



ASIA
DEVELOPMENT
DIALOGUE



THE NEW URBAN

TOWARDS PROGRESSIVE
SECONDARY CITIES

EDITOR
JORGE CARRILLO RODRIGUEZ



Chulalongkorn University
จุฬาลงกรณ์มหาวิทยาลัย
Pillar of the Kingdom

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An aerial photograph of a bustling city street, likely in South Asia, showing a mix of modern and traditional architecture, heavy traffic, and a backdrop of hazy mountains under a cloudy sky. The title text is overlaid on the left side of the image.

EXPLORING THE MULTIFUNCTIONALITY OF SECONDARY CITIES

Brian Roberts

PHOTOGRAPH: AM AHAD

Megacities dominate the research and discussions on urbanization. Yet, they account for only 13 per cent of the world's urban population. Of the estimated 4,000 cities with a population in excess of 100,000, more than half – 2,400 – have fewer than 500,000 inhabitants. These are the secondary cities, some of which are facing enormous challenges in managing rapid urbanization and economic growth, while others are trying to stem local economic and population decline.

Enormous disparities are appearing between large metropolitan cities and the secondary cities. In India, Mumbai produces almost seven times the GDP per capita of the smallest

secondary cities. In China, that ratio is 4.5, when compared with Shanghai, and in Thailand it is 4.7, compared with Bangkok. In many Asian, African and European countries, the disparity among income, production and wealth indicators continues to widen. However, there are many secondary cities that are performing very successfully, such as Curitiba, Bangalore and Toulouse. So the question is: Why are some secondary cities succeeding and many others falling behind in the development race?

This brief discussion looks at the need for governments to confront the growing problems and disparities facing secondary cities in South-East Asia.

The struggle to manage secondary cities

The dualities and gaps that are emerging within systems of cities in many countries and regions are having a profound effect on the economic and development prospects of secondary cities. Furthermore, the increasing interconnectedness of cities nationally and globally has left local governments not only coping with the dual role of implementing national policy and developing and managing local economic opportunities, but also having to respond to competition and the need to support the development of specialized markets and strategic infrastructure to operate in a more globally competitive marketplace.

Most city government officials do not recognize the need to take a greater role in facilitating the development of trade, investment and business links. Even among those who realize the imperative, many do not know how to go about creating more diverse, specialized and dynamic local economies.

For the 65 per cent of secondary cities located in developing countries and regions, the challenge is particularly difficult when faced with weak and corrupt governance systems, a general failure of decentralization, lack of capital to develop essential strategic infrastructure, poor logistics and communications systems, high levels of urbanization and migration and concerns about climate change and food security.

Types of secondary cities

Secondary cities have a vital role in national development. Most of them have a population size ranging between 10 and 50 per cent of the country's largest city. However, not all secondary cities perform the same functions. Broadly speaking, they fall into three typologies: i) subnational administrative centres of government or of a particular resource or function; ii) clustered secondary cities that grow like mushrooms on the periphery of large urban centres; and iii) economic corridor secondary cities emerging along major transport routes between large cities within countries and across countries.

Subnational secondary cities are an essential link in national systems of cities. They function as intermediaries – as logistics, administrative and knowledge hubs and markets for the flow of resources, goods and products from the rural areas to national and global markets and in the reverse flow of manufactured goods, services and materials to the primary

sector. Many regional secondary cities, especially the larger ones, generate local economies of scale and offer large and expanding labour, land, housing, specialized services (education, research, tourism, etc.), commercial, and investment markets.

Clustered cities tend to function differently from subnational secondary cities. These are mainly a product of the demand for land in rapidly growing metropolitan regions. In most cases, they are a spillover of planning policies designed to restrict the physical growth of cities or the de-industrialization of congested inner cities where development costs and room for expansion forces industries to the periphery and to new satellite or expanded towns, where transaction and other externality costs are lower. Regional examples of clustered cities are Bekasi, south-east of Jakarta, Biên Hòa, north of Ho Chi Minh City and Amphoe Mueang, south of Bangkok in Samut Prakan Province. Many of the problems associated with clustered cities differ to what subnational secondary cities experience, although they are not dissimilar to resource-rich regional cities, where infrastructure, basic urban services, squatter settlements and housing problems are acute.

