Technology-driven development has also been central to new urban development experiments, as in the case of the Tsukuba Science City in Japan.

As a planning preference, support for accelerated ICT development and other New Economy activity can be seen as the endorsement of an assertive technocratic vision of urban and regional development, as observed by Manuel Castells in his discussion of ‘the informational city’ (Castells, 1989; Scott, 1993). ICT is deployed as a key instrument of urban transformation and modernization, with both ‘substantive’ effects (higher productivity and value-added production; business start-ups and labour formation) and ‘symbolic’ outcomes (re-imagining of local/regional societies and economies), although there are to be sure concomitant costs and dislocations (Bunnell, 2002).

Within the Asia-Pacific, we observe a number of instructive examples of ICT-driven development strategies at the urban and regional levels. There are of course the global-scale advanced-technology regional complexes of Silicon Valley and Orange County in California, seen as essentially ‘spontaneous’ (i.e. market-driven) enterprises, although the role of state-supported universities and other public agencies should be acknowledged. Then there are the large R&D formations (applied research, prototype development) within Japan, largely funded by major Japanese multinationals and industrial conglomerates, but also influenced significantly by central government ministries and agencies.

These massive American and Japanese R&D complexes have of course been established for many years, and represent in some ways an earlier model of technology-driven spatial development linked to large industrial corporations. A number of other, newer examples of New Economy exhibit in some respects different attributes, including larger roles for government and public agencies, more emphasis on integrated service industry engagement (including creative and design services, as well as financial, business, and communications services), and contrasts in scale. The range of examples in this more recent cohort of technology-driven enterprises varies from the extensive Putrajaya–Cyberjaya project in Malaysia, described by Kenneth Corey as a defining project of

Malaysia's national economic development programme (Corey, 1998), to a series of inner city New Economy experiments within a large and growing number of cities, including Singapore and Vancouver.

These recent inner city New Economy projects are clearly differentiated from the 'first generation' urban and regional technopoles in a number of ways, not only in the matter of scale, location, and provenance, but also in the mix of industries and activities. Key to these new inner city formations is the concept of the metropolitan core as a special, in some ways unique, 'innovative milieu', providing advantages of socio-cultural, as well as economic, agglomeration, to constituent firms. There is also, as noted, a stronger service industry element, as in both the Singapore and Vancouver examples the explicit strategy involves fostering developmental synergies between technology (especially ICT), culture (in the form of creative and design service industries), and 'place', as expressed in the innovative milieu of the inner city. These inner city New Economy sites are characterized by intense interaction (formal and informal), deployment of both 'placed-based' and 'cyber-based' production networks, and a distinctive demography, emphasizing mostly younger creative and technological workers and entrepreneurs.

6.1.4. *Service industries and the 'co-operative regional cluster' model*

As is well known, the development experience of the Asia-Pacific region over the past four decades has been characterized in large part by prevailing attitudes of *competition* for shares of investment, trade, and new employment formation, between (and among) nation-states, regions, and even cities. This animating sense of competition between jurisdictions has at times been exacerbated by contrasts in stages of development, by ideological factors, and more forcefully by the pressures of accelerating globalization. Development policy postures have therefore in many cases been influenced by a perception of regional development opportunities as a 'zero-sum' process of clear 'winners' and 'losers', leading to an emphasis on nurturing localized positions of competitive advantage (Douglass, 1991).

Assumptions of development as an essentially competitive process are of course still powerful influences on policy formation within the region, but there are also significant (and likely expanding) movements toward inter-jurisdictional co-operation, shaped by progressive ideas of reciprocal trade benefits, knowledge-sharing, and developmental complementarity. This is seen at the broadest spatial scale in the establishment of the APEC grouping, an association which endeavours to promote liberalized trade and co-operative development within the Pacific sphere (as well as providing a counterweight to other continental-scale bodies, notably the EU and the NAFTA states). At the regional level ASEAN provides a forum for dialogue and trade co-operation among the states of Southeast Asia. Then there is a steady proliferation of less formal regional co-operative associations, including a number of such entities in Northeast Asia (Kim, 1996), and joint international development projects, exemplified by the SIJORI (Singapore–Johore–Riau) growth triangle in Southeast Asia, and the Tumen River Area Development Project in Northeast Asia (Marton *et al.*, 1995).

