



**Asia-Pacific
Economic Cooperation**

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**Shaping the Future Through an Asia-Pacific
Partnership for Urbanization and Sustainable City
Development**

Submitted by: PSU, APEC Secretariat



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Advancing
Free Trade for Asia-Pacific
Prosperity

Shaping the Future Through An Asia Pacific Partnership for Urbanisation and Sustainable City Development




APEC Policy Dialogue on Urbanization

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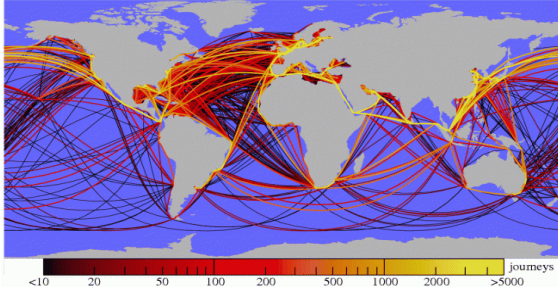
Background

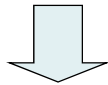
-Urbanization at a Glance



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- Cities now contain the majority of APEC citizens – over 60 percent are urban in 2013 and 72 percent will be urban by 2050
- 70-80 percent of GDP is urban
- Increasingly cities are the focus of global competition
- But Governments treat them as an afterthought







Responding effectively requires a paradigm shift in urban planning and financing


Background

-Cities and Domestic Economies




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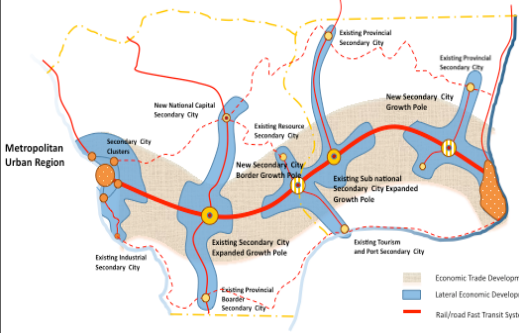



- Urban inefficiencies are a break on domestic economic growth
- Over 950 million citizens are poor
- Cities use 85% of energy and cause at least 75% of GHGs
- Vulnerable to climate change impacts

Background -The Rise of the Urban Region




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- Cities are not just about the city – they are about the logistics corridors linking them to their economic hinterland and other cities

Background -Urban Economic Giants

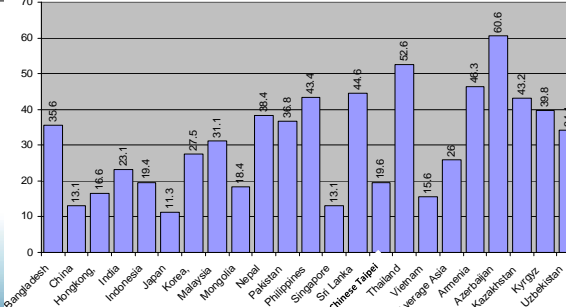


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City	Economy	Total Population - mill 2012	Total GDP - \$b 2012	City Population - mill 2012	Economic Product - \$b 2012	City's share in total GDP
Shanghai	China	1360.8	8358.4	18.6	516.5	6.18%
Jakarta	Indonesia	249.9	878.0	19.2	224.7	25.59%
Manila	Philippines	99.1	250.3	20.7	153.7	61.41%
Bangkok	Thailand	65.9	365.6	10.1	262.4	71.77%
Tokyo	Japan	127.2	5959.7	37.7	1520.0	25.50%
Sydney	Australia	23.4	1520.6	4.0	203.0	13.35%

Relative size of Informal Economy, 1999/2000 (%)

- Megacities are economy-sized in population and gross domestic product
- But there is a large informal sector in cities of developing economies.





The New Urban Economic Geography



Urbanization has boosted productivity gains in APEC economies, driven by the liberalisation of world trade and capital markets (and increasingly labour markets).

But the forces of change have a broad impact across the region.

- Rising wages and technological change are threatening the 'cheap labour' export-led growth model. Many economies face a 'middle income trap'. Cities are the service economy which constitutes a major part of the way out of the 'trap'.
- Demographic change, particularly the 'greying' of cities in advanced economies and a number of Asian member economies, will have a profound impact on consumption and savings patterns and on the way people use cities.
- 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 liveability of cities in the region.
- These costs and delays threaten competitiveness in the future.

