Shaping the Future Through an Asia-Pacific Partnership for Urbanization and Sustainable City Development – Executive Summary

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EXECUTIVE SUMMARY

APEC member economies recognize that the management of urbanization and sustainable city development are crucial to the future prosperity of the region. The region’s cities, though prosperous, face significant development and management challenges. Many of these will be difficult and take time to solve. Creative, collaborative, and innovative solutions are needed for cities, along with new policies and strategies to improve the management of urbanization to make them better places for people to live, invest, and do business. APEC member economies can, through partnerships, play a supporting role in making cities more sustainable.

This study presents arguments and a rationale for APEC member economies to engage in an Asia-Pacific partnership to shape the future of urbanization and sustainable city development. It discusses the challenges, policies, issues, and changes facing the development and management of cities. Drawing on research on five cities and four urban corridors, the study outlines important lessons from the ways cities are addressing urbanization and sustainable development issues. It discusses the role played by innovation in identifying solutions to address the problems of cities. These findings should be incorporated into partnership arrangements that APEC could engage in for shaping urbanization and the future sustainable development of cities. This study outlines a framework for an Asia-Pacific partnership to shape the future of urbanization and sustainable city development in the region, and provides recommendations for consideration by member economies.

CHALLENGES TO SUSTAINABLE URBANIZATION

The 21 member economies comprise around 40 percent of the world’s population and produce more than 53 percent of world gross domestic product (GDP), USD 35.8 trillion in 2012 purchasing power parity (PPP) terms. In 2013, the APEC region was about 60 percent urbanized, with over 1.8 billion people living in cities. Urban population is projected to increase to 2.4 billion or 33 percent by 2050. APEC member economies include 14, or half, of the world’s megacities, 22 (55 percent) of the world’s cities with populations of 5–10 million, 185 (41 percent) of the cities with populations of 1–5 million, and 284 (48 percent) of the cities with populations of 0.5–1 million.

The cities in APEC member economies are transforming rapidly, with growth being driven by rapid industrialization and agglomeration of economies. This is accompanied by high levels of rural–urban migration, including cross-border migration. In developed APEC member economies, cities are going through a difficult transition from manufacturing to advanced services economies. The diversity of economic activity includes advanced services sectors, knowledge, and technology-based manufacturing. Urban regeneration is revitalizing old city centers with new economic activities, along with socio-demographic changes.

Globalization, free trade agreements, improved communications, and exchanges are leading to a more borderless system of engagement between cities. The rapid growth of cities in Asia and Latin America is creating development challenges including shortfalls in planning capacity, physical infrastructure, investment capital, environmental management and housing. Improvements are needed in governance, livability, competitiveness, and support for local economic development, trade, and urban management to realize the urban sustainability of these cities.
Urbanization has boosted productivity gains in the APEC region, driven by the liberalization of world trade and capital and labor markets. However, economic gains have come at a cost, with issues of social and environmental sustainability, backlogs in strategic infrastructure and poor planning and urban management affecting both productivity and livability of cities. These costs and delays threaten the competitiveness of APEC cities in the future.

These changes have a broad impact across the region. Technological change is threatening the ‘cheap labor’ export-led growth model. Demographic change, particularly the ‘graying’ of cities in developed and some Asian developing member economies will have a profound impact on consumption and savings patterns and on the way people live in cities. These changes call for more proactive and responsive approaches to the management of urbanization to address the challenges facing cities, and to maximize the gains from more sustainable and green forms of economic growth.

**URBANIZATION-RELATED POLICIES IN APEC ECONOMIES**

The development of cities is affected by a wide range of economic, social, environmental, technology and governance policies. These are applied at international, domestic, and local levels. A review of domestic urban policies indicates differences relating to the management and development of cities across member economies. In particular, these differences relate to city competitiveness, innovation, good governance, and the efficiency of economic linkages between cities. Large, internationally orientated cities have benefited from international and national economic reforms, but secondary cities have not. The sustainable development of secondary cities remains a problem for APEC member economies.