Many of these developmental arrangements are replete with significant institutional asymmetries and tensions, but they may suggest the possibility of greater tendencies toward regional co-operation, perhaps working over the longer term to approach the levels

of engagement and co-operative commitment of the ‘associative regions’ (McGee *et al.*, 1999) of the EU. More specifically, it may be possible to envisage regional co-operation arrangements based in part on the functional complementarities of regionalized service industry clusters and corridors, described in Chapter 4. As will be recalled, it is possible to identify at least conceptually ten major service clusters or corridors within the Asia-Pacific, each containing multiple cities and important ensembles of specialized service industries, institutions, and facilities.

As in other co-operative ventures at the regional scale, there is an initial need for governments, business interest, and other stakeholders to recognize and acknowledge possibilities of complementarity and mutual benefit associated with these complexes of specialized service industries. In the absence of joint governance, common taxation regimes, and revenue sharing (in addition to issues of (for example) labour market standards and environmental norms) these co-operative regional arrangements may be problematic, but the difficulties may not be insuperable.

Indeed, the nature of service industry specialization may in many cases lead itself to a broader recognition of co-operative possibilities, even in cases where inter-jurisdictional competition has been the prevailing spirit. Co-ordination of investments, operations, and marketing for strategic transportation and communication facilities, for example, can enhance the comprehensiveness of ‘gateway’ functions for an extended regional corridor or cluster. Co-operative planning and programmes for regional tourism initiatives, involving a diverse range of assets, amenities, and hosting infrastructure (e.g. hotels and convention centres) which offer greater potential attraction to visitors than the individual, localized sites within the region, can yield mutual benefits. Potentially these principles of co-operation and co-ordination could apply in other important service sectors and industries, for example higher education and specialized health care, acknowledging the advantages of ‘packaging’ services and expertise offered by diverse firms and institutions within extended regional territories. Through greater levels of co-ordination and planning of specialized service functions, regions can achieve stronger competitive positions within international and global markets.

Within the Asia-Pacific, the Hong Kong–Pearl River Delta offers a particularly instructive case study. Following the economic reforms introduced by Deng Xiao-Ping in 1978, the Pearl Delta experienced extraordinary levels of growth in investment, business start-ups, employment formation and physical development. Much of this growth was in the goods production sector, especially light manufacturing, but (as observed in Chapter 3) the PRD also experienced rapid expansion in services. However, there was a chaotic pattern to much of this development, as evidenced in the growth of the Shenzhen Special Economic Zone (SEZ), and in the proliferation of new airports within the Delta. This period of rapid growth was also characterized by an almost ‘free for all’ competitiveness among the urban centres of the region.

Although the PRD has experienced high levels of growth over the past two decades within an essentially competitive context, there is significant evidence of co-operation and co-ordination in recent years, especially since the establishment of the Hong Kong Special Administrative Region (SAR) following the reversion of the former crown colony to China in 1986. These efforts to pursue co-operation in economic development have been documented in a recent book edited by Anthony Gar-on Yeh *et al.* (2002), titled *Building*

a Competitive Pearl River Delta Region: Co-operation, Co-ordination, and Planning. To some extent, of course, this desire to achieve co-ordination is related to the need to avoid wasteful, inefficient duplication of functions, to preserve resources, and to rationalize spatial planning in a congested, high growth region. There is also a need to ‘manage’ competition between the two major centres of the region, Hong Kong and Guangzhou (Kwok and Ames, 1995; Cheung, 2002). However, an important principle underpinning the increasing levels of co-operation within this administratively fragmented and complex region is the exigency of responding to pressures (and opportunities) of globalization. In this respect, the Pearl River Delta contains both a dense pattern of manufacturing and industrial production, as well as concentrations of specialized service industries, institutions, and functions, including banking and finance, seaports, airports, higher education, cultural and creative services, and public administration. These specialized services represent the best prospects for future growth and development in the region, and greater co-operation and co-ordination of these key services can significantly strengthen the PRD’s competitive position within East Asia and global markets.