The New Urban Economic Geography



-Winners and Losers in Urban Networks

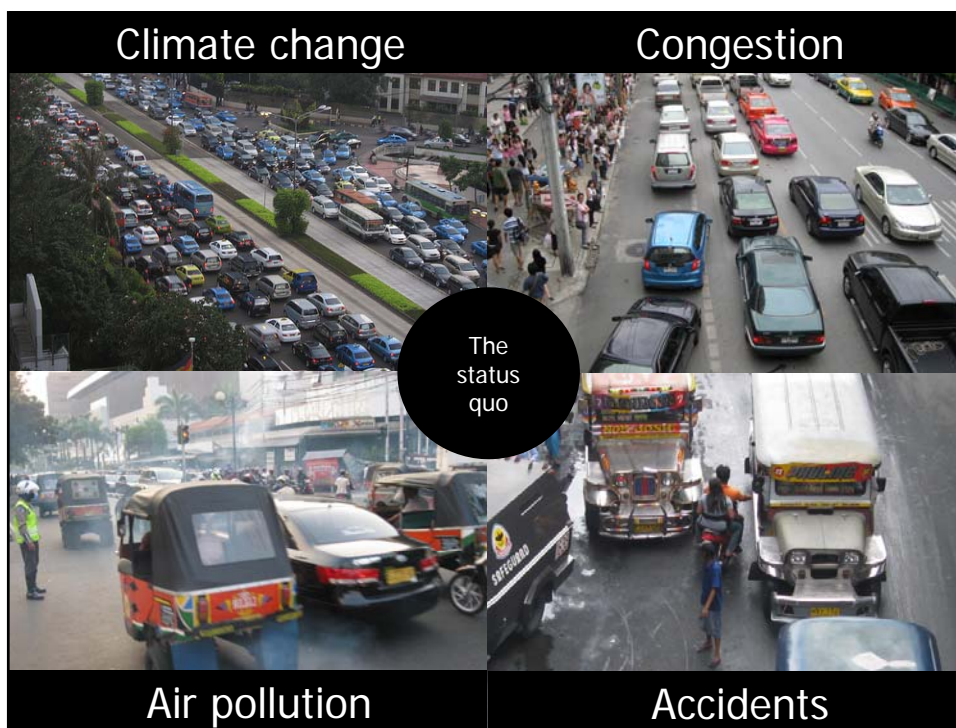
- While cities may be economic giants, they are often fiscal dwarfs as central governments fail to recycle sufficient resources to maintain their competitiveness
- Primate cities are still predominant, but many secondary cities are growing more rapidly as infrastructure reaches them and primate agglomeration diseconomies start to overcome agglomeration economies
- Many cities exhibit rapidly falling densities as the middle class 'suburbanises' – increasing the cost of infrastructure provision and energy usage
- That said, secondary cities unconnected to economic corridors and/or without resources, are losing out

The Challenge of Sustainability




– the economy

- Mostly over 70 percent of the GDP, therefore vulnerable to lack of competitiveness of cities.
- Thirteen of the top ranked 20 cities in the Economic Intelligence Unit's Hotspot competitiveness Report are in the APEC region.
- However, these are located in six (high income) economies, and half are mega cities.
- The competitiveness ranking of many cities in other APEC member economies is low, especially in Southeast Asia and Latin America, despite their high rankings in terms of Economic Strength – under current competitive conditions.
- Only three APEC member economies (Hong Kong, China; Singapore and the United States) rank in the top ten of the Global Innovation Index.