NATIONAL URBAN POLICIES SHOULD RECOGNIZE THE NEED FOR SECONDARY CITIES TO BECOME MORE SPECIALIZED, COMPETITIVE AND NATIONALLY AND GLOBALLY ORIENTATED IN THEIR DEVELOPMENT FOCUS

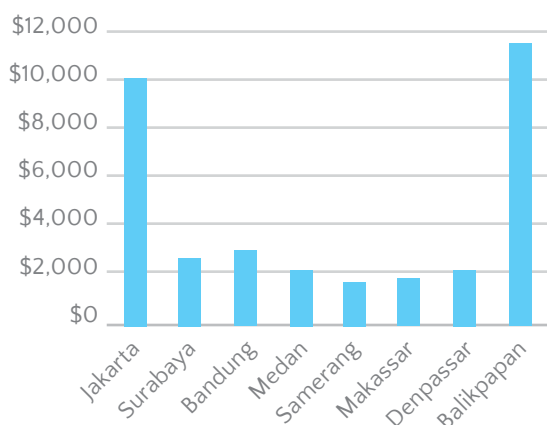
The growth of economic trade corridor secondary cities is a new phenomenon. These are cities selected and developed as growth nodes along major transportation routes crossing several countries. Plans are well advanced in Asia for the development of these cities, especially along the Ho Chi Minh

City-to-Bangkok corridor. Corridor secondary cities are logistics and low-value-adding process centres that take advantage of lower-priced infrastructure, labour and land and the back-loading capacity of rail and trucks, many of which travel the return-home city journey empty. These cities are the new economic enterprise zone locations and are governed and managed by international trade arrangements rather than local government laws and regulations.

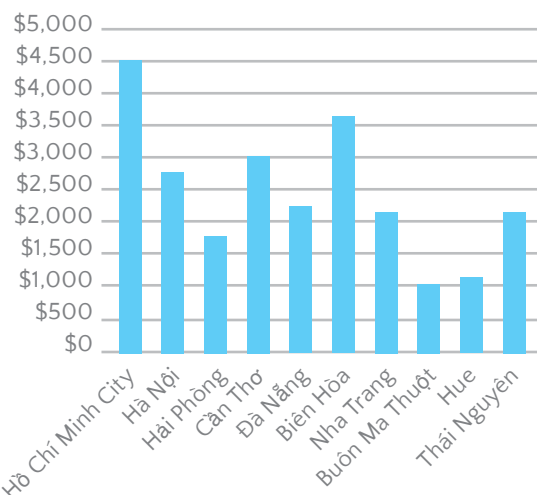
Across the region, there are noticeable differences in how well secondary city economies perform. In Indonesia, with the exception of Balikpapan, which benefits from natural resources (petroleum, in particular), there is a huge gap in GDP per capita value between Jakarta and all the other secondary cities. Vietnam, on the other hand, has a somewhat more evenly distributed pattern of GDP per capita among its secondary cities. However, less well-served cities, like Hue and Buôn Ma Thuột, are much poorer than the others (see charts below). The expanded city of Biên Hòa has benefited greatly from the growth overspill from Ho Chi Minh City.

For some secondary cities, geographical issues and challenges impact on their function and development performance. Coastal and navigable river secondary cities usually perform better than inland cities, which rely on road and rail transport. Inland secondary cities in China, for example, are usually

Indonesian cities US\$/capita, 2012



Vietnam cities GDP/capita, 2012



10–25 per cent poorer than coastal secondary cities – except those that are mineral and petroleum resource rich and thus generally outperform all other cities.

In South-East Asia, these extremes are even greater. In Vietnam, the GDP per capita of Buôn Ma Thuột in the Central Highlands is less than half that of Cần Thơ (located in the Mekong Delta) and of the port city of Đà Nẵng.

Secondary cities used to be defined within a hierarchical system that was based on population size. Now the hierarchy is defined by types of prominence, as illustrated by the global impact of America's Washington, D.C. on politics, India's Bangalore on the ICT industry and France's Toulouse on aircraft manufacturing. However, such secondary city prominence is not happening in South-East Asia, where specialization is concentrated in the large primate cities.³ This raises important questions for governments and policy-makers: How are they going to cope with the multiple roles of secondary cities and how are they

going to deal with the disparities and disadvantages emerging between different types of secondary cities within national systems of cities? What implications do these factors have on incumbent urban governance systems? What needs to change?

Six areas of change

These questions need resolving if the disparities and problems confronting the management and development of secondary cities are to improve. A fresh approach to urban policy and action on supporting the development of secondary cities is needed. In particular, six areas of change are required.