There is considerable potential for co-operation in the planning and development of other major regional service clusters and corridors within the Asia-Pacific. The basic idea is to explore means of managing competition between service industries and installations within regional settings, while capitalizing on functional complementarities to achieve stronger international competitiveness. Much of the regional co-operation within the region over the past 20 years has been undertaken for areas specializing in manufacturing and industry, as in the SIJORI and Tumen River Area projects cited earlier. However, given the momentum of tertiarization within the Asia-Pacific, and the strategic global functions performed by certain service industries, institutions, and firms, co-operative management and co-ordination of regional service clusters present especially promising possibilities for future urban and regional development within the Asia-Pacific sphere. There is a need to strengthen regional governance and administration as a pre-condition, however, as the lack of effective regional institutions represents a major constraint. As an example, the Association of Bay Area Governments (ABAG) in the San Francisco Bay region provides a forum for inter-jurisdictional dialogue and a certain amount of co-ordination, but lacks the capacity to promote effective regional development co-operation.

6.1.5. Service industries and the ‘sustainable city-region’ model

In addition to the transformational roles described earlier, service industries are increasingly deployed as key elements of spatial and land use planning within the Asia-Pacific, including a new generation of regional plans influenced by principles of sustainable development. Although the specific forms of these new city-region plans of course vary from place to place, we can discern features of three important traditions of spatial (or physical) planning, as follows:

- (a) elements of spatial planning derived from the classic ‘containment’ model of planning for metropolitan city-regions, incorporating stringent development control on commercial development in the central city, the establishment of green belts or zones, and the designation and development of new (or expanding) towns on the regional periphery, as seen in the post-war planning of London and the South East

- Region of England (Hall *et al.*, 1973), and updated in the sequence of 'structure plans' for English counties in the 1970s;
- (b) attributes of 'new urbanism' planning models (and related concepts) introduced in the 1980s, which included the ideas of 'compact' (as opposed to dispersed) and 'complete' (in contrast to dormitory) communities within city-regions, an emphasis on transit-oriented development (TOD) (and the increased management of automobile traffic), and a preference for 'traditional' (or 'neo-traditional') housing styles and vernaculars; and
 - (c) principles of 'sustainability' (or 'sustainable development'), which have increasingly influenced the planning of city-regions (as well as 'natural' or 'resource regions') since the Rio 'Earth Summit' of 1992, and which encompass ideas of ecological preservation, biodiversity, the integrity of ecological systems, and the need to manage (and eventually reduce) the human 'ecological footprint'; i.e. the impress of human activity on the world's natural resources and biosphere. In the urban context, sustainability principles can also be applied to the city-region's economy, culture, and social 'capital'.

The extent to which principles derived from these major models of urban and regional planning is dependent not only on considerations of urban scale, environmental setting, industrial structure, and growth rates, but also on the structure of urban governance, the nature of political control, characteristics of the local planning system and policy agencies, the quality of leadership, and other institutional factors. At the broadest level, however, there is a kind of structural tension associated with contemporary spatial planning for metropolitan regions, between the need for flexibility to accommodate changing locational demands of business and industry (including the so-called 'New Economy' activities) and new residential preferences, on the one hand, and the imperative of deploying policies to impose a measure of *order* on the growth of human settlements, in accordance with ecological and social values.

Service industries have been assigned roles within each of the three principal spatial planning ensembles cited earlier, although these have been demonstrably subject to change. Within the 'first-generation' containment models growth management, development control, and the accommodation of population growth by means of supporting designated regional centres were dominant aims, and services (including offices) were addressed primarily by a suite of regulatory policies in the early post-war programmes, as described in Chapter 5 (Goddard, 1975). However, a 'second generation' of regional plans in the 1970s, derived from the containment model in Britain, Canada, and numerous other states, included the idea of RTCs (or commercial subcentres), within which office development and firms were assigned important roles. These new suburban or regional subcentres were intended to attract new office development, not only to manage development pressure on the CBD, but also to provide more employment opportunities in areas of rapid population and labour force growth, thereby also reducing commuting pressures.