The Challenge of Sustainability – the environment



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- 1.1 billion more people by 2030 require huge spending on infrastructure to maintain quality of life
- Urban environmental constraints are a break on economic growth
- Low amenity deters high value added workers from many cities (Hotspot ratings mostly low)
- Pollution reduces productivity
- Cities use 85% of energy and cause at least 75% of GHGs
- Especially vulnerable to climate change



Map of Metro Manila

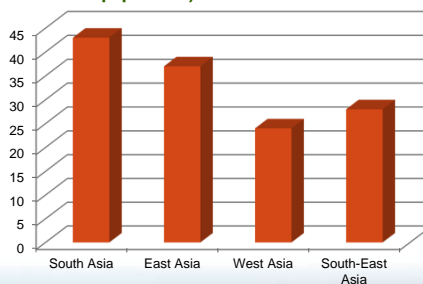
The Challenge of Sustainability

- Social inclusion



- Almost 950 million urban dwellers are poor.
- Many APEC member economies are aging requiring more social services
- Poverty has income, access and power dimensions
- Poor access to health services and education reduces productivity
- The poor are most vulnerable to environmental problems and the effects of climate change
- Infrastructure delivery plays a key role in fighting urban poverty

Prevalence of slums in Asia's cities (% of urban population)



In this context what should sustainable cities look like?



Practical steps which will also enhance cities' competitive position



- ◆ **Local land use and transportation patterns.** Land use and logistics/transportation planning decisions directly influence market access and efficiency of businesses and whether people and businesses will have mobility choices that allow them to save energy and money.
- ◆ **Construction and energy efficiency.** Through cost recovery policies, zoning and building codes, and the permitting process, cities can encourage building designs and infrastructure provision that save costs, energy and resources.
- ◆ **Local economic activity.** City economic development initiatives are opportunities to encourage innovation and development in high value added, low-energy, zero-carbon directions, by both incentive and example.

Example of Sustainable City Investments: Tianjin and its Eco-city



Green Transportation

An efficient and easily accessible public transport system focusing on 'Green trips', which include public transportation, cycling and walking. The target is for at least 90 per cent of the trips within the Eco-city to be via walking, cycling, or use of public transport.



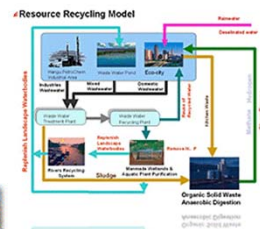
Use of Clean, Renewable Energy and Ecologically Friendly Waste Management

Particular emphasis on the "3Rs" of waste management
- Reduce, Reuse and Recycle.

Balance of Economic and Social needs

– Preservation of Heritage

Conservation through adaptive reuse or partial rebuilding.
Cross subsidy of low income housing. But needs incentive finance.



Urbanization-related Policies in APEC Economies



The study's review of policy of international organisations, domestic agencies and city networks identified some important gaps. Specifically these gaps relate to supporting improvements in:

- City competitiveness;
- City innovation systems; and
- Increasing the efficiency of economic linkages among cities.

Enhancing performance in these areas will require APEC regional support to:

- Policy formulation in member economies; and to
- Sustainable Innovation Hubs in urban regions.

Case Studies and Analysis Framework



- ◆ **Representative Case Studies.** Case studies were chosen to reflect, as far as possible, the diversity of circumstances within APEC.
- ◆ **The case studies were:** Brisbane, Seattle-Vancouver Corridor, Manila, the Pearl River Delta, the Beijing Urban Ring, Lima, Mexico City, Santiago de Chile and the Bangkok-Ho Chi Minh City Corridor.
- ◆ Each of the case studies were assessed according to **5 drivers of economically effective, sustainable cities.** These are:
 1. Investment Environment
 2. Innovation and Business Supports
 3. Strategic Infrastructure
 4. Social and Environmental Sustainability
 5. Effectiveness of Governance.

Case Study Results



The crucial lesson of the case studies is that building a sustainable city enhances the competitiveness of the city through:

- Enhancing the investment environment and productivity;
- Fostering innovation;
- Enabling them to plan, finance and build strategic infrastructure appropriate to their industry clusters;
- Focusing on building a community consensus on safety, social inclusiveness and environmental objectives; and
- Building transparent, accountable and collaborative urban governance systems which span spatial and sectoral scope of economic organisation – examples of such governance structures were characterised as **Sustainable Innovation Hubs**.

Conclusions



Achieving sustainable urban development for APEC member economies will require new approaches to planning, infrastructure, financing and governance of cities, along with policies, strategies and actions to progress competitive, inclusive and green city development.

Such an agenda calls for innovation, creativity, new ideas, logistics systems and promotion of investment opportunities for cities.

APEC should have a role in shaping the urbanisation and sustainable city development agenda for the region.

To do this the study suggests leveraging existing initiatives and resources through an Asia-Pacific Partnership for Urbanisation and Sustainable City Development.