A significant challenge for policymakers is to understand the economy of cities in spatial terms. The economy is not something that happens ‘out there’. It happens geographically within cities, and among clusters of cities within a metropolitan region. Within cities, spatial corridors focused on transport links and local strategic infrastructure, determines the competitiveness of industry clusters. Moreover, in urban regions, major cities have emerged at the ends or along major economic corridors, such as the Pearl River Delta. Some economic corridors in the region stretch across state/provincial and international borders. Within the economic hinterland of major cities, many secondary cities are flourishing, as are some inland cities. However, inadequate logistics and access to markets are curtailing their development, except for cities which have high-value resource based industries.

The effectiveness of city systems and their management, the domestic and global logistics on which city growth depends, therefore, should be a paramount issue in policymaking for APEC. Given the forces of change impacting the region, in order to continue to deliver benefits to the people, inland cities need to become more efficient, inclusive, competitive and environmentally sustainable. There is need for central government policy and other support to meet these requirements.

**EXPERIENCES OF SELECTED APEC CITIES AND URBAN CORRIDORS**

Research was undertaken in APEC member economies to examine cities from five aspects: investment environment, innovation and business support, strategic infrastructure, social and environmental sustainability, and governance effectiveness. The scope covers five cities: Brisbane, Manila, Lima, Mexico City and Santiago de Chile; and four urban development
corridors: Pearl River Delta, Ho Chi Minh–Bangkok trade corridor, Jing-Jin-Ji Circle, and the Seattle–Vancouver urban corridor. More in-depth research will be carried out in the form of case studies, which will be developed into a separate volume.

The practices and lessons gained from the research can be adapted and applied to APEC member economies to help shape the overarching strategies for the development of competitive and sustainable cities in the region. The lessons are:

- Enhancing the investment environment through improving the productivity of human capital, providing value-for-money infrastructure services, and keeping bureaucracy to a minimum.
- Fostering innovation through providing research and development support appropriate to the industry clusters in the urban area.
- Building a solid framework of business support services and encouraging the establishment of a full range of financial services accessible to the spectrum of the enterprises in the city.
- Planning, financing and building resilient strategic infrastructure appropriate to the industry clusters in the city and the systems and institutions for efficiently managing that infrastructure.
- Developing a healthy environment, educated, engaged and empowered citizens, and enabling frameworks conducive for knowledge and enterprise development.
- Delivering the environmental infrastructure, health care, education, water and power, and management systems to the innovators and investors.
- Building a community consensus on safety, social inclusiveness and environmental objectives.
- Building transparent, accountable and collaborative urban governance systems that can span the spatial scope of economic organization – from cities to economic corridors between economies.
- Undertaking the required planning, program and project development, financing and implementation oversight for inclusive, resilient and climate change responsive development.
- Supporting partnership programs which support the sustainable development of systems of cities in both scope and scale.

The research shows varying approaches to overarching spatial urban policies in APEC member economies. Spatial urban policies for sustainability need to be targeted according to the typology and functionality of cities. Cities which focus on enhancing the economic drivers of competitiveness, such as business dynamics, economic governance, human capital development and livability, offer more favorable locations for business development, innovation and investment.

**KEY AREAS OF STRATEGIC SUPPORT FOR SHAPING THE SUSTAINABILITY CITIES IN APEC REGION**

The analysis of urbanization and sustainable city development in this study will help guide policymakers in APEC economies to improve the management of urban systems that will result in increased productivity of land, labor, and capital, and to maximize opportunities for trade development on a sustainable basis. Policies aim to reduce barriers to trade and investment and
address market failures. The analysis identifies policies to stimulate diversification and specialization, and to develop new skills and value-adding enterprises. It points to ways to liberalize trade and reduce transaction, input and transport costs and enable entrepreneurs to offer more competitive products.

The study identifies the following key investment areas needed to improve the sustainability, development and management of APEC region cities:

1. **Economic Environment** which includes fostering support for:
   - Investment – building the attractiveness of cities and trade corridor areas for the entrepreneur, and value-for-money infrastructure, labor, and property required for a business.
   - Business Support and Innovation – building ‘local economic dynamism’ through financial and other support, for example, through the development of local clusters and their supply chains.
   - Strategic Infrastructure – building logistics systems, infrastructure to support local industry clusters and social infrastructure, particularly education and health.