Within the rubric of new urbanism, offices and other service industries were also seen as important spatial planning elements. To illustrate, concentrations of relatively high-density service development can enhance prospects for the formation of 'compact'

(as opposed to dispersed and low-density) communities, while the inclusion of service functions and employment were central to the implementation of ‘complete community’ strategies. Finally, although sustainable development has emphasized the primacy of ecological values and environmental planning, service industries have a number of important implications for sustainability planning. The status of services as the most rapidly growing elements of many urban economies has ramifications for resource consumption (including land), while the mismatch between service employment concentrations and residential development exacerbates the metropolitan commuting and traffic congestion problems, impacting regional air quality. At the same time, the fortunes of the service sector and its constituent industries also have a clear connection to the socio-economic sustainability of the metropolis, especially in light of contractions in Fordist manufacturing.

6.1.5.1. Experiences within the Asia-Pacific. The highly differentiated stages of development and local institutional arrangements among Asia-Pacific city-regions offer a rich array of experiences in policies for service industries within spatial plans. These include a substantial sampling of metropolitan cities which have deployed containment strategies or ‘structure planning’ concepts, incorporating the designation of secondary office-commercial centres or subcentres. This has been especially the case in jurisdictions strongly influenced by British planning models, notably Australia, Canada, Singapore, and Hong Kong, but resonances of the containment model and its defining features (green belts, new residential communities, and designated service industry subcentres) are also discernible in Japanese city-regions. We can also identify aspects of the new urbanism and sustainability models in a growing number of city-region plans, although in most Asian cities the experience is in incipient stages. A (necessarily concise) selection of reference cases follows.

As observed earlier, the location and development of service industries within Guangzhou and the Pearl River Delta (as well as other fast-growing Chinese city-regions) has become a major spatial planning issue over the past decade, and underscores the tensions between accommodating growth and the pursuit of sustainable development. Within the Guangzhou city-region, the combination of liberalized development policies, a greatly expanded role for the market, and high levels of growth have reshaped urban structure and land use over the last 15 years, as disclosed in a recent empirical study by Fulong Wu and Anthony Gar-on Yeh. During this period, there has been substantial redevelopment within Guangzhou’s central city, but its overall spatial reconfiguration “is changing from a compact city to a dispersed metropolis as a result of reforms which introduced land values and markets to its urban areas” (Wu and Yeh, 1999: 393). A measure of this dispersal and sprawl consists of industrial estates, but new service industries and commercial development, driven in large part by foreign investors, also play a role in this process. As Wu and Yeh conclude, “[the] conflict between urban spatial restructuring and development control is inevitable” (Wu and Yeh, 1999: 393) in high-growth cities characterized by the decline of central planning and inadequate local planning powers. Michael Leaf goes even further, asserting that in these dynamic Chinese cities, “the practice of urban planning may have passed from irrelevance under the command economy of

the past to gross ineffectiveness in the socialist market economy of today” (Leaf, 1998: 145). Moreover, local planning systems in at least some Chinese cities are developing more sophisticated planning styles, and an increasing number of planning professionals are engaged in exploring sustainability principles, so it may be that the next generation of city-region plans will incorporate stronger elements of sustainable development.

Other reference cases within the Asia-Pacific provide quite different experiences of spatial planning and contrasting perceptions of the role of services in regional sustainable development. The evolution of spatial planning in metropolitan Vancouver represents a sequence of new roles for service industries, from ‘containment’ to sustainable development. In Vancouver’s first regional plan, *The Livable Region 1976–86* (approved 1975), the classic elements of the post-war containment spatial plan were all present, including green zones (incorporating special protection for agricultural land, an emphasis on public transit, and the designation of four regional (suburban) town centres, each of which was to attract one million square feet of office space over the term of the plan. At the same time, the regional plan proposed strong development control policies for the CBD, both to ameliorate commuting and to enhance office development prospects for the RTCs (Hutton and Davis, 1985).

Two decades later, a new *Livable Region Strategic Plan* (LRSP) (1995) affirmed the multinucleation strategy of the earlier plan, and indeed added several new RTCs, but also introduced policies for ‘compact’ and ‘complete’ community formation, influenced by the new urbanism spirit. Service industries were allocated important roles in the LRSP, as the concentration of new offices in the (now eight) RTCs would support the principle of compact settlement forms, while a more diversified range of both intermediate and final demand services (including commercial, retail, and educational services) would promote the formation of complete communities within the city-region, integrating important service functions and local employment opportunities with residential development.