Recommendation 1



Bolstering Cities to Support Sustainable Economic Growth, Trade, Business Development and Jobs Creation

In order to encourage long-term economic development and increase trade through bolstering its urban areas, and to promote the above policies, it is recommended that APEC foster partnerships to develop:

- A **research network** focused on collaborative governance for urban innovation, enhanced competitiveness and on the economic linkages among cities.
- A **policy forum**, informed by the research network, for dialogue on policy measures to foster competitive, sustainable urban development.
- A **network of peers** focused on disseminating best practices in the planning, financing and implementing strategic infrastructure in support of sustainable urban development.
- A structured mechanism to promote **city-to-city cooperation** projects.

Recommendation 2



a Asia-Pacific Partnership for Urbanization be established to enhance dialogue, policy and action around the issues of Urbanisation and Sustainable City Development.

Specifically the partnership should:

- **Align with and compliment the activities of other organisations** active in the urban sphere;
- Focus on fostering the development of **governance systems** which will enhance competitiveness and innovation;
- support **structural reforms** at central government level which lead to a systems of cities in APEC that are more efficient, effective, competitive and innovative;
- Foster understanding of the importance of the relationship of cities to economic growth, trade, business development and jobs creation through linkages, trade, competition and investment between cities within economies and the region; and
- Foster, through such mechanisms as Sustainable Innovation Hubs, better city counterpart systems focused on competitiveness and innovation.

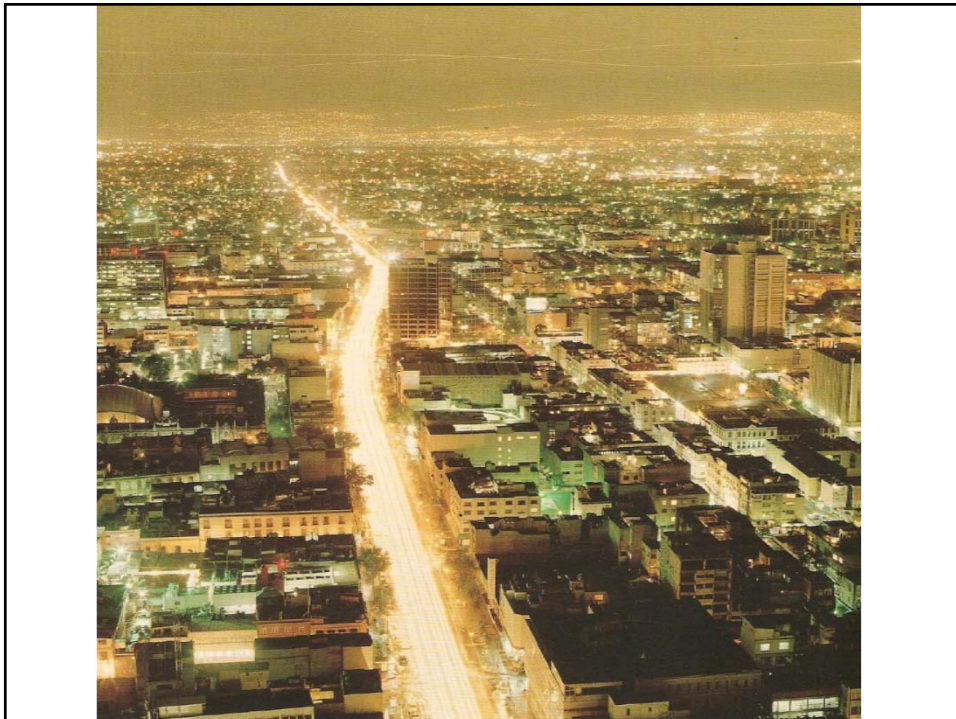
Recommendation 3



Priorities for Partnerships Development for Urbanization and Sustainable City Development

Through the proposed research network, policy dialogue, peer-to-peer networks and city-to-city five priority initiatives. These are:

- Incorporate innovative development, economic reform and growth in urban governance on local level;
- Add innovation, trade and investment aspects when developing sister-city relations;
- Facilitate investment in secondary and small-medium cities;
- Establish a cooperative network of sustainable model cities; and
- Carry out integrated research and capacity building activities on urbanization.



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