2. **Social and Environmental Sustainability** – fostering a good ‘quality of life’ by investments that improve social inclusiveness, environmental outcomes and the capacity to preserve natural capital.

3. **Governance Effectiveness** – building institutions that are effective in managing multi-level urban systems and producing outcomes in 1 and 2 above.

In formulating policies, strategies, and initiatives for shaping the future through an Asia-Pacific Partnership for Urbanization and Sustainable City Development, APEC should focus its efforts in these strategic areas.

**RECOMMENDATIONS**

Achieving sustainable urban development in APEC member economies will require concerted approaches to planning, infrastructure, financing and urban governance of cities, along with policies, strategies and actions to progress competitive, inclusive and green city economic development agendas. Such an agenda calls for innovation, creativity, new ideas, new logistics systems and promotion of investment opportunities for cities. It also calls for substantial investment to address the needs of the poor and disadvantaged, climate change, food security and livability. This will not be easy. Currently, cities in APEC member economies face considerable challenges with respect to this agenda.

Partnerships can provide the tools for improving the sustainability of cities. Partnerships help to reduce the costs of doing business in cities, allow the leveraging of resources, provide a common base of knowledge and understanding to address complex problems and enable greater opportunities for inclusiveness and engagement of stakeholders that have a critical role in the running and development of cities. APEC should have a role in shaping the urbanization and sustainable city development agenda for the region. The best way APEC can do this is through an Asia-Pacific Partnership for Urbanization and Sustainable City Development initiative.
Recommendation 1: Address the gaps in policies related to urbanization management and urban governance

Based on the review of urban related policies, it is critical for APEC member economies to promote policies that enhance competitiveness, innovation systems, and reinforce the efficiency of economic links among cities. APEC member economies are encouraged to:

- Promote effective economic corridor governance systems, including policies for gateway development. In the case of cross-border corridors, these include efficient processes for border crossings, and minimization of transactions costs.
- Promote investment in the development of secondary and small–medium cities, recognizing the variety of circumstances of such cities, with the objective of simultaneously enhancing exogenous (export-oriented) and endogenous growth strategies.
- Promote integrated approaches to environmentally sustainable and inclusive economic growth at city level through more responsive institutions and systems.
- Put in place a structured mechanism to promote city-to-city cooperation projects, preferably linked to an agency that can support such efforts with additional technical assistance, capacity building, and links to finance. The projects should take into account aspects of innovation, trade, and investment.

Recommendation 2: Bolster cities to support sustainable economic growth, trade, business development, and job creation

To bolster long-term economic development and increase trade through urban areas, and to promote the policies listed above, APEC member economies should foster partnerships to develop:

- A research network focused on urban innovation and collaborative governance for sustainable development to investigate the economic links among cities (including cross-border links), comparative city economies and environmental and social factors that support or threaten economic development.
- A policy forum, formulated by the research network, which discusses domestic policy measures to foster sustainable urban development, with a view to putting forward policy proposals to the relevant APEC committees.
- A network of peers, including domestic urban policymakers and the private sector, focused on disseminating best practices in planning, financing, and implementing strategic infrastructure in support of sustainable urban development.

Recommendation 3: Establish an Asia-Pacific Partnership for Urbanization and Sustainable Development

To achieve the actions contained in Recommendations 1 and 2, APEC should establish an Asia-Pacific Partnership for Urbanization and Sustainable City Development. As a first step in establishing the partnership, APEC should create a coordinating mechanism led by APEC Senior Officials to progress the following priority areas:

- Undertake a scoping study of the potential structure of, and participants in, the proposed research network and the feasibility of establishing sustainable innovation hubs.
• Canvass support for the development of a ‘best practice’ network on strategic infrastructure for sustainable urban development.
• Incorporate innovative development, economic reform, and growth in urban governance at a local level.
• Establish collaborative mechanisms with existing key economies, agencies, organizations, and networks to leverage on common resources in support of the sustainable development of cities in the region.