More recently, a new public process has been initiated by the Greater Vancouver Regional District, the regional planning agency for metropolitan Vancouver, with a view to more vigorously asserting sustainability values and principles in the LRSP. This initiative includes the possibility of strengthening the (already-substantial) ecological conservation measures of the regional plan, but there is also a new emphasis on the importance of *economic* sustainability as a critical planning priority. In this new planning consultation process, key informants, stakeholders, and the general public are invited to propose new ideas for enhancing the economic sustainability of the region, including the spatial planning implications of new service industry development. These include the CBD (now seen as a unique and valuable regional assets rather than principally a generator of negative externalities, as interpreted in the 1975 metropolitan plan), the eight designated RTCs, the Port of Vancouver, Vancouver International Airport, the region’s universities and colleges, and a number of ‘New Economy’ sites, both in the suburbs and in the metropolitan core.

Spatial planning measures for service industries that promote multinucleation within metropolitan strategies can be seen as supporting economic sustainability (nurturing of high growth service industries, building capacity for industrial transition,

enhancing regional economic resilience) as well as ecological sustainability (conservation of scarce urban land resources, mitigation of commuting-related air pollution). Agglomeration of advanced service industries promotes the ‘cluster-driven’ process of advanced urban development, as seen in the Vancouver example described earlier. Other important examples within the Asia-Pacific include the global-scale concentration of advanced-technology service industries clustered in Redmond, Washington, within the metropolitan Seattle-King County city-region, and the recent development of Sydney’s North Shore high-tech corridor. This corridor has seen a functional and spatial evolution over the past four decades, initiated in the 1950s by a secondary CBD in North Sydney, at the north end of the Sydney Harbour Bridge, followed by the establishment of a major regional shopping centre in the 1960s, and the development of Macquarie University on a nearby site (O’Connor *et al.*, 2001). With these activities serving as a base, the last two decades have seen the dramatic growth of new technology-based industries and advanced services: the north Shore corridor is anchored by Microsoft Corporation at one end, and Cable and Wireless Optics at the other, with five commercial clusters situated between these two major poles (O’Connor *et al.*, 2001). By the mid-1990s, employment within the North Shore corridor exceeded 200 000, included jobs situated within 325 member companies of the Australian Information Industry Association (O’Connor *et al.*, 2001). Sheehan quotes a property consultant as describing the North Shore corridor as “technology land, but it’s not physical production, it’s brain power and computer power, biased toward sales, service and management rather than research, development and production” (Sheehan (1999: 6), as quoted in O’Connor *et al.* (2001: 4–5)). Clearly, on this evidence, market players (investors, entrepreneurs, and professionals) have been central to the development of Sydney’s North Shore corridor, but government and public agencies have played leading roles in terms of regional spatial planning, municipal land use policy, and in tertiary education investment. The Sydney North Shore corridor experience also vividly depicts the functional evolution of service industry clusters over time, in this case from a secondary office and shopping centre to an incipient high-technology site, and finally to a large-scale ‘New Economy’ site of national significance, including advanced-technology industries and specialized service functions.

6.2. *Service industries and the ‘new cultural economy’*

Urban centres within the Asia-Pacific region, as elsewhere, have played important roles as repositories of signifying local, regional, and national cultures, as exemplified by cities such as Beijing, Kyoto, and Hanoi, and many others. These important cultural roles are manifested in (for example) language and dialect, in museums, galleries and archives, in institutions of higher learning, in the built environment, and in social organizations and agencies. These cultural activities have economic as well as social value, as expressed in direct employment generation and incomes, tourism receipts, and the capital value of infrastructure, including heritage buildings.

These traditional cultural roles continue to be important (albeit recurrently renegotiated by political acts and social experiences, and subject to new cognitive filters), but are now

significantly augmented by fresh processes of reproduction, innovation, and economic development, both in the market and public domains. Over the last decade or so, we have witnessed dramatic growth in a range of creative, design-based and ‘new cultural’ industries. As Allen Scott has observed in a well-known treatment of ‘the cultural economy of cities’, “[a]s we enter the 21st century, a very marked convergence between the spheres of cultural and economic development seems to be occurring” (Scott, 1997: 323). Within cities, the expansion of this new cultural sector includes film, video and music production, graphic artists, industrial design, fashion design, and architecture, as well as ‘hybridized’ firms which combine creative and technological outputs toward products (goods and services) imbued with high design content, including multimedia and ‘new media’ activities, internet graphics and imaging, and software design. Again to reference Scott, “an ever-widening range of economic activity is concerned with producing and marketing goods and services that are infused in one way or another with broadly aesthetic or semiotic attributes” (Scott, 1997: 323). Creativity is an essential element of the city’s role as centre of innovation, in cultural, industrial, and intellectual realms (Hall, 1998).