Global dimension to national urban policy: Many countries have developed national urban policies that still use a hierarchical system of cities based on population size. The system provides the basis for the allocation of resources for public administration and other national functions. Few countries, however, recognize that some secondary cities have a significant regional or global

role, which requires a different set of policies and programme activities for supporting local economic development and the provision of strategic infrastructure. National urban policies should recognize the need for secondary cities to become more specialized, competitive and nationally and globally orientated in their development focus. This is a major issue for national urban policy in Indonesia, the Philippines and Thailand. Without this, they are unlikely to attract investment, create good jobs or raise the capital needed to fund the huge backlog of infrastructure and urban services they currently lack.

Greater support to disadvantaged secondary cities: National economic development policies also need to recognize regional differences between inland and coastal secondary cities. Policies for inland secondary cities need to incorporate special needs for resource deficiencies, potential climate change impact and logistical gaps. Economic policies may also need to recognize differential taxation for

³ For other transformations affecting secondary cities as a result of these challenges, see Thompson's essay on Rethinking the Rural–Urban Continuum, included in this publication

businesses and individuals to attract investors and skills development into more disadvantaged regions where secondary cities are struggling to manage high levels of migration and urbanization. Chiang Mai is an inland secondary Thai city seeking to become more creative and innovative. Most other secondary cities in the region are struggling to diversify, innovate and reform and thus to spread investment away from the primate city of the country.

Policy for greater competition between cities: There is growing interest in measuring the competitiveness of cities. Enhancing the competitiveness of secondary cities is considered important to bring about greater efficiencies in local government and encourage them to work closely with the private sector as well as to bring about greater transparency and the streamlining of regulatory processes, thus stability to local land and property markets. Many governments are reluctant to introduce policies to make cities more competitive because of the impact this may have on local politics, employment loss and corruption. Policies to encourage greater competition between secondary cities are essential if new markets are to open up to trade and investment and greater efficiency and transparency is to occur in governance systems.

A new policy framework for decentralization: Most countries have introduced decentralization policies, aimed at devolving administrative, financial and other functions to local government. However, for various reasons, decentralization policies have not worked. A general failure of them in many South-East Asian countries has been a weakness in the financial autonomy of local governments. This is made more difficult in countries like Indonesia

and the Philippines, where there has been a propensity to increase the number of local governments rather than amalgamate many of them into more efficient units. Progressive local governments, within limits, should have access to sub-sovereign lending and financial capital markets to raise the capital needed to build strategic infrastructure and support the diversity of local economies.

Metropolitan regional planning and development: The explosion of city clusters around large metropolitan areas has led to a large amount of uncontrolled and poorly managed development occurring at the peri-urban fringe. All the megacities in South-East Asia have failed to manage the development of their metropolitan regions. Many have poor public transport services and experience severe flooding problems caused by poor catchment management. Many of these cities have become very large, have limited resources to fund the necessary infrastructure and services and have large migrant populations seeking employment in newly established industrial estates that lack many of the amenities of the central city area. Metropolitan regional planning and development policies, including the development of authorities, have not successfully managed urbanization in many of the cluster city developments. New institutional governance arrangements are needed that are based on collaborative governance and resource-sharing arrangements that reduce costs, ensure better managed services and recover from developers and land owners more of the costs to cover the provision of essential urban services and amenities.

A focus on endogenous growth: Many secondary cities in developing countries are net importers of goods and services. Too many governments

try to export development strategies based on industrialization when faced with enormous disadvantages caused by lack of skills, poor communication, weak local governments and capital markets. There is the need for all governments to give much stronger emphasis to endogenous growth (stimulating diversity and growth of the local economy) to create more localized employment opportunities. In many cases, this requires co-investment of capital by the central government, international development agencies and businesses in partnerships to stimulate local employment and business development opportunities in small- and medium-scale enterprises that are linked into a national network of trading cities.

Secondary cities are re-emerging in the policy debate as an important issue in many countries. As the disparity between large metropolitan regions and secondary cities widens in many countries, governments are recognizing the need to develop new and innovative policies to stimulate the development of local economies within the context of more open governance and economical and mobile labour markets. The importance of local governments taking a more active role and responsibility for the economic development of secondary cities needs to be recognized. So, too, is the need for changes in attitude towards city competitiveness, urban governance and management. Secondary cities can make the changes if policy-makers are better educated, are given greater responsibility and are made more accountable in making secondary cities more liveable and sustainable. This must become a key area of focus for national governments and international development agencies, banks and NGOs.