Within the broadly defined Asia-Pacific region we can readily identify some leading exemplars of this ‘new urban cultural economy’, such as Los Angeles (film production and post-production, music, and media), Tokyo (media and communications, architecture, design-based industries), Seattle (software design, music production), Hong Kong (music, creative and design-based industries, media and communications), Singapore (advertising and corporate branding, multimedia), Melbourne (creative and design-based industries), and Vancouver (graphic design and multimedia). The rapid expansion of these important new industries can be seen as the most recent development phase in the continuing evolution of the urban service economy, and the enduring competitive advantage of cities for specialized cultural production, as well as the reassertion of production activity in the inner city districts of some urban areas. Moreover, these new forms of specialized cultural services production are characterized by a distinctive interface with consumer markets, as many of these industries supply what Scott terms ‘cultural products’ (Scott, 1997: 323) which influence public tastes and preferences, and are concerned with differentiating consumer market segments. The ‘new cultural economy’ represents a leading-edge urban policy area. Within the mature urban societies of the Atlantic core, there is a significant record of policy innovation. For example, within the EU, there are numerous programmes for both national and local governments to support cultural industries, including the annual designation of ‘European Cultural Cities’. At the national level, the British Government has produced detailed inventories of cultural industries, including employment, sales, and exports, as well as policy guidance for local authorities.

In North America Richard Florida has written about the crucial importance of the ‘creative class’ of service workers for advanced urban economies, and has emphasized the need for progressive policies (liberal immigration policies, generous public support of the arts) to attract and nurture this creative workforce (Florida, 2002).

Within the Asia-Pacific, the new cultural economy should emerge as an increasingly important component of service industry strategies and more comprehensive economic development programmes. In Singapore, the Tourism Board is active in promoting

activities which intersect the New Economy (technology-intensive industries) and the new cultural economy, including internet design firms, advanced design, and other creative services, concentrated within designated sites in Chinatown, just west of Singapore's CBD. As another example, Far East Properties has entered into an agreement with the Government of Canada, Nortel Networks, and the EU to sponsor a new business centre in another area of traditional Chinese shop houses, just east of Cross Street, demonstrating again the possibilities of co-operative development in the advanced service economy. The refurbishing and subsequent 'recolonization' of these important heritage districts suggests that culture and social memory can be reconciled at one level with economic innovation, although there are of course sublimated tensions in these processes of transition and appropriation (see [Yeoh and Kong, \(1995\)](#) for insightful treatments of these issues).

West Coast cities in North America are also active in promoting the New Cultural Economy Sector. Los Angeles and San Francisco have agencies which promote new activity including these New Cultural Economy industries. In Vancouver, the municipal government has undertaken comprehensive land use and rezoning to facilitate the transformation of a large (100 ha) inner city site from traditional industry, warehousing and industry to new industries which interface with the technology and cultural sectors. This project includes a new campus (Great Northern Way Campus) comprising units of four Vancouver-area universities and colleges, which has been established both to stimulate industrial innovation in the larger site, and also to encourage synergies between design-based and technology-based industries.

There is also support for cultural and creative service industries among certain Chinese cities. As observed earlier Beijing's current plan strongly endorses the city's traditional cultural role, but there is also significant innovation in contemporary art and creative industries among Beijing's universities and art schools ([Fackler, 2002](#)). In Shenzhen, a new three-year study of the city's dynamic cultural industries will include empirical research on clustering, linkage patterns (both place- and web-based), and the discourse of cultural landscapes, both to enlarge scholarly appreciation of these industries, and to inform policy ([Li, 2002](#), personal communication). On the other hand, the city of Shanghai is demolishing the warehouses along Suzhou Creek which have provided a distinctive milieu for artists, artisans, and other creative workers. This eradication of Shanghai's artist-loft district has been criticized as inimical to the fostering of cultural industries which complement the commercial functions of world cities, and to the emergence of an important 'spontaneous' (as distinct from induced) creative services cluster. Lu Yongyi, a professor urban planning at Tongji University, has asserted that "[I]t will be too late when they realize these ruined communities were things of value that can never be rebuilt" ([Fackler, 2002](#)). By way of contrast, the residential high-rise towers which will replace the Suzhou Creek warehouse district, while meeting to be sure social needs, are replicated throughout the city, and could have been accommodated elsewhere in the comprehensive redevelopment of Shanghai.

Finally, an increasing number of cities are exploring the '24 h city concept' as a means of supporting the lifestyles of workers engaged in creative and 'hybridized' design-technology enterprises. Research has indicated that many of these professionals, artists, and entrepreneurs have irregular working hours, and are attracted by the 24 h urban

amenities of restaurants, night clubs, and all-night 'raves', as well as alternative recreations, such as skateboarding. These all-night activities do create tensions in residential areas within the inner city. Here, there are possibilities for effectively integrating social planning, cultural programmes, and advanced service industry policies to nurture the development of these important new cultural and hybridized industries which constitute ascendant features of the 21st century inner city among advanced urban societies.

CHAPTER 7

Conclusion: an agenda for scholarly investigation

The purpose of this exploratory paper has been to establish tertiarization as an increasingly important process of urban development within the Asia-Pacific. The growth of advanced service industries will be crucial to the development of Asia-Pacific city-regions (and indeed to national economic progress) over the first decades of the new century. More particularly, advanced, specialized service industries will be central to employment and human capital formation, to the expansion of the urban middle class, to the more efficient operation of advanced industrial production systems and trade networks, and both to urban competitive advantage and the socio-economic sustainability of Asia-Pacific cities. Reinforcing this latter point, many of the region's large industrial metropolises will begin to 'shed' manufacturing employment (as experienced in the wrenching deindustrialization of mature Atlantic city regions, and in the 'hollowing out' of Japanese manufacturing capacity), and will need services growth to partially offset these contractions. At the same time, growth in advanced service industries and employment will require greater public policy commitments, not only in the areas of infrastructure and supporting systems, and in land use policies, but also in education and training. Here, we can return to an earlier comparative theme addressed in this paper, by acknowledging that effective policies for services (incorporating developmental as well as regulatory elements) have been seen as lacking in the old Atlantic core (Daniels *et al.*, 1991; Coffey, 1996), despite a relatively early experience of growth in advanced services within the region as a whole. The cities of the Asia-Pacific (and their respective central and regional governments) will need to develop more innovative policy approaches toward service industries over the next decade and beyond, reflecting the increasing significance of advanced services for economic transition and modernization.

Moreover, it must be acknowledged that policy selection in this sphere entails value choices (and conflicts). The facilitation of advanced services growth can, as we have seen in a number of Asia-Pacific cities, entail the dislocation of traditional industries, informal services, and residential populations. A balance must be struck between the imperatives of economic modernization and the claims of social justice, as well as respect for diversity and pluralism. A progressive urban planning posture should support the preservation of informal services and historic city districts, both of which sustain the authenticity of local identity, while at the same time promoting the intermediate, technology-based, creative and other specialized services essential to development. The idea of sustainable development, which has been articulated in some urban strategic plans within the region (at least at a rhetorical level), may present a progressive planning framework for integrating social, economic, and ecological values. Recent research has disclosed that there may in fact be significant policy complements intersecting urban sustainability and competitive advantage, including policies for compact urban structure and land use, efficient transportation and transit, and education investments (Goldberg and Hutton, 2000), which may *inter alia* support advanced service industry development, as well as enhancing social welfare and ecological sustainability.

To some extent the expansion of service industries within the Asia-Pacific has assumed basic features of the earlier urban tertiarization experience within the mature regions of the Atlantic core, but in other respects has been quite distinctive. These contrasts can be attributed in part to different models of intermediate services production and exchange, to the special roles of government policy in promoting accelerated services growth, and to the marked disparities in overall development at national and regional scales within the Asia-Pacific. These contrasts were identified and incorporated in our provisional typology of urban service specialization. The differentiated growth rates and levels of specialization in advanced services decisively influences urban hierarchy within the region, as well as patterns of services trade and exchange, and global city-region status (Rimmer, 1996). Indeed, one of the salient issues for the future will be the extent to which full globalization processes may override established regional service markets, for example in finance, property and real estate, among others. The specialized service centres and corridors described earlier may emerge as platforms for the globalization of services produced within the Asia-Pacific, as well as engines of development within the region.

The narrative suggests a mandate for scholarly inquiry into the growth and development of service industries within the broadly defined Pacific realm, derived from attributes of the tertiarization experience which include (1) relatively high growth rates of service industries and employment in an expanding number of Pacific societies over the past decade or so; (2) the larger developmental implications of rapid tertiarization, whether viewed as an important extension of industrialization, or as essentially a new phase of socio-economic development; (3) the more specific consequences of rapid services growth for urban (and more categorically metropolitan) areas, and especially the role of tertiarization in processes of urban transition and transformation; (4) the distinctive interface between public policy and market forces in the acceleration of service industry growth in many cities and regions of the Asia-Pacific; and (5) the more problematic outcomes and impacts of service industry development within the Pacific new core, including displacement and polarization impacts, exacerbation of globalization pressures on existing industries and local communities, and the special problems presented by the larger economic crises within East and Southeast Asia in particular, a phenomenon which has had serious consequences for the service industries of the region. No doubt other themes could be elucidated (Beyers, 2000), but even this necessarily selective inventory of strategic considerations presents a rich, stimulating and potentially consequential agenda for scholarly research.

In addition to these empirical problems and policy issues, there are important theoretical questions to be addressed, associated with the role of tertiarization processes in the structure, growth and transformation of city-regions within the Asia-Pacific. There is a need to reconsider urban models embedded within the industrialization paradigm, in order to accommodate the increasing influence of service industries in the development of urban regions within the Pacific realm. These theoretical exercises will naturally acknowledge the centrality of industrial trends and economic factors, but will ideally transcend narrow economic parameters to consider both the social implications of services growth, as well as the socio-cultural basis of advanced tertiarization, following the lead of progressive urban scholarship both in the Atlantic and Pacific spheres (Moulaert and Gallouj, 1993; Kim *et al.*, 1997). More specifically, there is a clear need for conceptualization of

trajectories of service sector development within the Asia-Pacific which embody experiences of differentiation and exceptionalism that abound within the region, as well as more widely observed features. Beyond this important theoretical terrain, urban scholarship should address the relationships between the location of service industries and the reconfiguration of regional structure and the metropolitan space-economy. Innovative new research in this realm includes Larissa Muller's work on business services in Southeast Asia, incorporating commentary on opportunities 'for localizing international investment' within the region (Muller, 2002). At the larger metropolitan scale, these models would position services as decisive influences on multinucleation, and would encompass spatial linkages between advanced services and manufacturing enterprises in regional production systems. At a more localized level, new urban spatial models should incorporate the emergence of emerging clusters of specialized services within reconstructed precincts of the inner city, including constituent ensembles of integrated services production networks. This should include research on the 'New Economy' industries and cultural and creative activities which comprise the most recent phase of urban service industry development.

Finally, we can identify rich potential for socio-economic models of urban tertiarization that depict the role of services in social change within the region. There is an opportunity to investigate the hypothesis of a 'new middle class' (Ley, 1996) as an ascendant social constituency among those Asia-Pacific cities which have experienced rapid growth in services. Another research frontier concerns the new social divisions of service labour within Asia-Pacific cities, reflecting the convergence of culture, technology and urban milieu, observed in a growing number of new service production spaces within the region. Then there is the overriding influence of global processes on the occupational and social structures of urban communities, including the role of MNCs, the changing international division of production labour, innovation in telecommunications, and international migration. The extent to which these three powerful sets of forces—an ascendant new middle class of elite service workers, emerging social divisions of service labour, and globalization processes—influence social change and exacerbate social polarization tendencies within Asia-Pacific cities will surely assume greater theoretical and normative importance over the next decade and beyond.

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